

A STAR ALLIANCE MEMBER 

# 2014

## ANNUAL REPORT



#### Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>  
EVA Airways Corp. annual report is available at: <http://www.evaair.com>

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## Contents

<b>I. Letter to Shareholders</b> .....	1
<b>II. Company Profile</b>	
2.1 Date of Incorporation.....	7
2.2 Company History .....	7
<b>III. Corporate Governance Report</b>	
3.1 Organization.....	10
3.2 Directors, Supervisors and Management Team.....	11
3.3 Implementation of Corporate Governance.....	28
3.4 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders.....	46
<b>IV. Capital Overview</b>	
4.1 Capital and Shares.....	49
4.2 Bonds.....	53
<b>V. Operational Highlights</b>	
5.1 Business Activities.....	57
5.2 Market and Sales Overview.....	59
5.3 Human Resources.....	61
<b>VI. Financial Information</b>	
6.1 Five-Year Financial Summary.....	62
6.2 Five-Year Financial Analysis.....	70
<b>VII. Review of Financial Conditions, Operating Results, and Risk Management</b>	
7.1 Analysis of Financial Status.....	74
7.2 Analysis of Operation Results.....	75
7.3 Analysis of Cash Flow.....	76
7.4 Major Capital Expenditure Items.....	77
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	77
<b>VIII. Special Disclosure</b>	
8.1 Summary of Affiliated Companies.....	78
<b>Appendix</b>	
1. Financial and Operating Highlights.....	79
2. Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report.....	81
3. Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report.....	155

# I. Letter to Shareholders

## 2014 Results

During 2014, EVA Air carried 8.9 million passengers and 680 thousand tons of cargo, achieving a combined load factor of 82%. Operating revenue increased 5.6% year on year to NT\$116.92 billion. Consolidated operating revenues reached NT\$133.09 billion, an increase of 7.2% from 2013.

- **Passenger revenue grew 10% to NT\$78 billion, a NT\$6.9 billion increase compared to 2013.**

The yen depreciated and more Taiwanese visited Japan. The Chinese government's lifted its ban on cross-strait-relation stabilization and increasing numbers of people from second-tier cities began to travel. EVA added flights on existing North America/Canada routes, spurring growth in transit traffic to Southeast Asia. Including the synergy benefits of Star Alliance membership, our 2014 passenger numbers grew 11.1% above 2013.

- **Cargo revenue contracted 2% to NT\$31.2 billion, a decrease of NT\$0.8 billion compared to 2013.**

Cargo demand fell short of expectations because of the global economy's weak recovery in the first three quarters of 2014. In Q4, Apple's new produce release and US West Coast congestion problem boosted demand. In response, we adjusted cargo capacity to meet actual market demand. Our overall capacity dropped year on year by 7.7% while the cargo load factor was up year on year by 2.9%.

- **Results show a net loss of NT\$1.31 billion for 2014, the consolidated financial statement indicates a net loss of NT\$0.79 billion and loss per share equals NT\$0.4.**

- **Ongoing fleet renewal**

We operated a total of 67 aircraft in 2014, including 53 passenger jets and 14 freighters:

Aircraft Type	Quantity
B747-400	3
B747-400 Combi	2
B747-400 (Freighter)	8
MD-11 (Freighter)	6
MD-90	4
B777-300ER	18
A330-200	11
A330-300	3
A321-200	12
<b>Total</b>	<b>67</b>

We retired one B747-400 freighter and have three MD-90s left from our operating fleet. We improved route competitiveness by introducing three highly efficient B777-300ERs and six A321-200s.

- **Safety and quality service recognized for excellence.**

Flight safety is the core value of our business, without flight safety there is no service. We are dedicated to enhancing the quality of our service. We have earned a solid reputation within the airline industry for our safety record and superb service. Among our awards and recognition in 2014, EVA:

- Recognized as one of AirlineRating.com's "World's Top-10 Airlines" and as "Best Long-Haul Airline in Asia Pacific."
- Chosen by UK's Telegraph Magazine as one of the world's 10 best long-haul airlines.
- Won US-based Air Cargo World's "2014 Air Cargo Excellence Survey Gold Award."
- Ranked third among the world's safest airlines on the annual index reported by Germany's AERO International Magazine.

We began upgrading cabins to elevate design and service to higher levels and introduced three brand-new Boeing 777-300ERs in 2014. We designed our newest cabins to be both fashionable and simple. Elite and Economy Class passengers

get larger 11.1-inch monitors compared to 9-inch screens in earlier cabins. Royal Laurel Class passengers can take advantage of two screens, a 16-inch monitor and a 4.1-inch LCD panel built in to the remote control. The upgraded screens are multi-touch and high-resolution, resembling tablets and personal computers. These aircraft are also equipped with Panasonic Avionics' Global Communications Suite (GCS), enabling passengers to browse the internet and use SMS roaming service with their own mobile phones. EVA was the first airline certified to deliver this inflight entertainment system thru Boeing's line-fit production.

We continue to elevate the in-flight dining experience by creating dining and snack choices that please everyone's taste buds. Along with Din Tai Fung's ever-popular steamed dumplings and beef noodles, we have added Yuen Fong Yu Group's traditional Taiwanese dishes, SEASON Artisan Pâtissier's Pollock cake, Paris patisserie Ladurée's macarons and Tokyo confectionery Yoku Moku's rolled butter cookies. Our passengers seem to love them all.

#### ■ **Affiliated companies**

EVA's affiliate companies include Evergreen Aviation Technologies Corporation, Evergreen Aviation Precision Corporation, Evergreen Sky Catering Corporation, Evergreen Airline Services Corporation, Evergreen Air Cargo Services Corporation and EVA Flight Training Academy. Our business objective is to construct upstream aviation industry and downstream supply chain services.

#### **Evergreen Aviation Technologies Corporation**

Evergreen Aviation Technologies Corporation (EGAT) is a multiple industry award-winning aircraft modification, aircraft maintenance, engine overhaul and aircraft component service provider. Through EGAT, we provide aircraft technical services to more than 40 airlines globally. In 2014, EGAT signed multiple 5-year airframe maintenance contracts with Atlas Air and Air Atlanta Icelandic as well as engine overhaul contracts with the Ministry of National Defense and Asiana Airlines. In March 2014, EGAT formed GE Evergreen Engine Services Corporation, a new joint venture with General Electric Company that will specialize in the next generation GENx engine overhauls, the top-selling

engine in General Electric Company history.

#### **Evergreen Aviation Precision Corporation**

Evergreen Aviation Precision Corporation (EGAP), a manufacturing services provider of aerospace parts and assembly, was awarded a 6-year contract from GE Aviation through 2016 to 2022 of combustor case and diffuser for its next generation engine – LEAP. This achievement not only enhances manufacturing techniques but also lays solid foundation for expanding future business. In addition, EGAP has delivered the first rigid cargo barrier (RCB) to Boeing which has been installed on its new 777 freighter.

#### **Evergreen Sky Catering Corporation**

Evergreen Sky Catering Corporation provides in-flight catering services. New customers for 2014 are Emirates Airlines, JuneYao Airlines and SF Airlines. Following Taiwan's food safety issues, rising costs and bird flu fears, operating results are stabilizing, thanks to operating excellence and internal management enhancements.

#### **Evergreen Airline Services Corporation**

Evergreen Airline Services Corporation handles airport ground handling for EVA's flights from Taoyuan International Airport, Taipei Songshan International Airport, Kaohsiung International Airport and Taichung International Airport. With its emphasis on safety and superb services, it has won 19 international airlines as customers. In 2014, it added Viet Jet Air and SF Airlines to its customer list.

#### **Evergreen Air Cargo Services Corporation**

Evergreen Air Cargo Services Corporation provides import, export, transit Cargo handling services to EVA Air and other airlines. At the same time, EGAC also provide Cargo documentation service to 12 international airlines. EGAC strives to achieve optimal efficiency for the benefit of its clients.

#### **EVA Flight Training Academy**

To elevate qualifications and flying skills, we established the EVA Flight Training Academy to cultivate our own pilots. It not only improves fundamental flight-training quality but also more effectively meets our rigid aviation safety requirements. The training fleet currently includes one twin-engine and seven single-engine planes. Its future plans include the possibility of training pilots for other airlines as well.

## **Results vs. Projections**

EVA budgeted NT\$115.80 billion in total revenue for 2014 and achieved actual revenue of NT\$116.92 billion, accomplishing 101% of its goal. We projected net loss of NT\$1.94 billion before tax and show NT\$0.88 billion as actual results.

EVA and our subsidiaries estimated total consolidated operating revenue of NT\$132.60 billion for 2014 and actually achieved NT\$133.09 billion, accomplishing 100.4% of our goal. Our projected net loss before tax was NT\$8 million and net income before tax actually amounted to NT\$49 million.

## **Analysis of Financial Results and Profitability**

EVA's 2014 operating revenue rose 5.6% year on year to NT\$116.92 billion. Operating expense rose 6.5% year on year to NT\$116.29 billion.

EVA and our subsidiaries reported consolidated operating revenue of NT\$133.09 billion for 2014, a 7.2% increase over the previous year. Our consolidated operating expense amounts to NT\$130.46 billion, an 8.1% increase over the previous year.

### **Profitability analysis:**

Return on total assets: -0.1%

Return on equity: -3.7%

Profit margin: -1.1%

Loss per share: NT\$0.4

### **Profitability analysis (consolidated):**

Return on total assets: 0.3%

Return on equity: -2.0%

Profit margin: -0.6%

Loss per share: NT\$0.4

## **Research and development**

■ EVA worked with Star Alliance to develop plans for Partnership Accrual Interface Hub (PAI Hub) and Premium Customer Database Hub (PCD Hub) systems. These two systems provide alliance-wide benefits and deliver the basic alliance loyalty promise:

1. Faster and more accurate data exchange.
2. Real time query.
3. Immediate FFP data updates and corrections.
4. Intelligent error corrections and rejections.

5. Real-time reporting and alerting functions.
6. Rejection of incorrect and/or invalid files.
7. Enhancement of interline settlement.

These benefits help mitigate discrepancies between actual Star Alliance member card status and mileage points accumulated in its system. Service Agents will be able to identify member card status more accurately and more easily give them the correct benefits and privileges. These new functions are designed to reduce customer complaints and increase satisfaction.

- Our newest Boeing 777-300ERs are equipped with Panasonic's Avionics Global Communications Suite (GCS), providing passengers with SKY Wi-Fi and SMS roaming service. We have also created a new App for making advance EVA Sky Shop duty free purchases, boosting revenue through multiple sales channels.
- EVA will implement the airline industry's new Origin and Destination system to manage sales. The system accounts for factors such as travel origin and destination, point of sale, average yield, minimal bid-price, passenger value and marketing strategies to provide data for boosting revenue. We have rolled out this system gradually and will have it fully operational in 2015.
- In 2014, EVA completed Cargo PLUS (Profit and Loading Up System) upgrades. This advanced revenue management system instantly provides management useful data.

## **2015 Preview**

### **Operating objectives**

1. Network expansion: We will increase flight frequency to Japan from 2014's 88 flights a week to 113 in 2015 to meet growing outbound demand. In response to steadily growing transit traffic to Southeast Asia stemming from the U.S. economic recovery, we will add flights to North America, raising 2014's 55 per week to 63 in 2015. We will also raise service frequency to Southeast Asia from the 76 trips we flew in 2014 to 83 a week in 2015.
2. Fleet renewal: We will continue to enhance our route competitiveness by removing two Boeing 747-400 Combi, four MD-90, two MD-11 and two Airbus 330-200 aircraft from our fleet. We will add four high efficiency Boeing 777-300ERs, six Airbus 321-200s and two Airbus 330-300s to our operating fleet.
3. Revenue management system: Our network expansion requires improved seat control and we are deploying a revenue management system to optimize income and improve route profitability.
4. More Star Alliance codeshare agreements: Code-share partnerships weave EVA into the Star Alliance network, extend our global network and expand traffic.
5. Service upgrade: We have updated Elite/Economy Class seats on 15 Boeing 777-300ERs and are installing Panasonic Avionics' eX2 system to give passengers in these cabins in-flight Wi-Fi connectivity and global roaming for cell phone messaging services. We are equipping our new Airbus 330-300s with brand-new 180° flat-bed seats.

### **Sales estimate and statistics**

#### **Passenger business:**

We forecast that we will carry 9.33 million passengers in 2015. This represents a 5% increase over our 8.9 million passenger record for 2014.

#### **Basis:**

1. We are introducing new routes to match market demands. We will begin operating non-stop flights from Taipei to Houston, Kaohsiung to Osaka and Kaohsiung to Fukuoka in 2015. We will also increase flight frequencies to America, Northeast Asia

and Southeast Asia. We will grow our total capacity 10.4% compared to the previous year.

2. Japanese Yen depreciation is boosting the number of Taiwanese traveling to Japan.
3. Transit traffic between North America and Southeast Asia increased.
4. The number of international tourist arrivals continues to grow.

#### **Cargo business:**

We forecast carrying 606 thousand tons of air cargo in 2015, an 11.4% decrease from the previous year's 683-thousand-ton record.

#### **Basis:**

1. We will be flexible in adjusting cargo flight capacity so that we can effectively meet actual market demand. We will make greater use of belly space on passenger flights as an efficient and economical alternative to freighters. We estimate that our total airfreight capacity will be 10.1% below that of the previous year.
2. We will be prepared to accommodate the air cargo market's natural ups and downs by adjusting our capacity accordingly.

### **Marketing Strategies**

#### **Passenger business:**

1. Codeshare agreement: We will actively engage in codeshare partnerships with major regional airlines through the Star Alliance network.
2. Bigger transit market between North America and Southeast Asia: We will increase frequency to North America from our 55 flights a week in 2014 to 63 in 2015. We will add to 2014's 76 weekly flights in Southeast Asia and up service to 83 a week for 2015.
3. Japanese market expansion: We will increase frequency to Japan from 88 flights per week in the 2014 to 113 in 2015.
4. Internet marketing and action selling reinforcement: We are promoting sales through social media networking sites. And we are developing a mobile commerce App to increase revenue by opening more distribution channels.
5. Optimal fleet and route assignment: We will achieve capacity efficiency and improve route profitability by remaining flexible and strategically allocating aircraft types so that we can effectively serve market demand in each destination.

## **Cargo business:**

1. We will expand routes and add destinations, increase service frequency and promote sales growth through our joint-venture partnership network.
2. We are continuing to deploy our e-freight cargo service and expect to progress 20% in 2015, resulting in lower operating costs.
3. We will increase use of passenger aircraft belly capacity.
4. We will continue to be flexible in our fleet mobility.

## **Future Development Strategies**

- EVA has established a vibrant global flight network that links major cities in Europe, North America, Asia and Oceania. Now, we are working to optimize this far-reaching route system by expanding the range of our comfortable, convenient air services and advancing development of Taoyuan International Airport as East Asia's leading transportation hub.
- EVA will continue to grow our direct-link flight network in accordance with open cross-strait policies that permit regular services. We are building flexibility into our operations so that we can take appropriate action to capture more of the potential passenger and cargo markets and still retain our competitive position whenever air agreements are amended.
- EVA is adding more new B777-300ERs and A321-200s equipped with brand-new seats and in-flight entertainment systems. At the same time, we are strengthening our capacity in North America, China and other major regions and continuing to provide excellent services and safe air transport.
- Star alliance network and FFP cooperation give EVA an advantage in attracting more high-yield passengers. EVA will become more advantageous to approach more corporate travelers by implementing fare products and global corporate business solutions of Star Alliance. EVA benefits from Star Alliance joint sourcing initiatives, joint system developments and shared facilities with member carriers, which improve both utilization and financial savings. EVA is also working with Star Alliance on global business planning to offer seamless travel experience and status recognition to passengers.
- EVA currently has code-sharing agreements with 11 carriers, including United Airlines, Singapore Airlines, All Nippon Airways, Asiana Airlines, Air China, Hainan Airlines, Shandong Airlines, Bangkok Airways, Hong Kong Airlines, Lufthansa Cargo and Air China Cargo. Beginning in 2014, one year after the 2013 launch of our code-shared TPE-SIN flights with Singapore Airline, we extended our cooperation to include trans-Pacific routes to the U.S. and Canada. EVA will continuously expand and strengthen cooperation with member carriers.
- We are continuing to optimize our EVA Cargo fleet, adjusting routes and aircraft models to best fit different market conditions and maximize airfreight profits. We are also opening new gateways in China that have freight potential and strengthening our routing within that market. We are always on alert for new trade opportunities and planning for new freight routes while, at the same time, we are adjusting operations to accommodate logistics demands in different regions around the globe.
- EVA SKY JET CENTER offers personalized private and fast custom passage service. We steadily increased our number of commercial jets and passenger in 2014. We added another Airbus A318 in December 2014 and now have an operational scale of two business Airbus 318s. We dispatched one of the business jets to EGAT to undergo six-year maintenance check with cabin restoration in December 2014, establishing it as the first business jet to be checked and repaired through Taiwanese corporation.
- To keep pace with the continuous growth of our fleet and capacity, we will increase our affiliate companies' capacities. We are constructing new buildings for Evergreen Aviation Technologies Corporation, Evergreen Sky Catering Corporation and Evergreen Airline Services Corporation and are scheduled to move in and begin using them within 2- to- 3 years. Support services provided in state-of-the-art facilities will further enhance EVA's superb services and operational safety.



## **Competition, Legal Issues and the Operating Environment**

### **Competition**

1. The global economic recovery continues to lag, impacting corporate travel budgets, slowing business and leisure markets and squeezing passenger volume and fares.
2. Low-cost carriers are entering the passenger market with rock-bottom fares and Taiwan's high-speed rail continues to force domestic airlines to transform themselves. These factors influence the competitive landscape and supply-demand balance for regional passenger and cargo markets.
3. More nations are deregulating airlines. For example, the United States and Japan adopted open-sky policies. These developments will promote competition for intercontinental and regional passengers and airfreight.
4. We expect China's growing air transport demand to continue to dominate Asia's markets. In addition to cross-strait passenger and cargo loads that repeatedly reach new highs, related businesses such as aviation-product manufacturing and aviation personnel and maintenance are also thriving. This trend creates significant opportunities for companies in Taiwan.
5. China's relaxation of its economic policies, the dramatic increase in its people's spending power and continued economic growth in emerging Asian countries remain key financial drivers. Using Taiwan as an operations center and establishing manufacturing plants in China and emerging Asian countries is still the business model with the greatest cost benefits. Not only will EVA actively develop more strategies and tactics to dominate this market but we will also use our far-reaching global network to promote Taiwan as an international transit center.

### **Legal Environment**

1. Political and economic stability directly impact ups and downs in passenger and cargo markets.
2. The airline industry must remain vigilant and ready to respond quickly to changes. Policies opening the way for direct cross-strait flights are still being developed and support is fragmented.

3. The airline industry is burdened by increasing consumer scrutiny and regulatory changes. Prime examples are the European Union's penalty on airlines that oversell seats and our industry's inclusion in its Emission Trading Scheme (ETS).
4. Mainland China's relaxation of its passenger transit policies affects Taiwan carriers' competitiveness in international transport networks.

### **Operating Environment**

1. The U.S. economy is supported by strong consumer spending and business investment. At the same time, the European Union's fragile economy and increasing instability in emerging markets could threaten the global economy and trade.
2. While the Japanese yen has depreciated, consumption tax rates have continued to rise and consumer spending has slowed. This trend creates risks and may lead to further economic decline.
3. OPEC's refusal to cut oil production despite the supply/demand imbalance and the U.S.'s increasing supply of stored crude oil reserves led to falling prices in mid-2014.
4. Airport infrastructure improvements such as terminals, runways, arrival and departure gates and air traffic control facilities tend to fall behind airlines' development. The consequence may be greater risks for the airline industry.

Fleet renewal, Star Alliance membership and system upgrades in our passenger business operational system all contribute to our improved business structure. We expect the drop in oil prices and significant enhancements we plan for 2015 such as the cabin modifications and service quality upgrades will contribute to operating results that are better than they were in the previous year.

## II. Company Profile

moved to the main board, TSE, in September 2001.

**2.1 Date of Incorporation:** April 07, 1989

### 2.2 Company History

Founded in March 1989, EVA Air, a one-hundred-percent privately owned Taiwanese airline, is the sister company of Evergreen Marine Corporation, which is the world famous shipping line in terms of container operation.

Since the inauguration of its maiden flight on July 01, 1991, EVA Air is currently serving 65 destinations over four continents, except Africa, with 67 aircraft (as of December 2014) and is still steadily expanding its operation network and fleet.

In 1997, after carefully nurturing an environment where faultless service quality and flight safety are the standard, EVA Air became the first airline in Taiwan to achieve official ISO-9002 Certification in three areas at the same time -- passenger, cargo and maintenance operations. Diligently upholding these objectives, EVA Air earned ISO-9001:2000 Certification for all categories of operation in 2001.

In addition, EVA has ensured quality, smooth ongoing operations and reduced costs by investing capital and expertise in airline-related companies, including Evergreen Sky Catering Corporation, Evergreen Airline Services Corporation, Evergreen Air Cargo Services Corporation, and other selected subsidiaries.

Operating strategies developed by the carrier are far-reaching. Company goals place equal importance on its passenger and cargo services, and it works in cooperation with affiliated carriers to maximize mutual efficiencies and effectively compete on a global scale. Its worldwide hub of operations at Taoyuan International Airport in Taiwan has proven to be both successful and strategic.

EVA Air listed its stock on Taiwan's TAISDAQ Market in October 1999, and

### Major Milestones

#### 1988~1990

On September 1, 1988 at the celebration for the 20<sup>th</sup> birthday of Evergreen Marine Corporation, Group Chairman Y. F. Chang announced that Evergreen would launch an international airline. EVA Air was officially formed in March 1989. After careful deliberation, the fledgling airline signed a contract with Boeing/McDonnell Douglas for 26 aircraft at a total purchase value of US\$3.6 billion, and immediately captured the attention of the global airline market.

#### 1991

EVA Air accepted delivery of its first two B767-300ERs in April, and made its inaugural flight on July 1. Within that first week, the new airline opened five destinations in Asia -- Bangkok, Seoul, Jakarta, Kuala Lumpur and Singapore.

#### 1992

The comprehensive EVA Training Center opened in July, and the carrier's first two all-passenger B747-400s were delivered in November. EVA used the first flights of the new aircraft to launch its Taipei-Los Angeles route and introduce its four classes of cabin service, including the debut of its trend-setting Evergreen Deluxe Class in-between Economy and Super Business.

#### 1993

EVA Air set new standards and heightened expectations by expanding its network to more than half a dozen new destinations, and by launching service to London, Paris, Seattle, New York, San Francisco and Sydney.

#### 1994

EVA made the greatest number of new aircraft additions to its fleet this year, purchasing a total of eight, including three MD-11s, one B747-400 and four B767-200s. The airline also added Bali, Fukuoka and Auckland routes to its network.

**1995**

The carrier purchased three MD-11 freighters and began to vigorously develop air cargo operations. It set goals emphasizing passenger and cargo services equally. And it used joint operations and land transportation to successfully extend EVA Cargo services worldwide.

**1996**

Enhancing the high quality of its operations, EVA applied for ISO-9002 certification. Within the next year, its passenger service, cargo service and aviation maintenance operations were all three granted ISO-9002 international certifications simultaneously. EVA achieved ISO-9001:2000 certification in 2001.

**1997**

Ensuring consistent service quality, EVA and Singapore Airlines formed Evergreen Sky Catering Corporation as a joint venture and in February, began providing in-flight catering services.

**1998**

Promoting air safety, EVA signed a joint-venture contract with General Electric Company and established Evergreen Aviation Technologies Corporation on February 24. On the same day, a powerful new engine test cell was placed in operation, and the new joint venture began an aggressive campaign to raise the standards of the aircraft maintenance business.

**1999**

Earning brilliant results with both passenger and cargo service, EVA produced outstanding operating performances for five successive years. The Securities and Futures Commission (SFC) of Taiwan approved its admission to the exchange, and on October 27, EVA Air shares began to be traded on the over-the-counter market.

**2000**

In anticipation of future needs and to expand its fleet, EVA signed a purchase contract in June with the Boeing Company for 15 B777-200X/300Xs that included a firm order for seven of the aircraft and an option for eight more. Deliveries began in 2005. The carrier relocated its hub to the brand-new Terminal 2 at Taoyuan International Airport at the end of July.

**2001**

EVA committed to add more new, technologically advanced aircraft to its fleet in March by signing a purchase contract for eight Airbus A330-200s and making plans to start taking deliveries in 2003. EVA Air also secured approval to transfer its stock listing from OTC and on 17 September, moved its shares to the Taiwan Security Exchange (TSE).

**2002**

EVA launched its online booking system on January 9. It gained approval to add 24 passenger flights on its thriving Hong Kong route and to begin new freighter service. It also introduced a new slogan "Just relax, your home in the air."

**2003**

EVA debuted stylish new cabin-crew uniforms on April 1, took delivery of its first A330-200 on June 26 and introduced its new generation of a top cabin class, Premium Laurel, along with an upgraded economy class and an awesome, state-of-the-art Audio / Video on Demand system.

**2004**

EVA Air exercised an option for eight B777s that was part of the firm purchase contract executed with Boeing in June 2000, expanding its fleet by a total of 15 brand-new B777s. Deliveries of the new aircraft started in 2005 and will continue through 2010.

**2005**

EVA took delivery of its first two of 15 B777s and introduced the extra-roomy, exceptionally comfortable new aircraft to passengers on the Bangkok and London with an inviting new slogan, "Sharing the World, Flying Together."

**2006**

EVA Air opened its new Southern China Cargo Center in Hong Kong, enabling it more efficiently and quickly to move air freight shipments in and out of the region.

**2007**

EVA Air received 2007 The Richard Teller Crane Founder's Award from the international Flight Safety Foundation for "its corporate leadership in aviation safety programs and its superb safety records." In the five years since the

coveted award was established, EVA is the first Asian airline and only the second airline among all recipients to receive it.

## **2008**

Readers selected EVA Air as the Best Airline for Premium Economy in Global Traveler magazine's fifth annual GT Tested Survey. The international business-travel publication surveyed its readers between Jan. 1 and Aug. 31, 2008, inviting them to identify "the best" in 55 categories of business and luxury travel. Readers returned 31,457 completed questionnaires.

## **2009**

EVA Air launched the regular cross-strait flights (30 flights per week) from August 31 2009 from Taipei, Taoyuan, and Kaohsiung to Beijing, Shanghai, Guangzhou, Hangzhou, Tianjin, and Ningbo.

## **2010**

EVA added new service from Taipei Songshan Airport to Shanghai Hongqiao International Airport started from June 14, 2010. It complemented EVA's current nine flights a week between Taoyuan International Airport and Pudong International Airport.

## **2011**

Belgium's Brussels Airport has honored EVA Air Cargo with its 2010 Network Development Award Cargo Airline. This event marked the airport's fourth consecutive awards program to recognize outstanding cargo and passengers carriers for punctuality and efficiency, environment and safety, and network and route development.

## **2012**

Star Alliance accepted the membership application of EVA Air on March 29, 2012.

## **2013**

In January, EVA ranked among world's 10 safest airlines, rating marks nine years at top of AERO International list. EVA Air joined the Star Alliance network on June 18, further strengthening the Alliance's presence in Asia/Pacific. In December, EVA Air and Singapore Airlines teamed up on Taipei-Singapore flights, gave passengers more choices.

## **Calendar of 2014 & 2015 Events**

### **January 2014**

Industry experts ranked EVA Air among the world's Top-10 safest airlines. At the same month, EVA Air has been ranked among world's Top-5 safest airlines, rating marks ten years at top of AERO International list.

### **February 2014**

The international travel publication has just revealed its 2013 winners and singled out EVA Air in the Best Business Class White and Best Business Class Sparkling categories.

### **March 2014**

EVA Air Cargo won Air Cargo World's Gold Award in its 10th annual Excellence Survey.

### **December 2014**

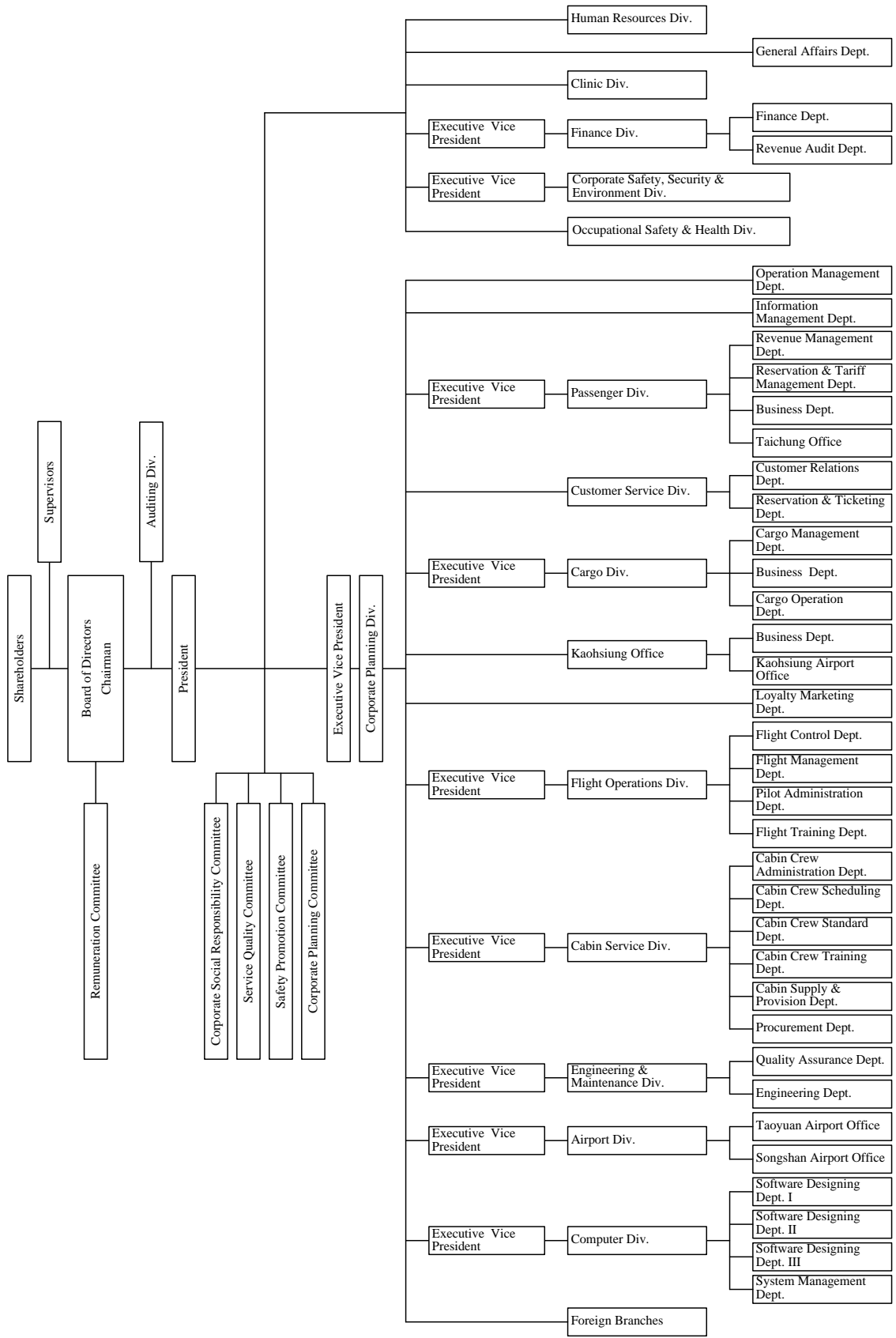
EVA Air has been chosen by UK's Telegraph Magazine as one of the world's Top-10 best long-haul airlines.

### **January 2015**

EVA Air has been recognized as one of AirlineRating.com's "World's Top-10 Airlines" and as "Best Long-Haul Airline in Asia Pacific." Also, EVA has been ranked third among the world's safest airlines on the annual index reported by Germany's AERO International Magazine.

# III. Corporate Governance Report

## 3.1 Organization



### 3.2 Directors, Supervisors and Management Team

As of April 30, 2015

Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Chairman	R.O.C.	Chang Yung-Fa Charity Foundation	2014.06.17	3 Years	2009.06.16	11,482,104	0.35	11,482,104	0.30	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Chang Kuo-Wei	2014.06.17	3 Years	2001.04.19	0	0.00	0	0.00	0	0.00	0	0.00	President, EVA Airways Corp. Master of Arts in Economics, California State University, Long Beach	Vice Group Chairman, Evergreen Group. <b>Chairman:</b> Hsiang-Li Investment Corp., Evergreen Aviation Precision Corp. <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Storage & Transport Corp., Evergreen Sky Catering Corp., Uni Airways Corp., Evergreen Aviation Technologies Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., GE Evergreen Engine Services Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation, Straits Exchange Foundation	Director	Chang Yung-Fa	Father
Director	R.O.C.	Chang Yung-Fa Charity Foundation	2014.06.17	3 Years	2009.06.16	11,482,104	0.35	11,482,104	0.30	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Chang Yung-Fa	2014.06.17	3 Years	1989.03.31	0	0.00	112,847,371	2.92	8,664,000	0.22	0	0.00	Group Chairman, Evergreen Group, Taipei Commercial High School	Group Chairman, Evergreen Group. <b>Chairman:</b> Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Corp., Evergreen Steel Corp.	Chairman	Chang Kuo-Wei	Son

Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Director	R.O.C.	Evergreen Marine Corp. (Taiwan) Ltd.	2014.06.17	3 Years	1989.03.31	629,483,229	19.32	629,483,229	16.31	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Ko Lee-Ching	2014.06.17	3 Years	1992.05.02	0	0.00	90,593	0.00	0	0.00	0	0.00	Vice Group Chairman, Evergreen Group. Keelung Girls' Senior High School	Second Vice Group Chairman, Evergreen Group <b>Director:</b> Evergreen International Storage & Transport Corp., Taiwan High Speed Rail Corp., Evergreen Steel Corp., Shun An Enterprise Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Supervisor:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Corp., Uni Airways Corp., Evergreen Security Corp., Evergreen Reward Logistics Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Evergreen Aviation Precision Corp., Hsin Yung Enterprise Corp.	-	-	-
	R.O.C.	Representative: Chang Cheng-Yung	2015.01.01	2.46 Years	2015.01.01	0	0.00	0	0.00	0	0.00	0	0.00	President, Evergreen Marine Corp. (Taiwan) Ltd. Master degree in International Business Administration, Chinese Culture University	Chairman, Evergreen Marine Corp. (Taiwan) Ltd. Vice Chairman, Chang Yang Development Corp. <b>Director:</b> Taipei Port Container Terminal Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation	-	-	-

Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Director	England	Falcon Investment Services Ltd.	2014.06.17	3 Years	2011.06.10	162,962,925	5.00	441,894,468	11.45	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Tai Jin-Chyuan	2014.06.17	3 Years	2011.06.10	0	0.00	13,566	0.00	0	0.00	0	0.00	Executive Vice President, EVA Airways Corp. Master degree in Maritime Law, National Taiwan Ocean University	Group Executive officer, Legal, Evergreen Group <b>Director:</b> Evergreen International Storage & Transport Corp., Central Reinsurance Corp., Taipei Port Container Terminal Corp., Super Max Engineering Enterprise Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation	-	-	-
	R.O.C.	Representative: Cheng Chuan-Yi	2014.06.17	3 Years	2014.06.17	0	0.00	75,181	0.00	0	0.00	0	0.00	Executive Vice President, EVA Airways Corp. Bachelor degree in International Trade, Tunghai University	President, EVA Airways Corp. <b>Director:</b> Evergreen Sky Catering Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Hsiang-Li Investment Corp.	-	-	-



Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Independent Director	R.O.C.	Chien You-Hsin	2014.06.17	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Minister of Foreign Affairs, Minister of Transportation and Communications, Minister of the Environmental Protection Administration, Representative Office in the U.K., Legislator, Chairman, The International Cooperation and Development Fund, Deputy Secretary General, Office of the President, Senior Advisor, National Security Council, Chairman, Chinese Institute of Engineers	Chairman, Taiwan Institute for Sustainable Energy(TAISE) Chairman, Telecommunication and Transportation Foundation(TTF) Chairman, Taiwan Institute for Climate Change and Energy(TICCE) Managing Director, Ten Outstanding Young Persons' Foundation(TOYP) Independent Director, Far Eastern Department Stores, Ltd. (FEDS)	-	-	-

Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Independent Director	R.O.C.	Lo Tzu-Chiang	2014.06.17	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Managing Partner of KPMG Taiwan Firm, Member of Auditing/Accounting Standards Committee of Accounting Research and Development Foundation, Board Member of Taiwan Provincial CPA Association, Board Member of Taipei City CPA Association, Accounting and Statistics Department of Tamkang University	Supervisor of Capella Microsystems (Taiwan) Inc.	-	-	-
	R.O.C.	Hsu Shun-Hsiung	2014.06.17	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Managing Partner of YMH Company, CPAs, Master, Department of Accounting, National Taiwan University Bachelor, Department of Transportation & Communication Management Science, National Cheng Kung University	Managing Partner of YMH Company, CPAs Supervisor of Sagittarius Life Science Corp.	-	-	-

Title	Nationality or Place	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Kinship of Each Other		
						Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Supervisor	R.O.C.	Evergreen International Corp.	2014.06.17	3 Years	1993.04.30	469,648,357	14.41	469,648,357	12.17	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Lin Long-Hwa	2014.06.17	3 Years	2009.08.27	0	0.00	1,689,827	0.04	148,616	0.00	0	0.00	Vice Group Chairman, Evergreen Group. <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen Sky Catering Corp., Uni Airways Corp., Evergreen Aviation Technologies Corp. <b>Supervisor:</b> Evergreen International Storage & Transport Corp., Shun An Enterprise Corp., Joint Stevedoring Contract Co., Ltd., Taipei Port Container Terminal Corp.	-	-	-	
Supervisor	R.O.C.	Representative: Wu Kuang-Hui	2014.06.17	3 Years	2010.12.01	0	0.00	38,070	0.00	0	0.00	0	0.00	Executive Vice President, EVA Airways Corp. MBA, Sun Yat Sen University	Group Executive officer, Finance, Evergreen Group. Finance Executive Officer, Evergreen Marine Corp. (Taiwan) Ltd. <b>Director:</b> Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Supervisor:</b> Evergreen International Storage & Transport Corp., Evergreen Steel Corp., Taiwan Terminal Services Corp., Chang Yang Development Corp., Hsiang-Li Investment Corp.	-	-	-
	R.O.C.	Representative: Chen Cheng-Pang	2014.06.17	3 Years	2001.04.19	0	0.00	5,036	0.00	4,999	0.00	0	0.00	Senior Vice President, Italia Marittima S.p.A. Soochow University Accounting & Economics Dept.	Finance Executive Officer, Evergreen International Storage & Transport Corp.	-	-	-

Note 1: As of April 30, 2015 the Company has issued 3,858,945,005 shares

## Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2015

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A. (Panama) (10.62%), Chang Kuo-Hua (7.55%), Evergreen International Corp. (7.11%), Chang Yung-Fa (6.00%), Ultra International Investments Ltd. (4.24%), Chang Kuo-Cheng (4.23%), Chang Kuo-Ming (3.17%), New Labor Pension Fund (2.42%), Cheng Shen-Chin (2.11%), Chang Shu-Hua (2.02%)
Chang Yung-Fa Charity Foundation	Non-profit organization
Falcon Investment Services Ltd.	Chang Kuo-Wei (100%)
Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Yung-Fa Charity Foundation (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)

**The Principal Shareholders of aforementioned list Institutional Shareholders are Corporations:**

April 30, 2015

<b>Legal Entity</b>	<b>Name of Institutional Shareholders</b>	<b>Major Shareholders of Institutional Shareholders</b>
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A. (Panama)	Chang Yung-Fa (20%), Chang Kuo-Hua (20%), Chang Kuo-Ming (20%), Chang Kuo-Cheng (20%), Pieca Corp. (20%)
	Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Yung-Fa Charity Foundation (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)
	Ultra International Investment Ltd.	Chang Kuo-Wei (100%)
	New Labor Pension Fund	Non-profit organization
Evergreen International Corp.	Chang Yung-Fa Foundation	Non-profit organization
	Chang Yung-Fa Charity Foundation	Non-profit organization

## Criteria for Expertise and Independence of Directors and Supervisors

April 30, 2015

Qualifications	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Concurrently Serving as an Independent Director / Number of Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Chang Kuo-Wei			✓	✓		✓			✓	✓		✓		0
Chang Yung-Fa			✓	✓	✓				✓			✓		0
Ko Lee-Ching			✓	✓		✓	✓		✓		✓	✓		0
Tai Jiin-Chyuan			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chang Cheng-Yung			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Cheng Chuan-Yi			✓			✓	✓	✓	✓	✓	✓	✓		0
Chien You-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lo Tzu-Chiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Long-Hwa			✓	✓		✓			✓	✓		✓		0
Wu Kuang-Hui			✓	✓		✓	✓		✓	✓	✓	✓		0
Chen Cheng-Pang			✓	✓	✓	✓			✓		✓	✓		0

Note:

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of any of the Company's affiliates. The same does not apply, however, in case where the person is an independent director of the parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. The establishment of a remuneration committee for listed or over-the-counter market trading companies, as well as members of the remuneration committee exercising the powers of Article 7 in the performance of their duties, are not subject to the above restrictions.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Code.
- (10) Not a government, institutional person or its representative as defined in Article 27 of the Company Code.

## Management Team

April 30, 2015

Title	Nationality	Name	Date of Inauguration	Shareholding		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
				Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
President	R.O.C.	Cheng Chuan-Yi	2013.01.01	75,181	0.002	0	0	0	0	Bachelor degree in International Trade, Tunghai University	Director: Evergreen Sky Catering, Evergreen Aviation Technologies, Evergreen Air Cargo Services, Evergreen Airline Services Corp., Hsiang-Li Investment Corp.	-	-	-
Executive Vice President, (Financial Officer), Finance Div.	R.O.C.	Tsai Ta-Wei	2011.01.01	54,674	0.001	746	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	Director, Hsiang-Li Investment Corp. Supervisor: Evergreen Sky Catering, Evergreen Aviation Technologies, GE Evergreen Engine Services Corp.	-	-	-
Executive Vice President, Corporate Planning Div.	R.O.C.	Chai Chien-Hua	2014.01.01	54,687	0.001	19	0	0	0	Bachelor degree in International Trade, Chung Yuan Christian University	-	-	-	-
Executive Vice President, Passenger Div.	R.O.C.	Li Shyh-Liang	2014.12.12	30,000	0.001	13	0	0	0	Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Executive Vice President, Cargo Div.	R.O.C.	Sun Chia-Ming	2011.04.01	58,265	0.002	0	0	0	0	Bachelor degree in International Trade, Chinese Cultural University	-	-	-	-
Executive Vice President, Corporate Safety, Security & Environment Div.	R.O.C.	Ho Ching-Sheng	2005.01.01	285,274	0.007	0	0	0	0	Master degree in Aviation Safety, University of Central Missouri	-	-	-	-
Executive Vice President, Flight Operations Div.	R.O.C.	Yuen Ping-Yu	2004.01.01	54,025	0.001	0	0	0	0	Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	-
Executive Vice President, Cabin Service Div.	R.O.C.	Yang Yung-Heng	2012.07.01	74,192	0.002	0	0	0	0	Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-

Title	Nationality	Name	Date of Inauguration	Shareholding		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
				Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Executive Vice President, Engineering & Maintenance Div.	R.O.C.	Huang Sheh-Ming	2013.04.01	31,571	0.001	2,592	0	0	0	Bachelor degree in Naval Mechatronic Engineering, Cheng Kung University Senior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	
Executive Vice President, Airport Div.	R.O.C.	Chen Yeou-Yuh	2011.01.01	54,118	0.001	0	0	0	0	Bachelor degree in Maritime Science, Tamkang University	-	-	-	
Executive Vice President, Computer Div.	R.O.C.	Fang Gwo-Shiannng	2007.01.01	158,583	0.004	0	0	0	0	Bachelor degree in Computer Science, Feng Chia University Deputy Junior Vice President, Evergreen IT Corp.	-	-	-	
Senior Vice President, Auditing Div.	R.O.C.	Li Ping-Yin	2008.01.01	66,380	0.002	803	0	0	0	Master degree in Business Administration, Yuan Ze University Manager, Evergreen Heavy Industry Corp.	-	-	-	
Senior Vice President, Human Resources Div.	R.O.C.	Wu Chun-Hung	2015.01.01	28	0.000	0	0	0	0	Bachelor degree in Business Administration, National Chengchi University	-	-	-	
Senior Vice President, General Affairs Dept.	R.O.C.	Soong Allen	2007.01.01	40,222	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	
Senior Vice President, (Accounting Officer), Finance Div. Finance Dept.	R.O.C.	Chiang Chin-Lan	2015.01.01	45,135	0.001	0	0	0	0	Bachelor degree in Economics, National Taiwan University	-	-	-	
Senior Vice President, Finance Div. Revenue Audit Dept.	R.O.C.	Ho Li-Cheng	2015.01.01	39,209	0.001	0	0	0	0	Bachelor degree in Banking and Finance, Tamkang University	-	-	-	
Senior Vice President, Corporate Planning Div.	R.O.C.	Liao Chi-Wei	2014.01.01	40,532	0.001	3,833	0	0	0	Master degree in Marine Biology, National Sun Yat-sen University President(Junior Vice President),EZFLY.COM Corporation	-	-	-	
Senior Vice President, Operation Management Dept.	R.O.C.	Hsiao Chin-Lung	2015.01.01	25,000	0.001	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	
Senior Vice President, Customer Service Div.	R.O.C.	Lu Yu-Chuan	2006.01.01	219	0.000	0	0	0	0	Bachelor degree in Business Administration, Fu Jen University Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	



Title	Nationality	Name	Date of Inauguration	Shareholding		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
				Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Senior Vice President, Cargo Div. Business Dept.	R.O.C.	Chuang Shih-Hsiung	2014.01.01	30,000	0.001	0	0	0	0	Bachelor degree in Animal Science and Biotechnology, Tunghai University	-	-	-	
Senior Vice President, Cabin Service Div. Cabin Crew Administration Dept.	R.O.C.	Yang Hsiu-Huey	2013.01.01	287	0.000	0	0	0	0	Department of Radio & Television, World College of Journalism	-	-	-	
Senior Vice President, Cabin Service Div. Cabin Supply & Provision Dept.	R.O.C.	Tao Shin-Chien	2015.01.01	0	0.000	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	
Senior Vice President, Cabin Service Div. Procurement Dept.	R.O.C.	Chang Lih-Lih	2004.01.01	40,000	0.001	0	0	0	0	Bachelor degree in Statistics, Tamkang University Deputy Senior Vice President, Evergreen Sky Catering Corp.	-	-	-	
Senior Vice President, Engineering & Maintenance Div.	R.O.C.	Yeh Ching-Far	2012.01.01	126	0.000	0	0	0	0	Master degree in Business Administrations , National Cheng Chi University Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	
Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Liu Ying	2011.01.01	50,709	0.001	0	0	0	0	Master degree in Graduate Institute of Human Resource Management, National Central University	-	-	-	
Senior Vice President, Airport Div. Songshan Airport Office	R.O.C.	Chen Yao-Min	2014.07.01	33,536	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	
Senior Vice President, Computer Div.	R.O.C.	Hou Hsien-Yu	2011.01.01	1,262	0.000	0	0	0	0	Master degree in Information Management, National Taiwan University Senior Engineer, Evergreen E-Service Corp.	-	-	-	
Secretary (Deputy Senior Vice President)	R.O.C.	Chou Yu-Chuan	2014.01.01	35,000	0.001	0	0	0	0	Bachelor degree in German Language and Literature, Fu Jen University Secretary (Junior Vice President), Group Management Head Office	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Wang Yuan-Shyang	2014.01.01	111	0.000	0	0	0	0	Bachelor degree in Business Administration, National Taiwan University	-	-	-	

Title	Nationality	Name	Date of Inauguration	Shareholding		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
				Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Chiang Wei-Du	2012.01.01	22,524	0.001	8,806	0	0	0	Bachelor degree in Foreign Languages and Literature, National Tsing Hua University Deputy Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Huang Chieh-Chih	2011.07.01	36,613	0.001	0	0	0	0	Master degree in Business Administration, National Central University	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Su Wei-Jen	2015.01.01	32,895	0.001	17,621	0	0	0	Bachelor degree in International Trade, Fu Jen University	-	-	-	
Deputy Senior Vice President, Operation Management Dept.	R.O.C.	Lin Ta-Yuan	2015.01.01	30,000	0.001	13,130	0	0	0	Bachelor degree in Economics, Feng Chia University	-	-	-	
Deputy Senior Vice President, Passenger Div. Revenue Management Dept.	R.O.C.	Chiu Chung-Yu	2014.01.01	35,207	0.001	0	0	0	0	Bachelor degree in Mechanical Engineering, Feng Chia University	-	-	-	
Deputy Senior Vice President, Passenger Div. Reservation & Tariff Management Dept.	R.O.C.	Wu Shu-Ping	2013.01.01	30,544	0.001	4,464	0	0	0	Department of Tourism, Hsing Wu College of Commerce	-	-	-	
Deputy Senior Vice President, Passenger Div. Business Dept.	R.O.C.	Lin Nan-Yang	2014.01.01	41,439	0.001	0	0	0	0	Bachelor degree in Mass Communications, Chinese Cultural University	-	-	-	
Deputy Senior Vice President, Customer Service Div. Reservation & Ticketing Dept.	R.O.C.	Wu Su-Shin	2006.01.01	48,143	0.001	0	0	0	0	Bachelor degree in Sociology, Fu Jen University	-	-	-	
Deputy Senior Vice President, Cargo Div. Cargo Management Dept.	R.O.C.	Chang Ming-Hung	2014.01.01	0	0.000	0	0	0	0	Bachelor degree in International Trade, Tunghai University	-	-	-	
Deputy Senior Vice President, Kaohsiung Office, Kaohsiung Airport Office	R.O.C.	Chen Shen-Chi	2007.01.01	35,000	0.001	0	0	0	0	Department of Tourism, World College of Journalism Station Manager (Senior Vice President), UNI Airways Corporation	-	-	-	

Title	Nationality	Name	Date of Inauguration	Shareholding		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
				Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Deputy Senior Vice President, Flight Operations Div. Flight Control Dept.	R.O.C.	Lee Cheng-Chieh	2013.01.01	35,320	0.001	14,000	0	0	0	Bachelor degree in Mechanical Engineering, Tamkang University	-	-	-	
Deputy Senior Vice President, Flight Operations Div. Flight Management Dept.	R.O.C.	Hsu Ping	2013.07.01	35,122	0.001	0	0	0	0	Bachelor degree in Psychology, National Taiwan University	-	-	-	
Deputy Senior Vice President, Flight Operations Div. Flight Training Dept.	R.O.C.	Kuo Ming-Cheng	2013.01.01	65,146	0.002	0	0	0	0	Bachelor degree in Economics, Fu Jen University	-	-	-	
Deputy Senior Vice President, Cabin Service Div. Cabin Crew Standard Dept.	R.O.C.	Hsu Shu-Ching	2015.01.01	30,515	0.001	0	0	0	0	Department of Banking and Insurance, Taipei College of Business Public Relations (Junior Vice President), Group Management Head Office	-	-	-	
Deputy Senior Vice President, Cabin Service Div. Procurement Dept.	R.O.C.	Hsu Ying-Fang	2014.07.01	0	0.000	0	0	0	0	Bachelor degree in Business Mathematics, Soochow University	-	-	-	
Deputy Senior Vice President, Engineering & Maintenance Div. Engineering Dept.	R.O.C.	Liu Wen-Jang	2015.01.01	33,347	0.001	0	0	0	0	Department of Electrical Engineering, National Taiwan Institute of Technology Manager, Evergreen Aviation Technologies Corp.	-	-	-	
Deputy Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Yu Chia-Chieh	2012.07.01	39,589	0.001	0	0	0	0	Bachelor degree in International Business, Soochow University	-	-	-	
Deputy Senior Vice President, Computer Div. Software Designing Dept. I	R.O.C.	Chen Chia-Chuan	2014.01.01	25,205	0.001	81	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	

# Compensation for Directors

December 31, 2014  
Unit: NT\$ thousands

Title	Name	Remuneration for Directors				Compensation Earned as Employee of EVA or EVA Subsidiary Affiliates				Total of A, B, C and D as % of 2014 Net Profit		Compensation Earned as Employee of EVA or EVA Subsidiary Affiliates				Total of A, B, C, D, E, F and G as % of 2014 Net Profit		Other Compensation from Non-Subsidiary Affiliates	
		Salary(A)		Pension(B)		Compensation(C)		Allowance(D)		Salary, Bonus etc. (E)	Pension(F)	Employee Profit Sharing (G)		Employee Stock Option(H)	EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			EVA	Cash						
Chairman	Chang Yung-Fa Charity Foundation Chang Kuo-Wei	4,845	4,845	-	-	-	3,000	36	36	-	-	-	-	-	-	(0.37%)	(0.60%)	-	
Director	Chang Yung-Fa Charity Foundation Chang Yung-Fa	-	-	-	-	-	-	36	36	-	-	-	-	-	-	(0.00%)	(0.00%)	-	
Director	Evergreen Marine Corp. (Taiwan) Ltd. Ko Lee-Ching	-	-	-	-	-	1,700	36	36	-	-	-	-	-	-	(0.13%)	(0.00%)	-	
Director	Evergreen Marine Corp. (Taiwan) Ltd. Lin Sun-Sun	-	-	-	-	-	-	36	36	-	-	-	-	-	-	(0.00%)	(0.00%)	-	
Director	Falcon Investment Services Ltd. Tai Jjin-Chyuan	-	-	-	-	-	-	36	36	-	-	-	-	-	-	(0.00%)	(0.00%)	-	
Director	Falcon Investment Services Ltd. Cheng Chuan-Yi	-	-	-	-	-	1,800	36	36	3,591	411	-	-	-	-	(0.14%)	(0.45%)	292	
Independent Director	Chien You-Hsin	420	420	-	-	-	-	12	12	-	-	-	-	-	-	(0.03%)	(0.03%)	-	
Independent Director	Lo Tzu-Chiang	420	420	-	-	-	-	6	6	-	-	-	-	-	-	(0.03%)	(0.03%)	-	
Independent Director	Hsu Shun-Hsiung	420	420	-	-	-	-	12	12	-	-	-	-	-	-	(0.03%)	(0.03%)	-	

## Compensation for Supervisors

December 31, 2014  
Unit: NT\$ thousands

Title	Name	Remuneration for Supervisors						Total of A, B and C as % of 2014 Net Profit		Other Compensation from Non-Subsidiary Affiliates
		Salary(A)		Compensation(B)		Allowance(C)		EVA	Consolidated Subsidiaries of EVA	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			
Supervisor	Evergreen International Corp. Lin Long-Hwa	-	-	1,100	-	24	24	(0.00%)	(0.09%)	-
Supervisor	Evergreen International Corp. Wu Kuang-Hui	-	-	-	-	36	36	(0.00%)	(0.00%)	838
Supervisor	Evergreen International Corp. Chen Cheng-Pang	-	-	-	-	36	36	(0.00%)	(0.00%)	-

## Compensation for President and Executive Vice Presidents

December 31, 2014  
Unit: NT\$ thousands

Title	Name	Salary(A)		Pension(B)		Bonus & Perquisite(C)		Employee Profit Sharing(D)				Total of A, B, C and D as % of 2014 Net Profit		Employee Stock Options		Compensation from Investments Other than Subsidiaries	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	Cash	Stock	Cash	Stock	EVA	Consolidated Subsidiaries of EVA		
President	Cheng Chuan-Yi																
	Tsai Ta-Wei																
	Chai Chien-Hua																
	Li Shyh-Liang																
	Sun Chia-Ming																
	Ho Ching-Sheng																
	Yuen Ping-Yu	23,838	23,838	3,493	3,493	5,862	5,862	-	-	5	-	-	(2.54%)	(2.54%)			
	Yang Yung-Heng																
	Huang Sheh-Ming																
	Chen Yeou-Yuh																
	Fang Gwo-Shiang																
	Chang Jang-Tsang																

### 3.3 Implementation of Corporate Governance

#### Corporate Governance

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
1. Has the Company developed and disclosed corporate governance guidelines based on TWSE regulation?	V		The Board of Directors has approved “Corporate Governance Best-Practice Principles”, which can be found on both the website and Market Observation Post System, during board meeting on December 23, 2014.	None
2. Shareholding Structure & Shareholders’ Rights:				
(1) Has the Company developed and implemented internal operating processes in managing shareholders’ advice, doubt, argument and lawsuit?	V		Stock Department is in charge of handling the issue following internal process regulation. For shareholders’ advice, doubt and other matters, were assigned to relevant department.	None
(2) Does the Company possess a list of major shareholders and a list of owners of these major shareholders?	V		Responsibility assigned to relevant department.	None
(3) Has the Company established and implemented with its affiliates risk management and firewall system?	V		The Company has established risk control measures within internal control process.	None
(4) Does the Company have a code of conduct to prevent the trading of company’s stock by insiders with access to nonpublic information?	V		The Board of Directors has approved “Procedures for Handling Material Inside Information” and “Insider Trading Prevention Management” within internal control processes to prevent the trading of stock by insiders during the meetings on April 28, 2010.	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
3. Composition and Responsibilities of the Board of Directors:				
(1) Has the Board of Directors developed and implemented diverse corporate policies?	V		Regulations regarding the composition and responsibilities of the Board of Directors are stated clearly in the Company's "Corporate Governance Best-Practice Principles". All the policies have been fully implemented.	None
(2) Besides existing Remuneration Committee and Audit Committee, is the company voluntarily setting up other committees?	V		The Company has voluntarily set up "Corporate Social Responsibility Committee", "Service Quality Committee", "Safety Promotion Committee" and "Corporate Planning Committee".	None
(3) Does the company have performance evaluation policy for the Board of Directors? Is the evaluation being conducted annually?	V		The evaluation is being conducted annually in accordance with "Remuneration Structure and Performance Evaluation Policy" decided by the Board.	None
(4) Does the Company evaluate certified public accountants' level of independence regularly?	V		The Company's Board of Directors evaluates certified public accountants' professional and independent level annually to ensure that they are not stakeholders of the Company. Certified public accountants also issue independent auditors' report of the auditing.	None



Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
4. Has the Company formed channel of communication with stakeholders, set up stakeholders section on the website, and responded properly to social issues of which they are concerned?	V		The Company has set up a “Stakeholder Area” section of the corporate website. Related personnel are in place to exclusively deal with issues to facilitate communication between investors, suppliers, customers and employees, ensuring that stakeholders have channels to communicate with the Company.	None
5. Does the Company assign professional agencies in handling its stock affairs?		V	The Company has not assigned its stock department to any agency.	Whereas stock department is managed by the Company itself, the Shareholder meeting is conducted following government regulation and corporate guideline to ensure its lawfulness, effectiveness and safeness.
6. Information Disclosure: (1) Has the Company set up website to disclose financial and management information?	V		1. The Company has set up a corporate website ( <a href="http://www.evaair.com">URL:http://www.evaair.com</a> ) and designated appropriate people to monitor and keep it up-to-date with current information. 2. Corporate governance status: The Company has disclosed “Articles of Incorporation” and important operating procedures in addition to resolutions adopted during Board of Director meetings.	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
(2) Does the Company have any other way of information disclosure, such as setting up an English website, appointing professional personnel to collect and disclose information, fully implementing corporate spokesperson policy and disclosing investor conference details on the website?	V		The Company has established an English-language website and spokesperson system, and assigned personnel for gathering and disclosing information. Investor conference information of the Company held or been invited to over the years is disclosed on the corporate website.	None
7. Does the Company hold other important information regarding status of corporate governance, includes, but not limited to, employee rights & care, investor relation, supplier relation, rights of interested parties, extension education for director and supervisor, risk management policy, risk measurement standard, customer policy, liability insurance for directors and supervisors ?	V		<p>1. Extension education for directors and supervisors:</p> <p>(1) Director Ko Lee-Ching, Director Cheng Chuan-Yi, Independent Director Eugene Chien, Independent Director Lo Tzu-Chiang, Supervisor Lin Long-Hwa and Supervisor Wu Kuang-Hui participated in the three-hour training course “Corporate Governance Framework and Trend Analysis” held by Taiwan Corporate Governance Association on Jul. 31, 2014.</p> <p>(2) Director Tai Jiin-Chyuan took part in the 10<sup>th</sup> Taipei Corporate Forum held by Taiwan Financial Supervisory Commission on Nov. 20, 2014, achieving a total extension education of three hours.</p> <p>(3) Independent Director Hsu Shun-Hsiung joined “Discussion on Business</p>	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
			<p>Sustainability and Sustainability Report” organized by Taiwan Certified Accountant Association on Jun. 23, 2014, achieving a total extension education of four hours.</p> <p>(4) Supervisor Chen Cheng-Pang achieved a total extension education of six hours in the year 2014 by:</p> <p>(a) Participating in the three-hour training course “Corporate Governance Framework and Trend Analysis” held by Taiwan Corporate Governance Association on Jul. 31, 2014.</p> <p>(b) Participating in the three-hour training course ”Ethical Corporate Management and Social Responsibility for TWSE/GTSM Listed Company” held by Securities &amp; Futures Institute on Aug. 18, 2014.</p> <p>2. The Company begins purchasing liability insurance for directors and supervisors in the year 2015.</p>	
8. Does the Company prepare its own corporate governance report or assign the duty to professional institution? If so, please elaborate on the Board’s comment, evaluation result, drawback, feedback and improvement.		V	The Company has neither made a self-examined corporate governance report nor assigned the task to professional institutions.	The Company will evaluate the possibility of preparing corporate governance report as business progresses.

## Corporate Social Responsibility

Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
1. Corporate Governance Implementation:				
(1) Does the Company have corporate social responsibility policy and performance evaluation? If so, are the effect measured?	V		The Company's Corporate Social Responsibility Policy has been approved by the Board meeting on Dec. 23, 2014. It is disclosed on both Corporate Social Responsibility Report (page 3-4) and the corporate website. The implementation result will be reviewed in due time.	None
(2) Does the Company regularly hold training program for social responsibility?	V		The Company scheduled a corporate social responsibility training course on Dec. 24, 2014. Similar courses will be held with regularity in the future.	None
(3) Has the Company set up specialized/non-specialized division in charge of social responsibility handled by senior managers authorized by the Board? If so, does the division report to the Board?	V		The Corporate Social Responsibility Committee is a specialized unit responsible for promoting corporate social responsibility. It proposes and carries out related policy, regulation and management plan. The Board has appointed the Corporate Social Responsibility Committee on Dec. 23, 2014. It will act in an advisory capacity to the Board regarding related issues.	None
(4) Has the Company established reasonable remuneration policy, combined performance evaluation system with social responsibility policy, and set up effective employee performance appraisal system?	V		The Company's remuneration policy takes into account factors such as work characteristics, living standard, company performance, industry wage rates and work responsibility. Employee appraisal system standards correspond with the Company's corporate values such as	None

Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
			ethics, service creativity, cooperation and harmony. Reward and punishment rules are stated clearly in the company's management policies.	
<p>2. Environmental Sustainability and Responsibility:</p> <p>(1) Is the Company committed to enhancing efficiency of resource use and using renewable materials with less environmental impact?</p>	V		<p>1. Promoting paperless operation</p> <p>(1) Paperless Electronic Flight Bag: The Company has made available electronic pilot manual to relevant departments. Pilots will be able to have access to flight handbook through their iPads.</p> <p>(2) E-ticket &amp; E-freight: Air passenger transportation business has constructed complete e-ticket service by combing ticket selling, travel agent and interline sale, removing paper documents from the operation process. Cargo business has gone paper-free after being examined by IATA's e-freight import &amp; export standard operation process.</p> <p>2. Purchasing environmentally friendly material: The Company begins to purchase recycled tissue certified by FSC™ to be used in offices. Printing paper is produced by suppliers that provide only environmentally friendly products made of 100% reusable material. The aim is to minimize the operational impact on the environment.</p> <p>3. Energy-saving in office area: The office area has adopted</p>	None

Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
(2) Has the Company developed environmental protection policy suitable for its industry characteristics?	V		<p>power-saving LED light in place of conventional lighting of T8 and T9. The benefits include brighter lighting, higher power transformation efficiency and energy use reduction. As for office occupied less frequently, the installment of infrared ray sensor can effectively reduce the waste of extra electricity.</p> <p>The Company plans to adopt ISO14001 environmental management system and ISO50001 energy management system in 2015 in order to facilitate related policies through system integration.</p>	None
(3) Is the Company aware of the impact environmental changes have on its operating activities? Does the Company monitor greenhouse emission and design CO2 reduction strategy?	V		<ol style="list-style-type: none"> <li>The Company has been collecting greenhouse emission data from various programs since the year 2011. The data is used to measure the effectiveness of CO2 reduction initiatives and used as basis for future effort.</li> <li>The Company continues to advocate “Fuel &amp; Emission Reduction Committee” to enhance operating procedures. Meanwhile, the introduction of modern fleet has improved jet fuel efficiency and consequently lowered CO2 emission level.</li> <li>The Company has set up Sustainable Development Committee in 2015, aiming to design and supervise environmental policies concerning fuel consumption reduction, environmental protection, energy-saving and carbon control.</li> </ol>	None

Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
3. Keeping social justice:				
(1) Has the Company designed management policy and procedure in compliance with international human right and related regulation?	V		The Company bases its management on related labor law, agreement and articles issued by personnel department.	None
(2) Has the Company set up channel for complaints for its employees? Does the company handle complaint with care?	V		The Company has designed consumer petition channels not only to be complied by the law but maintain harmony between employer and employee. The policy has been made known to all the employees, enabling them to lodge claim verbally or through filing document. The case officer needs to handle the following appeals procedures properly.	None
(3) Does the Company provide its employees with safe & sanitary workplace and regular health educational training?	V		To ensure employees' safety, the Company provides employees with safety & sanitary education course and fire escape training upon recruiting. Statistics of the number of occupational injury laborer are being drawn by Occupational Injury Inspection Section.	None
(4) Has the Company developed employee communication mechanism? Does the Company inform employees of any operational changes that might impact them?	V		Department meetings are held regularly to deliver the Company's future development, targeting strategy, important information and major changes so that employees may fully understand the Company's operational status and contribute comments.	None
(5) Does the Company offer career development training program to employees?	V		The Company provides employees with well-packaged career development training. Details can be found on the	None

Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
(6) Does the Company's consumer protection policy cover areas such as research & development, purchasing, production, processes, and service?	V		Company's "Corporate Social Responsibility Report of 2013" (page 94-96).  Customer Service Division is in charge of handling customer complaint following formal service procedure. On the website, there is a section dedicated to customers' complaint. Cases involved Star Alliance passengers will be handled following Star Alliance Passenger Opinion Handling Procedure.	None
(7) Does the Company comply with international standards regarding marketing strategy and label of its products and services?	V		Products and services provided by the Company all comply with local law or international regulation set forth by the Commodity Labeling Act, Taiwan's Civil Aeronautics Administration, US Federal Aviation Administration, US Department of Homeland Security and European Union.	None
(8) Does the Company take into consideration suppliers' past record of negatively impacting the society and environment?	V		The Company checks credit record of supplier before signing business deal. Other aspects are being measured as well, such as supplier's company image and its record of law violation.	None
(9) Does the Company include in its contract articles stipulating the termination of contract if the suppliers conduct any act against corporate social responsibility policy?		V	Existing contracts signed with suppliers have yet to include articles related to the violation of corporate social responsibility. Depending on the nature of contract, it may include such article in the future. When the Company enters into a contract with any of its major suppliers, the content should include terms	Regulation regarding suppliers' violation against corporate social responsibility has not been included in the contract.



Item	Implementation Status(Note no.1)			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description(Note no.2)	
			stipulating mutual compliance with corporate social responsibility policy.	
4. Enhancing Information Disclosure: (1) Does the Company disclose corporate social responsibility information on the website and Market Observation Post System?	V		<p>“Corporate Social Responsibility Report of 2013” is disclosed both on the website and on Market Observation Post System. “Stakeholder Area” section can be found on the website to facilitate communication with stakeholders.</p> <p>The website of Corporate Social Responsibility of the Company:  <a href="http://www.evaair.com/zh-tw/corporate-social-responsibility/">http://www.evaair.com/zh-tw/corporate-social-responsibility/</a></p> <p>The website of “Stakeholder Area” section of the Company:  <a href="http://www.evaair.com/zh-tw/stakeholder-interest/">http://www.evaair.com/zh-tw/stakeholder-interest/</a></p>	None
5. Please explain reason for deviation between Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies and the company’s implementation status: None				
6. Other helpful information in understanding corporate social responsibility: The company and its affiliates support IATA’s goal of carbon emission reduction for aviation industry in order to slow down global warming effect and protect natural resource. “Sustainable Development Committee” was set up in the year 2015. It is in charge of strategically planning jet fuel reduction, environmental & energy-saving strategies and supervising policy execution, with an aim to establish sustainable development foundation and green business image for the company.				
7. Please illustrate if the Corporate Social Responsibility Report has been certified: Corporate Social Responsibility Report of 2013 has yet to be certified. Corporate Social Responsibility Report of 2014 is scheduled to be certified by third-party certification body, SGS Taiwan Ltd.				

Note:

1. Description is provided regardless of implementation status.
2. For company with Corporate Social Responsibility Report, it can provide pages of the report as description.

## Ethical Corporate Management

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
1. Establishing ECM Best-Practice Principles policy and practice:				
(1) Has the Company disclosed ethical corporate management policy and conduct in its internal regulations and external papers, as well as implementation promises made by management team and the Boards?	V		The Company has formulated “ECM Best-Practice Principles” approved by the Board of Directors on Dec. 23, 2014 and disclosed the principles on its internal and external corporate website. It can be used by the staffs for reference and self-examination. In order to promote ethical behavior in business, the Company disclosed ideas of ethical management and fair trade in its Corporate Social Responsible Report.	None
(2) Has the Company formulated unethical behavior preventive measures listed with clarity operating process, code of conduct, violation punishment and appeal process? Are the measures being fully implemented?	V		The Company has formulated “ECM Best-Practice Principles”, “Codes of Ethical Conduct” as well as concerning code of conduct and appeal process for implementation purpose. To assist the Company’s ethical corporate management policy, the Company has set “Antitrust Policy and Guidelines” that are implemented in internal management and external business activities.	None
(3) Has the Company taken preventive measures for operating activities with higher risk of unethical behavior stipulated by ECM Best-Practice Principles for TWSE/GTSM Listed Companies Article 7 Paragraph 2?	V		The Company has incorporated procedures for ethical management and guidelines for conduct in “ECM Best-Practice Principles” to prevent unethical behavior in higher risk operating activities stipulated by “ECM Best-Practice Principles for TWSE/GTSM Listed Companies” Article 7 Paragraph 2.	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
2. Implementation of ECM Best-Practice Principles:				
(1) Does the Company evaluate trading counterparties' ethical record and include articles of ethical conduct in the contract?	V		The Company engages in commercial activities in a fair and transparent manner. Prior to any commercial dealings, the Company takes into account legality of its agents, suppliers, clients or other trading counterparties, and if any unethical conduct was involved. It is advisable to avoid doing any business with any party with any record of unethical conduct. Contract contents are based on "ECM Best-Practice Principles" and contained the provision for termination at the time the trading counterparties get involved in any unethical conduct.	None
(2) Has the Company set up specialized unit to promote ethical corporate management? If so, does the unit report to the Board of Directors its execution status regularly?	V		Human Resources Div. is in charge of promoting ethical corporate management and rendering the report to the Board of Directors annually. Auditing Div. reported directly to the Board of Directors is responsible for auditing ethical corporate management violation.	None
(3) Has the Company established policy to prevent conflict of interest, provide petition channel and execute implementation?	V		Following "Codes of Ethical Conduct", the Company demanded that the staffs shall avoid conflict of interest and automatically explain whether or not there is any latent conflict of interest. The Company has set up regulations governing appeal and channels for declaration.	None
(4) Has the Company established an effective accounting system and internal control system of best practices? If so, is it audited by internal auditors or accountant agency regularly?	V		The Company has established accounting system, internal control system. It is audited by internal and external auditors (including ISO verification organization and CPA) regularly to fully implement ethical corporate management.	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
(5) Does the Company hold internal and external ethical corporate management training course regularly?	V		All new employees are informed of “Codes of Ethical Conduct” and corporate ethics and participate in orientation. Guidelines can be found on the corporate website.	None
3. Impeachment policy				
(1) Has the Company create a practical impeachment and reward system, and nominated the ad hoc person to handle the case?	V		The Company has formulated regulations governing appeal and clearly states its impeachment policy, system and the ad hoc person.	None
(2) Has the Company developed standardized investigation process and confidential agreement?	V		The Company has established standardized investigation process and impeacher protection policy based on “ECM Best-Practice Principles”.	None
(3) Does the Company have protection mechanism for the impeacher who report violation cases?	V		Following “ECM Best-Practice Principles”, the Company protects impeacher from any improper treatment due to the impeachment case.	None
4. Enhancing Information Disclosure:				
(1) Does the Company disclose ECM Best-Practice Principles details and its execution result on its website and Market Observation Post System?	V		The Company discloses its “ECM Best-Practice Principles” on its corporate website. The results of our implementation are disclosed in Market Observation Post System and “Corporate Social Responsibility Report”.	None
5. Please illustrate if ECM Best-Practice Principles execution results deviate from ECM Best-Practice Principles for TWSE/GTSM Listed Companies: None.				
6. Other helpful information in understanding ECM Best-Practice Principles such as changes made to ethical management principles: None				

Information disclosure is required if the Company has established principles for ethical management:

Details can be found on <http://mops.twse.com.tw>, <http://www.evaair.com> and <http://stock.evergreen.com.tw>.

Important information in understanding corporate governance management:

To establish quality internal information operating procedure, the Board of Directors passed Procedures for Handling Material Inside Information in Board meeting on April 28, 2010. It can be found on the corporate website and shall be used as guideline to avoid insider trading by the directors, supervisors, managers and employees.

## Major Shareholder Resolutions

Date of Meeting	Summary of Important Proposals	Execution
June 17, 2014	1. Distributing retained earnings: Shareholders proposed reserving all earnings to meet future needs and not allocating Dividends, Remuneration to directors and supervisors and Bonuses to employees.	The resolution has been executed accordingly.
	2. Amending Procedures for Acquiring and Disposing of Assets.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Acquiring and Disposing of Assets.
	3. Amending Procedures for Transaction of Derivatives Products.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Transaction of Derivatives Products.
	4. Amending Procedures for Fund Lending, Endorsement and Guarantee.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Fund Lending, Endorsement and Guarantee.
	5. To elect nine Directors (included three independent directors) and three Supervisors in accordance with article of incorporation.	The directors and supervisors re-election has been approved by the Commerce Department, Ministry of Economic Affairs and registered (no. 10301147650). Newly appointed directors and supervisors have executed matters in accordance with article of incorporation and alike.
	6. To lift the restriction of “non-competition” for newly elected directors in 2014 shareholder meeting.	The resolution has been executed accordingly.

## Major Board of Director Resolutions

Date of Meeting	Major Proposals
March 25, 2014	<ol style="list-style-type: none"> <li>1. To accept 2013 Parent-company-only Financial Statements and Consolidated Financial Statements.</li> <li>2. To accept 2013 Profit Distribution Proposal.</li> <li>3. To accept 2013 Operation Report.</li> <li>4. To accept 2014 Operation Plan.</li> <li>5. To accept the 2013 Declaration of Internal Control.</li> <li>6. To amend the Internal Control System and Internal Audit Implementation Rules.</li> <li>7. To amend Procedures for Acquiring and Disposing of Assets.</li> <li>8. To amend Procedures for Transaction of Derivative Products.</li> <li>9. To amend Procedures for Fund Lending, Endorsement and Guarantee.</li> <li>10. To amend Regulations for Board of Directors Meeting Procedures.</li> <li>11. To amend Remuneration Committee Charter.</li> <li>12. To re-elect the directors and supervisors of the Company.</li> <li>13. To discuss lifting the restriction of "Non-Competition" for the newly elected directors.</li> <li>14. To stipulate the date and venue for the 2014 annual General Meeting of Shareholders.</li> </ol>
April 24, 2014	<ol style="list-style-type: none"> <li>1. To approve the roster of candidates about directors (including independent directors) and supervisors submitted by the shareholders.</li> <li>2. To approve non-acceptance of shareholders' proposals submitted after the submission deadline.</li> </ol>
May 13, 2014	<ol style="list-style-type: none"> <li>1. To approve establishing branch offices in China's Shijiazhuang and Taiyuan regions.</li> <li>2. To add an office at Naha Airport for the Company's Japanese branch.</li> <li>3. To approve changing the Company's certified public accountants.</li> </ol>
June 17, 2014	<ol style="list-style-type: none"> <li>1. To elect director Chang Kuo-Wei as Chairman of the Company.</li> <li>2. To appoint Mr. Eugene Chien, Mr. Lo Tzu-Chiang and Mr. Hsu Shun-Hsiung as the members of Remuneration Committee.</li> </ol>
June 26, 2014	<ol style="list-style-type: none"> <li>1. To amend the compensation structure and performance incentive system of directors and supervisors.</li> <li>2. To approve directors and supervisors (except independent directors) traffic allowance for attendance Board of Directors in 2014.</li> <li>3. To approve 2014 remuneration and compensation of Remuneration Committee member to the independent Directors.</li> <li>4. To approve 2014 remuneration to the Chairman.</li> <li>5. To subscribe new shares of Evergreen Aviation Precision Corp..</li> </ol>
September 30, 2014	<ol style="list-style-type: none"> <li>1. To recognize available-for-sale noncurrent financial asset from temporary impairment loss to permanent impairment loss.</li> <li>2. To approve issue common shares through public offering.</li> <li>3. To donate cash to Chang Yung-Fa Foundation.</li> </ol>

Date of Meeting	Major Proposals
December 23, 2014	<ol style="list-style-type: none"> <li>1. To procure one B777-300ER spare engine.</li> <li>2. To approve the amendment of the compensation structure and performance incentive system for managers.</li> <li>3. To approve continuation of the compensation structure and performance incentive system for directors and supervisors.</li> <li>4. To approve directors and supervisors (except independent directors) traffic allowance for attendance Board of Directors in 2015.</li> <li>5. To approve 2015 remuneration and compensation of Remuneration Committee member to the independent Directors.</li> <li>6. To approve the 2014 annual bonus for managers.</li> <li>7. To approve 2015 compensation for managers.</li> <li>8. To approve the 2014 annual bonus for the Chairman.</li> <li>9. To approve 2015 remuneration to the Chairman.</li> <li>10. To establish Corporate Social Responsibility Policy.</li> <li>11. To establish Corporate Governance Best-Practice Principles.</li> <li>12. To establish Rules Governing the Scope of Powers of Independent Directors.</li> <li>13. To establish Ethical Corporate Management Best-Practice Principles.</li> <li>14. To establish Guidelines for the Adoption of Codes of Ethical Conduct.</li> <li>15. To amend Regulations for Board of Directors Meeting Procedures.</li> <li>16. To amend the Internal Control System and Internal Audit Implementation Rules.</li> <li>17. To stipulate the Company's 2015 Internal Audit Plan.</li> <li>18. To provide Liability insurance for directors, supervisors and important employees.</li> <li>19. To appoint the Company's certified public accountants and determine their remuneration.</li> </ol>
March 26, 2015	<ol style="list-style-type: none"> <li>1. To approve the sale and lease back of two purchase A330-300 aircraft.</li> <li>2. To accept 2014 Operation Report.</li> <li>3. To accept 2015 Operation Plan.</li> <li>4. To accept 2014 Parent-company-only Financial Statements and Consolidated Financial Statements.</li> <li>5. To accept the deficit compensation of the year 2014.</li> <li>6. To accept the 2014 Declaration of Internal Control.</li> <li>7. To approve establishing branch office in China's Shenzhen regions.</li> <li>8. To approve the amendment of the compensation structure and performance incentive system for managers.</li> <li>9. To establish Procedures for Ethical Management and Guidelines for Conduct.</li> <li>10. To amend Corporate Governance Best-Practice Principles.</li> <li>11. To amend Articles of Incorporation.</li> <li>12. To amend the Authorization List for Acquiring and Disposing of Assets and Other Financial Affairs.</li> <li>13. To amend Procedures for Transaction of Derivative Products.</li> <li>14. To approve the transaction of hedging derivative products not to execute to</li> </ol>

Date of Meeting	Major Proposals
	<p>stop loss.</p> <p>15.To stipulate the date and venue for the annual 2015 General Shareholders' meeting.</p>
April 28, 2015	EVA Air and Plaintiffs have reached a settlement agreement in the matter, In re Air Cargo Shipping Services Antitrust Litigation, 06-md-1775 (E.D.N.Y.)



### 3.4 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2014		As of April 30, 2015	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Chang Yung-Fa Charity Foundation	11,354,504	0	0	0
	Representative: Chang Kuo-Wei	0	0	0	0
Director	Chang Yung-Fa Charity Foundation	11,354,504	0	0	0
	Representative: Chang Yung-Fa	0	0	14,487,171	0
Director	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
	Representative: Ko Lee-Ching	0	0	0	0
	Representative: Chang Cheng-Yung	0	0	0	0
Director	Falcon Investment Services Ltd.	0	0	278,931,543	0
	Representative: Tai Jiin-Chyuan	0	0	1,741	0
	Representative: Cheng Chuan-Yi	0	0	75,023	0
Independent Director	Chien You-Hsin	0	0	0	0
	Lo Tzu-Chiang	0	0	0	0
	Hsu Shun-Hsiung	0	0	0	0
Supervisor	Evergreen International Corp.	0	0	0	0
	Representative: Lin Long-Hwa	0	0	0	0
	Representative: Wu Kuang-Hui	0	0	4,887	0
	Representative: Chen Cheng-Pang	0	0	0	0
Major Shareholder	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
Major Shareholder	Evergreen International Corp.	0	0	0	0
Major Shareholder	Falcon Investment Services Ltd.	0	0	278,931,543	0
President	Cheng Chuan-Yi	0	0	75,023	0
Executive Vice President	Fang Gwo-Shiannng	0	0	69,737 (18,000)	0
Executive Vice President	Yuen Ping-Yu	(10,000)	0	54,000	0
Executive Vice President	Ho Ching-Sheng	0	0	83,690	0
Executive Vice President (Financial Officer)	Tsai Ta-Wei	558 (558)	0	54,086	0
Executive Vice President	Chen Yeou-Yuh	0	0	54,015	0
Executive Vice President	Sun Chia-Ming	0	0	58,142 (28,000)	0
Executive Vice President	Yang Yung-Heng	0	0	56,592	0

Title	Name	2014		As of April 30, 2015	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Executive Vice President	Huang Sheh-Ming	(25,000)	0	56,384 (25,000)	0
Executive Vice President	Chai Chien-Hua	0	0	54,088	0
Executive Vice President	Li Shyh-Liang	0	0	30,000	0
Senior Vice President	Hou Hsien-Yu	0	0	40,162 (40,000)	0
Senior Vice President	Lu Yu-Chuan	0	0	40,156 (41,000)	0
Senior Vice President	Soong Allen	0	0	40,028	0
Senior Vice President	Li Ping-Yin	0	0	49,677 (49,000)	0
Senior Vice President	Yeh Ching-Far	(2,000)	0	40,016 (40,000)	0
Senior Vice President	Tao Shin-Chien	(7,322)	0	0	0
Senior Vice President	Liu Ying	0	0	41,374	0
Senior Vice President	Chang Lih-Lih	0	0	40,000	0
Senior Vice President	Chuang Shih-Hsiung	0	0	40,000 (10,000)	0
Senior Vice President	Chen Yao-Min	0	0	40,197 (8,000)	0
Senior Vice President	Yang Hsiu-Huey	0	0	40,036 (40,000)	0
Senior Vice President	Liao Chi-Wei	0	0	40,068	0
Senior Vice President	Hsiao Chin-Lung	0	0	35,000 (10,000)	0
Senior Vice President	Wu Chun-Hung	0	0	35,000 (35,000)	0
Senior Vice President (Accounting Officer)	Chiang Chin-Lan	0	0	36,301	0
Senior Vice President	Ho Li-Cheng	0	0	37,209 (13,000)	0
Deputy Senior Vice President	Wu Su-Shin	0	0	36,687	0
Deputy Senior Vice President	Huang Chieh-Chih	0	0	35,207	0
Deputy Senior Vice President	Chiang Wei-Du	0	0	35,324 (15,000)	0
Deputy Senior Vice President	Yu Chia-Chieh	(400)	0	35,589	0
Deputy Senior Vice President	Chen Shen-Chi	0	0	35,000	0
Deputy Senior Vice President	Wu Shu-Ping	(2,000)	0	40,069 (10,000)	0
Deputy Senior Vice President	Lee Cheng-Chieh	0	0	35,041	0
Deputy Senior Vice President	Kuo Ming-Cheng	0	0	38,870	0
Deputy Senior Vice President	Hsu Ping	0	0	35,015	0
Deputy Senior Vice President	Chou Yu-Chuan	0	0	35,000	0

Title	Name	2014		As of April 30, 2015	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Deputy Senior Vice President	Wang Yuan-Shyang	0	0	35,000 (35,000)	0
Deputy Senior Vice President	Chiu Chung-Yu	0	0	35,026	0
Deputy Senior Vice President	Lin Nan-Yang	0	0	35,826	0
Deputy Senior Vice President	Chang Ming-Hung	0	0	35,000 (35,000)	0
Deputy Senior Vice President	Chen Chia-Chuan	0	0	35,026 (10,000)	0
Deputy Senior Vice President	Hsu Ying-Fang	0	0	35,000 (35,000)	0
Deputy Senior Vice President	Liu Wen-Jang	0	0	32,997	0
Deputy Senior Vice President	Su Wei-Jen	0	0	30,371	0
Deputy Senior Vice President	Lin Ta-Yuan	0	0	30,000	0
Deputy Senior Vice President	Hsu Shu-Ching	0	0	30,066	0

**Information on Stock Transfer: Nil**

**Information on Stock Pledged: Nil**

## IV. Capital Overview

### 4.1 Capital and Shares

#### History of Capitalization

Month/Year	Price	Authorized Capital		Issued Capital		Sources of Capital (‘000)	Non-Monetary Capital Expansion
		Shares (‘000)	Amount (‘000)	Shares (‘000)	Amount (‘000)		
03/2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate bond conversion 318,356	-
04/2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate bond conversion 358,623	-
07/2009	10	4,000,000	40,000,000	2,262,677	22,626,773	Capital Reduction 16,800,000	-
09/2009	10	4,000,000	40,000,000	2,962,677	29,626,773	Cash offering 7,000,000	-
09/2011	10	4,000,000	40,000,000	3,258,945	32,589,450	Capitalization of retained earnings 2,962,677	-
02/2015	10	4,000,000	40,000,000	3,858,945	38,589,450	Cash offering 6,000,000	-

#### Status of Shareholders

As of April 18, 2015

Item \ Entity	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution or Individual	Total
Number of Shareholders	6	38	241	103,575	969	104,829
Shareholdings	370,822,972	165,495,962	1,330,376,010	1,007,173,446	985,076,615	3,858,945,005
Holding (%)	9.61	4.29	34.47	26.10	25.53	100.00

## Distribution of Common Shares

As of April 18, 2015

Range of Shareholdings	Number of Shareholders	Number of Shares	Holding (%)
1-999	39,157	12,829,962	0.33
1,000-5,000	41,241	92,635,170	2.40
5,001-10,000	11,129	79,766,421	2.07
10,001-15,000	5,018	61,179,392	1.59
15,001-20,000	2,082	36,988,418	0.96
20,001-30,000	2,180	53,597,872	1.39
30,001-50,000	1,659	64,573,921	1.67
50,001-100,000	1,171	80,910,162	2.10
100,001-200,000	546	76,159,346	1.97
200,001-400,000	258	70,772,057	1.83
400,001-600,000	92	43,260,779	1.12
600,001-800,000	54	38,166,906	0.99
800,001-1,000,000	33	30,119,990	0.78
1,000,001 and above	209	3,117,984,609	80.80
<b>Total</b>	104,829	3,858,945,005	100.00

## Major Shareholder Name List

As of April 18, 2015

Entity	Shareholding	Number of Shares	Holding (%)
Evergreen Marine Corp. (Taiwan) Ltd.		629,483,229	16.31
Evergreen International Corp.		469,648,357	12.17
Falcon Investment Services Ltd.		441,894,468	11.45
New Labor Pension Fund		189,380,095	4.91
Chang Yung-Fa		112,847,371	2.92
Old Labor Pension Fund		98,040,111	2.54
Cathay Life Insurance Co., Ltd.		88,224,877	2.29
Chang Kuo-Cheng		74,957,249	1.94
Chang Kuo-Ming		47,858,445	1.24
Evergreen International Storage & Transport Corp.		38,045,443	0.99

## Market Price, Net Equity, Earnings and Dividends per Share

Items		Year	2013	2014	2015
			(Distributed in 2014)	(Distributed in 2015)	(As of April 30 2015)
Market Price per Share	Highest		NT\$19.35	NT\$23.90	NT\$25.25
	Lowest		NT\$15.70	NT\$14.00	NT\$20.90
	Average		NT\$17.34	NT\$18.38	NT\$23.26
Net Equity per Share	Before Distribution		NT\$11.00	NT\$10.55	-
	After Distribution		-	-	-
Earnings per Share	Weighted Average Shares		3,258,945,005 shares	3,258,945,005 shares	3,858,945,005 shares
	Earnings per Share	Before Adjustment	NT\$0.23	NT\$(0.40)	-
		After Adjustment	-	-	-
Dividends per Share	Cash Dividends		-	-	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
Return on Investment	Price/Earnings Ratio (Note 1)		75.39	(45.95)	-
	Price/Dividend Ratio (Note 2)		-	-	-
	Cash Dividend Yield Rate (Note 3)		-	-	-

Note 1: Price/Earnings Ratio = Average Share Price at Market Close for Current Fiscal Year/Earnings per Share

Note 2: Price/Dividend Ratio = Average Share Price at Market Close for Current Fiscal Year/Cash Dividend per Share.

Note 3: Cash Dividend Yield Rate = Cash Dividend per Share/Average Market Closing Share Price for Current Fiscal Year.

## **Dividend Policy and Implementation Status**

### **Dividend Policy**

In accordance with Article 26 of EVA's Articles of Incorporation, any earning from the annual settlement should first be used to offset accumulated deficits for previous years, after deducting all applicable taxes. 10% of the balance should be set aside in a legal reserve; and set aside or reverse the special reserve in compliance with regulations, then be added to undistributed earnings from the prior period for distribution after the Board of Directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

Stockholders' dividends shall be distributed in cash dividends and stock dividends, with the cash dividend at least 10% of the total amount of distribution.

### **Dividend Distribution in Current Year**

The Board adopted a proposal for 2014 dividend distribution at its meeting on March 26, 2015 that no dividend will be distributed to shareholders.

### **Employee Bonuses and Compensation Paid to Directors and Supervisors**

Range or Percentage of Employee Bonuses and Compensation Paid to Directors and Supervisors Specified in Article 26 of EVA's Articles of Incorporation: Earnings, if any, from the annual settlement should first offset accumulated deficits for previous years after all applicable taxes are deducted. 10% of the balance should be set aside in a legal reserve;

and set aside or reverse the special reserve in compliance with regulations, then be added to undistributed earnings from the prior period for distribution after the Board of Directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

### **Proposed Employee Bonus Plan Approved by Board of Directors**

Employee Cash Bonus: Nil

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: Nil

Number of shares proposed for distribution to employees and the percentage of the shares above capitalized earnings: 0 share, 0%

Estimated EPS after deduction of employee bonuses and compensation to directors and supervisors: Not applicable.

### **Status of Stock Repurchased by EVA: N/A**

## 4.2 Bonds

### Corporate Bonds

Corporate Bond Type		Fifteenth Secured Corporate Bonds
Issue date		January 20, 2011
Denomination		NT\$1,000,000
Issuing and transaction location		Not applicable
Issue price		Issue by denomination
Total price		NT\$3,100,000,000
Coupon rate		1.21% p.a.
Tenor		5 years Maturity: January 20, 2016
Guarantee agency		The Shanghai Commercial & Savings Bank, Ltd. CTBC Bank Co., Ltd. Land Bank of Taiwan Mega International Commercial Bank Co., Ltd. Hua Nan Commercial Bank, Ltd.
Consignee		Cathay United Bank Trust Department
Underwriting institution		None
Certified lawyer		Kuo Hui-Chi (Hsi Endai Lawyer Office)
CPA		Chen Ya-Ling Chang Chia-Hsin (KPMG)
Repayment method		Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year
Outstanding principal		NT\$1,550,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable
	Issuance and conversion (exchange or subscription) method	Not applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		No dilution and impact on existing shareholders' equity
Transfer agent		Not applicable



Corporate Bond Type		Sixteenth Secured Corporate Bonds
Issue date		August 31, 2011
Denomination		NT\$1,000,000
Issuing and transaction location		Not applicable
Issue price		Issue by denomination
Total price		NT\$7,100,000,000
Coupon rate		1.44% p.a.
Tenor		5 years Maturity: August 31, 2016
Guarantee agency		Bank of Taiwan First Commercial Bank Taiwan Cooperation Bank Chang Hwa Commercial Bank Ltd. Hua Nan Commercial Bank The Shanghai Commercial & Savings Bank, Ltd.
Consignee		Cathay United Bank Trust Department
Underwriting institution		None
Certified lawyer		Kuo Hui-Chi (Hsi Endai Lawyer Office)
CPA		Chen Ya-Ling Chang Chia-Hsin (KPMG)
Repayment method		Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year
Outstanding principal		NT\$7,100,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable
	Issuance and conversion (exchange or subscription) method	Not applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		No dilution and impact on existing shareholders' equity
Transfer agent		Not applicable

Corporate Bond Type		Seventeenth Secured Corporate Bonds
Issue date		May 31, 2012
Denomination		NT\$1,000,000
Issuing and transaction location		Not applicable
Issue price		Issue by denomination
Total price		NT\$6,500,000,000
Coupon rate		1.22% p.a.
Tenor		5 years Maturity: May 31, 2017
Guarantee agency		Bank of Taiwan Mega International Commercial Bank Co., Ltd. First Commercial Bank Taiwan Cooperation Bank Land Bank of Taiwan Hua Nan Commercial Bank Yuanta Commercial Bank Bank Sino Pac
Consignee		Cathay United Bank Trust Department
Underwriting institution		None
Certified lawyer		Kuo Hui-Chi (Hsi Endai Lawyer Office)
CPA		Chen Ya-Ling Chang Chia-Hsin (KPMG)
Repayment method		Repayment in lump sum upon maturity
Outstanding principal		NT\$6,500,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable
	Issuance and conversion (exchange or subscription) method	Not applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		No dilution and impact on existing shareholders' equity
Transfer agent		Not applicable

Corporate Bond Type		Eighteenth Secured Corporate Bonds
Issue date		June 14, 2013
Denomination		NT\$1,000,000
Issuing and transaction location		Not applicable
Issue price		Issue by denomination
Total price		NT\$4,500,000,000
Coupon rate		1.15% p.a.
Tenor		5 years Maturity: June 14, 2018
Guarantee agency		Bank of Taiwan Hua Nan Commercial Bank The Shanghai Commercial & Savings Bank, Ltd. Yuanta Commercial Bank Mega International Commercial Bank Co., Ltd.
Consignee		Cathay United Bank Trust Department
Underwriting institution		None
Certified lawyer		Kuo Hui-Chi (Hsi Endai Lawyer Office)
CPA		Chang Chia-Hsin (KPMG)
Repayment method		Repayment in lump sum upon maturity
Outstanding principal		NT\$4,500,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable
	Issuance and conversion (exchange or subscription) method	Not applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		No dilution and impact on existing shareholders' equity
Transfer agent		Not applicable

## V. Operational Highlights

### 5.1 Business Activities

#### The Fleet

- Since 2014 EVA took delivery of three brand-new Boeing B777-300ER and six Airbus A321-200 passenger aircraft, and redelivered one B747-400 freighter and three MD-90 passenger aircraft.

As of December 31 2014

Aircraft Type	Owned	Capital Lease	Operating Lease	Total	On Order (Delivery date)
B747-400	3	-	-	3	-
B747-400 Combi	2	-	-	2	-
B777-300ER	12	2	4	18	16 Feb.2015~Jun.2017
A330-200	3	-	8	11	-
A330-300	-	-	3	3	2 Nov.& Dec.2015
MD-90	-	-	4	4	-
B747-400 Freighter	5	3	-	8	-
MD-11 Freighter	4	-	2	6	-
A321-200	-	-	12	12	12 Mar.2015~Oct.2016
<b>Total</b>	<b>29</b>	<b>5</b>	<b>33</b>	<b>67</b>	<b>30</b>

## The Network

- EVA Air launched Taipei - Okinawa passenger service in June 2014.
- EVA Air launched Taipei - Shijiazhuang passenger service in July 2014.
- EVA Air launched Taipei - Taiyuan passenger service in July 2014.

As of April 30, 2015

<b>North America</b>	Anchorage	Atlanta	Dallas	Guam	New York (JFK)	Los Angeles
	Chicago	San Francisco	Seattle	Vancouver	Toronto	
	Bangkok	Jakarta	Sapporo	Delhi	Bali	Fukuoka
	Seoul (Gimpo)	Hanoi	Hong Kong	Hakodate	Tokyo (Haneda)	Seoul (Incheon)
	Kaohsiung	Osaka	Komatsu	Kuala Lumpur	Macau	Manila
	Tokyo (Narita)	Penang	Phnom Penh	Asahikawa	Sendai	Ho Chi Minh City
	Singapore	Surabaya	Taipei (Taoyuan)	Taipei (Songshan)	Okayama	Taichung
	Okinawa					
<b>Asia</b>	Guangzhou	Chongqing	Zhengzhou	Chengdu	Hangzhou	Hohhot
	Harbin	Guilin	Ningbo	Beijing	Shanghai (Pudong)	Shanghai (Hongqiao)
	Jinan	Tianjin	Huangshan	Shijiazhuang	Taiyuan	
<b>Europe</b>	Amsterdam	Paris	Frankfurt	London	Vienna	
<b>Oceania</b>	Brisbane					

Air cargo destination only

Total 65 destinations

## 5.2 Market and Sales Overview

### The Market

#### The Consolidated Revenue by Business Segment

Year	Passenger		Cargo		Other		Total	
	No.	%	No.	%	No.	%	No.	%
2014	77,959	59%	31,258	23%	23,873	18%	133,090	100%
2013	71,100	57%	32,033	26%	21,032	17%	124,164	100%

NT\$(Million)

#### Passenger Operations

Region	No. of Passenger			RPK (Million)			Revenue (NT\$ Million)		
	2014	2013	%	2014	2013	%	2014	2013	%
America	1,375,420	1,233,831	11.48%	14,488	12,998	11.46%	28,817	26,857	7.30%
Europe	671,654	652,724	2.90%	4,976	4,746	4.85%	9,505	9,170	3.65%
Asia	6,812,554	6,082,539	12.00%	10,768	9,664	11.42%	39,067	34,519	13.18%
Oceania	42,377	40,390	4.92%	286	273	4.76%	570	554	2.89%
Total	8,902,005	8,009,484	11.14%	30,518	27,681	10.25%	77,959	71,100	9.65%

#### Cargo Operations

Region	Cargo carried (Tons)			FTK (Million)			Revenue (NT\$ Million)		
	2014	2013	%	2014	2013	%	2014	2013	%
America	245,827	255,727	-3.87%	2,895	3,051	-5.11%	20,192	20,371	-0.88%
Europe	50,753	54,695	-7.21%	516	551	-6.35%	3,747	3,831	-2.19%
Asia	386,056	401,727	-3.90%	643	665	-3.31%	7,258	7,768	-6.57%
Oceania	1,655	1,656	-0.06%	11	11	0.00%	61	63	-3.17%
Total	684,291	713,805	-4.13%	4,065	4,278	-4.98%	31,258	32,033	-2.42%

#### Market Shares

Item		2014	2013
Number of Flights	EVA Airways	44,481	38,770
	Taiwan	241,761	212,375
	Market Share (%)	18.40	18.25
Number of Passengers	EVA Airways	8,804,661	7,847,954
	Taiwan	44,035,682	38,898,209
	Market Share (%)	19.99	20.18
Tons of Cargo	EVA Airways	606,199	436,099
	Taiwan	2,170,389	1,632,433
	Market Share (%)	27.93	26.71

Data Source: Monthly Digest of Statistics, CAA

## **2015 Outlook**

Due to the stable development of cross-strait political relations, trade and economic activities will continue to warm up, and the gradual relaxation of policy limitations on visitors from Mainland China and regularly scheduled cross-strait flights will lead to more business and leisure travel. Prospects for EVA's major routes worldwide are described in the paragraphs that follow.

### **American routes**

The Company operates 55 direct passenger flights to the United States and Canada weekly: 21 to Los Angeles, 7 to New York, 14 to San Francisco, 5 to Seattle, 4 to Vancouver and 4 to Toronto. In addition, we provide people convenient connecting flight services by code sharing with other leading airlines such as United Airlines.

EVA's freighter service to North America is our major source of cargo revenue. We provide cargo service to 6 destinations total 16 direct freighter flights include to Los Angeles, San Francisco, Seattle, Chicago, Dallas, and Atlanta. And wide-body aircraft belly space of passenger flights provide cargo service to and from 6 destinations total 55 direct flights include Los Angeles, San Francisco, Seattle, New York, Vancouver and Toronto. Besides, we would plan to increase flights and enhance the flexibility of adjusting freighter routes to improve operational efficiency for seasonal demands.

In 2015, the Company will increase passenger flight in North America to 63 flights weekly: 21 to Los Angeles, 7 to New York, 14 to San Francisco, 7 to Seattle, 5 to Vancouver and 5 to Toronto. Moreover, EVA will launch 3 flights weekly to Houston in June and increase to 4 in July.

### **European routes**

EVA has 19 scheduled nonstop passenger flights a week to Europe, including 4 to Amsterdam, 4 to Vienna, 4 to Paris and 7 to London. We give passengers on these routes comfortable and convenient service.

The Company is also collaborating with

Lufthansa to offer regular, dedicated cargo services and extend our network within Europe. These joint operations upgrade overall performance in the region.

### **Australian route**

EVA's Australian route primarily serves the tourism market. In view of market demand and operating costs, the Company will continue our two weekly Taipei - Brisbane flights.

### **Asian routes**

Following inauguration of regular cross-strait services on August 31, 2009, EVA and UNI Air are now operating 131 scheduled weekly flights between Taiwan and Mainland China. We serve 30 destinations: Beijing, Shanghai Pudong, Shanghai Hongqiao, Guangzhou, Shenzhen, Fuzhou, Xiamen, Hangzhou, Nanjing, Ningbo, Tianjin, Dalian, Qingdao, Chongqing, Chengdu, Zhengzhou, Jinan, Shenyang, Xian, Kunming, Yanchen, Guilin, Changsha, Harbin, Huangshan, Hohhot, Xining, Taiyuan, and Shijiazhuang.

The Company has launched Shanghai Pudong, Guangzhou, Chongqing and Zhengzhou four scheduled freighter destinations, and cooperated with China Cargo Airlines by code sharing in the Pudong route. We would plan to launch scheduled freighter flights to Shenzhen to further enhance the coverage of the Company in Mainland China air transport market.

Taiwan's geographic location makes it an ideal pivot point for traffic between North America and Asia. The Company is leveraging this geographic superiority and, at the same time, supporting the government's goal of establishing Taiwan as the leading Asia Pacific Operations Center with our extensive route network connecting North America and Asia.

The Asia-Pacific region still has potential for cargo business in the coming years. China continues to stand out as a dominate business and trade driver in the region. The Company will continue to optimize opportunities such as those created by the Economic Cooperation Framework Agreement (ECFA). Catalyzing acceleration of China's domestic demand, the Company will strategically seek greater shares of the markets in China and Asia.

## 5.3 Human Resources

### EVA Air and Consolidated Subsidiaries

Items \ Year		2013	2014	2015 (as of Apr. 30 2015)
No. of Employees	Pilots	967	1,105	1,109
	Cabin Crew	2,144	2,793	3,014
	Other	9,565	10,433	10,551
	<b>Total</b>	12,676	14,331	14,674
Average Age		35.8	35.4	35.4
Average Seniority		9.4	9.4	9.2
Education Profile Distribution (%)	Doctorate	0.1	0.1	0.1
	Master's	5.0	5.2	5.1
	Bachelor's	81.9	76.8	76.7
	High School	9.7	14.6	14.8
	Other	3.3	3.3	3.3



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 1. Condensed Balance Sheets from 2012 to 2015Q1 (Consolidated)

Unit: NT\$ thousands

Item		2012	2013	2014	2015.3.31
Current Assets		45,489,820	46,119,654	50,095,894	62,634,122
Property, plant and equipment		94,745,769	88,226,342	98,752,051	106,212,299
Intangible Assets		2,271,741	2,431,864	2,407,217	2,385,620
Other Assets		13,016,987	15,945,074	16,305,038	14,070,366
Total Assets		155,524,317	152,722,934	167,560,200	185,302,407
Current Liabilities	Before Distribution	38,861,449	38,740,228	51,352,783	52,577,579
	After Distribution	38,861,449	38,740,228	-	-
Non-current Liabilities		77,278,067	73,725,345	76,530,416	80,575,812
Total Liabilities	Before Distribution	116,139,516	112,465,573	127,883,199	133,153,391
	After Distribution	116,139,516	112,465,573	-	-
Equity attributable to Owners of parent		35,367,922	35,838,033	34,391,884	46,751,078
Common stock		32,589,450	32,589,450	32,589,450	38,589,450
Capital collected in advance		-	-	186,567	-
Capital surplus		1,723,602	1,723,602	2,047,602	6,247,874
Retained earnings	Before Distribution	1,895,476	2,275,240	739,412	2,751,773
	After Distribution	1,895,476	2,275,240	-	-
Other equity		(840,606)	(750,259)	(1,171,147)	(838,019)
Treasury stock		-	-	-	-
Non-controlling interests		4,016,879	4,419,328	5,285,117	5,397,938
Total Equity	Before Distribution	39,384,801	40,257,361	39,677,001	52,149,016
	After Distribution	39,384,801	40,257,361	-	-

Note1: Above data are based on the consolidated financial statements as of December 31, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2015 which haven't been reviewed by independent auditors as of the printing date.

Note2: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

## 2. Condensed Statement of Comprehensive Income from 2012 to 2015Q1 (Consolidated)

Unit: NT\$ thousands (Except EPS:NT\$)

Item	2012	2013	2014	2015.3.31
Operating Revenue	120,158,467	124,164,451	133,090,008	33,374,491
Gross Profit	10,902,960	12,967,732	12,249,000	5,296,114
Operating Income (Loss)	2,409,150	3,470,319	2,634,889	2,660,296
Non-operating income and expenses	(713,983)	(1,629,981)	(2,585,944)	(389,381)
Profit (Loss) before tax	1,695,167	1,840,338	48,945	2,270,915
Profit (Loss)	1,195,687	1,279,725	(789,918)	2,141,433
Other comprehensive income (loss), net of tax	(1,541,101)	(279,340)	(667,708)	331,399
Comprehensive Income (Loss)	(345,414)	1,000,385	(1,457,626)	2,472,832
Profit or Loss attributable to:				
Owners of Parent	655,200	747,450	(1,306,724)	2,012,361
Non-controlling interests	540,487	532,275	516,806	129,072
Comprehensive income attributable to:				
Owners of Parent	(826,131)	470,111	(1,956,716)	2,345,489
Non-controlling interests	480,717	530,274	499,090	127,343
Basic earnings (loss) per share	0.20	0.23	(0.40)	0.55

Note1: Above data are based on the consolidated financial statements as of December 31, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2015 which haven't been reviewed by independent auditors as of the printing date.

Note2: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

### 3. Condensed Balance Sheets from 2012 to 2014 (The Company)

Unit: NT\$ thousands

Item		2012	2013	2014
Current Assets		31,865,344	31,254,902	34,164,746
Property, plant and equipment		89,014,699	82,473,206	90,240,743
Intangible Assets		303,333	412,777	465,026
Other Assets		21,110,574	25,253,893	26,617,105
Total Assets		142,293,950	139,394,778	151,487,620
Current Liabilities	Before Distribution	36,603,179	36,240,883	48,369,147
	After Distribution	36,603,179	36,240,883	-
Non-current Liabilities		70,322,849	67,315,862	68,726,589
Total Liabilities	Before Distribution	106,926,028	103,556,745	117,095,736
	After Distribution	106,926,028	103,556,745	-
Common stock		32,589,450	32,589,450	32,589,450
Capital collected in advance		-	-	186,567
Capital surplus		1,723,602	1,723,602	2,047,602
Retained earnings	Before Distribution	1,895,476	2,275,240	739,412
	After Distribution	1,895,476	2,275,240	-
Other equity		(840,606)	(750,259)	(1,171,147)
Treasury stock		-	-	-
Total Equity	Before Distribution	35,367,922	35,838,033	34,391,884
	After Distribution	35,367,922	35,838,033	-

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2014, 2013 and 2012.

Note2: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

#### 4. Condensed Statement of Comprehensive Income from 2012 to 2014 (The Company)

Unit: NT\$ thousands (Except EPS:NT\$)

Item	2012	2013	2014
Operating Revenue	107,147,807	110,747,462	116,921,858
Gross Profit	8,075,673	10,284,596	9,570,778
Operating Income (Loss)	196,107	1,588,253	636,236
Non-operating income and expenses	557,916	(686,542)	(1,514,317)
Profit (Loss) before tax	754,023	901,711	(878,081)
Profit (Loss)	655,200	747,450	(1,306,724)
Other comprehensive loss, net of tax	(1,481,331)	(277,339)	(649,992)
Comprehensive Income (Loss)	(826,131)	470,111	(1,956,716)
Basic earnings (loss) per share	0.20	0.23	(0.40)

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2014, 2013 and 2012.

Note2: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

## 5. Condensed Balance Sheets from 2010 to 2012 (Consolidated) - ROC GAAP

Unit: NT\$ thousands

Item		2010	2011	2012
Current Assets		44,595,513	45,720,568	49,938,664
Funds and investments		4,225,198	5,224,441	5,295,605
Property, plant and equipment		103,631,981	94,857,339	87,779,979
Intangible Assets		188,486	351,146	281,504
Other Assets		6,050,323	5,242,218	5,970,823
Total Assets		158,691,501	151,395,712	149,266,575
Current Liabilities	Before Distribution	40,971,867	36,234,830	38,076,906
	After Distribution	44,583,603	36,647,779	38,388,164
Long-term liabilities		71,730,936	70,566,107	67,892,564
Other liabilities		1,883,398	2,948,851	2,582,594
Total Liabilities	Before Distribution	114,586,201	109,749,788	108,552,064
	After Distribution	118,197,937	110,162,737	108,863,322
Common stock		29,626,772	32,589,450	32,589,450
Capital surplus		2,649,436	2,626,446	2,626,446
Retained earnings	Before Distribution	12,016,736	6,301,045	6,805,056
	After Distribution	5,421,631	5,844,465	6,446,002
Unrealized gains or losses on financial instruments		408,136	202,590	265,365
Cumulative translation adjustments		(3,554,690)	(2,579,360)	(4,376,170)
Net loss not recognized as pension cost		(511,128)	(1,266,896)	(1,356,686)
Minority interest		3,470,038	3,772,649	4,161,050
Total Equity	Before Distribution	44,105,300	41,645,924	40,714,511
	After Distribution	40,493,564	41,232,975	40,403,253

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 6. Condensed Statement of Income from 2010 to 2012 (Consolidated) - ROC GAAP

Unit: NT\$ thousands (Except EPS: NT\$)

Item		2010	2011	2012
Operating Revenue		114,054,453	113,619,373	120,121,016
Gross Profit		21,557,728	10,255,304	11,584,765
Operating Income		14,174,331	2,440,954	2,995,372
Non-operating income and gains		761,014	707,204	792,723
Non-operating expenses and losses		2,222,235	2,028,976	2,317,222
Income before income tax		12,713,110	1,119,182	1,470,873
Net income		12,423,848	750,933	1,041,083
Income attributable to:				
Parent Company		12,016,736	209,028	504,011
Minority interest		407,112	541,905	537,072
Basic earnings per share	Before retraced adjustment	4.06	0.06	0.15
	After retraced adjustment	3.69	0.06	0.15

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 7. Condensed Balance Sheets from 2010 to 2012 (The Company) - ROC GAAP

Unit: NT\$ thousands

Item		2010	2011	2012
Current Assets		34,373,857	32,841,444	35,967,240
Funds and investments		11,850,022	13,449,975	14,359,368
Property, plant and equipment		95,802,438	87,529,888	80,598,176
Intangible Assets		149,633	301,345	225,167
Other Assets		5,853,569	5,123,260	5,900,614
Total Assets		148,029,519	139,245,912	137,050,565
Current Liabilities	Before Distribution	36,392,207	33,383,685	35,942,709
	After Distribution	39,354,884	33,383,685	35,942,709
Long-term liabilities		69,054,677	64,952,297	61,609,082
Other liabilities		1,947,373	3,036,655	2,945,313
Total Liabilities	Before Distribution	107,394,257	101,372,637	100,497,104
	After Distribution	110,356,934	101,372,637	100,497,104
Common stock		29,626,772	32,589,450	32,589,450
Capital surplus		2,649,436	2,626,446	2,626,446
Retained earnings	Before Distribution	12,016,736	6,301,045	6,805,056
	After Distribution	6,091,381	6,301,045	6,805,056
Unrealized gains or losses on financial instruments		408,136	202,590	265,365
Cumulative translation adjustments		(3,554,690)	(2,579,360)	(4,376,170)
Net loss not recognized as pension cost		(511,128)	(1,266,896)	(1,356,686)
Total Equity	Before Distribution	40,635,262	37,873,275	36,553,461
	After Distribution	37,672,585	37,873,275	36,553,461

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 8. Condensed Statement of Income from 2010 to 2012 (The Company) - ROC GAAP

Unit: NT\$ thousands (Except EPS: NT\$)

Item		2010	2011	2012
Operating Revenue		104,410,011	102,192,051	107,110,356
Gross Profit		19,620,811	7,780,266	8,783,242
Operating Income		12,648,748	447,553	810,972
Non-operating income and gains		1,476,477	1,675,937	1,543,329
Non-operating expenses and losses		2,079,958	1,886,123	1,821,944
Income before income tax		12,045,267	237,367	532,357
Net income		12,016,736	209,028	504,011
Basic earnings per share	Before retraced adjustment	4.06	0.06	0.15
	After retraced adjustment	3.69	0.06	0.15

Data Source : The audited financial statements for each financial year are certified by independent auditors.

### Auditors' Opinions from 2010 to 2014

Year	CPA	Auditors' Opinion
2010	Chen Ya-Ling 、 Chang Chia-Hsin	An Unqualified Opinion with explanatory paragraph
2011	Chen Ya-Ling 、 Chang Chia-Hsin	
2012	Chang Chia-Hsin 、 Shih Wei-Ming	
2013	Chang Chia-Hsin 、 Shih Wei-Ming	An Unqualified Opinion
2014	Chen Ya-Ling 、 Wang Ching Sung	



## 6.2 Five-Year Financial Analysis

### 1. Financial Analysis from 2012 to 2015Q1 (Consolidated)

Item		2012	2013	2014	2015.3.31
Financial Structure (%)	Debts Ratio	74.68	73.64	76.32	71.86
	Long-term Fund to Property, Plant and Equipment	123.13	129.19	117.68	124.96
Solvency (%)	Current Ratio	117.06	119.05	97.55	119.13
	Quick Ratio	91.54	94.11	79.69	102.21
	Times Interest Earned (Times)	205.30	225.03	109.40	739.98
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.23	1.36	1.42	0.33
	Total Assets Turnover (Times)	0.77	0.81	0.83	0.19
Profitability	Return on Total Assets (%)	1.72	1.69	0.32	1.40
	Return on Total Equity (%)	3.02	3.21	(1.98)	4.66
	Pre-tax Income to Paid-in Capital Ratio (%)	5.20	5.65	0.15	5.88
	Net Margin (%)	1.00	1.03	(0.59)	6.42
	Earnings(Loss) Per Share (NT\$)	0.20	0.23	(0.40)	0.55
Cash Flow (%)	Ratio of Cash Flows	38.29	44.53	29.55	14.62
	Cash Flow Adequacy Ratio	214.14	202.97	121.38	130.42
	Ratio of Re-Investment for Cash	8.70	10.16	8.33	3.89
Leverage	Operating Leverage	13.31	10.31	14.01	4.41
	Financial Leverage	3.86	1.86	2.46	1.17

Analysis of deviation of 2014 vs. 2013 over 20%:

1. Times Interest Earned and ratio of Profitability changed significantly due to increase in net loss after tax of 2014.
2. Cash Flow: Ratio of Cash Flows decreased due to decrease in cash provided by operating activities and increase in current liabilities ; Cash Flow Adequacy Ratio decreased due to the increase of capital expenditure ratio is larger than the increase of cash provided by operating activities ratio.
3. Operating Leverage increased due to decrease in operating income of 2014.
4. Financial Leverage increased due to decrease in operating income after interest expense of 2014.

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the consolidated financial statements as of December 31, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2015 which haven't been reviewed by independent auditors as of the printing date.

Note3: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note4: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

## 2. Financial Analysis from 2012 to 2014 (The Company)

Item		2012	2013	2014
Financial Structure (%)	Debts Ratio	75.14	74.29	77.30
	Long-term Fund to Property, Plant and Equipment	118.73	125.08	114.27
Solvency (%)	Current Ratio	87.06	86.24	70.63
	Quick Ratio	77.73	78.77	65.23
	Times Interest Earned (Times)	153.56	170.15	41.29
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.16	1.29	1.35
	Total Assets Turnover (Times)	0.75	0.79	0.80
Profitability	Return on Total Assets (%)	1.42	1.39	(0.08)
	Return on Total Equity (%)	1.83	2.10	(3.72)
	Pre-tax Income to Paid-in Capital Ratio (%)	2.31	2.77	(2.69)
	Net Margin (%)	0.61	0.67	(1.12)
	Earnings(Loss) Per Share (NT\$)	0.20	0.23	(0.40)
Cash Flow (%)	Ratio of Cash Flows	40.38	38.65	27.79
	Cash Flow Adequacy Ratio	242.12	203.30	118.49
	Ratio of Re-Investment for Cash	9.69	9.27	8.37
Leverage	Operating Leverage	127.85	17.96	47.22
	Financial Leverage	(0.13)	12.90	(0.80)

Analysis of deviation of 2014 vs. 2013 over 20%:

1. Times Interest Earned and ratio of Profitability changed significantly due to increase in net loss after tax of 2014.
2. Cash Flow: Ratio of Cash Flows decreased due to decrease in cash provided by operating activities and increase in current liabilities ; Cash Flow Adequacy Ratio decreased due to the increase of capital expenditure ratio is larger than the increase of cash provided by operating activities ratio.
3. Operating Leverage increased due to decrease in operating income of 2014.
4. Financial Leverage is negative due to operating income is smaller than interest expense of 2014.

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the parent-company-only financial statements as of December 31, 2014, 2013 and 2012.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

### 3. Financial Analysis from 2010 to 2012 (Consolidated) - ROC GAAP

Item		2010	2011	2012	
Financial Structure (%)	Debts Ratio	72.21	72.49	72.72	
	Long-term Fund to Property, Plant and Equipment	111.78	118.30	123.73	
Solvency (%)	Current Ratio	108.84	126.18	131.15	
	Quick Ratio	72.83	82.19	93.39	
	Times Interest Earned (Times)	708.55	161.02	183.32	
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	
	Average Collection Days for Receivables (Note1)	-	-	-	
	Average Inventory Turnover (Times)(Note1)	-	-	-	
	Average Payment Turnover (Times)(Note1)	-	-	-	
	Average Days for Sale of Goods (Note1)	-	-	-	
	Property, Plant and Equipment Turnover (Times)	1.06	1.14	1.32	
	Total Assets Turnover (Times)	0.72	0.73	0.80	
Profitability	Return on Total Assets (%)	8.76	1.43	1.65	
	Return on Equity (%)	31.31	1.75	2.53	
	Income (Loss) before income tax to Paid-in Capital Ratio (%)	42.91	3.43	4.51	
	Net Margin (%)	10.89	0.66	0.87	
	Earnings Per Share (NT\$)	Before retraced adjustment	4.06	0.06	0.15
		After retraced adjustment	3.69	0.06	0.15
Cash Flow (%)	Ratio of Cash Flows	47.32	38.60	31.74	
	Cash Flow Adequacy Ratio	34.91	57.96	90.48	
	Ratio of Re-Investment for Cash	11.31	6.34	7.42	
Leverage	Operating Leverage	2.85	11.97	10.47	
	Financial Leverage	1.15	3.59	2.39	

Data Source : The audited financial statements for each financial year are certified by independent auditors.

Note1: Not applicable due to Industry characteristics.

#### 4. Financial Analysis from 2010 to 2012 (The Company) - ROC GAAP

Item		2010	2011	2012
Financial Structure (%)	Debts Ratio	72.55	72.80	73.33
	Long-term Fund to Property, Plant and Equipment	114.50	117.47	121.79
Solvency (%)	Current Ratio	94.45	98.38	100.07
	Quick Ratio	66.23	69.32	79.19
	Times Interest Earned (Times)	697.00	112.36	132.18
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.03	1.11	1.27
	Total Assets Turnover (Times)	0.70	0.71	0.78
Profitability	Return on Total Assets(%)	9.05	1.11	1.33
	Return on Equity (%)	33.08	0.53	1.35
	Income (Loss) before income tax to Paid-in Capital Ratio (%)	40.66	0.73	1.63
	Net Margin (%)	11.51	0.20	0.47
	Earnings Per Share (NT\$)	Before retraced adjustment	4.06	0.06
After retraced adjustment		3.69	0.06	0.15
Cash Flow (%)	Ratio of Cash Flows	52.96	40.48	34.41
	Cash Flow Adequacy Ratio	35.00	59.64	98.52
	Ratio of Re-Investment for Cash	12.19	6.73	8.57
Leverage	Operating Leverage	2.75	51.24	30.46
	Financial Leverage	1.16	(0.37)	(1.02)

Data Source : The audited financial statements for each financial year are certified by independent auditors.

Note1: Not applicable due to Industry characteristics.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status (Consolidated)

Unit: NT\$ thousands

Item \ Year	2014	2013	Variance	
			Amount	%
Current Assets	50,095,894	46,119,654	3,976,240	8.62
Property, plant and equipment	98,752,051	88,226,342	10,525,709	11.93
Intangible assets	2,407,217	2,431,864	(24,647)	(1.01)
Other Assets	16,305,038	15,945,074	359,964	2.26
Total Assets	167,560,200	152,722,934	14,837,266	9.72
Current Liabilities	51,352,783	38,740,228	12,612,555	32.56
Non-current Liabilities	76,530,416	73,725,345	2,805,071	3.80
Total Liabilities	127,883,199	112,465,573	15,417,626	13.71
Equity attributable to Owners of parent	34,391,884	35,838,033	(1,446,149)	(4.04)
Common stock	32,589,450	32,589,450	-	-
Advance equity	186,567	-	186,567	100.00
Capital surplus	2,047,602	1,723,602	324,000	18.80
Retained earnings	739,412	2,275,240	(1,535,828)	(67.50)
Other equity	(1,171,147)	(750,259)	(420,888)	56.10
Treasury stock	-	-	-	-
Non-controlling interests	5,285,117	4,419,328	865,789	19.59
Total Equity	39,677,001	40,257,361	(580,360)	(1.44)

#### Analysis of deviation:

- (1) Property, plant and equipment: Mainly due to the purchase of aircraft and equipment.
- (2) Current Liabilities: Mainly due to the increase of the derivative financial liabilities for hedging and the reclassification of long-term liabilities due within one year.
- (3) Retained earnings: Mainly due to the increase of net losses.
- (4) Other equity: Mainly due to the increase of hedging instrument losses from effective hedging parts in cash flow hedge.

## 7.2 Analysis of Operating Results (Consolidated)

Unit: NT\$ thousands

Item \ Year	2014	2013	Increase (Decrease) Amount	Change (%)
Operating Revenue	133,090,008	124,164,451	8,925,557	7.19
Operating Cost	120,841,008	111,196,719	9,644,289	8.67
Gross Profit	12,249,000	12,967,732	(718,732)	(5.54)
Operating Expense	9,614,111	9,497,413	116,698	1.23
Operating Income	2,634,889	3,470,319	(835,430)	(24.07)
Non-operating income and expenses	(2,585,944)	(1,629,981)	(955,963)	58.65
Profit(Loss) before tax	48,945	1,840,338	(1,791,393)	(97.34)
Income tax expenses	(838,863)	(560,613)	(278,250)	49.63
Profit(Loss)	(789,918)	1,279,725	(2,069,643)	(161.73)

### Analysis of deviation:

- (1) Operating revenue: Mainly due to the increase of aviation transportation and service revenue.
- (2) Operating cost: Fleet expansion and added flights led to increasing aircraft relevant cost.
- (3) Operating expense: Mainly due to the increase of personnel expense.
- (4) Non-operating income and expenses: Mainly due to the temporary loss on valuation of consolidated available-for-sale financial assets turning into permanent loss on valuation.

### 7.3 Analysis of Cash Flow (Consolidated)

#### Changes in cash flow analysis

Unit: NT\$ thousands

Item	Year		Increase (Decrease) Amount	Change (%)
	2014	2013		
Cash and cash equivalents at the beginning of year	24,898,172	22,083,330	2,814,842	12.75
Net Cash flows from (used in) operating activities	15,174,593	17,251,945	(2,077,352)	(12.04)
Net Cash flows from (used in) investing activities	(19,198,925)	(8,174,961)	(11,023,964)	134.85
Net cash flows from (used in) financing activities	6,235,119	(6,254,794)	12,489,913	(199.69)
Exchange rate adjustments	35,991	(7,348)	43,339	(589.81)
Cash and cash equivalents at the end of year	27,144,950	24,898,172	2,246,778	9.02

#### Analysis of deviation

- (1) Investing activities: Net Cash flows used in investing activities due to the purchase of aircraft and equipment.
- (2) Financing activities: Net Cash flows from financing activities mainly due to the mid and long-term loan.
- (3) Exchange rate adjustments: Mainly due to the exchange rate fluctuation.

#### Remedy Measures for Inadequate Liquidity

The Company expects to make financing through mid and long-term mortgage and credit loans to cope with relate capital expenditures.

#### Liquidity Analysis for 2015 (Consolidated)

NT\$ thousands

Initial Cash Balance (1)	Net Cash Flow from Operations During This Year (2)	Cash Outflows During This Year (3)	Cash Balance (Negative) (1)+(2)-(3)	Remedy Measures for Negative Cash Balance	
				Investment Plans	Financing Plans
27,144,950	23,669,089	44,779,612	6,034,427	-	31,461,227

- Operating activities: The Company estimates cash flow from operations in the next year will amount to NT\$23.67 billion.
- Investment activities: The estimated equipment purchase reaches NT\$25.30 billion.
- Financing activities: Estimate to pay both mid and long-term mortgage loans reach NT\$19.48 billion.

Remedy Measures for Inadequate Cash Liquidity: The Company expects to make financing through cash offering and mid and long-term mortgage and credit loans to get NT\$31.46 billion.

## **7.4 Major Capital Expenditure Items**

In May 2012 and October 2013, the Company entered into aircraft purchase contracts amounting to US\$2,261,094 with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. As of December 31, 2014, the Company took delivery of 3 Boeing 777 aircraft; and the remaining contract price was US\$1,321,907. The Company has partially paid the price of \$4,248,972 (included in other non-current assets).

## **7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year**

In line with the Group's aviation-related industries development strategy to improve operational efficiency, the Company and its subsidiary Evergreen Aviation Technologies Corp. acquired a total of 70% of the shares in Evergreen Aviation Precision Corp. by NT\$940 million in 2014.

The recent reinvestments entered mainly concentrate on integration of aviation relative business to ensure service quality. Stemming from outstanding operating performance of subsidiaries including Evergreen Aviation Technologies Corp., Evergreen Sky Catering Corp., Evergreen Airline Services Corp., and Evergreen Air Cargo Services Corp., the Company reported investment income of NT\$453 million in 2014.

In the recent fiscal year, the Consolidated Company reinvestments entered mainly concentrate on aviation-related industries, involving the ground handling services, air freight terminals and aircraft component manufacturing. For the year 2014, the Consolidated Company reported investment income of NT\$110 million.



## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

As of December 31, 2014

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT\$379.83 million	56.33%
Evergreen Aviation Technologies Corp.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT\$5.78 billion	80.00%
Evergreen Air Cargo Services Corp.	Cargo terminal operation	Taiwan	Mar. 2000	NT\$1.2 billion	60.00%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct. 1993	NT\$1 billion	49.80%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT\$26.8 million	100%
Evergreen Aviation Precision Corp.	Aircraft component manufacture	Taiwan	Nov. 2012	NT\$1.8 billion	40.00%
Evergreen Airways Service (Macau) Ltd.	Investment business	Macau	Dec. 1994	US\$12,488	99.00%
Green Siam Air Services Co., Ltd.	Travel business	Thailand	May 1990	THB20 million	49.00%
RTW Air Services(S) Pte Ltd.	Travel business	Singapore	Oct. 1989	SG\$1.5 million	49.00%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR1.6 billion	51.00%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb. 2005	US\$5.5 million	100%
Concord Pacific Ltd.	Investment business	Samoa	Apr. 2005	US\$74.1 million	100%
EVA Flight Training Academy	Flight Training Academy	The United States	Feb. 2013	US\$10 million	100%

# Appendix 1

## Financial and Operating Highlights

### Financial Statistics

		The Consolidated			The Company		
		2014	2013	% Change	2014	2013	% Change
<b>Results</b>							
Revenue	NT\$ million	133,090	124,164	7.19%	116,922	110,747	5.58%
Total Costs	NT\$ million	130,455	120,694	8.09%	116,286	109,159	6.53%
Operating Income	NT\$ million	2,635	3,470	-24.06%	636	1,588	-59.95%
Profit	NT\$ million	(790)	1,280	-161.72%	(1,307)	747	-274.97%
EPS	NT\$	(0.40)	0.23	-273.91%	(0.40)	0.23	-273.91%
Profit Margin	%	(0.59%)	1.03%	-1.62ppt	(1.12%)	0.67%	-1.79ppt
<b>Financial Position</b>							
Total Assets	NT\$ million	167,560	152,723	9.71%	151,488	139,395	8.68%
Total Liabilities	NT\$ million	127,883	112,466	13.71%	117,096	103,557	13.07%
Total Equity	NT\$ million	39,677	40,257	-1.44%	34,392	35,838	-4.03%
Debt Ratio	%	76.32%	73.64%	2.68ppt	77.30%	74.29%	3.01ppt

### The Company Operating Statistics

		2014	2013	% Change
Passenger Revenue	NT\$ million	77,959	71,100	9.65%
Passengers Carried	Thousand	8,902	8,009	11.15%
Passenger Traffic	Million	30,518	27,681	10.25%
Passenger Capacity	Million	39,039	34,765	12.29%
Passenger Load Factor	%	78.17%	79.62%	-1.45ppt
Passenger Yield	NT\$	2.55	2.57	-0.78%
Cargo Revenue	NT\$ million	31,258	32,033	-2.42%
Cargo Carried	Tons	684,291	713,805	-4.13%
Cargo Traffic	Million	4,065	4,278	-4.99%
Cargo Capacity	Million	4,777	5,177	-7.73%
Cargo Load Factor	%	85.09%	82.64%	2.45ppt
Cargo Yield	NT\$	7.69	7.49	2.67%
Overall Traffic	Million	6,811	6,770	0.62%
Overall Capacity	Million	8,291	8,306	-0.19%
Overall Load Factor	%	82.16%	81.50%	0.66ppt
Overall Yield	NT\$	16.04	15.23	5.32%
Unit Cost	NT\$	14.03	13.14	6.77%
Number of Employees		8,141	7,077	15.03%
Traffic per Employee	Thousand	837	957	-12.54%
Capacity per Employee	Thousand	1,018	1,174	-13.29%
Revenue per Employee	NT\$ thousands	14,362	15,649	-8.22%

## Operating Results - The Company

Item	2014	2013	2012	2011	2010
Overall Capacity (Million)	8,291	8,306	8,308	8,720	8,838
Overall Traffic (Million)	6,811	6,770	6,811	7,045	7,294
Overall Load Factor (%)	82.16	81.5	82.0	80.8	82.5
Overall Yield (NT\$)	16.04	15.23	14.68	13.64	13.39
Passenger Capacity (Million)	39,039	34,765	32,770	30,809	29,632
Passenger Traffic (Million)	30,518	27,681	25,988	24,033	23,627
Passengers Carried ('000)	8,902	8,009	7,525	6,663	6,436
Passenger Load Factor (%)	78.2	79.6	79.3	78.0	79.7
Passenger Yield (NT\$)	2.55	2.57	2.52	2.48	2.39
Cargo Capacity (Million)	4,777	5,177	5,359	5,947	6,171
Cargo Traffic (Million)	4,065	4,278	4,472	4,883	5,168
Cargo Carried (Tons)	684,291	713,805	741,832	793,060	850,617
Cargo Load Factor (%)	85.1	82.6	83.4	82.1	83.7
Cargo Yield (NT\$)	7.69	7.49	7.68	7.49	7.99
Unit Cost (NT\$)	14.03	13.14	12.87	11.67	10.38
Number of Aircraft	67	62	60	59	56
Number of Employees	8,141	7,077	6,429	5,807	5,121
Capacity per Employee (Thousand)	1,018	1,174	1,292	1,501	1,726
Traffic per Employee(Thousand)	837	957	1,059	1,213	1,424
Revenue per Employee (Thousand)	14,362	15,649	16,666	17,598	20,389

## **Appendix 2**

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**December 31, 2014 and 2013**  
**(With Independent Auditors' Report Thereon)**

Address: No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan  
Telephone No.: 886-3-3515151

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

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

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRS Interpretations and SIC Interpretations approved by the Republic of China Financial Supervisory Commission.

We have audited the Company's parent-company-only financial statements as of December 31, 2014 and 2013, and for the years ended December 31, 2014 and 2013, on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)  
March 26, 2015

**Note to Readers**

The accompanying consolidated financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, R.O.C. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars)

Assets	2014.12.31	2013.12.31	Liabilities and Equity	2014.12.31	2013.12.31
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 6(a))	\$ 27,144,950	24,898,172	Short-term borrowings (notes 6(k) and 8)	\$ 949,826	1,328,774
Financial assets at fair value through profit or loss – current (note 6(b))	3,052	1,192	Derivative financial liabilities for hedge purpose – current (note 6(c))	2,332,383	-
Available-for-sale financial assets – current (note 6(b))	1,104,523	2,059,740	Notes and accounts payable	2,967,792	2,630,022
Derivative financial assets for hedge purposes – current (note 6(c))	-	26,090	Accounts payable—related parties (note 7)	203,147	229,583
Notes receivable, net (note 6(d))	420,018	345,472	Other payables (notes 7 and 9)	11,948,648	10,800,328
Accounts receivable, net (note 6(d))	8,283,584	8,598,641	Income tax payable	255,665	243,859
Accounts receivable—related parties (notes 6(d), 6(f) and 7)	2,872,770	358,272	Unearned revenue (note 6(r))	10,540,338	9,264,602
Inventories (notes 6(c) and 7)	7,687,222	8,593,070	Current portion of long-term liabilities (notes 6(k) and 8)	16,234,074	9,334,554
Other current assets (notes 6(d), 6(f) and 7)	2,579,775	1,259,005	Other current liabilities (notes 6(h), 6(k), and 8)	5,920,910	4,908,506
<b>Total current assets</b>	<u>50,095,894</u>	<u>46,119,654</u>	<b>Total current liabilities</b>	<u>51,352,783</u>	<u>38,740,228</u>
<b>Non-current assets:</b>			<b>Non-current liabilities:</b>		
Available-for-sale financial assets – non-current (notes 6(b) and 8)	2,963,385	3,134,113	Bonds payable (notes 6(k) and 8)	16,100,000	21,200,000
Investments accounted for using equity method (notes 6(f) and 6(g))	630,177	793,704	Long-term borrowings (notes 6(k) and 8)	46,294,783	37,599,071
Property, plant and equipment (notes 6(h), 7 and 8)	98,752,051	88,226,342	Deferred tax liabilities (note 6(n))	66,849	116,622
Intangible assets (notes 6(i) and 8)	2,407,217	2,431,864	Lease liabilities – non-current (notes 6(k) and 8)	3,954,168	5,385,848
Deferred tax assets (note 6(m))	5,333,655	5,274,476	Accrued pension liabilities (note 6(m))	3,271,521	3,373,119
Other non-current assets (notes 6(j), 8 and 9)	7,377,821	6,742,781	Other non-current liabilities (notes 6(l), 6(h) and 6(r))	6,843,095	6,050,685
<b>Total non-current assets</b>	<u>117,464,306</u>	<u>106,603,280</u>	<b>Total non-current liabilities</b>	<u>76,530,416</u>	<u>73,725,345</u>
			<b>Total liabilities</b>	<u>127,883,199</u>	<u>112,465,573</u>
			<b>Equity (notes 6(c), 6(m), 6(n), 6(o) and 6(p)):</b>		
			Common stock	32,589,450	32,589,450
			Capital collected in advance	186,567	-
			Capital surplus	2,047,602	1,723,602
			Retained earnings	739,412	2,275,240
			Other equity	(1,171,147)	(750,259)
			<b>Total equity attributable to owners of parent</b>	<u>34,391,884</u>	<u>35,838,033</u>
			Non-controlling interests	5,285,117	4,419,328
			<b>Total equity</b>	<u>39,677,001</u>	<u>40,257,361</u>
<b>Total assets</b>	<u>\$ 167,560,200</u>	<u>152,722,934</u>	<b>Total liabilities and equity</b>	<u>\$ 167,560,200</u>	<u>152,722,934</u>

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2014 and 2013**

**(Expressed in Thousands of New Taiwan Dollars, except Earnings per Common Share)**

	<b>2014</b>	<b>2013</b>
<b>Operating revenue (notes 6(r) and 7)</b>	\$ 133,090,008	124,164,451
<b>Operating cost (notes 6(c), 6(e), 6(h), 6(i), 6(l), 6(m), and 7)</b>	<u>(120,841,008)</u>	<u>(111,196,719)</u>
<b>Gross profit from operations</b>	12,249,000	12,967,732
<b>Operating expenses (notes 6(d), 6(h), 6(i), 6(l), 6(m), 6(p) and 7)</b>	<u>(9,614,111)</u>	<u>(9,497,413)</u>
<b>Net operating income</b>	<u>2,634,889</u>	<u>3,470,319</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(s))	496,127	392,009
Other gains and losses (notes 6(b) and 6(s) )	(1,626,462)	(504,219)
Finance costs (note 6(s))	(1,565,898)	(1,602,331)
Share of profit of associates accounted for using equity method (note 6(f))	<u>110,289</u>	<u>84,560</u>
<b>Total non-operating income and expenses</b>	<u>(2,585,944)</u>	<u>(1,629,981)</u>
<b>Profit before tax</b>	48,945	1,840,338
<b>Income tax expenses (note 6(n))</b>	<u>(838,863)</u>	<u>(560,613)</u>
<b>Profit (loss)</b>	<u>(789,918)</u>	<u>1,279,725</u>
<b>Other comprehensive income (notes 6(c), 6(m), 6(n) and 6(o)):</b>		
Exchange differences on translation of foreign financial statements	72,379	33,420
Unrealized gains on available-for-sale financial assets	1,483,038	40,838
Cash flow hedges	(2,358,473)	12,737
Actuarial losses on defined benefit plans	(315,138)	(440,282)
Share of other comprehensive income of associates	(1,228)	1,485
Income tax relating to components of other comprehensive income	<u>451,714</u>	<u>72,462</u>
<b>Other comprehensive income, net of tax</b>	<u>(667,708)</u>	<u>(279,340)</u>
<b>Comprehensive income</b>	\$ <u><u>(1,457,626)</u></u>	\$ <u><u>1,000,385</u></u>
<b>Profit (loss) attributable to:</b>		
Owners of parent	\$ (1,306,724)	747,450
Non-controlling interests	<u>516,806</u>	<u>532,275</u>
	\$ <u><u>(789,918)</u></u>	\$ <u><u>1,279,725</u></u>
<b>Comprehensive income attributable to:</b>		
Owners of parent	\$ (1,956,716)	470,111
Non-controlling interests	<u>499,090</u>	<u>530,274</u>
	\$ <u><u>(1,457,626)</u></u>	\$ <u><u>1,000,385</u></u>
<b>Basic earnings per share (in New Taiwan Dollars) (note 6(q))</b>	\$ <u><u>(0.40)</u></u>	\$ <u><u>0.23</u></u>
<b>Diluted earnings per share (in New Taiwan Dollars) (note 6(q))</b>	\$ <u><u>(0.40)</u></u>	\$ <u><u>0.23</u></u>

See accompanying notes to consolidated financial statements.



EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013  
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent													
	Retained earnings				Other equity									
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Accumulated deficit	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance on January 1, 2013</b>	\$ 32,589,450	-	1,723,602	1,222,576	3,643,667	(2,970,767)	1,895,476	30,071	(881,760)	11,083	(840,606)	35,367,922	4,016,879	39,384,801
Appropriation of 2012 earnings:														
Legal reserve	-	-	-	50,401	-	(50,401)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,823,824	(1,823,824)	-	-	-	-	-	-	-	-
Profit for 2013	-	-	-	-	-	747,450	747,450	-	-	-	-	747,450	-	1,279,725
Other comprehensive income in 2013	-	-	-	-	-	(367,686)	(367,686)	39,242	40,533	10,572	90,347	(277,339)	532,275	1,279,725
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(127,825)	(127,825)
<b>Balance on December 31, 2013</b>	32,589,450	-	1,723,602	1,272,977	5,467,491	(4,465,228)	2,275,240	69,313	(841,227)	21,655	(750,259)	35,838,033	4,419,328	40,257,361
Appropriation of 2013 earnings:														
Legal reserve	-	-	-	25,201	-	(25,201)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(4,717,232)	4,717,232	-	-	-	-	-	-	-	-
Profit (loss) for 2014	-	-	-	-	-	(1,306,724)	(1,306,724)	-	-	-	-	(1,306,724)	516,806	(789,918)
Other comprehensive income in 2014	-	-	-	-	-	(229,104)	(229,104)	57,674	1,478,971	(1,957,533)	(420,888)	(649,992)	(17,716)	(667,708)
Issuance of common stock	-	186,567	-	-	-	-	-	-	-	-	-	510,567	-	510,567
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	366,699	366,699
<b>Balance on December 31, 2014</b>	\$ 32,589,450	186,567	2,047,602	1,298,178	750,259	(1,309,025)	539,412	126,982	637,744	(1,935,878)	(1,171,147)	34,391,884	5,285,117	39,677,001

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2014 and 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2014	2013
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 48,945	1,840,338
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	11,422,313	10,723,866
Amortization expense	304,586	233,841
Impairment loss	1,634,310	289,866
Interest expense	1,565,898	1,602,331
Interest income	(355,051)	(251,299)
Issuance of common stock employee compensation cost	324,000	-
Share of profit of associates accounted for using equity method	(110,289)	(84,560)
Losses (gains) on disposal of property, plant and equipment	(168,926)	161,107
Gain on disposal of investments	(11,971)	(15,345)
Others	<u>(55,096)</u>	<u>(170,253)</u>
Total adjustments to reconcile profit	14,549,774	12,489,554
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Financial assets at fair value through profit or loss — current	(1,860)	259,097
Notes receivable, net	(74,546)	70,916
Accounts receivable, net	315,058	1,561,123
Accounts receivable — related parties, net	(2,531,298)	(41,676)
Inventories	906,288	517,830
Other current assets	<u>(1,399,585)</u>	<u>(275,665)</u>
Total changes in operating assets	<u>(2,785,943)</u>	<u>2,091,625</u>
Changes in operating liabilities:		
Notes and accounts payable	337,769	(1,536,299)
Accounts payable — related parties	772,842	347,383
Other payables	1,337,340	1,207,885
Unearned revenue	1,275,736	500,985
Other current liabilities	594,084	728,056
Accrued pension liabilities	(362,012)	(402,820)
Other non-current liabilities	<u>(97,078)</u>	<u>436,951</u>
Total changes in operating liabilities	3,858,681	1,282,141
Total changes in operating assets and liabilities	<u>1,072,738</u>	<u>3,373,766</u>
Total adjustments	<u>15,622,512</u>	<u>15,863,320</u>
Cash inflow generated from operations	15,671,457	17,703,658
Income taxes paid	<u>(496,864)</u>	<u>(451,713)</u>
<b>Net cash flows from operating activities</b>	<u>15,174,593</u>	<u>17,251,945</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease in available-for-sale financial assets — current	970,782	136,224
Acquisition of available-for-sale financial assets — non-current	(67,550)	(92,663)
Proceeds from disposal of available-for-sale financial assets — non-current	89,222	103,318
Proceeds from capital reduction of available-for-sale financial assets — non-current	3,764	1,799
Acquisition of investment accounted for using equity method	(90,482)	-
Net cash flows from acquisition of subsidiary	58,538	-
Acquisition of property, plant and equipment	(20,325,286)	(5,113,301)
Proceeds from disposal of property, plant and equipment	645,629	227,848
Acquisition of intangible assets	(263,422)	(393,964)
Increase in other non-current assets	(644,975)	(3,357,096)
Interest received	357,746	237,323
Dividends received	<u>67,109</u>	<u>75,551</u>
<b>Net cash flows used in investing activities</b>	<u>(19,198,925)</u>	<u>(8,174,961)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(378,948)	(154,003)
Proceeds from issuance of bonds payable	-	4,500,000
Proceeds from long-term borrowings	18,584,000	4,575,722
Redemption of long-term borrowings	(8,557,254)	(12,059,353)
Decrease in other payables — related parties	(500,000)	-
Redemption of lease liabilities	(1,500,699)	(1,457,495)
Capital collected in advance	186,567	-
Interest paid	(1,476,102)	(1,529,839)
Decrease in non-controlling interests	<u>(122,445)</u>	<u>(129,826)</u>
<b>Net cash from (used in) financing activities</b>	<u>6,235,119</u>	<u>(6,254,794)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>35,991</u>	<u>(7,348)</u>
<b>Net increase in cash and cash equivalents</b>	2,246,778	2,814,842
<b>Cash and cash equivalents at the beginning of year</b>	<u>24,898,172</u>	<u>22,083,330</u>
<b>Cash and cash equivalents at the end of year</b>	\$ <u>27,144,950</u>	<u>24,898,172</u>

See accompanying notes to consolidated financial statements.

# EVA AIRWAYS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

### 1. Organization and business scope

EVA Airways Corp. (the Company) was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Republic of China (R.O.C.) Ministry of Transportation and Communications. The address of the Company's registered office is No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan.

The business activities of the Company and its subsidiaries (together referred to as the Group and individually as Group entities) are

- 1.1 civil aviation transportation and general aviation business;
- 1.2 maintenance of aircraft, engine and parts
- 1.3 ground service at airports
- 1.4 catering service
- 1.5 air cargo entrepot
- 1.6 manufacture of aircraft and engine parts

The details are disclosed in note 13.

### 2. Approval date and procedures of the financial statements

The consolidated financial statements were authorized for issuance by the Company's Board of Directors as of March 26, 2015.

### 3. New standards and interpretations not yet adopted

- (a) The impact of the International Financial Reporting Standards ("IFRSs") 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

On April 3, 2014, according to Rule No. 1030010325 issued by the FSC, listed, OTC and emerging companies will have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) with fully adoption on 2015 relevant new releases, modifications and amendments to standards and interpretations are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amended IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amended IFRS 1 “Government Loans”	January 1, 2013
Amended IFRS 7 “Disclosures—Transfers of Financial Assets”	July 1, 2011
Amend IFRS 7 “Disclosures—derecognition of financial assets and financial liabilities”	January 1, 2013
IFRS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be on January 1, 2014)
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of interests in other entities”	January 1, 2013
IFRS 13 “Fair value measurement”	January 1, 2013
Amended to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amended IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate financial statement”	January 1, 2013
Amended IAS 32 “Financial assets and liabilities offsetting”	January 1, 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013

The Group believes that the following application of IFRSs 2013 will cause some changes in the consolidated financial statements, but the effect will not be significant after the evaluation.

(1) IAS 1 “Presentation of Financial Statements”

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Group has to change the presentation of other comprehensive income according to that standard.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(2) IFRS 12 “Disclosure of Interests in Other Entities”

This consolidated disclosure standard requires a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. The Group will disclose the information of the consolidated entities as the standard requires.

(3) IFRS 13 “Fair Value Measurement ”

The standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. There is no significant impact on the Group’s financial position and results of operations after the evaluation. And the Group will disclose the fair value measurement as the standard requires.

- (b) The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements not yet approved by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendment to IAS 16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans:	July 1, 2014

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Employee Contributions	
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

The Group is currently evaluating the impact from the abovementioned standards and amendments to the Group’s financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

#### 4. Summary of significant accounting policies

The consolidated financial statements are the English translation of the Chinese version prepared and used in the R.O.C.. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated.

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (b) Basis of preparation

##### (1) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated balance sheet:

- (i) Financial instruments at fair value through profit or loss (including derivative financial instruments);
- (ii) Available-for-sale financial assets are measured at fair value;
- (iii) Hedging derivative financial instruments are measured at fair value; and
- (iv) The defined benefit liability is recognized as unrecognized actuarial gain and the present value of the defined benefit obligations less plan assets, plus unrecognized prior service cost and unrecognized actuarial loss.

##### (2) Functional and presentation currency

The functional currency of the Group entities is determined based on the primary economic environment in which the entities operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

#### (c) Basis of consolidation

##### (1) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases. Profits or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(2) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Principal activity	Shareholding		Note
			2014.12.31	2013.12.31	
The Company	Evergreen Aviation Technologies Corp.	Maintenance of aircraft, engine and parts	80.00%	80.00%	-
The Company	Evergreen Airline Services Corp.	Ground service at airport	56.33%	56.33%	-
The Company	Evergreen Sky Catering Corp.	Catering service	49.80%	49.80%	Note 1
The Company	Evergreen Air Cargo Services Corp.	Air cargo entrepot	60.00%	60.00%	-
The Company	Green Siam Air Services Co., Ltd.	Traveling agency	49.00%	49.00%	Note 1
The Company	RTW Air Services (S) Pte. Ltd.	Traveling agency	49.00%	49.00%	Note 1
The Company	PT Perdana Andalan Air Service	Traveling agency	51.00%	51.00%	-
The Company	Hsiang Li Investment Corp.	Investing business	100.00%	100.00%	-
The Company	Sky Castle Investment Ltd.	Investing business	100.00%	100.00%	-
The Company	Concord Pacific Ltd.	Investing business	100.00%	100.00%	-
The Company	Evergreen Airways Service (Macau) Ltd.	Investing business	99.00%	99.00%	-
The Company	Sino Gain Ltd.	Leasing business	-	100.00%	Note 2
The Company	EVA Flight Training Academy	Flight training	100.00%	100.00%	-
The Company	Evergreen Aviation Precision Corp.	Manufacture of aircraft and engine parts	40.00%	10.00%	Note 3
Evergreen Aviation Technologies Corp.	Evergreen Aviation Precision Corp.	Manufacture of aircraft and engine parts	30.00%	30.00%	Note 3

Note 1: The Company did not own more than half of the voting rights of the subsidiaries directly or indirectly. However, the Company has the right to appoint more than half of directors of board of directors of the subsidiaries and has control over the board of directors, these subsidiaries are deemed to be a subsidiary of the Company.

Note 2: Sino Gain Ltd. went into liquidation in August 2014.

Note 3: Evergreen Aviation Precision Corp. became the consolidated entity since July 2014. The acquisition of subsidiary is stated in note 6(g).

(3) List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (d) Foreign currency

##### (1) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transactions.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arise from the retranslation:

- (i) available-for-sale equity investment;
- (ii) financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent the hedge is effective.

##### (2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered as a part of investment in the foreign operation and are recognized in other comprehensive income.

#### (e) Classification of current and non-current assets and liabilities

The Group classifies an asset as current when:

- (1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (2) It holds the asset primarily for the purpose of trading;
- (3) It expects to realize the asset within twelve months after the reporting period; or
- (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- (1) It expects to settle the liability in its normal operating cycle;
- (2) It holds the liability primarily for the purpose of trading;
- (3) The liability is due to be settled within twelve months after the reporting period; or
- (4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

The Group classifies all other liabilities as non-current.

#### (f) Cash and cash equivalents

Cash comprise cash and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits, in conformity with the aforementioned definition, that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash equivalents.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (g) Financial instruments

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

#### (1) Financial assets

The Group classifies assets as follows: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

#### (i) Financial assets at fair value through profit or loss

These financial assets were acquired for the purpose of trading or designated as financial assets at fair value through profit or loss.

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss and are included in other income, other gains and losses under non-operating income and expenses.

#### (ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized in profit or loss, and is included in other income under non-operating income and expenses.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (iii) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and are presented in the fair value reserve in equity, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale monetary items are recognized in profit or loss. The accumulated unrealized gains or losses reserve in equity are reclassified to other gains and losses when available-for-sales financial assets are derecognized. Dividends on available-for-sale securities are recognized as other income under non-operating income and expenses when the Group is authorized to receive, normally on the ex-dividend date.

#### (iv) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Objective evidence that the collection of financial assets are impaired includes the Group's experience of collections, the increasing payment terms of the collection over the average term, and economic conditions that correlate with defaults.

The evidence of impairment for financial assets measured at amortized cost is considered at both an individual and collective level. All individually significant financial assets are assessed for specific impairment.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The financial assets, which were assessed individually for any impairment and the impairment was recognized or being recognized, were not collectively assessed for impairment by grouping together. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of financial assets are recognized in profit or loss, which are included in other gains and losses under non-operating income and expenses.

(v) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

#### (2) Financial liabilities

##### (i) Financial liabilities at fair value through profit or loss

These financial liabilities were acquired for the purpose of trading or designated as financial liabilities at fair value through profit or loss. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account, are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses.

##### (ii) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term and long-term borrowings, and trade payables and other payables, shall be measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

#### (iv) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

### (3) Derivative financial instrument and hedge accounting

Derivatives are used to hedge the risks associated with changes in foreign currency rates, interest rates and fuel prices. They are recognized initially (trade date), and are subsequently re-measured at fair value. The transaction costs are recognized in profit or loss. Method of recognizing fair value gains and losses on derivative financial instruments depends on the nature of the hedging relationship. All derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The documentation at inception of each hedging relationship sets out purpose and strategy of risk management. To qualify for hedge accounting at the inception of the hedge throughout its life, each hedge must be kept in records if it is highly effective in offsetting the changes (which arise from risks to be managed) in fair value or cash flow of the hedged items on an ongoing basis.

Hedging transactions fall into two categories:

#### (i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in the fair value of the asset or liability or group, thereof, that are attributable to the hedged risk, and are both presented under hedged items in the statement of comprehensive income as well.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. Under effective interest method, adjustments made for fair value of hedged items (which arises from risk to be managed) are amortized as profit or loss once the hedge accounting is discontinued. The amortization is based on the effective interest rate that is recalculated at the inception of amortization so that the adjustment in fair value will be fully amortized at maturity date.

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other equity the effective portion of gains and losses from changes in fair value of cash flow hedges. Any gain or loss relating to an ineffective portion is recognized immediately under non-operating income and expenses in the statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting right of another entity.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### (j) Property, plant and equipment

##### (1) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

##### (2) Major inspection and overhaul cost:

Major inspection and overhaul expenditures of self-owned and finance leased aircraft are capitalized as costs of aircraft and leased assets by components, and are depreciated using the straight-line method over the estimated useful life of the overhaul. Costs of designated inspections to be performed at the end of the lease term of operating leased aircraft are estimated and depreciated using the straight-line method over the lease term.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (3) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

#### (4) Depreciation

The depreciable amount of an asset is determined after deducting its residual value, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives are as follows:

- (i) Buildings and structures: 5 to 55 years
- (ii) Machinery and equipment: 2 to 18 years
- (iii) Aircraft: 3 to 18 years
- (iv) Leased assets are depreciated over the shorter of the lease term or the estimated useful live.

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

#### (k) Leases

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's balance sheets.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Payments made under an operating lease, excluding insurance and maintenance expenses, are recognized expenses over the term of the lease.

Recognition of income arising from sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the sales price is at or below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

#### (l) Impairment of non-financial assets

The Group measures whether impairment occurred in non-financial assets (except for inventories and deferred tax assets), at the end of each reporting period, and estimates their recoverable amount. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the Group recognizes the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

#### (m) Intangible assets

The Group entered into contracts with the government to provide public service in infrastructure. The Group is obliged to construct the public sector asset and provide operation service for 30 years since the public sector asset was contracted. At the end of the operating period, the public sector asset should be returned to the government for no incremental consideration. Based on the IFRIC 12 Service Concession Arrangements, the Group allocates the consideration received by reference to the relative fair values of the construction and operation services delivered. Subsequently, the Group recognizes and measures revenue in accordance with IAS 11 Construction Contracts and IAS 18 Revenue. The fair value of the services is determined as intangible assets or financial assets, by the nature of the consideration given by the grantor to the operator and by reference to the contract terms.

Intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

The amortization amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use. The estimated useful lives were as follows:

- (1) Operating concession: 30 years
- (2) Computer software: 3 to 5 years

#### (n) Revenue recognition

- (1) Aviation transportation revenue

Ticket sales for passengers and cargo are recorded as unearned revenue. They are included in current liabilities, and recognized as revenue when service is provided.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (2) Customer loyalty program

The Group has a customer loyalty program, whereby, customers are awarded rights of accumulating mileages during their flights, and the fair value of the consideration received or receivable in respect of initial sale is allocated between the rights of accumulated mileages and the other components of the sale. The amount allocated to rights of accumulated mileages is estimated by the fair value of the redeemable part of the customer loyalty program and by reference to past experience of probability of redemption. Thus, the corresponding fair value is estimated and deferred, and service revenues will not be recognized until the rights have been redeemed and obligations are fulfilled. Also, unearned revenues will be converted into revenues when it is expected that the rights are probable not to be redeemed.

#### (3) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The Group determines the stage of completion of a transaction in terms of services performed as a percentage of total services to be performed.

#### (o) Employee benefits

##### (1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### (2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognized all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income, which was then transferred to retained earnings immediately.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

#### (3) Short-term employee benefits

Short-term employee benefit obligations are accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. A liability is recognized when the obligation can be estimated reliably.

#### (p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (1) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (2) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (3) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (1) The Group has the legal right to settle tax assets and liabilities on a net basis; and
- (2) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - (i) levied by the same taxing authority; or
  - (ii) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

#### (r) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter. If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

#### (s) Earnings per share (EPS)

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit or loss attributable to the ordinary equity holders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit or loss attributable to ordinary equity holders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(t) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment is a component of an entity for which discrete financial information is available.

#### 5. Major sources of accounting assumptions, judgments and estimation uncertainty

The preparation of the consolidated financial statements based on the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next year.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is included note 6(h), classification of lease.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in note 6(n), realization of deferred tax assets.

#### 6. Significant account disclosures

(a) Cash and cash equivalents

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash on hand	\$ 244,116	92,314
Cash in bank	26,049,031	23,742,147
Short-term notes	<u>851,803</u>	<u>1,063,711</u>
	<u>\$ 27,144,950</u>	<u>24,898,172</u>

Refer to note 6(t) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(b) Financial assets

(1) Financial assets at fair value through profit or loss—current:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Money market funds	\$ <u><b>3,052</b></u>	<u><b>1,192</b></u>

(2) Available-for-sale financial assets—current :

	<b>2014.12.31</b>	<b>2013.12.31</b>
Publicly traded stocks	\$ 12,913	11,427
Money market funds	<u>1,091,610</u>	<u>2,048,313</u>
	<u><b>\$ 1,104,523</b></u>	<u><b>2,059,740</b></u>

(3) Available-for-sale financial assets—non-current :

	<b>2014.12.31</b>	<b>2013.12.31</b>
Non-publicly traded stocks	\$ 2,076,487	2,255,793
Publicly traded stocks	819,443	789,046
U.S. Treasury notes	<u>67,455</u>	<u>89,274</u>
	<u><b>\$ 2,963,385</b></u>	<u><b>3,134,113</b></u>

In 2014 and 2013, the Group recognized the impairment losses of \$1,634,310 and \$289,866, respectively, in other gains or losses, due to the permanent decrease in value of the investment in securities of company.

The exposure to credit risk, currency risk and interest rate risk arising from financial instrument is disclosed in note 6(t).

As of December 31, 2014 and 2013, the pledge for Group's financial assets is disclosed in note 8.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(4) Sensitivity analysis-price risk of equity securities:

If the price of the equity securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

<u>Price of the equity securities at the reporting date</u>	<u>2014</u>		<u>2013</u>	
	<u>Other Comprehensive Income, net of tax</u>	<u>Profit (losses)</u>	<u>Other Comprehensive Income, net of tax</u>	<u>Profit (losses)</u>
increase 5%	\$ <u>202,789</u>	<u>127</u>	<u>259,227</u>	<u>50</u>
decrease 5%	\$ <u>(202,789)</u>	<u>(127)</u>	<u>(259,227)</u>	<u>(50)</u>

(5) Information about material foreign currency investment on equity security at the reporting date was as follows:

	<u>2014.12.31</u>			<u>2013.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
USD	\$ 2,403	31.650	76,059	1,990	29.805	59,313

(c) Hedging derivative financial instruments

The Group needs fuel for operating. However, cash flow risk will occur if the future cash flows for fuel fluctuate due to the floating market prices. The Group evaluates the risk as significant, and thus, hedges the risk by signing fuel swap and option agreements.

As of December 31, 2014 and 2013, the cash flow hedged items and derivative financial hedging instruments were as follows:

<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Fair value of assigned hedging instrument</u>		<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>	<u>Account</u>
		<u>2014.12.31</u>	<u>2013.12.31</u>			
Floating price of fuel	Fuel swap agreement	\$(2,332,383)	26,090	2014~2015	2014~2015	Derivative financial assets (liabilities) for hedge purposes – current

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group's gains and losses arising from cash flow hedges in 2014 and 2013 were as follows:

Account	2014	2013
Recognized in other comprehensive income during the period	\$ <u>(2,358,473)</u>	<u>12,737</u>
Reclassification from equity to operating cost (income) for the period	\$ <u>670,004</u>	<u>(86,273)</u>

(d) Notes and accounts receivable, and other receivables

	2014.12.31	2013.12.31
Notes receivable	\$ 420,018	345,472
Accounts receivable (including related parties)	11,255,587	9,135,807
Other receivables (including related parties) (included in other current assets)	1,095,591	195,023
Less: allowance for doubtful accounts	<u>(99,233)</u>	<u>(178,894)</u>
	<b>\$ <u>12,671,963</u></b>	<b><u>9,497,408</u></b>

The Group's aging analysis of notes and accounts receivable, and other receivables that were past due but not impaired, were as follows:

	2014.12.31	2013.12.31
Past due within 30 days	\$ 22,269	726,085
Past due 31~60 days	170,358	105,523
Past due over 60 days but less than one year	65,870	141,047
Past due more than one year	<u>4,005</u>	<u>274,426</u>
	<b>\$ <u>262,502</u></b>	<b><u>1,247,081</u></b>

The movements in the allowance for doubtful accounts with respect to notes and accounts receivable, and other receivables were as follows:

	2014	2013
Beginning balance	\$ 178,894	167,413
Impairment loss recognized	10,649	118,651
Amounts written off	<u>(90,310)</u>	<u>(107,170)</u>
Ending balance	<b>\$ <u>99,233</u></b>	<b><u>178,894</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2014 and 2013, the allowances for doubtful accounts were mainly due to the Group's expectation of default of numerous customers under economic circumstances. Based on historic payment behavior and analysis of the customers' credit rating, the Group believes that the unimpaired amounts that past due are still collectible.

Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Group considered whether there were any changes in the economic circumstance and historic collection to determine the recognition of impairment.

As of December 31, 2014 and 2013, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

(e) Inventories

(1) The components were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Work in progress	\$ 1,339,164	868,846
Aircraft spare parts	5,081,709	6,719,818
Consumables for use and merchandise for in flight sales	1,096,181	889,253
Fuel for aircraft and others	<u>170,168</u>	<u>115,153</u>
	<b>\$ <u>7,687,222</u></b>	<b><u>8,593,070</u></b>

(2) For the years ended December 31, 2014 and 2013, except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	<b>2014</b>	<b>2013</b>
Losses on valuation of inventories and obsolescence	\$ <u><u>787,144</u></u>	<u><u>961,297</u></u>

As of December 31, 2014 and 2013, these inventories were not pledged.

(Continued)

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(f) Investments accounted for using equity method

	<b>2014.12.31</b>	<b>2013.12.31</b>
Associates	\$ 630,177	699,030
Add: recorded as the deduction of related parties accounts receivable and other receivables	-	2,034
recorded as other non-current liabilities	-	92,640
	<b>\$ 630,177</b>	<b>793,704</b>

(1) In 2014 and 2013, the Group's share of profit or loss of associates in 2014 and 2013 was as follows:

	<b>2014</b>	<b>2013</b>
Associates	<b>\$ 110,289</b>	<b>84,560</b>

(2) Summarized financial information for investments of associates was as follows (before being adjusted to the Group's proportionate share):

	<b>2014.12.31</b>	<b>2013.12.31</b>
Total assets	<b>\$ 7,049,777</b>	<b>4,942,936</b>
Total liabilities	<b>\$ 3,672,066</b>	<b>1,125,670</b>
	<b>2014</b>	<b>2013</b>
Revenue	<b>\$ 7,700,590</b>	<b>2,368,488</b>
Profit	<b>\$ 648,627</b>	<b>476,392</b>

(3) The Group acquired 19.9% of the shares of GE Evergreen Engine Services Corp. at the price of \$90,482 on March 27, 2014.

(4) As of December 31, 2014 and 2013, the investments accounted for using equity method were not pledged.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(g) Acquisition of subsidiary

- (1) Evergreen Aviation Precision Corp. entered into the issuance of new shares on July 8, 2014, and the Company and Evergreen Aviation Technologies Corp. acquired 70% of the shares at the price of \$940,000. As of December 31, 2014, there was no the abovementioned transactions payable.
- (2) The following summarizes the major classes of consideration transferred:

	<b>2014</b>
Cash and cash equivalents	\$ 58,538
Available-for-sale financial assets — current	5,224
Other current assets	17,543
Property, plant and equipment	1,713,402
Intangible assets	16,517
Other non-current assets	126,602
Other payables	(500,783)
Other current liabilities	(3,930)
Long-term borrowings	(678,000)
Accrued pension liabilities	(1,041)
	<b>\$ 754,072</b>

The acquisition cost is based on the fair value of identifiable assets of Evergreen Aviation Precision Corp. without difference.

There was no such transaction in 2013.

(h) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2014 and 2013 were as follows:

	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
<b>Cost:</b>							
Beginning balance as of January 1, 2014	\$ 2,570,545	12,353,828	21,999,470	18,185,087	93,635,191	161,815	148,905,936
Acquisition of subsidiary	1,053,037	-	3,313	-	-	657,330	1,713,680
Additions	409,599	221,658	1,732,820	1,395,122	16,193,530	1,237,129	21,189,858
Disposals	-	(11,294)	(1,057,786)	(551,694)	(232,124)	-	(1,852,898)
Reclassification (Note)	-	474,448	(590,001)	-	(99,562)	(378,877)	(593,992)
Effect of exchange rate changes	-	-	4,941	-	1,133	101	6,175
Balance as of December 31, 2014	<b>\$ 4,033,181</b>	<b>13,038,640</b>	<b>22,092,757</b>	<b>19,028,515</b>	<b>109,498,168</b>	<b>1,677,498</b>	<b>169,368,759</b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Leased assets</u>	<u>Aircraft</u>	<u>Unfinished construction</u>	<u>Total</u>
Beginning balance as of January 1, 2013	\$ 2,574,955	11,451,144	21,292,528	20,702,034	97,971,111	288,027	154,279,799
Additions	-	304,709	1,825,922	1,232,892	1,229,046	475,578	5,068,147
Disposals	(4,410)	(14,940)	(879,997)	(40,084)	(479,874)	-	(1,419,305)
Reclassification (Note)	-	612,915	(236,633)	(3,709,755)	(5,085,092)	(601,790)	(9,020,355)
Effect of exchange rate changes	-	-	(2,350)	-	-	-	(2,350)
Balance as of December 31, 2013	<u>\$ 2,570,545</u>	<u>12,353,828</u>	<u>21,999,470</u>	<u>18,185,087</u>	<u>93,635,191</u>	<u>161,815</u>	<u>148,905,936</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2014	\$ -	5,621,755	12,179,631	5,833,411	37,044,797	-	60,679,594
Acquisition of subsidiary	-	-	278	-	-	-	278
Depreciation expense	-	408,921	1,652,000	2,384,116	6,977,276	-	11,422,313
Disposals	-	(11,294)	(703,424)	(545,700)	(115,777)	-	(1,376,195)
Reclassification (Note)	-	-	(91,338)	-	(22,343)	-	(113,681)
Effect of exchange rate changes	-	-	4,286	-	113	-	4,399
Balance as of December 31, 2014	<u>\$ -</u>	<u>6,019,382</u>	<u>13,041,433</u>	<u>7,671,827</u>	<u>43,884,066</u>	<u>-</u>	<u>70,616,708</u>
Beginning balance as of January 1, 2013	\$ -	5,283,016	11,490,660	7,015,247	35,745,107	-	59,534,030
Depreciation expense	-	352,179	1,588,617	2,068,578	6,714,492	-	10,723,866
Disposals	-	(13,440)	(652,199)	(10,791)	(353,920)	-	(1,030,350)
Reclassification (Note)	-	-	(245,497)	(3,239,623)	(5,060,883)	-	(8,546,003)
Effect of exchange rate changes	-	-	(1,950)	-	1	-	(1,949)
Balance as of December 31, 2013	<u>\$ -</u>	<u>5,621,755</u>	<u>12,179,631</u>	<u>5,833,411</u>	<u>37,044,797</u>	<u>-</u>	<u>60,679,594</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2014	<u>\$ 4,033,181</u>	<u>7,019,258</u>	<u>9,051,324</u>	<u>11,356,688</u>	<u>65,614,102</u>	<u>1,677,498</u>	<u>98,752,051</u>
Balance as of December 31, 2013	<u>\$ 2,570,545</u>	<u>6,732,073</u>	<u>9,819,839</u>	<u>12,351,676</u>	<u>56,590,394</u>	<u>161,815</u>	<u>88,226,342</u>
Beginning balance as of January 1, 2013	<u>\$ 2,574,955</u>	<u>6,168,128</u>	<u>9,801,868</u>	<u>13,686,787</u>	<u>62,226,004</u>	<u>288,027</u>	<u>94,745,769</u>

Note: Reclassifications are mainly the transfers of property, plant and equipment to operating cost, as well as the inventories and advances for purchase of equipment being reclassified to property, plant and equipment.

#### (1) Leased aircraft

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets and the related restoration obligations are recognized as other current liabilities and other non-current liabilities and are amortized using interest method.

As of December 31, 2014 and 2013, the restoration obligations were \$5,019,507 and \$3,882,172, respectively.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(2) Sale and leaseback transactions

The Group leased aircraft under sale and leaseback arrangements, which were judged as finance leases. The unrealized gain on sale and leaseback, resulting from the difference between sale price and book value of the equipment, is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2014 and 2013, the unrealized gains from the sale and leaseback were \$387,033 and \$531,483, respectively and were recognized as other non-current liabilities.

(3) Pledge

As of December 31, 2014 and 2013, the Group's property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

(4) For the years ended December 31, 2014 and 2013, the Group capitalized the interest expenses on purchase of assets amounting to \$70,478 and \$60,956, respectively. The range of the monthly interest rate used for capitalization calculation were 0.12%~0.13% and 0.13%, respectively.

(i) Intangible assets

The movements of intangible assets for the years ended December 31, 2014 and 2013 were as follows:

	<b>Operating concession</b>	<b>Computer software</b>	<b>Total</b>
<b>Costs:</b>			
Beginning balance as of January 1, 2014	\$ 2,228,579	691,683	2,920,262
Acquisition of subsidiary	-	18,834	18,834
Additions	42,926	220,496	263,422
Disposals	-	(51,341)	(51,341)
Balance as of December 31, 2014	<u>\$ 2,271,505</u>	<u>879,672</u>	<u>3,151,177</u>
Beginning balance as of January 1, 2013	\$ 2,065,902	460,396	2,526,298
Additions	162,677	231,287	393,964
Balance as of December 31, 2013	<u>\$ 2,228,579</u>	<u>691,683</u>	<u>2,920,262</u>
<b>Accumulated amortization:</b>			
Beginning balance as of January 1, 2014	\$ 245,963	242,435	488,398
Acquisition of subsidiary	-	2,317	2,317
Amortization expense	134,350	170,236	304,586
Disposals	-	(51,341)	(51,341)
Balance as of December 31, 2014	<u>\$ 380,313</u>	<u>363,647</u>	<u>743,960</u>

(Continued)

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	<u>Operating concession</u>	<u>Computer software</u>	<u>Total</u>
Beginning balance as of January 1, 2013	\$ 122,981	131,576	254,557
Amortization expense	<u>122,982</u>	<u>110,859</u>	<u>233,841</u>
Balance as of December 31, 2013	<u>\$ 245,963</u>	<u>242,435</u>	<u>488,398</u>
<b>Carrying amounts:</b>			
Balance as of December 31, 2014	<u>\$ 1,891,192</u>	<u>516,025</u>	<u>2,407,217</u>
Balance as of December 31, 2013	<u>\$ 1,982,616</u>	<u>449,248</u>	<u>2,431,864</u>
Beginning Balance as of January 1, 2013	<u>\$ 1,942,921</u>	<u>328,820</u>	<u>2,271,741</u>

(1) Amortization

The amortization of intangible assets is included under operating cost and operating expenses in the consolidated statement of comprehensive income.

(2) Pledge

As of December 31 2013, the Group's intangible assets were used as pledge for long-term borrowings and loan commitments and are disclosed in note 8.

There was no such transaction in 2014.

(j) Other non-current assets

The details of the Group's other non-current assets were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Advances for purchases of equipment	\$ 5,823,508	5,448,537
Refundable deposits	1,316,773	1,142,103
Pledged time deposits	166,660	95,107
Others	<u>70,880</u>	<u>57,034</u>
Total	<u>\$ 7,377,821</u>	<u>6,742,781</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(k) Short-term borrowings, long-term borrowings and lease liabilities

The details, conditions and terms of the Group's short-term borrowings, long-term borrowings, bonds payables and lease liabilities were as follows:

<b>2014.12.31</b>				
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Unsecured short-term loans	TWD	1.10%~1.25%	2015	\$ <u>949,826</u>
Secured bonds payable	TWD	1.15%~1.44%	2015~2018	\$ 21,200,000
Less: Current portion (included in current portion of long-term liabilities)				<u>5,100,000</u>
<b>Total</b>				<b>\$ <u>16,100,000</u></b>
Unsecured loans	TWD	1.36%~2.00%	2015~2019	\$ 14,152,961
Secured loans	TWD, USD	1.26%~4.59%	2015~2026	<u>43,275,896</u>
Subtotal				57,428,857
Less: Current portion				<u>11,134,074</u>
<b>Total</b>				<b>\$ <u>46,294,783</u></b>
Lease liabilities	TWD, USD	3.5%~6.93%	2015~2019	\$ 5,458,255
Less: Current portion (included in other current liabilities)				<u>1,504,087</u>
<b>Total</b>				<b>\$ <u>3,954,168</u></b>

<b>2013.12.31</b>				
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Unsecured short-term loans	TWD	1.10%~1.48%	2014	\$ 1,252,774
Secured short-term loans	TWD	1.20%	2014	<u>76,000</u>
				<b>\$ <u>1,328,774</u></b>
Secured bonds payable	TWD	1.15%~1.44%	2015~2018	<b>\$ <u>21,200,000</u></b>
Unsecured loans	TWD	1.29%~2.28%	2014~2018	\$ 10,720,103
Secured loans	TWD, USD	0.24%~4.59%	2014~2022	<u>36,213,522</u>
Subtotal				46,933,625
Less: Current portion				<u>9,334,554</u>
<b>Total</b>				<b>\$ <u>37,599,071</u></b>
Lease liabilities	TWD, USD	1.18%~6.93%	2014~2019	\$ 6,957,087
Less: Current portion (included in other current liabilities)				<u>1,571,239</u>
<b>Total</b>				<b>\$ <u>5,385,848</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2014, the details of the future repayment periods and amounts of the Group's long-term borrowings and lease liabilities were as follows:

<b>Year due</b>	<b>Amount</b>
2015	\$ 17,738,161
2016~2019	53,672,455
2020 and thereafter	<u>12,676,496</u>
	<b><u>\$ 84,087,112</u></b>

Information on the Group's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(t).

(1) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(2) Unused lines of credit

As of December 31, 2014 and 2013 the unused credit lines for short-term and long-term borrowings amounted to \$11,475,502 and \$11,006,187, respectively.

(3) Lease liabilities

The Group's lease liabilities were as follows:

	2014.12.31			2013.12.31		
	Future minimum rental payment	Interest	Present value of minimum rental payment	Future minimum rental payment	Interest	Present value of minimum rental payment
Within 1 year	\$ 1,718,933	214,846	1,504,087	1,856,034	284,795	1,571,239
1 to 5 years	4,256,720	302,552	3,954,168	5,200,415	497,418	4,702,997
More than 5 years	-	-	-	699,203	16,352	682,851
	<b><u>\$ 5,975,653</u></b>	<b><u>517,398</u></b>	<b><u>5,458,255</u></b>	<b><u>7,755,652</u></b>	<b><u>798,565</u></b>	<b><u>6,957,087</u></b>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2014 and 2013 are disclosed in note 6(s).

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(l) Operating leases

The Group leased aircraft, land, buildings, and parking lots under operating lease agreements with rental payable in the future as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Within 1 year	\$ 7,808,558	7,125,669
1 to 5 years	18,247,536	17,858,263
More than 5 years	<u>11,018,973</u>	<u>8,767,482</u>
	<b><u>\$ 37,075,067</u></b>	<b><u>33,751,414</u></b>

For the years ended December 31, 2014 and 2013, rental expenses included in operating cost and operating expenses were \$8,119,630 and \$7,126,472, respectively. The Group did not assume the residual value of the abovementioned lease items, and determined that the risk and return of those lease items are still assumed by the lessor. Hence, the Group treated the abovementioned lease as operating leases.

(m) Employee benefits

(1) Defined benefit plans

The movements in the present value of the defined benefit obligations and the fair value of plan assets were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Total present value of defined benefit obligations	\$ 9,065,847	8,525,724
Fair value of plan assets	<u>(5,794,326)</u>	<u>(5,152,605)</u>
Recognized liabilities for defined benefit obligations	<b><u>\$ 3,271,521</u></b>	<b><u>3,373,119</u></b>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the units based on years of service and average salary for the six months prior to retirement.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(i) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Minimum earnings on such funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$5,723,023 as of December 31, 2014. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Movements in present value of the defined benefit obligations

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

	<b>2014</b>	<b>2013</b>
Defined benefit obligations at January 1	\$ 8,525,724	8,038,731
Liabilities due to acquiring subsidiary	1,218	-
Benefits paid by the plan	(205,689)	(290,570)
Current service costs and interest	416,526	364,149
Actuarial losses	328,068	413,414
Defined benefit obligations at December 31	<b><u>\$ 9,065,847</u></b>	<b><u>8,525,724</u></b>

(iii) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets were as follows:

	<b>2014</b>	<b>2013</b>
Fair value of plan assets at January 1	\$ 5,152,605	4,709,800
Assets due to acquiring subsidiary	177	-
Contributions from plan participants	712,439	634,666
Benefits paid by the plan	(191,198)	(252,571)
Expected return on plan assets	107,373	87,578
Actuarial gains (losses)	12,930	(26,868)
Fair value of plan assets at December 31	<b><u>\$ 5,794,326</u></b>	<b><u>5,152,605</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<b>2014</b>	<b>2013</b>
Current services costs	\$ 250,338	228,397
Interest on obligations	166,188	135,752
Expected return on plan assets	<u>(107,373)</u>	<u>(87,578)</u>
	<b><u>\$ 309,153</u></b>	<b><u>276,571</u></b>
Operating cost	\$ 233,003	223,941
Operating expenses	<u>76,150</u>	<u>52,630</u>
	<b><u>\$ 309,153</u></b>	<b><u>276,571</u></b>
Actual return on plan assets	<b><u>\$ 120,303</u></b>	<b><u>60,710</u></b>

(v) Actuarial gains and losses recognized in other comprehensive income (before tax)

The Group's actuarial losses recognized in other comprehensive income were as follows:

	<b>2014</b>	<b>2013</b>
Cumulative amount at January 1	\$ (1,025,053)	(584,771)
Recognized during the period	<u>(315,138)</u>	<u>(440,282)</u>
Cumulative amount at December 31	<b><u>\$ (1,340,191)</u></b>	<b><u>(1,025,053)</u></b>

(vi) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

	<b>2014</b>	<b>2013</b>
Discount rate	1.75%~2.25%	1.75%~2.00%
Expected return on plan assets	2.00%~2.25%	2.00%
Future salary increases	1.23%~6.12%	1.41%~3.00%

The overall expected long-term rate of return on assets was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was exclusively based on historical returns, without adjustments.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(vii) Experience adjustments on historical information

	<b>2014.12.31</b>	<b>2013.12.31</b>	<b>2012.12.31</b>	<b>2012.1.1</b>
Present value of defined benefit obligations	\$ 9,065,847	8,525,724	8,038,731	7,368,254
Fair value of plan assets	<u>(5,794,326)</u>	<u>(5,152,605)</u>	<u>(4,709,800)</u>	<u>(4,252,365)</u>
Net liabilities of defined benefit obligations	<b><u>\$ 3,271,521</u></b>	<b><u>3,373,119</u></b>	<b><u>3,328,931</u></b>	<b><u>3,115,889</u></b>
Experience adjustments arising on the present value of defined benefit plans	<b><u>\$ 328,068</u></b>	<b><u>413,414</u></b>	<b><u>537,029</u></b>	<b><u>-</u></b>
Experience adjustments arising on the fair value of plan assets	<b><u>\$ (12,930)</u></b>	<b><u>26,868</u></b>	<b><u>47,742</u></b>	<b><u>-</u></b>

The expected allocation payments made by the Group to the defined benefit plans during the annual period after December 31, 2014 are \$702,065.

- (viii) When calculating the present value of defined benefit obligations, the Group used judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and future salary changes as of the end of the reporting period. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2014 the Group's accrued pension liabilities were \$3,271,521. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$257,984 or increased by \$268,574, respectively; if the future salary increase rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have increased by \$259,218 or decreased by \$252,000.

(2) Defined contribution plans

The Group set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside \$387,499 and \$366,598 as pension costs under the defined contribution plans in 2014 and 2013, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(n) Income tax

(1) Income tax expenses

For the years ended December 31, 2014 and 2013, the components of estimated income tax expenses were as follows:

	2014	2013
Current tax expenses	\$ 496,101	442,092
Deferred tax expenses	<u>342,762</u>	<u>118,521</u>
Income tax expenses	<u><b>\$ 838,863</b></u>	<u><b>560,613</b></u>

The amounts of income tax benefit (expenses) recognized in other comprehensive income were as follows:

	2014	2013
Unrealized gains on available-for-sale financial assets	\$ (2,799)	(220)
Cash flow hedges	400,940	(2,165)
Actuarial losses on defined benefit plan	<u>53,573</u>	<u>74,847</u>
	<u><b>\$ 451,714</b></u>	<u><b>72,462</b></u>

Reconciliations of income tax expenses and profit before tax were as follows:

	2014	2013
Profit before tax	<u><b>\$ 48,945</b></u>	<u><b>1,840,338</b></u>
Income tax using the Company's domestic tax rate	\$ 8,321	312,857
Exempt income	(244,497)	(22,637)
10% taxation on undistributed earnings	81,033	83,950
Current-year losses for which no deferred tax asset was recognized	10,938	-
Changes in unrecognized deductible temporary differences	1,192,732	(890,287)
Investment tax credits	-	1,091,563
Loss carryforwards	(123,894)	-
Loss on valuation of inventories	(348,552)	-
Under accrued income tax payable in prior periods	29,143	11,391
Others	<u>233,639</u>	<u>(26,224)</u>
	<u><b>\$ 838,863</b></u>	<u><b>560,613</b></u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(2) Deferred tax assets and liabilities

(i) Unrecognized deferred tax assets and liabilities

As of December 31, 2014 and 2013, it was not probable that future taxable profit of the Group would be available for loss carryforwards against as which the Group could utilize the benefits therefrom. Hence, such temporary differences were not recognized under deferred tax assets. Details were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Unrecognized deferred tax assets:		
Tax losses	\$ <b><u>1,312,748</u></b>	<b><u>106,116</u></b>

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2014, the Group's loss carryforwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

<u>Filing year</u>	<u>Recognized un-deducted operating loss</u>	<u>Unrecognized un-deducted operating loss</u>	<u>Total</u>	<u>Expiry year</u>
2006	\$ -	57,428	57,428	2016
2008	-	3,522,185	3,522,185	2018
2009	4,314,425	4,059,830	8,374,255	2019
2010	-	839	839	2020
2011	1,477,244	-	1,477,244	2021
2012	-	248	248	2022
2013	619,907	16,425	636,332	2023
2014	<u>617</u>	<u>65,094</u>	<u>65,711</u>	2024
	<b>\$ <u>6,412,193</u></b>	<b><u>7,722,049</u></b>	<b><u>14,134,242</u></b>	

The Group has no unrecognized deferred tax liabilities as of December 31, 2014 and 2013.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(ii) Recognized deferred tax assets and liabilities

The movements in the balances of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	Loss carryforwards	Loss on valuation of inventories	Purchase of fixed assets in installments	Defined benefit plan actuarial losses	Restoration obligations	Mileage revenue	Unrealized foreign exchange losses	Tax difference arising from depreciation of property, plant and equipment	Others	Total
Beginning balance at January 1, 2014	\$ 2,486,795	696,440	325,143	527,488	353,479	391,423	-	-	493,708	5,274,476
Recognized in profit or loss	(1,396,722)	(104,381)	(60,061)	(9,157)	47,642	(11,405)	85,476	477,331	578,742	(392,535)
Recognized in other comprehensive income	-	-	-	53,573	-	-	-	-	398,141	451,714
Balance at December 31, 2014	<u>\$ 1,090,073</u>	<u>592,059</u>	<u>265,082</u>	<u>571,904</u>	<u>401,121</u>	<u>380,018</u>	<u>85,476</u>	<u>477,331</u>	<u>1,470,591</u>	<u>5,333,655</u>
Beginning balance at January 1, 2013	\$ 2,728,603	627,100	383,963	519,498	287,643	367,918	-	-	574,524	5,489,249
Recognized in profit or loss	(241,808)	69,340	(58,820)	(66,857)	65,836	23,505	-	-	(78,431)	(287,235)
Recognized in other comprehensive income	-	-	-	74,847	-	-	-	-	(2,385)	72,462
Balance at December 31, 2013	<u>\$ 2,486,795</u>	<u>696,440</u>	<u>325,143</u>	<u>527,488</u>	<u>353,479</u>	<u>391,423</u>	<u>-</u>	<u>-</u>	<u>493,708</u>	<u>5,274,476</u>

Deferred tax liabilities:

	Unrealized foreign exchange gains	Others	Total
Beginning balance at January 1, 2014	\$ 65,191	51,431	116,622
Recognized in profit or loss	(47,054)	(2,719)	(49,773)
Balance at December 31, 2014	<u>\$ 18,137</u>	<u>48,712</u>	<u>66,849</u>
Beginning balance at January 1, 2013	\$ 190,652	94,684	285,336
Recognized in profit or loss	(125,461)	(43,253)	(168,714)
Balance at December 31, 2013	<u>\$ 65,191</u>	<u>51,431</u>	<u>116,622</u>

(3) Examination and approval

The Company's income tax returns for the years through 2012 were examined and approved by the local tax authorities.

(4) Information related to unappropriated earnings and creditable ratio:

	2014.12.31	2013.12.31
Unappropriated earnings before 1997	\$ -	-
Unappropriated earnings after 1998	(1,309,025)	(4,465,228)
	<u>\$ (1,309,025)</u>	<u>(4,465,228)</u>
Balance of ICA	<u>\$ 991,762</u>	<u>158,662</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	2014	2013
Tax creditable ratio for earnings distribution to R.O.C. residents	<u>- % (estimated)</u>	<u>- % (actual)</u>

According to the announcement by the Ministry of Finance on October 17, 2013, under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree.

(o) Capital and other equity

As of December 31, 2014 and 2013, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, with par value of \$10 (dollars) per share, of which the issued and outstanding share capital were \$32,589,450.

(1) Common stock

A resolution was passed during the board meeting held on 30 September 2014 for the issuance of 600,000 thousands new shares for cash at a face value amounting to \$6,000,000. The Company has received the approval from the FSC for this capital increase in November 2014, with February 3, 2015 as the date of capital increase. For the year ended December 31, 2014, the Company received a capital increase amounting to \$186,567. The capital increase was recorded as capital collected in advance because the registration process has not yet been completed.

(2) Capital surplus

The details of capital surplus were as follows:

	2014.12.31	2013.12.31
Cash subscription in excess of par value of shares	\$ 29,672	29,672
Stock options granted to employees	606,100	282,100
Additional paid-in capital from bond conversion	<u>1,411,830</u>	<u>1,411,830</u>
	<u>\$ 2,047,602</u>	<u>1,723,602</u>

In accordance with R.O.C. Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (3) Retained earnings

According to the Company's articles of incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% of statutory earnings reserves should be retained, and special reserve should be recognized or reversed according to statutory requirements. Thereafter, the remaining current-period earnings and the unappropriated prior-period earnings can be distributed by reference to a resolution approved by the stockholders. The Company must appropriate employee bonuses of at least 1% of earnings of each year, and less than 5% of earnings of each year for remuneration of directors and supervisors.

The Company adopts the dividend policy that cash dividends and stock dividends are distributed with cash dividends accounting for at least 10% of total dividends distributed.

##### (i) Legal reserve

In accordance with R.O.C. Company Act amended in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

##### (ii) Special reserve

In accordance with Decree No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other equity shall qualify for additional distributions.

##### (iii) Earnings distribution

On June 17, 2014 and June 24, 2013, the Company's stockholders did not appropriate dividends, employee bonuses, and directors' and supervisors' remuneration in consideration of operational needs and sustainable development.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013, the Company did not recognize any bonuses to employees and remuneration to directors and supervisors. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

(4) Other equity (net of taxes)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) on available-for-sale financial assets</u>	<u>Cash flow hedges</u>	<u>Non-controlling interests</u>	<u>Total</u>
<b>Beginning balance at January 1, 2014</b>	\$ 69,313	(841,227)	21,655	(2,605)	(752,864)
Exchange differences on translation of foreign financial statements	57,674	-	-	14,705	72,379
Impairment of available-for-sale financial assets reclassified to profit or loss	-	1,634,310	-	-	1,634,310
Unrealized gains (losses) on available-for-sale financial assets	-	(155,339)	-	1,268	(154,071)
Cash flow hedges, effective portion	-	-	(1,957,533)	-	(1,957,533)
<b>Balance at December 31, 2014</b>	<b>\$ <u>126,987</u></b>	<b><u>637,744</u></b>	<b><u>(1,935,878)</u></b>	<b><u>13,368</u></b>	<b><u>(1,157,779)</u></b>
<b>Beginning balance at January 1, 2013</b>	\$ 30,071	(881,760)	11,083	3,024	(837,582)
Exchange differences on translation of foreign financial statements	39,242	-	-	(5,822)	33,420
Impairment of available-for-sale financial assets reclassified to profit or loss	-	289,866	-	-	289,866
Unrealized gains (losses) on available-for-sale financial assets	-	(249,333)	-	193	(249,140)
Cash flow hedges, effective portion	-	-	10,572	-	10,572
<b>Balance at December 31, 2013</b>	<b>\$ <u>69,313</u></b>	<b><u>(841,227)</u></b>	<b><u>21,655</u></b>	<b><u>(2,605)</u></b>	<b><u>(752,864)</u></b>

(p) Share-based payment

(1) As of December 31, 2014, the Group's share-based payment transaction was as follow:

<u>Type</u>	<u>Grant date</u>	<u>Number of shares granted (thousand shares)</u>	<u>Contract term (year)</u>	<u>Vesting Conditions</u>
Cash-settled share-based payment plan (reserved for employees to subscribe)	2014.12.4	60,000	-	Immediately vested

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (2) The information related to the employee stock option plan was as follow:

<u>Cash-settled share-based payment plan (reserved for employees to subscribe)</u>	<u>Number of options (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Number of shares granted	60,000	17
Number of shares exercised	(1,493)	17
Number of shares abandoned	-	17
	<u>58,507 (note)</u>	
Fair value per share at grant date	\$ <u>5.40</u>	

Note: The term of payment for shares subscribed is from December 26, 2014 to January 26, 2015. As of December 31, 2014, the units exercised were 1,493 thousand shares.

- (3) The Group adopted the Black-Sholes model to calculate the fair value of the abovementioned employee shares of stock at the grant date. The assumptions adopted in this valuation model were as follows:

	<u>Cash-settled share-based payment plan (reserved for employees to subscribe)</u>
Fair value per share on grant date	22.4
Exercise price	17
Expected volatility	21.6963%
Expected life	53 days
Dividend yield	-
Risk-free interest rate	1.6%

- (4) Employee expense:

For the years ended December 31, 2014, the compensation cost for the employee shares of stock amounted to \$324,000, which was recognized as operating expenses. There was no such transaction in 2013.

(Continued)

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(q) Earnings per share (“EPS”)

The calculation of earnings per share is based on the profit (loss) attributable to the ordinary equity holders of the Company. Earnings per share were calculated as follows:

	<u>Loss</u>	<b>2014</b> <b>Weighted-average</b> <b>number of shares</b> <b>outstanding</b> <b>during the year</b> <b>(thousand shares)</b>	<u>EPS (in dollars)</u>
Basic earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(1,306,724)</u>	<u>3,258,945</u>	<u>(0.40)</u>
Diluted earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(1,306,724)</u>	<u>3,258,945</u>	<u>(0.40)</u>
	<u>Profit</u>	<b>2013</b> <b>Weighted-average</b> <b>number of shares</b> <b>outstanding</b> <b>during the year</b> <b>(thousand shares)</b>	<u>EPS (in dollars)</u>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(r) Revenue

For the years ended December 31, 2014 and 2013, the components of revenue were as follows:

	<b>2014</b>	<b>2013</b>
Aviation transportation revenue	\$ 109,216,672	103,132,888
Services revenue	13,839,017	11,267,059
Others	10,034,319	9,764,504
	<b><u>\$ 133,090,008</u></b>	<b><u>124,164,451</u></b>

The Group has a customer loyalty program to improve its ticket sales. Upon purchasing customers are awarded credits entitling them to exchange for an upgrade or free tickets.

As of December 31, 2014 and 2013, the abovementioned deferred revenue amounting to \$1,765,867 and \$1,595,096, respectively, were recorded as unearned revenue and other non-current liabilities.

(s) Non-operating income and expenses

(1) Other income

	<b>2014</b>	<b>2013</b>
Interest income	\$ 355,051	251,299
Dividend income	140,790	113,479
Others	286	27,231
	<b><u>\$ 496,127</u></b>	<b><u>392,009</u></b>

(2) Other gains and losses

	<b>2014</b>	<b>2013</b>
Foreign exchange losses	\$ (464,082)	(260,584)
Impairment losses resulting from permanent decrease in value of financial assets	(1,634,310)	(289,866)
Gains(losses) on disposal of property, plant and equipment	168,926	(161,107)
Others	303,004	207,338
	<b><u>\$ (1,626,462)</u></b>	<b><u>(504,219)</u></b>

(Continued)

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(3) Finance costs

	<b>2014</b>	<b>2013</b>
Interest expense		
Bank borrowings	\$ 1,160,614	1,080,917
Lease liabilities	238,997	345,713
Others	236,765	236,657
Less: capitalized interest	<u>(70,478)</u>	<u>(60,956)</u>
	<b><u>\$ 1,565,898</u></b>	<b><u>1,602,331</u></b>

(t) Financial instruments

(1) Type of financial instruments

(i) Financial assets

	<b>2014.12.31</b>	<b>2013.12.31</b>
Financial assets at fair value through profit or loss	\$ <u>3,052</u>	<u>1,192</u>
Derivative financial assets for hedge purposes	<u>-</u>	<u>26,090</u>
Available-for-sale financial assets – current	<u>1,104,523</u>	<u>2,059,740</u>
Available-for-sale financial assets – non-current	<u>2,963,385</u>	<u>3,134,113</u>
Financial assets carried at cost – non-current	<u>1,020</u>	<u>-</u>
Loans and receivables:		
Cash and cash equivalents	27,144,950	24,898,172
Notes and accounts receivable, and other receivables (including related parties)	<u>12,671,963</u>	<u>9,497,408</u>
	<u>39,816,913</u>	<u>34,395,580</u>
Other non-current assets	<u>1,483,433</u>	<u>1,237,210</u>
	<b><u>\$ 45,372,326</u></b>	<b><u>40,853,925</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(ii) Financial liabilities

	<b>2014.12.31</b>	<b>2013.12.31</b>
Derivative financial liabilities for hedge purposes	\$ <u>2,332,383</u>	<u>-</u>
Financial liabilities at amortized cost:		
Short-term borrowings	949,826	1,328,774
Notes and accounts payable (including related parties)	3,170,939	2,859,605
Bonds payable	21,200,000	21,200,000
Long-term borrowings (including current portion of long-term liabilities)	57,428,857	46,933,625
Other payables	11,948,648	10,800,328
Lease liabilities	<u>5,458,255</u>	<u>6,957,087</u>
	<u>100,156,525</u>	<u>90,079,419</u>
	<b>\$ <u>102,488,908</u></b>	<b><u>90,079,419</u></b>

(2) Credit risk

(i) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets. As of December 31, 2014 and 2013, such exposure amounted to \$45,372,326 and \$40,853,925, respectively.

(ii) Circumstances of concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Group continually evaluates each customer's financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (3) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>As of December 31, 2014</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 58,378,683	61,588,985	12,850,903	35,684,663	13,053,419
Secured bonds payable	21,200,000	21,854,525	5,370,424	16,484,101	-
Lease liabilities	5,458,255	5,975,653	1,718,933	4,256,720	-
Accounts payable (including related parties)	3,170,939	3,170,939	3,170,939	-	-
Other payables	11,948,648	11,948,648	11,948,648	-	-
	<b>\$ <u>100,156,525</u></b>	<b><u>104,538,750</u></b>	<b><u>35,059,847</u></b>	<b><u>56,425,484</u></b>	<b><u>13,053,419</u></b>
<b>Derivative financial liabilities</b>					
Fuel swap agreement for hedge purposes	\$ <u>2,332,383</u>	<u>2,332,383</u>	<u>2,332,383</u>	-	-
<b>As of December 31, 2013</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 48,262,399	50,810,318	11,410,735	30,412,960	8,986,623
Secured bonds payable	21,200,000	22,125,325	270,424	21,854,901	-
Lease liabilities	6,957,087	7,755,652	1,856,034	5,200,415	699,203
Accounts payable(including related parties)	2,859,605	2,859,605	2,859,605	-	-
Other payables	10,800,328	10,800,328	10,800,328	-	-
	<b>\$ <u>90,079,419</u></b>	<b><u>94,351,228</u></b>	<b><u>27,197,126</u></b>	<b><u>57,468,276</u></b>	<b><u>9,685,826</u></b>

The Group is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

#### (4) Currency risk

##### (i) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>2014.12.31</u>			<u>2013.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>Financial assets</b>						
<b>Monetary items</b>						
USD	\$ 405,658	31.650	12,839,085	210,637	29.805	6,278,036
EUR	5,341	38.47	205,467	5,665	41.09	232,775
JPY	797,276	0.2646	210,959	672,612	0.2839	190,955
HKD	176,366	4.08	719,575	216,691	3.84	832,744
CNY	944,321	5.09	4,808,484	1,322,590	4.92	6,505,820
			<b>\$ <u>18,783,570</u></b>			<b><u>14,040,330</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	2014.12.31			2013.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD	\$ 588,975	31.650	18,641,072	636,627	29.805	18,974,654
EUR	7,436	38.47	286,074	9,526	41.09	391,423
JPY	1,317,762	0.2646	348,680	1,475,251	0.2839	418,824
HKD	10,293	4.08	41,994	2,997	3.84	11,517
CNY	225,184	5.09	1,146,637	293,241	4.92	1,442,452
			<u>\$ 20,464,457</u>			<u>21,238,870</u>

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), available-for-sale financial assets—non-current, refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables, lease liabilities and restoration obligations (included in other current liabilities and other non-current liabilities) that are denominated in foreign currency. A 1% depreciation (appreciation) of the TWD against the USD, EUR, JPY, HKD and CNY as of December 31, 2014 and 2013, would have decreased (increased) the profit by \$16,809 and \$71,986 in 2014 and 2013, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014 and 2013.

(5) Interest rate risk

The liquidity risk and interest rate exposure of the Group's financial liabilities are illustrated in note (u).

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 100 basis points to the Group's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases (decreases) by 1% all other variable factors that remain constant, the profit of the Group will decrease (increase) \$594,735 and \$487,874 for the years ended December 31, 2014 and 2013, respectively due to the Group's floating-interest borrowings.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(6) Fair value

(i) Fair value and carrying amount

Aside from those listed as follows, the Group's management believes the carrying amounts of its financial assets and financial liabilities at amortized cost are approximately equal to their fair value.

	2014.12.31		2013.12.31	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Secured bonds payable	\$ 21,200,000	21,101,784	21,200,000	20,964,867
Long-term borrowings	3,169,970	3,209,294	4,111,046	4,200,047
Lease liabilities	<u>1,193,508</u>	<u>1,210,367</u>	<u>1,830,499</u>	<u>1,886,325</u>
	<b><u>\$ 25,563,478</u></b>	<b><u>25,521,445</u></b>	<b><u>27,141,545</u></b>	<b><u>27,051,239</u></b>

(ii) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

- A. The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.
- B. The fair value of derivative instruments is based on quoted prices.
- C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(iii) Interest rates used for determining fair value

The interest rates used for discounting estimated cash flows were as follows:

	2014	2013
Secured bonds payable	1.57%	1.52%
Long-term borrowings	1.57%~1.59%	1.52%~1.64%
Lease liabilities	1.57%	1.52%

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(iv) Fair value hierarchy

The table below analyzes the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
As of December 31, 2014				
Financial assets at fair value through profit or loss	\$ 3,052	-	-	3,052
Available-for-sale financial assets	<u>2,486,850</u>	<u>-</u>	<u>1,581,058</u>	<u>4,067,908</u>
	<u><b>\$ 2,489,902</b></u>	<u><b>-</b></u>	<u><b>1,581,058</b></u>	<u><b>4,070,960</b></u>
Derivative financial liabilities	<u>\$ -</u>	<u><b>2,332,383</b></u>	<u>-</u>	<u><b>2,332,383</b></u>
As of December 31, 2013				
Financial assets at fair value through profit or loss	\$ 1,192	-	-	1,192
Available-for-sale financial assets	3,625,594	-	1,568,259	5,193,853
Derivative financial assets	<u>-</u>	<u>26,090</u>	<u>-</u>	<u>26,090</u>
	<u><b>\$ 3,626,786</b></u>	<u><b>26,090</b></u>	<u><b>1,568,259</b></u>	<u><b>5,221,135</b></u>

(v) Movements in fair value measurements of financial assets in Level 3 and sensitivity analysis.

The following table shows the reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<u><b>Unquoted equity instruments</b></u>
Beginning balance at January 1, 2014	\$ 1,568,259
Recognized in profit and loss	(922,370)
Recognized in other comprehensive income	938,933
Proceeds from capital reduction of investments	<u>(3,764)</u>
Balance at December 31, 2014	<u><b>\$ 1,581,058</b></u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### Unquoted equity instruments

Beginning balance at January 1, 2013		\$	1,943,736
Recognized in profit and loss			(289,866)
Recognized in other comprehensive income			<u>(85,611)</u>
Balance at December 31, 2013		\$	<u><b>1,568,259</b></u>

The fair value hierarchy levels of financial assets were not transferred in 2014 and 2013.

The fair value measurements of the Group's financial instruments are reasonable; however, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, fluctuation in the valuation variable by 5% would have the following effect:

	<u>Effects of changes in fair value on other comprehensive income</u>	
	<u>Favorable</u>	<u>Unfavorable</u>
As of December 31, 2014		
Available-for-sale financial assets	\$ <u><b>78,447</b></u>	<u><b>(78,447)</b></u>
As of December 31, 2013		
Available-for-sale financial assets	\$ <u><b>77,947</b></u>	<u><b>(77,947)</b></u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(u) Management of financial risk

(1) The Group is exposed to the nature and extent of the risks arising from financial instruments as below:

- a. Credit risk
- b. Liquidity risk
- c. Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (2) Risk management framework

The Group's Board of Directors has responsibility for the oversight of the risk management framework. The Group's inter-departmental management and committee, which consists of managers from all departments, is responsible for monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The inter-department management and committee are reviewed regularly to reflect change in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's supervisors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Group's supervisors are assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the supervisors.

#### (3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in securities.

##### (i) Notes and accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. In accordance with the Group's credit policy, each customer is analyzed individually for creditworthiness, and is required to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals before its credit terms and credit limit are offered. Credit limit is offered to each customer as the limit of transactions and is reviewed regularly.

The transaction amount of the majority of the Group's customers is not significant, leading to an insignificant influence of loss from credit risk arising from single customer on the Group. The Group set up the allowance for doubtful accounts to reflect the estimated loss of notes and accounts receivable. The major component of the allowance accounts includes the specific loss component related to individually significant exposure.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (ii) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

#### (iii) Guarantees

As of December 31, 2014, the Group did not provide endorsements and guarantees.

#### (4) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's finance department monitors the needs for cash flows, and plans optional return from investments of idle capital. The Group aims to maintain the level of its cash and cash equivalents at an amount to cope with expected cash outflows on operation, including meeting its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### (5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### (i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities primarily the TWD and USD. The currencies used in these transactions are principally denominated in TWD, CNY, EUR, USD and JPY.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary, the Group uses foreign currency financing and forward exchange contracts to hedge its currency risk. The financial department proactively collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information for securing the currency risk.

(ii) Interest rate risk

The Group enters into and designates interest rate swaps as hedges of the variability in interest rate risk from long-term borrowings.

(iii) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(v) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business.

As of December 31, 2014, there were no changes in the Group's approach to capital management.

#### 7. Transactions with related parties

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(b) Significant transactions with related parties

(1) Operating revenue

Significant sales to related parties of the Group were as follows:

	<b>2014</b>	<b>2013</b>
Associates	\$ 5,273,185	3,917
Others	<u>2,281,934</u>	<u>2,132,432</u>
	<b><u>\$ 7,555,119</u></b>	<b><u>2,136,349</u></b>

Related parties leased aircraft from the Group to operate cross-strait flights between Mainland China and Taiwan. The rental is charged by actual flight hours and recorded under operating revenue.

The Group provided maintenance and other services to related parties. The transactions with related parties that were made have no significant differences from those of the non-related parties.

The prices for sales to related parties are not materially different from those of the third-party sales. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions. There was no collateral on the accounts receivable from related parties.

(2) Operating cost

Significant purchases from related parties of the Group were as follows:

	<b>2014</b>	<b>2013</b>
Associates	\$ 88,542	83,621
Others	<u>1,386,998</u>	<u>1,387,859</u>
	<b><u>\$ 1,475,540</u></b>	<b><u>1,471,480</u></b>

The prices for purchases from related parties are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(3) Operating expenses

Operating expenses from transactions with related parties were as follows:

	<b>2014</b>	<b>2013</b>
Associates	\$ 64,639	60,207
Others	291,435	340,512
	<b>\$ 356,074</b>	<b>400,719</b>

The prices for related parties transactions are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

- (4) The Group purchased spare parts for maintenance from related parties, amounting to \$1,378,598 for the year ended December 31, 2013. There was no such transaction for the year ended December 31, 2014.

(5) Construction commitment

In February 2012, the Group entered into a contract with its related parties amounting to \$636,585 for the purpose of the construction of its training center. As of December 31, 2013, the unpaid contract price amounted to \$198,598, and the aforementioned construction was finished in July 2014.

In February 2013, the Group entered into a contract with its related parties amounting to \$191,625 for the purpose of the expansion of its construction of the northeast station of Taiwan Taoyuan International Airport. As of December 31, 2013, the unpaid contract price amounted to \$24,145, and the aforementioned construction was finished in January 2014.

(6) Receivables from related parties

Receivables from related parties of the Group were as follows:

<b>Account</b>	<b>Class of related parties</b>	<b>2014.12.31</b>	<b>2013.12.31</b>
Accounts receivable	Associates	\$ 2,395,012	300
Accounts receivable	Others	477,758	357,972
Other receivables	Associates	48	526
Other receivables	Others	509,443	112,799
		<b>\$ 3,382,261</b>	<b>471,597</b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2013, \$2,034 was deducted for the credit balance of investment accounted for using equity method. There was no such transaction for the year ended December 31, 2014.

As of December 31, 2013, the overdue accounts receivable were reclassified to other receivables which were included in other current assets. The aging for the abovementioned overdue accounts receivable were shown below:

Name	2013.12.31			
	Aging for overdue accounts receivable			
	Amount	Overdue 1-6 months	Overdue 7-12 months	Overdue one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 2,034	-	-	2,034

#### (7) Payables to related parties

Payables to related parties of the Group were as follows:

Account	Class of related parties	2014.12.31	2013.12.31
Accounts receivable	Associates	\$ 8,095	4,995
Accounts receivable	Others	195,052	224,588
Other receivables	Associates	10,980	7,204
Other receivables	Others	124,243	322,855
		\$ 338,370	559,642

#### (c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2014	2013
Short-term employee benefits	\$ 141,414	99,045
Post-employment benefits	7,534	9,729
Share-based payment	3,613	-
	\$ 152,561	108,774

Please refer to note 6(p) for the disclosure of share-based payment.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 8. Pledged assets

The book values of the pledged assets were as follows:

Pledged assets	Object	2014.12.31	2013.12.31
Property, plant, and equipment	Short-term and long-term borrowings	\$ 63,162,578	53,739,219
Operating assets used for service concession arrangement— included in intangible assets	Long-term borrowings	-	1,618,416
Available-for-sale financial assets— non-current	Contract performance guarantees	67,455	89,274
Time deposit— included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	166,660	95,107
		<b>\$ 63,396,693</b>	<b>55,542,016</b>

#### 9. Commitments and contingencies

##### (a) Significant commitments:

The Company is under investigation on the passenger and cargo fuel surcharge for alleged violation of antitrust law in the United States.

The Company takes a positive stand on this litigation. Because the ultimate outcome of the pending antitrust investigations cannot be predicted with certainty, the Company has made certain provisions for the matter. The Company will disclose the antitrust matter depending on the progression of the litigation.

##### (b) Significant contingencies:

- (1) In May 2012 and October 2013, the Company entered into aircraft purchase contracts amounting to US\$2,261,094 with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. As of December 31, 2014, the Company took delivery of 3 Boeing 777 aircraft; and the remaining contract price was US\$1,321,907. The Company has partially paid the price of \$4,248,972 (included in other non-current assets).

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(2) Unused letters of credit for the Group were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Unused letters of credit	\$ <u>2,201,227</u>	<u>2,157,366</u>

(3) Consolidated subsidiary Evergreen Air Cargo Services Corp. (hereinafter referred to as EGAC) entered into a contract—Contract of Building and Operating Phase II Air Cargo Terminal—with Civil Aeronautics Administration, Ministry of Transportation and Communications (hereinafter referred to as CAA) in 1999 to obtain the right to build and operate phase II of air cargo terminal at Taoyuan International Airport (hereinafter referred to as terminal) during the concession period and to run the business of warehousing of air cargo. Some details of this contract are as follows:

(i) Concession period

- a. Building period is less than 3 years starting from the date (i.e. April 1, 2000) when CAA delivered the terminal land to EGAC.
- b. Operating period is 30 years starting from the initial date of operation (i.e. February 26, 2002) approved by CAA.

(ii) Right to build and operate

- a. EGAC should complete the work of building terminal and acquire necessary licenses to start operation after obtaining approval from CAA. EGAC has acquired the right to operate since the date of approval of operation and is not allowed to transfer the running of all the business to third-party. However, the running of part of the business can be transferred to third-party if CAA approves.
- b. EGAC acquired an air cargo entrepot license issued by CAA on February 26, 2002 to obtain the right to operate terminal and start operations officially.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(iii) Royalty

EGAC should pay CAA royalties with the amount of a certain percentage (originally set at 6% before being adjusted to 6.10% on July 1, 2005 and adjusted subsequently to 6% in October 2008 until December 2017) of operating revenue, plus business tax, for each two-month period during the operating period. At the end of each accounting year, the adjustments will be made based on the differences between the amount of royalties EGAC has to pay, which is calculated as the total revenue (inclusive of operating revenue and non-operating income but exclusive of rental income from subletting operating facilities to Fedex) disclosed in the financial statements audited by the certified public accountants and multiplied by the aforementioned percentage, and adjusted by the amount of royalties EGAC has already paid during the same period. EGAC has to make up for the difference if the amount of royalties EGAC has to pay is more than those already paid; the difference will be deducted from the amount EGAC has to pay in the following period if the situation is the opposite.

(iv) Transfer of assets at the end of concession period

At the end of concession period, the lease agreement of the land is terminated and the land has to be returned to the government. EGAC is allowed to transfer with remuneration to the government the operating assets, in their status quo at the end of concession period, whose addition has been approved by CAA during the 5-year period before the expiration of concession period. The operating assets (in their status quo at the end of concession period, and acquired prior to the 5-year period before the expiration of concession period) have to be transferred without remuneration to the government, unless otherwise agreed. The transferred object consists of all the operating assets as well as other assets necessary to operations which were acquired by building and operating in accordance with the concession contract during the concession period.

- (4) Consolidated subsidiary Evergreen Airline Services Corp. signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted \$1,504,762. No payment was settled as of December 31, 2014.

**10. Significant disaster losses: none**

**11. Significant subsequent events: none**

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 12. Others

- (a) A summary of employee expenses, depreciation and amortization expenses, by function, is as follows:

	<u>Operating cost</u>	<u>2014 Operating expenses</u>	<u>Total</u>	<u>Operating cost</u>	<u>2013 Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 8,635,054	4,457,294	13,092,348	7,868,561	3,722,995	11,591,556
Labor and health insurance	615,069	263,638	878,707	546,710	223,747	770,457
Pension	512,282	184,370	696,652	474,518	168,651	643,169
Others	2,251,190	487,649	2,738,839	1,951,586	427,659	2,379,245
Depreciation (Note)	10,824,926	417,097	11,242,023	10,275,141	313,309	10,588,450
Amortization	143,821	160,765	304,586	130,660	103,181	233,841

Note: For the years ended December 31, 2014 and 2013, the depreciation expenses recognized were \$11,422,313 and \$10,723,866 respectively, less deferred gains of \$180,290 and \$135,416, respectively.

#### 13. Operating segments

- (a) General information

The Group has three reportable segments: aviation transportation segment, maintenance segment, and catering service segment. Aviation transportation segment is involved in aviation transportation of passengers and cargo. Maintenance segment is involved in maintenance of aircraft, engine, and aircraft parts. Catering service segment is involved in provision of catering service.

Other operating segments are mainly involved in ground handling services, travel agency, distribution of cargo, and investment. For the years ended December 31, 2014 and 2013, the above segments do not meet the quantitative thresholds to be reportable.

- (b) Profit or loss data of the reportable segments (including specific revenues and expenses), assets and liabilities of the reportable segments, the basis of measurement and the related eliminations

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group allocates its resources and evaluates performance based on the internal management report, including profit before taxation but excluding any extraordinary activity and foreign exchange gains or losses, which is reviewed by chief operating decision maker. The reportable amount is the same as that in the report used by the chief operating decision maker.

The accounting policies of operating segments are the same as those described in note 4 “significant accounting policies”. The Group treats intersegment sales and transfers as third-party transactions, which are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

	2014					
	Aviation transportation segment	Maintenance segment	Catering services segment	Other segments	Reconciliation and elimination	Total
<b>Revenue:</b>						
Revenue from external customers	\$ 116,717,439	14,661,587	535,001	1,175,981	-	133,090,008
Intersegment revenue	204,419	4,863,386	1,985,201	2,267,024	(9,320,030)	-
Interest income	305,867	27,169	8,553	13,462	-	355,051
Net revenues	<u>\$ 117,227,725</u>	<u>19,552,142</u>	<u>2,528,755</u>	<u>3,456,467</u>	<u>(9,320,030)</u>	<u>133,445,059</u>
Interest expense	\$ (1,431,107)	(133,287)	(14)	(1,490)	-	(1,565,898)
Depreciation and amortization	(10,719,945)	(481,303)	(71,660)	(285,498)	11,797	(11,546,609)
Share of profit (loss) of associates accounted for using equity method	452,685	(17,869)	-	109,766	(434,293)	110,289
Other significant non-cash items:						
Impairment loss	711,310	-	-	923,000	-	1,634,310
<b>Reportable segment profit or loss</b>	<u>\$ (878,081)</u>	<u>1,159,533</u>	<u>528,761</u>	<u>(405,451)</u>	<u>(355,817)</u>	<u>48,945</u>
<b>Assets:</b>						
Investment accounted for using equity method	\$ 12,077,343	607,494	-	462,098	(12,516,758)	630,177
Capital expenditures of non-current assets	18,925,619	350,522	203,730	1,108,837	-	20,588,708
<b>Reportable segment assets</b>	<u>\$ 151,487,620</u>	<u>20,833,098</u>	<u>3,008,860</u>	<u>8,822,777</u>	<u>(16,592,155)</u>	<u>167,560,200</u>
<b>Reportable segment liabilities</b>	<u>\$ 117,095,736</u>	<u>11,804,851</u>	<u>410,753</u>	<u>2,302,074</u>	<u>(3,730,215)</u>	<u>127,883,199</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	2013					
	Aviation transportation segment	Maintenance segment	Catering services segment	Other segments	Reconciliation and elimination	Total
<b>Revenue:</b>						
Revenue from external customers	\$ 110,539,919	12,043,278	478,260	1,180,480	(77,486)	124,164,451
Intersegment revenue	207,543	5,248,357	1,786,304	2,124,755	(9,366,959)	-
Interest income	220,976	10,762	7,744	14,507	(2,690)	251,299
Net revenues	<u>\$ 110,968,438</u>	<u>17,302,397</u>	<u>2,272,308</u>	<u>3,319,742</u>	<u>(9,447,135)</u>	<u>124,415,750</u>
Interest expense	\$ (1,465,130)	(133,590)	(6)	(6,295)	2,690	(1,602,331)
Depreciation and amortization	(10,042,734)	(499,314)	(52,976)	(239,064)	11,797	(10,822,291)
Share of profit (loss) of associates accounted for using equity method	818,889	(5,085)	-	77,518	(806,762)	84,560
Other significant non-cash items:						
Impairment loss	-	-	-	(289,866)	-	(289,866)
<b>Reportable segment profit or loss</b>	<u>\$ 901,711</u>	<u>1,004,141</u>	<u>551,309</u>	<u>203,468</u>	<u>(820,291)</u>	<u>1,840,338</u>
<b>Assets:</b>						
Investment accounted for using equity method	\$ 10,686,982	234,964	-	320,519	(10,448,761)	793,704
Capital expenditures of non-current assets	4,680,806	266,868	139,540	420,051	-	5,507,265
<b>Reportable segment assets</b>	<u>\$ 139,394,778</u>	<u>19,290,630</u>	<u>2,805,164</u>	<u>5,577,355</u>	<u>(14,344,993)</u>	<u>152,722,934</u>
<b>Reportable segment liabilities</b>	<u>\$ 103,556,745</u>	<u>11,151,229</u>	<u>419,349</u>	<u>1,054,289</u>	<u>(3,716,039)</u>	<u>112,465,573</u>

#### (c) Entity-wide information

##### (1) Information about the products and services

Since the reportable segments of the Group are presented by the products, services and revenue from external customers that are disclosed in 13(b), therefore, information about the products and services will not be disclosed in this paragraph.

##### (2) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Revenue from external customers:

<b>Geography</b>	<b>2014</b>	<b>2013</b>
Taiwan	\$ 61,442,036	55,453,400
Asia	39,467,111	37,561,459
Europe	5,951,322	5,994,859
North America	25,832,005	24,779,667
Others	397,534	375,066
	<b>\$ <u>133,090,008</u></b>	<b><u>124,164,451</u></b>

Non-current assets:

<b>Geography</b>	<b>2014</b>	<b>2013</b>
Taiwan	\$ 106,680,526	95,860,782
Asia	202,127	209,375
Others	100,123	36,586
	<b>\$ <u>106,982,776</u></b>	<b><u>96,106,743</u></b>

Non-current assets include property, plant and equipment, intangible assets, and other non-current assets, excluding financial instruments and deferred tax assets.

#### (3) Information about revenue from major customers

The Group is involved in international aviation transportation with its major customers being the masses.

## Appendix 3

**EVA AIRWAYS CORP.**  
**Parent-Company-Only Financial Statements**  
**December 31, 2014 and 2013**  
**(With Independent Auditors' Report Thereon)**

Address: No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan  
Telephone No.: 886-3-3515151

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

We have audited the balance sheets of EVA Airways Corp. (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These parent-company-only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the parent-company-only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)  
March 26, 2015

### **Note to Readers**

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

EVA AIRWAYS CORP.

Balance Sheets

December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars)

Assets	2014.12.31	2013.12.31	Liabilities and Equity	2014.12.31	2013.12.31
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 6(a))	\$ 22,615,367	20,012,604	Derivative financial liabilities for hedge purpose—current (note 6(c))	\$ 2,332,383	-
Available-for-sale financial assets—current (note 6(b))	961,042	1,799,429	Accounts payable	1,611,459	1,848,515
Derivative financial assets for hedge purposes—current (note 6(c))	-	26,090	Accounts payable—related parties (note 7)	3,068,924	3,395,553
Notes receivable, net (note 6(d))	419,297	344,738	Other payables (notes 7 and 9)	11,023,303	9,682,100
Accounts receivable, net (note 6(d))	6,060,903	6,082,411	Unearned revenue (note 6(r))	10,222,709	9,132,562
Accounts receivable—related parties (notes 6(d) and 7)	593,391	131,756	Current portion of long-term liabilities (notes 6(k) and 8)	14,289,100	7,315,832
Inventories (notes 6(e) and 7)	1,803,547	2,031,279	Other current liabilities (notes 6(h), 6(k) and 8)	5,821,269	4,866,321
Other current assets (notes 6(d) and 7)	1,711,199	826,595	<b>Total current liabilities</b>	<u>48,369,147</u>	<u>36,240,883</u>
<b>Total current assets</b>	<u>34,164,746</u>	<u>31,254,902</u>	<b>Non-current liabilities:</b>		
<b>Non-current assets:</b>			Bonds payable (notes 6(k) and 8)	16,100,000	21,200,000
Available-for-sale financial assets—non-current (notes 6(b) and 8)	2,916,594	3,092,037	Long-term borrowings (notes 6(k) and 8)	39,101,424	31,613,407
Investments accounted for using equity method (notes 6(f) and 6(g))	12,077,343	10,686,982	Deferred tax liabilities (note 6(n))	-	65,191
Property, plant and equipment (notes 6(h), 7 and 8)	90,240,743	82,475,206	Lease liabilities—non-current (notes 6(k) and 8)	3,954,168	5,385,848
Intangible assets (note 6(i))	465,026	412,777	Accrued pension liabilities (note 6(m))	2,762,962	2,786,425
Deferred tax assets (note 6(n))	4,912,090	4,924,962	Other non-current liabilities (notes 6(l), 6(h) and 6(r))	6,808,035	6,264,991
Other non-current assets (notes 6(j), 8 and 9)	6,711,078	6,549,912	<b>Total non-current liabilities</b>	<u>68,726,589</u>	<u>67,315,862</u>
<b>Total non-current assets</b>	<u>117,322,874</u>	<u>108,139,876</u>	<b>Total liabilities</b>	<u>117,095,736</u>	<u>103,556,745</u>
			<b>Equity (notes 6(c), 6(m), 6(n), 6(o) and 6(p)):</b>		
			Common stock	32,589,450	32,589,450
			Capital collected in advance	186,567	-
			Capital surplus	2,047,602	1,723,602
			Retained earnings	739,412	2,275,240
			Other equity	(1,171,147)	(750,259)
			<b>Total equity</b>	<u>34,391,884</u>	<u>35,838,033</u>
<b>Total assets</b>	<u>\$ 151,487,620</u>	<u>139,394,778</u>	<b>Total liabilities and equity</b>	<u>\$ 151,487,620</u>	<u>139,394,778</u>

See accompanying notes to financial statements.



**EVA AIRWAYS CORP.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2014 and 2013**

**(Expressed in Thousands of New Taiwan Dollars, except Earnings per Common Share)**

	<b>2014</b>	<b>2013</b>
<b>Operating revenue (notes 6(r) and 7)</b>	\$ 116,921,858	110,747,462
<b>Operating cost (notes 6(c), 6(e), 6(h), 6(i), 6(l), 6(m) and 7)</b>	<u>(107,351,080)</u>	<u>(100,462,866)</u>
<b>Gross profit from operations</b>	9,570,778	10,284,596
<b>Operating expenses (notes 6(d), 6(h), 6(i), 6(l), 6(m), 6(p) and 7)</b>	<u>(8,934,542)</u>	<u>(8,696,343)</u>
<b>Net operating income</b>	<u>636,236</u>	<u>1,588,253</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(s))	443,477	334,408
Other gains and losses (notes 6(b) and 6(s))	(979,372)	(374,709)
Finance costs (note 6(s))	(1,431,107)	(1,465,130)
Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	<u>452,685</u>	<u>818,889</u>
<b>Total non-operating income and expenses</b>	<u>(1,514,317)</u>	<u>(686,542)</u>
<b>Profit (loss) before tax</b>	(878,081)	901,711
<b>Income tax expenses (note 6(n))</b>	<u>(428,643)</u>	<u>(154,261)</u>
<b>Profit (loss)</b>	<u>(1,306,724)</u>	<u>747,450</u>
<b>Other comprehensive income (notes 6(c), 6(m) and 6(n) and 6(o)):</b>		
Exchange differences on translation of foreign financial statements	57,674	39,242
Unrealized gains on available-for-sale financial assets	558,374	200,421
Cash flow hedges	(2,358,473)	12,737
Actuarial losses on defined benefit plans	(185,279)	(458,502)
Share of other comprehensive income of subsidiaries and associates	848,074	(146,797)
Income tax relating to components of other comprehensive income	<u>429,638</u>	<u>75,560</u>
<b>Other comprehensive income, net of tax</b>	<u>(649,992)</u>	<u>(277,339)</u>
<b>Comprehensive income</b>	<u>\$ (1,956,716)</u>	<u>470,111</u>
<b>Basic earnings per share (in New Taiwan Dollars) (note 6(q))</b>	\$ <u>(0.40)</u>	<u>0.23</u>
<b>Diluted earnings per share (in New Taiwan Dollars) (note 6(q))</b>	\$ <u>(0.40)</u>	<u>0.23</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Equity

For the years ended December 31, 2014 and 2013  
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock			Retained earnings			Other equity				Total	Total equity
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Accumulated deficit	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges		
<b>Balance on January 1, 2013</b>	\$ 32,589,450	-	1,723,602	1,222,576	3,643,667	(2,970,767)	1,895,476	30,071	(881,760)	11,083	(840,606)	35,367,922
Appropriation of 2012 earnings:												
Legal reserve	-	-	-	50,401	-	(50,401)	-	-	-	-	-	-
Special reserve	-	-	-	-	1,823,824	(1,823,824)	-	-	-	-	-	-
Profit for 2013	-	-	-	-	-	747,450	747,450	-	-	-	-	747,450
Other comprehensive income in 2013	-	-	-	-	-	(367,686)	(367,686)	39,242	40,533	10,572	90,347	(277,339)
<b>Balance on December 31, 2013</b>	32,589,450	-	1,723,602	1,272,977	5,467,491	(4,465,228)	2,275,240	69,313	(841,227)	21,655	(750,259)	35,838,033
Appropriation of 2013 earnings:												
Legal reserve	-	-	-	25,201	-	(25,201)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(4,717,232)	4,717,232	-	-	-	-	-	-
Loss for 2014	-	-	-	-	-	(1,306,724)	(1,306,724)	-	-	-	-	(1,306,724)
Other comprehensive income in 2014	-	-	-	-	-	(229,104)	(229,104)	57,674	1,478,971	(1,957,533)	(420,888)	(649,992)
Issuance of common stock	-	186,567	324,000	-	-	-	-	-	-	-	-	510,567
<b>Balance on December 31, 2014</b>	\$ <del>32,589,450</del>	<u>186,567</u>	<u>2,047,602</u>	<u>1,298,178</u>	<u>750,259</u>	<u>(1,309,025)</u>	<u>739,412</u>	<u>126,987</u>	<u>637,744</u>	<u>(1,935,878)</u>	<u>(1,171,147)</u>	<u>34,391,884</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013  
(Expressed in Thousands of New Taiwan Dollars)

	2014	2013
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ (878,081)	901,711
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	10,749,577	10,083,867
Amortization expense	150,658	94,283
Interest expense	1,431,107	1,465,130
Interest income	(305,867)	(220,976)
Issuance of common stock employee compensation cost	324,000	-
Share of profit of subsidiaries and associates accounted for using equity method	(452,685)	(818,889)
Losses (gains) on disposal of property, plant and equipment	(168,426)	160,148
Gain on disposal of investments	(10,743)	(14,556)
Impairment loss	711,310	-
Other	11,270	(183,782)
Total adjustments to reconcile profit (loss)	<u>12,440,201</u>	<u>10,565,225</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(74,559)	70,633
Accounts receivable, net	21,508	363,555
Accounts receivable—related parties	(461,635)	36,140
Inventories	215,289	771,157
Other current assets	(896,115)	(51,686)
Total changes in operating assets	<u>(1,195,512)</u>	<u>1,189,799</u>
Changes in operating liabilities:		
Accounts payable	(237,056)	(1,475,314)
Accounts payable—related parties	373,159	22,717
Other payables	1,544,551	1,327,576
Unearned revenue	1,090,147	613,902
Other current liabilities	565,261	709,584
Accrued pension liabilities	(208,742)	(207,935)
Other non-current liabilities	(8,703)	389,716
Total changes in operating liabilities	<u>3,118,617</u>	<u>1,380,246</u>
Total changes in operating assets and liabilities	<u>1,923,105</u>	<u>2,570,045</u>
Total adjustments	<u>14,363,306</u>	<u>13,135,270</u>
Cash inflow generated from operations	13,485,225	14,036,981
Income taxes paid	(41,766)	(29,712)
<b>Net cash flows from operating activities</b>	<u>13,443,459</u>	<u>14,007,269</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease in available-for-sale financial assets—current	846,201	321,051
Acquisition of available-for-sale financial assets—non-current	(67,550)	(92,663)
Proceeds from disposal of available-for-sale financial assets—non-current	89,222	103,318
Proceeds from capital reduction of available-for-sale financial assets—non-current	3,764	1,799
Acquisition of investments accounted for using equity method	(640,000)	(298,800)
Proceeds from capital reduction of investments accounted for using equity method	780	-
Acquisition of property, plant and equipment	(18,722,712)	(4,477,079)
Proceeds from disposal of property, plant and equipment	615,714	201,552
Acquisition of intangible assets	(202,907)	(203,727)
Increase in other non-current assets	(256,909)	(3,222,777)
Interest received	308,477	207,454
Dividends received	268,047	201,875
<b>Net cash flows used in investing activities</b>	<u>(17,757,873)</u>	<u>(7,257,997)</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from issuance of bonds payable	-	4,500,000
Proceeds from long-term borrowings	16,584,000	1,100,000
Redemption of long-term borrowings	(7,013,201)	(8,645,900)
Redemption of lease liabilities	(1,500,699)	(1,457,495)
Capital collected in advance	186,567	-
Interest paid	(1,339,490)	(1,391,071)
<b>Net cash flows from (used in) financing activities</b>	<u>6,917,177</u>	<u>(5,894,466)</u>
<b>Net increase in cash and cash equivalents</b>	<u>2,602,763</u>	<u>854,806</u>
<b>Cash and cash equivalents at the beginning of year</b>	<u>20,012,604</u>	<u>19,157,798</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 22,615,367</u>	<u>20,012,604</u>

See accompanying notes to financial statements.

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

**December 31, 2014 and 2013**

**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

#### **1. Organization and business scope**

EVA Airways Corp. (the Company) was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Republic of China (R.O.C.) Ministry of Transportation and Communications. The address of the Company's registered office is No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan.

The Company's business activities are

- 1.1 civil aviation transportation and general aviation business;
- 1.2 to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

#### **2. Approval date and procedures of the financial statements**

The parent-company-only financial statements were authorized for issuance by the Company's Board of Directors as of March 26, 2015.

#### **3. New standards and interpretations not yet adopted**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

On April 3, 2014, according to Rule No. 1030010325 issued by the FSC, listed, OTC and emerging companies will have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) with fully adoption on 2015 relevant new releases, modifications and amendments to standards and interpretations are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosures—Transfers of Financial Assets"	July 1, 2011
Amend IFRS 7 "Disclosures—derecognition of financial assets and financial liabilities"	January 1, 2013

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be on January 1, 2014)
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of interests in other entities”	January 1, 2013
IFRS 13 “Fair value measurement”	January 1, 2013
Amended to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amended IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate financial statement”	January 1, 2013
Amended IAS 32 “Financial assets and liabilities offsetting”	January 1, 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013

The Company believes that the following application of IFRSs 2013 will cause some changes in the parent-company only financial statements, but the effect will not be significant after the evaluation.

(1) IAS 1 “Presentation of Financial Statements”

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Company has to change the presentation of other comprehensive income according to that standard.

(2) IFRS 12 “Disclosure of Interests in Other Entities”

This consolidated disclosure standard requires a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. The Company will disclose the information of the consolidated entities as the standard requires.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(3) IFRS 13 “Fair Value Measurement ”

The standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. There is no significant impact on the Company’s financial position and results of operations after the evaluation. And the Company will disclose the fair value measurement as the standard requires.

- (b) The new standards and amendments issued by the IASB that may have an impact to the parent-company only financial statements not yet approved by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendment to IAS 16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

The Company is currently evaluating the impact from the abovementioned standards and amendments to the Company's financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

#### **4. Summary of significant accounting policies**

The parent-company-only financial statements are the English translation of the Chinese version prepared and used in the R.O.C. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated.

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

##### **(a) Statement of compliance**

These parent-company-only financial statements are the Company's financial statements prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations).

##### **(b) Basis of preparation**

###### **(1) Basis of measurement**

The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Available-for-sale financial assets are measured at fair value;
- (ii) Hedging derivative financial instruments are measured at fair value; and
- (iii) The defined benefit liability is recognized as unrecognized actuarial gain and the present value of the defined benefit obligation less plan assets, plus unrecognized prior service cost and unrecognized actuarial loss.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (2) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

#### (c) Foreign currency

##### (1) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transactions.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arise from the retranslation :

- (i) available-for-sale equity investment;
- (ii) financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent the hedge is effective.

##### (2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered as a part of investment in the foreign operation and are recognized in other comprehensive income.

#### (d) Classification of current and non-current assets and liabilities

The Company classifies an asset as current when:

- (1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (2) It holds the asset primarily for the purpose of trading;
- (3) It expects to realize the asset within twelve months after the reporting period; or
- (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- (1) It expects to settle the liability in its normal operating cycle;
- (2) It holds the liability primarily for the purpose of trading;
- (3) The liability is due to be settled within twelve months after the reporting period; or
- (4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

The Company classifies all other liabilities as non-current.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

(e) Cash and cash equivalents

Cash comprise cash and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Time deposits, in conformity with the aforementioned definition, that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash equivalents.

(f) Financial instruments

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

(1) Financial assets

The Company classifies assets as follows: loans and receivables and available-for-sale financial assets. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized in profit or loss, and is included in other income under non-operating income and expenses.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(ii) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and are presented in the fair value reserve in equity other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale monetary items, are recognized in profit or loss. The accumulated unrealized gains or losses reserve in equity are reclassified to other gains and losses when available-for-sales financial assets are derecognized. Dividends on available-for-sale securities are recognized as other income under non-operating income and expenses when the Company is authorized to receive, normally on the ex-dividend date.

(iii) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Objective evidence that the collection of financial assets impaired includes the Company's experience of collections, the increasing payment terms of the collection over the average term, and economic conditions that correlate with defaults.

The evidence of impairment for financial assets measured at amortized cost is considered at both an individual and collective level. All individually significant financial assets are assessed for specific impairment.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

The financial assets, which were assessed individually for any impairment and the impairment was recognized or being recognized, were not collectively assessed for impairment by grouping together. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of financial assets are recognized in profit or loss, which are included in other gains and losses under non-operating income and expenses.

#### (iv) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

#### (2) Financial liabilities

##### (i) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term and long-term borrowings, and trade payables and other payables, shall be measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

##### (ii) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

(iii) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(3) Derivative financial instrument and hedge accounting

Derivatives are used to hedge the risks associated with changes in foreign currency rates, interest rates and fuel prices. They are recognized initially (trade date), and are subsequently re-measured at fair value. The transaction costs are recognized in profit or loss. Method of recognizing fair value gains and losses on derivative financial instruments depends on the nature of the hedging relationship. All derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The documentation at inception of each hedging relationship sets out purpose and strategy of risk management. To qualify for hedge accounting at the inception of the hedge throughout its life, each hedge must be kept in records if it is highly effective in offsetting the changes (which arise from risks to be managed) in fair value or cash flow of the hedged items on an ongoing basis.

Hedging transactions fall into two categories:

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in the fair value of the asset or liability or group, thereof, that are attributable to the hedged risk, and are both presented under hedged items in the statement of comprehensive income as well.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. Under effective interest method, adjustments made for fair value of hedged items (which arises from risk to be managed) are amortized as profit or loss once the hedge accounting is discontinued. The amortization is based on the effective interest rate that is recalculated at the inception of amortization so that the adjustment in fair value will be fully amortized at maturity date.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other equity the effective portion of gains and losses from changes in fair value of cash flow hedges. Any gain or loss relating to an ineffective portion is recognized immediately under non-operating income and expenses in the statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting right of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(2) Major inspection and overhaul cost:

Major inspection and overhaul expenditures of self-owned and finance leased aircraft are capitalized as costs of aircraft and leased assets by components, and are depreciated using the straight-line method over the estimated useful life of the overhaul. Costs of designated inspections to be performed at the end of the lease term of operating leased aircraft are estimated and depreciated using the straight-line method over the lease term.

(3) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(4) Depreciation

The depreciable amount of an asset is determined after deducting its residual value, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives are as follows:

- (i) Buildings and structures: 5 to 55 years
- (ii) Machinery and equipment: 3 to 18 years
- (iii) Aircraft: 3 to 18 years
- (iv) Leased assets are depreciated over the shorter of the lease term or the estimated useful live.

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Leases

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under an operating lease, excluding insurance and maintenance expenses, are recognized expenses over the term of the lease.

Recognition of income arising from sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the sales price is at or below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

#### (1) Impairment of non-financial assets

The Company measures whether impairment occurred in non-financial assets (except for inventories and deferred tax assets), at the end of each reporting period, and estimates their recoverable amount. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Company's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the Company recognizes the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

#### (m) Intangible assets

Intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

The amortization amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of 3~5 years of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use.

#### (n) Revenue recognition

##### (1) Aviation transportation revenue

Ticket sales for passengers and cargo are recorded as unearned revenue. They are included in current liabilities, and recognized as revenue when service is provided.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

#### (2) Customer loyalty program

The Company has a customer loyalty program, whereby, customers are awarded rights of accumulating mileages during their flights, and the fair value of the consideration received or receivable in respect of initial sale is allocated between the rights of accumulated mileages and the other components of the sale. The amount allocated to rights of accumulated mileages is estimated by the fair value of the redeemable part of the customer loyalty program and by reference to past experience of probability of redemption. Thus, the corresponding fair value is estimated and deferred, and service revenues will not be recognized until the rights have been redeemed and obligations are fulfilled. Also, unearned revenues will be converted into revenues when it is expected that the rights are probable not to be redeemed.

#### (o) Employee benefits

##### (1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### (2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognized all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income, which was then transferred to retained earnings immediately.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

#### (3) Short-term employee benefits

Short-term employee benefit obligations are accrued when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. A liability is recognized when the obligation can be estimated reliably.

#### (p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (1) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (2) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (3) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (1) The Company has the legal right to settle tax assets and liabilities on a net basis; and
- (2) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - (i) levied by the same taxing authority; or
  - (ii) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter. If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

(s) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit or loss attributable to the ordinary equity holders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit or loss attributable to ordinary equity holders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(t) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

#### 5. Major sources of accounting assumptions, judgments and estimation uncertainty

The preparation of the parent-company-only financial statements based on the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next year.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is included note 6(h), classification of lease.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in note 6(n), realization of deferred tax assets.

#### 6. Significant account disclosures

(a) Cash and cash equivalents

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash on hand	\$ 86,842	89,748
Cash in bank	<u>22,528,525</u>	<u>19,922,856</u>
	<u>\$ 22,615,367</u>	<u>20,012,604</u>

Refer to note 6(t) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.

(Continued)



**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(b) Financial assets

(1) Available-for-sale financial assets — current :

	<b>2014.12.31</b>	<b>2013.12.31</b>
Money market funds	\$ <u><b>961,042</b></u>	<u><b>1,799,429</b></u>

(2) Available-for-sale financial assets — non-current :

	<b>2014.12.31</b>	<b>2013.12.31</b>
Non-publicly traded stocks	\$ 2,071,718	2,251,302
Publicly traded stocks	777,421	751,461
U.S. Treasury notes	<u>67,455</u>	<u>89,274</u>
	<u><b>\$ 2,916,594</b></u>	<u><b>3,092,037</b></u>

In 2014 and 2013, the Company recognized the impairment losses of \$711,310 and \$0, respectively, in other gains and losses, due to the permanent decrease in value of the investment in securities of company.

The exposure to credit risk, currency risk and interest rate risk arising from financial instruments is disclosed in note 6(t).

As of December 31, 2014 and 2013, the pledge for Company's financial assets is disclosed in note 8.

(3) Sensitivity analysis-price risk of equity securities:

If the price of the equity securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

<b>Price of the equity securities at the reporting date</b>	<b>2014</b>		<b>2013</b>	
	<b>Other Comprehensive Income, net of tax</b>	<b>Profit (losses)</b>	<b>Other Comprehensive Income, net of tax</b>	<b>Profit (losses)</b>
increase 5%	\$ <u><b>193,276</b></u>	<u>-</u>	<u><b>244,107</b></u>	<u>-</u>
decrease 5%	\$ <u><b>(193,276)</b></u>	<u>-</u>	<u><b>(244,107)</b></u>	<u>-</u>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

- (4) Information about material foreign currency investment on equity security at the reporting date was as follows:

	<u>2014.12.31</u>			<u>2013.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
USD	\$ 2,252	31.650	71,290	1,839	29.805	54,822

(c) Hedging derivative financial instruments

The Company needs fuel for operating. However, cash flow risk will occur if the future cash flows for fuel fluctuate due to the floating market prices. The Company evaluates the risk as significant, and thus, hedges the risk by signing fuel swap and option agreements.

As of December 31, 2014 and 2013, the cash flow hedged items and derivative financial hedging instruments were as follows:

<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Fair value of assigned hedging instrument</u>		<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>	<u>Account</u>
		<u>2014.12.31</u>	<u>2013.12.31</u>			
Floating price of fuel	Fuel swap agreement	\$ (2,332,383)	26,090	2014~2015	2014~2015	Derivative financial assets (liabilities) for hedge purposes – current

The Company's gains and losses arising from cash flow hedges in 2014 and 2013 were as follows:

<u>Account</u>	<u>2014</u>	<u>2013</u>
Recognized in other comprehensive income during the period	\$ <u>(2,358,473)</u>	<u>12,737</u>
Reclassification from equity to operating cost (income) for the period	\$ <u>670,004</u>	<u>(86,273)</u>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(d) Notes and accounts receivable, and other receivables

	<u>2014.12.31</u>	<u>2013.12.31</u>
Notes receivable	\$ 419,297	344,738
Accounts receivable (including related parties)	6,697,787	6,247,970
Other receivables (including related parties) (included in other current assets)	899,909	175,402
Less: allowance for doubtful accounts	<u>(43,493)</u>	<u>(33,803)</u>
	<u>\$ 7,973,500</u>	<u>6,734,307</u>

The Company's aging analysis of notes and accounts receivable, and other receivables that were past due but not impaired, were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Past due within 30 days	\$ 5,819	23,352
Past due 31~60 days	-	-
Past due over 60 days but less than one year	-	-
Past due more than one year	-	-
	<u>\$ 5,819</u>	<u>23,352</u>

The movement in the allowance for doubtful accounts with respect to notes and accounts receivable, and other receivables were as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 33,803	42,383
Impairment loss recognized	10,000	5,344
Amounts written off	<u>(310)</u>	<u>(13,924)</u>
Ending balance	<u>\$ 43,493</u>	<u>33,803</u>

As of December 31, 2014 and 2013, the allowance for doubtful accounts was mainly due to the Company's expectation of default of numerous customers under economic circumstances. Based on historic payment behavior and analysis of the customers' credit rating, the Company believes that the unimpaired amounts that past due are still collectible.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Company considered whether there were any changes in the economic circumstances and historic collection to determine the recognition of impairment.

As of December 31, 2014 and 2013, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

(e) Inventories

The components were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Aircraft spare parts	\$ 666,660	1,057,320
Consumables for use and merchandise for in-flight sales	1,096,181	887,981
Fuel for aircraft and others	<u>40,706</u>	<u>85,978</u>
	<b><u>\$ 1,803,547</u></b>	<b><u>2,031,279</u></b>

For the years ended December 31, 2014 and 2013, except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	<b>2014</b>	<b>2013</b>
Losses on valuation of inventories and obsolescence	<b><u>\$ 415,277</u></b>	<b><u>767,490</u></b>

As of December 31, 2014 and 2013, these inventories were not pledged.

(f) Investments accounted for using equity method

The components were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Subsidiaries	\$ 12,001,163	10,448,761
Associates	<u>76,180</u>	<u>156,490</u>
	12,077,343	10,605,251
Add: recorded as other non-current liabilities	<u>-</u>	<u>81,731</u>
	<b><u>\$ 12,077,343</u></b>	<b><u>10,686,982</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(1) Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2014.

(2) In 2014 and 2013, the Company's share of profit or loss of subsidiaries and associates was as follows:

	<b>2014</b>	<b>2013</b>
Subsidiaries	\$ 442,041	806,762
Associates	<u>10,644</u>	<u>12,127</u>
	<u><b>\$ 452,685</b></u>	<u><b>818,889</b></u>

(3) Summarized financial information of associates for investments was as follows (before being adjusted to the Company's proportionate share):

	<b>2014.12.31</b>	<b>2013.12.31</b>
Total assets	\$ <u><b>458,247</b></u>	<u><b>1,741,236</b></u>
Total liabilities	\$ <u><b>214,473</b></u>	<u><b>707,882</b></u>

	<b>2014</b>	<b>2013</b>
Revenue	\$ <u><b>720,080</b></u>	<u><b>718,457</b></u>
Profit	\$ <u><b>34,059</b></u>	<u><b>27,340</b></u>

(4) As of December 31, 2014 and 2013, the investments accounted for using equity method were not pledged.

(g) Acquisition of subsidiary

(1) Evergreen Aviation Precision Corp. entered into the issuance of new shares on July 8, 2014, and the Company acquired 40% of the shares at the price of \$640,000. As of December 31, 2014, there was no the abovementioned transactions payable.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(2) The following summarizes the major classes of consideration transferred:

	<b>2014</b>
Cash and cash equivalents	\$ 58,538
Available-for-sale financial assets—current	5,224
Other current assets	17,543
Property, plant and equipment	1,713,402
Intangible assets	16,517
Other non-current assets	126,602
Other payables	(500,783)
Other current liabilities	(3,930)
Long-term borrowings	(678,000)
Accrued pension liabilities	(1,041)
	<b>\$ 754,072</b>

The acquisition cost is based on the fair value of identifiable assets of Evergreen Aviation Precision Corp. without difference.

There was no such transaction in 2013.

(h) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2014 and 2013 were as follows :

	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
<b>Cost:</b>							
Beginning balance as of January 1, 2014	\$ 1,865,162	5,477,714	15,847,696	18,132,452	93,653,106	148,562	135,124,692
Additions	8,171	180,566	1,207,949	1,392,435	16,143,911	646,578	19,579,610
Disposals	-	(991)	(911,811)	(551,694)	(232,124)	-	(1,696,690)
Reclassification (Note)	-	362,012	(767,867)	-	(30,018)	(266,269)	(702,142)
Balance as of December 31, 2014	<b>\$ 1,873,333</b>	<b>6,019,301</b>	<b>15,375,897</b>	<b>18,973,193</b>	<b>109,534,875</b>	<b>528,871</b>	<b>152,305,470</b>
Beginning balance as of January 1, 2013	\$ 1,869,572	4,693,649	15,336,355	20,651,308	97,971,111	275,180	140,797,175
Additions	-	254,321	1,324,388	1,228,494	1,211,417	413,304	4,431,924
Disposals	(4,410)	(10,178)	(704,384)	(40,084)	(479,874)	-	(1,238,930)
Reclassification (Note)	-	539,922	(108,663)	(3,707,266)	(5,049,548)	(539,922)	(8,865,477)
Balance as of December 31, 2013	<b>\$ 1,865,162</b>	<b>5,477,714</b>	<b>15,847,696</b>	<b>18,132,452</b>	<b>93,653,106</b>	<b>148,562</b>	<b>135,124,692</b>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2014	\$ -	2,279,524	7,526,375	5,791,943	37,053,644	-	52,651,486
Depreciation expense	-	171,339	1,223,024	2,380,162	6,975,052	-	10,749,577
Disposals	-	(991)	(586,934)	(545,700)	(115,777)	-	(1,249,402)
Reclassification (Note)	-	-	(73,083)	-	(13,851)	-	(86,934)
Balance as of December 31, 2014	<b>\$ -</b>	<b>2,449,872</b>	<b>8,089,382</b>	<b>7,626,405</b>	<b>43,899,068</b>	<b>-</b>	<b>62,064,727</b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Leased assets</u>	<u>Aircraft</u>	<u>Unfinished construction</u>	<u>Total</u>
Beginning balance as of January 1, 2013	\$ -	2,176,573	6,898,746	6,975,383	35,731,774	-	51,782,476
Depreciation expense	-	111,798	1,193,040	2,064,799	6,714,230	-	10,083,867
Disposals	-	(8,847)	(503,672)	(10,791)	(353,920)	-	(877,230)
Reclassification (Note)	-	-	(61,739)	(3,237,448)	(5,038,440)	-	(8,337,627)
Balance as of December 31, 2013	<u>\$ -</u>	<u>2,279,524</u>	<u>7,526,375</u>	<u>5,791,943</u>	<u>37,053,644</u>	<u>-</u>	<u>52,651,486</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2014	<u>\$ 1,873,333</u>	<u>3,569,429</u>	<u>7,286,515</u>	<u>11,346,788</u>	<u>65,635,807</u>	<u>528,871</u>	<u>90,240,743</u>
Balance as of December 31, 2013	<u>\$ 1,865,162</u>	<u>3,198,190</u>	<u>8,321,321</u>	<u>12,340,509</u>	<u>56,599,462</u>	<u>148,562</u>	<u>82,473,206</u>
Beginning Balance as of January 1, 2013	<u>\$ 1,869,572</u>	<u>2,517,076</u>	<u>8,437,609</u>	<u>13,675,925</u>	<u>62,239,337</u>	<u>275,180</u>	<u>89,014,699</u>

Note: Reclassifications are mainly the transfers of property, plant and equipment to operating cost, as well as the inventories and advances for purchase of equipment being reclassified to property, plant and equipment.

(1) Leased aircraft

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets and the related restoration obligations are recognized as other current liabilities and other non-current liabilities and are amortized using interest method.

As of December 31, 2014 and 2013, the restoration obligations were \$5,019,507 and \$3,882,172, respectively.

(2) Sale and leaseback transactions

The Company leased aircraft under sale and leaseback arrangements, which were judged as finance leases. The unrealized gain on sale and leaseback, resulting from the difference between sale price and book value of the equipment, is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2014 and 2013, the unrealized gains from the sale and leaseback were \$387,033 and \$531,483, respectively and were recognized as other non-current liabilities.

(3) Pledge

As of December 31, 2014 and 2013, the Company's property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

(4) For the years ended December 31, 2014 and 2013, the Company capitalized the interest expenses on purchase of assets amounting to \$65,038 and \$60,956, respectively. The monthly interest rate used for capitalization calculation was 0.13%.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(i) Intangible assets

The movements of intangible assets for the years ended December 31, 2014 and 2013 were as follows:

	<u><b>Computer software</b></u>
<b>Costs:</b>	
Beginning balance as of January 1, 2014	\$ 622,549
Additions	202,907
Disposals	<u>(51,112)</u>
Balance as of December 31, 2014	<u><b>\$ 774,344</b></u>
Beginning balance as of January 1, 2013	\$ 418,822
Additions	<u>203,727</u>
Balance as of December 31, 2013	<u><b>\$ 622,549</b></u>
<b>Accumulated amortization:</b>	
Beginning balance as of January 1, 2014	\$ 209,772
Amortization expense	150,658
Disposals	<u>(51,112)</u>
Balance as of December 31, 2014	<u><b>\$ 309,318</b></u>
Beginning balance as of January 1, 2013	\$ 115,489
Amortization expense	<u>94,283</u>
Balance as of December 31, 2013	<u><b>\$ 209,772</b></u>
<b>Carrying amounts:</b>	
Balance as of December 31, 2014	<u><b>\$ 465,026</b></u>
Balance as of December 31, 2013	<u><b>\$ 412,777</b></u>
Beginning balance as of January 1, 2013	<u><b>\$ 303,333</b></u>

(1) Amortization

The amortization of intangible assets is included under operating cost and operating expenses in the statement of comprehensive income.

(2) Pledge

As of December 31, 2014 and 2013, the Company's intangible assets were not pledged.

(Continued)



**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(j) Other non-current assets

The details of the Company's other non-current assets were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Advances for purchase of equipment	\$ 5,328,880	5,345,713
Refundable deposits	1,304,541	1,132,219
Pledged time deposits	76,637	71,980
Others	1,020	-
Total	<b>\$ 6,711,078</b>	<b>6,549,912</b>

(k) Long-term borrowings and lease liabilities

The details, conditions and terms of the Company's long-term borrowings, bonds payable and lease liabilities were as follows:

<b>2014.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Year due</b>	<b>Amount</b>
Secured bonds payable	TWD	1.15%~1.44%	2015~2018	\$ 21,200,000
Less: Current portion (included in current portion of long-term liabilities)				5,100,000
Total				<b>\$ 16,100,000</b>
Unsecured loans	TWD	1.44%~1.99%	2015~2019	\$ 7,795,000
Secured loans	TWD, USD	1.26%~4.59%	2015~2026	40,495,524
Subtotal				48,290,524
Less: Current portion				9,189,100
Total				<b>\$ 39,101,424</b>
Lease liabilities	TWD, USD	3.5%~6.93%	2015~2019	\$ 5,458,255
Less: Current portion (included in other current liabilities)				1,504,087
Total				<b>\$ 3,954,168</b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

<b>2013.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Year due</b>	<b>Amount</b>
Secured bonds payable	TWD	1.15%~1.44%	2015~2018	\$ <u><b>21,200,000</b></u>
Unsecured loans	TWD	1.46%~1.99%	2014~2018	\$ 4,631,667
Secured loans	TWD, USD	0.24%~4.59%	2014~2022	<u>34,297,572</u>
Subtotal				38,929,239
Less: Current portion				<u>7,315,832</u>
Total				<u><b>\$ 31,613,407</b></u>
Lease liabilities	TWD, USD	1.18%~6.93%	2014~2019	\$ 6,957,087
Less: Current portion (included in other current liabilities)				<u>1,571,239</u>
Total				<u><b>\$ 5,385,848</b></u>

As of December 31, 2014, the details of the future repayment periods and amounts of the Company's long-term borrowings, secured bonds payable, and lease liabilities were as follows:

<b>Year due</b>	<b>Amount</b>
2015	\$ 15,793,187
2016~2019	47,296,327
2020 and thereafter	<u>11,859,265</u>
	<u><b>\$ 74,948,779</b></u>

Information on the Company's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(t).

(1) Pledge for borrowings

The pledge for long-term borrowings is disclosed in note 8.

(2) Unused lines of credit

As of December 31, 2014 and 2013 the unused credit lines for short-term and long-term borrowing amounted to \$7,431,945 and \$7,939,607, respectively.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(3) Lease liabilities

The Company's lease liabilities were as follows:

	2014.12.31			2013.12.31		
	Future minimum rental payment	Interest	Present value of minimum rental payment	Future minimum rental payment	Interest	Present value of minimum rental payment
Within 1 year	\$ 1,718,933	214,846	1,504,087	1,856,034	284,795	1,571,239
1 to 5 years	4,256,720	302,552	3,954,168	5,200,415	497,418	4,702,997
More than 5 years	-	-	-	699,203	16,352	682,851
	<b>\$ 5,975,653</b>	<b>517,398</b>	<b>5,458,255</b>	<b>7,755,652</b>	<b>798,565</b>	<b>6,957,087</b>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2014 and 2013 are disclosed in note 6(s).

(l) Operating leases

The Company leased aircraft, land, buildings, and parking lots under operating lease agreements with rental payable in the future as follows:

	2014.12.31	2013.12.31
Within 1 year	\$ 7,555,181	6,898,603
1 to 5 years	17,525,045	17,232,586
More than 5 years	10,844,185	8,499,159
	<b>\$ 35,924,411</b>	<b>32,630,348</b>

For the years ended December 31, 2014 and 2013, rental expenses included in operating cost and operating expenses were \$7,819,931 and \$6,875,599, respectively. The Company did not assume the residual value of the abovementioned lease items, and determined that the risk and return of those lease items are still assumed by the lessor. Hence, the Company treated the abovementioned lease as operating leases.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(m) Employee benefits

(1) Defined benefit plans

The movements in the present value of the defined benefit obligations and the fair value of plan assets were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Total present value of defined benefit obligations	\$ 6,424,388	6,063,401
Fair value of plan assets	<u>(3,661,426)</u>	<u>(3,276,976)</u>
Recognized liabilities for defined benefit obligations	<b><u>\$ 2,762,962</u></b>	<b><u>2,786,425</u></b>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the units based on years of service and average salary for the six months prior to retirement.

(i) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Minimum earnings on such funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$3,635,149 as of December 31, 2014. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Movements in present value of the defined benefit obligations

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

	<b>2014</b>	<b>2013</b>
Defined benefit obligations at January 1	\$ 6,063,401	5,567,566
Benefits paid by the plan	(132,604)	(200,102)
Current service costs and interest	299,116	252,674
Actuarial losses	<u>194,475</u>	<u>443,263</u>
Defined benefit obligations at December 31	<b><u>\$ 6,424,388</u></b>	<b><u>6,063,401</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(iii) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets were as follows:

	<u>2014</u>	<u>2013</u>
Fair value of plan assets at January 1	\$ 3,276,976	3,031,708
Contributions from plan participants	431,186	381,275
Benefits paid by the plan	(123,926)	(175,211)
Expected return on plan assets	67,994	54,443
Actuarial gains (losses)	9,196	(15,239)
Fair value of plan assets at December 31	<u>\$ 3,661,426</u>	<u>3,276,976</u>

(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2014</u>	<u>2013</u>
Current services costs	\$ 179,341	156,330
Interest on obligations	119,775	96,344
Expected return on plan assets	(67,994)	(54,443)
	<u>\$ 231,122</u>	<u>198,231</u>
Operating cost	\$ 166,633	154,394
Operating expenses	64,489	43,837
	<u>\$ 231,122</u>	<u>198,231</u>
Actual return on plan assets	<u>\$ 77,190</u>	<u>39,204</u>

(v) Actuarial gains and losses recognized in other comprehensive income(before tax)

The Company's actuarial losses recognized in other comprehensive income were as follows:

	<u>2014</u>	<u>2013</u>
Cumulative amount at January 1	\$ (759,763)	(301,261)
Recognized during the period	(185,279)	(458,502)
Cumulative amount at December 31	<u>\$ (945,042)</u>	<u>(759,763)</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(vi) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting date:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Discount rate	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%
Future salary increases	1.60%~6.12%	1.41%~2.64%

The overall expected long-term rate of return on assets was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was exclusively based on historical returns, without adjustments.

(vii) Experience adjustments on historical information

	<b>2014.12.31</b>	<b>2013.12.31</b>	<b>2012.12.31</b>	<b>2012.1.1</b>
Present value of defined benefit obligations	\$ 6,424,388	6,063,401	5,567,566	5,211,077
Fair value of plan assets	(3,661,426)	(3,276,976)	(3,031,708)	(2,760,749)
Net liabilities of defined benefit obligations	<b>\$ 2,762,962</b>	<b>2,786,425</b>	<b>2,535,858</b>	<b>2,450,328</b>
Experience adjustments arising on the present value of defined benefit plans	<b>\$ 194,475</b>	<b>443,263</b>	<b>271,064</b>	-
Experience adjustments arising on the fair value of plan assets	<b>\$ (9,196)</b>	<b>15,239</b>	<b>30,197</b>	-

The expected allocation payments made by the Company to the defined benefit plans during the annual period after December 31, 2014 are \$408,620.

- (viii) When calculating the present value of defined benefit obligations, the Company used judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and future salary changes, as of the end of the reporting period. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2014, the Company's accrued pension liabilities were \$2,762,962. If the discount rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have decreased by \$172,776 or increased by \$179,488, respectively; if the future salary increase rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have increased by \$172,482 or decreased by \$166,901.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(2) Defined contribution plans

The Company set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$215,555 and \$203,107 as pension costs under the defined contribution plans in 2014 and 2013, respectively. Payment was made to the Bureau of Labor Insurance.

(n) Income tax

(1) Income tax expenses

For the years ended December 31, 2014 and 2013, the components of estimated income tax expenses were as follows:

	<b>2014</b>	<b>2013</b>
Current tax expenses	\$ 51,324	29,260
Deferred tax expenses	<u>377,319</u>	<u>125,001</u>
Income tax expenses	<b><u>\$ 428,643</u></b>	<b><u>154,261</u></b>

The amounts of income tax benefit (expenses) recognized in other comprehensive income were as follows:

	<b>2014</b>	<b>2013</b>
Unrealized gains on available-for-sale financial assets	\$ (2,799)	(220)
Cash flow hedges	400,940	(2,165)
Actuarial losses on defined benefit plan	<u>31,497</u>	<u>77,945</u>
	<b><u>\$ 429,638</u></b>	<b><u>75,560</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

Reconciliations of income tax expenses and profit (loss) before tax were as follows:

	<b>2014</b>	<b>2013</b>
Profit (loss) before tax	<b>\$ <u>(878,081)</u></b>	<b><u>901,711</u></b>
Income tax using the Company domestic tax rate	\$ (149,274)	153,291
Exempt income	(228,165)	(200,040)
Changes in unrecognized deductible temporary differences	1,192,732	(890,227)
Investment tax credits	-	1,091,563
Loss carryforwards	(123,894)	-
Loss on valuation of inventories	(348,552)	-
Under accrued income tax payable in prior periods	17,060	13,159
Others	<u>68,736</u>	<u>(13,485)</u>
	<b>\$ <u><u>428,643</u></u></b>	<b><u><u>154,261</u></u></b>

(2) Deferred tax assets and liabilities

(i) Unrecognized deferred tax assets and liabilities

As of December 31, 2014 and 2013, it was not probable that future taxable profit of the Company would be available for loss carryforwards against as which the Company could utilize the benefits therefrom. Hence, such temporary differences were not recognized under deferred tax assets. Details were as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Unrecognized deferred tax assets:		
Tax losses	<b>\$ <u><u>1,288,939</u></u></b>	<b><u><u>96,207</u></u></b>

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2014, the Company's loss carryforwards recognized and unrecognized as deferred tax assets and their expiry year were as follows:

<b>Filing year</b>	<b>Recognized un-deducted operating loss</b>	<b>Unrecognized un-deducted operating loss</b>	<b>Total</b>	<b>Expiry year</b>
2008	\$ -	3,522,185	3,522,185	2018
2009	4,314,425	4,059,812	8,374,237	2019
2011	1,477,244	-	1,477,244	2021
2013	<u>619,907</u>	<u>-</u>	<u>619,907</u>	2023
	<b>\$ <u><u>6,411,576</u></u></b>	<b><u><u>7,581,997</u></u></b>	<b><u><u>13,993,573</u></u></b>	

(Continued)



## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

The Company has no unrecognized deferred tax liabilities as of December 31, 2014 and 2013.

(ii) Recognized deferred tax assets and liabilities

The movements in the balances of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	Loss carryforwards	Loss on valuation of inventories	Purchase of fixed assets in installments	Defined benefit plan actuarial losses	Restoration obligations	Mileage revenue	Expense payable	Unrealized foreign exchange losses	Tax difference arising from depreciation of property, plant and equipment	Others	Total
Beginning balance at January 1, 2014	\$ 2,486,795	504,067	325,143	473,692	353,479	391,423	129,583	-	-	260,780	4,924,962
Recognized in profit or loss	(1,396,827)	(167,239)	(60,061)	(31,019)	47,642	(11,405)	353,017	85,476	477,331	260,575	(442,510)
Recognized in other comprehensive income	-	-	-	31,497	-	-	-	-	-	398,141	429,638
Balance at December 31, 2014	<u>\$ 1,089,968</u>	<u>336,828</u>	<u>265,082</u>	<u>474,170</u>	<u>401,121</u>	<u>380,018</u>	<u>482,600</u>	<u>85,476</u>	<u>477,331</u>	<u>919,496</u>	<u>4,912,090</u>
Beginning balance at January 1, 2013	\$ 2,728,603	467,635	383,963	431,096	287,643	367,918	129,583	-	-	339,635	5,136,076
Recognized in profit or loss	(241,808)	36,432	(58,820)	(35,349)	65,836	23,505	-	-	-	(76,470)	(286,674)
Recognized in other comprehensive income	-	-	-	77,945	-	-	-	-	-	(2,385)	75,560
Balance at December 31, 2013	<u>\$ 2,486,795</u>	<u>504,067</u>	<u>325,143</u>	<u>473,692</u>	<u>353,479</u>	<u>391,423</u>	<u>129,583</u>	<u>-</u>	<u>-</u>	<u>260,780</u>	<u>4,924,962</u>

Deferred tax liabilities:

	Unrealized foreign exchange gains	Others	Total
Beginning balance at January 1, 2014	\$ 65,191	-	65,191
Recognized in profit or loss	(65,191)	-	(65,191)
Balance at December 31, 2014	<u>\$ -</u>	<u>-</u>	<u>-</u>
Beginning balance at January 1, 2013	\$ 190,652	36,212	226,864
Recognized in profit or loss	(125,461)	(36,212)	(161,673)
Balance at December 31, 2013	<u>\$ 65,191</u>	<u>-</u>	<u>65,191</u>

(3) Examination and approval

The Company's income tax returns for the years through 2012 were examined and approved by the local tax authorities.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(4) Information related to unappropriated earnings and creditable ratio:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Unappropriated earnings before 1997	\$ -	-
Unappropriated earnings after 1998	<u>(1,309,025)</u>	<u>(4,465,228)</u>
	<b>\$ <u>(1,309,025)</u></b>	<b><u>(4,465,228)</u></b>
Balance of ICA	<b>\$ <u>991,762</u></b>	<b><u>158,662</u></b>
	<b>2014</b>	<b>2013</b>
Tax creditable ratio for earnings distribution to R.O.C. residents	<b><u>- % (estimated)</u></b>	<b><u>- % (actual)</u></b>

According to the announcement by the Ministry of Finance on October 17, 2013, under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree.

(o) Capital and other equity

As of December 31, 2014 and 2013, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, with par value of \$10 (dollars) per share, of which the issued and outstanding share capital were \$32,589,450.

(1) Common stock

A resolution was passed during the board meeting held on 30 September 2014 for the issuance of 600,000 thousands new shares for cash at a face value amounting to \$6,000,000. The Company has received the approval from the FSC for this capital increase in November 2014, with February 3, 2015 as the date of capital increase. For the year ended December 31, 2014, the Company received a capital increase amounting to \$186,567. The capital increase was recorded as capital collected in advance because the registration process has not yet been completed.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (2) Capital surplus

The details of capital surplus were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash subscription in excess of par value of shares	\$ 29,672	29,672
Stock options granted to employees	606,100	282,100
Additional paid-in capital from bond conversion	<u>1,411,830</u>	<u>1,411,830</u>
	<u>\$ 2,047,602</u>	<u>1,723,602</u>

In accordance with R.O.C. Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

#### (3) Retained earnings

According to the Company's articles of incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% of statutory earnings reserves should be retained, and special reserve should be recognized or reversed according to statutory requirements. Thereafter, the remaining current-period earnings and the unappropriated prior-period earnings can be distributed by reference to a resolution approved by the stockholders. The Company must appropriate employee bonuses of at least 1% of earnings of each year, and less than 5% of earnings of each year for remuneration of directors and supervisors.

The Company adopts the dividend policy that cash dividends and stock dividends are distributed with cash dividends accounting for at least 10% of total dividends distributed.

##### (i) Legal reserve

In accordance with R.O.C. Company Act amended in January 2012, the Company must retain 10% of its annual profit as a legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(ii) Special reserve

In accordance with Decree No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other equity shall qualify for additional distributions.

(iii) Earnings distribution

On June 17, 2014 and June 24, 2013, the Company's stockholders did not appropriate dividends, employee bonuses, and directors' and supervisors' remuneration in consideration of operational needs and sustainable development.

For the years ended December 31, 2014 and 2013, the Company did not recognize any bonuses to employees and remuneration to directors and supervisors. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

(4) Other equity (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for- sale financial assets	Cash flow hedges	Total
<b>Beginning balance at January 1, 2014</b>	\$ 69,313	(841,227)	21,655	(750,259)
Exchange differences on translation of foreign financial statements	57,674	-	-	57,674
Impairment of available-for-sale financial assets reclassified to profit or loss	-	711,310	-	711,310
Unrealized losses on available-for-sale financial assets	-	(155,735)	-	(155,735)
Impairment of available-for-sale financial assets of subsidiary reclassified to profit or loss	-	923,000	-	923,000
Unrealized gains on available-for-sale financial assets of subsidiary	-	396	-	396
Cash flow hedges, effective portion	-	-	(1,957,533)	(1,957,533)
<b>Balance at December 31, 2014</b>	<b>\$ <u>126,987</u></b>	<b><u>637,744</u></b>	<b><u>(1,935,878)</u></b>	<b><u>(1,171,147)</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) on available-for-sale financial assets</u>	<u>Cash flow hedges</u>	<u>Total</u>
<b>Beginning balance at January 1, 2013</b>	\$ 30,071	(881,760)	11,083	(840,606)
Exchange differences on translation of foreign financial statements	39,242	-	-	39,242
Unrealized gains on available-for-sale financial assets	-	200,201	-	200,201
Impairment of available-for-sale financial assets of subsidiary reclassified to profit or loss	-	289,866	-	289,866
Unrealized losses on available-for-sale financial assets of subsidiary	-	(449,534)	-	(449,534)
Cash flow hedges, effective portion	-	-	10,572	10,572
<b>Balance at December 31, 2013</b>	<u>\$ 69,313</u>	<u>(841,227)</u>	<u>21,655</u>	<u>(750,259)</u>

(p) Share-based payment

(1) As of December 31, 2014, the Company's share-based payment transaction was as follow:

<u>Type</u>	<u>Grant date</u>	<u>Number of shares granted (thousand shares)</u>	<u>Contract term (year)</u>	<u>Vesting Conditions</u>
Cash-settled share-based payment plan (reserved for employees to subscribe)	2014.12.4	60,000	-	Immediately vested

(2) The information related to the employee stock option plan was as follow:

<u>Cash-settled share-based payment plan (reserved for employees to subscribe)</u>	<u>Number of options (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Number of shares granted	60,000	17
Number of shares exercised	(1,493)	17
Number of shares abandoned	-	17
	<u>58,507 (note)</u>	
Fair value per share at grant date	<u>\$ 5.40</u>	

Note: The term of payment for shares subscribed is from December 26, 2014 to January 26, 2015. As of December 31, 2014, the units exercised were 1,493 thousand shares.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

- (3) The Company adopted the Black-Sholes model to calculate the fair value of the abovementioned employee shares of stock at the grant date. The assumptions adopted in this valuation model were as follows:

<b>Cash-settled share-based payment plan (reserved for employees to subscribe)</b>	
Fair value per share on grant date	22.4
Exercise price	17
Expected volatility	21.6963%
Expected life	53 days
Dividend yield	-
Risk-free interest rate	1.6%

- (4) Employee expense:

For the years ended December 31, 2014, the compensation cost for the employee shares of stock amounted to \$324,000, which was recognized as operating expenses. There was no such transaction in 2013.

- (q) Earnings per share ("EPS")

The calculation of earnings per share is based on the profit (loss) attributable to the ordinary equity holders of the Company. Earnings per share were calculated as follows:

	<u>Loss</u>	<b>2014</b> <u>Weighted-average number of shares outstanding during the year (thousand shares)</u>	<u>EPS (in dollars)</u>
Basic earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(1,306,724)</u>	<u>3,258,945</u>	<u>(0.40)</u>
Diluted earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(1,306,724)</u>	<u>3,258,945</u>	<u>(0.40)</u>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

	<b>Profit</b>	<b>2013 Weighted-average number of shares outstanding during the year (thousand shares)</b>	<b>EPS (in dollars)</b>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>

(r) Revenue

For the years ended December 31, 2014 and 2013, the components of revenue were as follows:

	<u>2014</u>	<u>2013</u>
Aviation transportation revenue	\$ 109,216,672	103,132,888
Others	<u>7,705,186</u>	<u>7,614,574</u>
	<b>\$ <u>116,921,858</u></b>	<b><u>110,747,462</u></b>

The Company has a customer loyalty program to improve its ticket sales. Upon purchasing, customers are awarded credits entitling them to exchange for an upgrade or free tickets.

As of December 31, 2014 and 2013, the abovementioned deferred revenue amounting to \$1,765,867 and \$1,595,096, respectively, were recorded as unearned revenue and other non-current liabilities.

(s) Non-operating income and expenses

(1) Other income

	<u>2014</u>	<u>2013</u>
Interest income	\$ 305,867	220,976
Dividend income	<u>137,610</u>	<u>113,432</u>
	<b>\$ <u>443,477</u></b>	<b><u>334,408</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(2) Other gains and losses

	<b>2014</b>	<b>2013</b>
Foreign exchange losses	\$ (646,150)	(341,667)
Gain (losses) on disposal of property, plant and equipment	168,426	(160,148)
Impairment losses resulting from permanent decrease in value of financial assets	(711,310)	-
Others	<u>209,662</u>	<u>127,106</u>
	<b><u>\$ (979,372)</u></b>	<b><u>(374,709)</u></b>

(3) Finance costs

	<b>2014</b>	<b>2013</b>
Interest expense		
Bank borrowings	\$ 1,021,084	943,850
Lease liabilities	238,997	345,713
Others	236,064	236,523
Less: capitalized interest	<u>(65,038)</u>	<u>(60,956)</u>
	<b><u>\$ 1,431,107</u></b>	<b><u>1,465,130</u></b>

(t) Financial instruments

(1) Type of financial instruments

(i) Financial assets

	<b>2014.12.31</b>	<b>2013.12.31</b>
Derivative financial assets for hedge purposes	\$ <u>-</u>	<u>26,090</u>
Available-for-sale financial assets – current	<u>961,042</u>	<u>1,799,429</u>
Available-for-sale financial assets – non-current	<u>2,916,594</u>	<u>3,092,037</u>
Financial asset carried at cost – non-current	<u>1,020</u>	<u>-</u>
Loans and receivables:		
Cash and cash equivalents	22,615,367	20,012,604
Notes and accounts receivable, and other receivables (including related parties)	<u>7,973,500</u>	<u>6,734,307</u>
	<u>30,588,867</u>	<u>26,746,911</u>
Other non-current assets	<u>1,381,178</u>	<u>1,204,199</u>
	<b><u>\$ 35,848,701</u></b>	<b><u>32,868,666</u></b>

(Continued)



**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(ii) Financial liabilities

	<b>2014.12.31</b>	<b>2013.12.31</b>
Derivative financial liabilities for hedge purposes	\$ <u>2,332,383</u>	<u>-</u>
Financial liabilities at amortized cost:		
Accounts payable (including related parties)	4,680,383	5,244,068
Bonds payable	21,200,000	21,200,000
Long-term borrowings (including current portion of long-term liabilities)	48,290,524	38,929,239
Other payables	11,023,303	9,682,100
Lease liabilities	<u>5,458,255</u>	<u>6,957,087</u>
	<u>90,652,465</u>	<u>82,012,494</u>
	<b><u>\$ 92,984,848</u></b>	<b><u>82,012,494</u></b>

(2) Credit risk

(i) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets. As of December 31, 2014 and 2013, such exposure amounted to \$35,848,701 and \$32,868,666, respectively.

(ii) Circumstances of concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Company continually evaluates each customer's financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (3) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
<b>As of December 31, 2014</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 48,290,524	51,173,691	9,928,913	28,861,773	12,383,005
Secured bonds payable	21,200,000	21,854,525	5,370,424	16,484,101	-
Lease liabilities	5,458,255	5,975,653	1,718,933	4,256,720	-
Accounts payable (including related parties)	4,680,383	4,680,383	4,680,383	-	-
Other payables	11,023,303	11,023,303	11,023,303	-	-
	<u>\$ 90,652,465</u>	<u>94,707,555</u>	<u>32,721,956</u>	<u>49,602,594</u>	<u>12,383,005</u>
<b>Derivative financial liabilities</b>					
Fuel swap agreement for hedge purposes	\$ <u>2,332,383</u>	<u>2,332,383</u>	<u>2,332,383</u>	-	-
<b>As of December 31, 2013</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 38,929,239	41,222,569	7,950,315	24,343,966	8,928,288
Secured bonds payable	21,200,000	22,125,325	270,424	21,854,901	-
Lease liabilities	6,957,087	7,755,652	1,856,034	5,200,415	699,203
Accounts payable (including related parties)	5,244,068	5,244,068	5,244,068	-	-
Other payables	9,682,100	9,682,100	9,682,100	-	-
	<u>\$ 82,012,494</u>	<u>86,029,714</u>	<u>25,002,941</u>	<u>51,399,282</u>	<u>9,627,491</u>

The Company is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

#### (4) Currency risk

##### (i) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	2014.12.31			2013.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 254,899	31.650	8,067,568	100,101	29.805	2,983,505
EUR	5,051	38.47	194,299	5,665	41.09	232,775
JPY	797,106	0.2646	210,914	672,612	0.2839	190,955
HKD	176,366	4.08	719,575	216,691	3.84	832,744
CNY	944,321	5.09	4,808,484	1,322,590	4.92	6,505,820
			<u>\$ 14,000,840</u>			<u>10,745,799</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

	2014.12.31			2013.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD	\$ 576,534	31.650	18,247,310	624,730	29.805	18,620,078
EUR	7,431	38.47	285,883	9,526	41.09	391,423
JPY	1,317,762	0.2646	348,680	1,475,251	0.2839	418,824
HKD	10,293	4.08	41,994	2,997	3.84	11,517
CNY	225,184	5.09	<u>1,146,637</u>	293,241	4.92	<u>1,442,452</u>
			<u>\$ 20,070,504</u>			<u>20,884,294</u>

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), available-for-sale financial assets — non-current, refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables, lease liabilities and restoration obligations (included in other current liabilities and other non-current liabilities) that are denominated in foreign currency. A 1% depreciation (appreciation) of the TWD against the USD, EUR, JPY, HKD, and CNY as of December 31, 2014 and 2013, would have decreased (increased) the profit by \$60,697 and \$101,385 in 2014 and 2013, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014 and 2013.

(5) Interest rate risk

The liquidity risk and interest rate exposure of the Company's financial liabilities are illustrated in note (u).

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Company's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 100 basis points to the Company's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases (decreases) by 1% all other variable factors that remain constant, the profit of the Company will decrease (increase) \$503,474 and \$413,149 for the years ended December 31, 2014 and 2013, respectively due to the Company's floating-interest borrowings.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(6) Fair value

(i) Fair value and carrying amount

Aside from those listed as follows, the Company's management believes the carrying amounts of its financial assets and financial liabilities at amortized cost are approximately equal to their fair value.

	<u>2014.12.31</u>		<u>2013.12.31</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Financial liabilities:				
Secured bonds payable	\$ 21,200,000	21,101,784	21,200,000	20,964,867
Long-term borrowings	2,207,891	2,247,991	2,740,934	2,816,716
Lease liabilities	<u>1,193,508</u>	<u>1,210,367</u>	<u>1,830,499</u>	<u>1,886,325</u>
	<u>\$ 24,601,399</u>	<u>24,560,142</u>	<u>25,771,433</u>	<u>25,667,908</u>

(ii) Valuation techniques and assumptions used in fair value determination

The Company uses the following methods in determining the fair value of its financial assets and liabilities:

- A. The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.
- B. The fair value of derivative instruments is based on quoted prices.
- C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(iii) Interest rates used for determining fair value

The interest rates used for discounting estimated cash flows were as follows:

	<u>2014</u>	<u>2013</u>
Secured bonds payable	1.57%	1.52%
Long-term borrowings	1.57%	1.52%
Lease liabilities	1.57%	1.52%

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

(iv) Fair value hierarchy

The table below analyzes the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2014				
Available-for-sale financial assets	\$ <u>2,301,347</u>	<u>-</u>	<u>1,576,289</u>	<u>3,877,636</u>
Derivative financial liabilities	\$ <u>-</u>	<u>2,332,383</u>	<u>-</u>	<u>2,332,383</u>
As of December 31, 2013				
Available-for-sale financial assets	\$ 3,327,698	-	1,563,768	4,891,466
Derivative financial assets	-	26,090	-	26,090
	\$ <u>3,327,698</u>	<u>26,090</u>	<u>1,563,768</u>	<u>4,917,556</u>

(v) Movements in fair value measurements of financial assets in Level 3 and sensitivity analysis

The following table shows the reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<u>Unquoted equity instruments</u>
Beginning balance at January 1, 2014	\$ 1,563,768
Recognized in profit or loss	630
Recognized in other comprehensive income	15,655
Proceeds from capital reduction of investments	<u>(3,764)</u>
Balance at December 31, 2014	\$ <u>1,576,289</u>
Beginning balance at January 1, 2013	\$ 1,517,001
Recognized in other comprehensive income	<u>46,767</u>
Balance at December 31, 2013	\$ <u>1,563,768</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

The fair value hierarchy levels of financial assets were not transferred in 2014 and 2013.

The fair value measurements of the Company's financial instruments are reasonable; however, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, fluctuation in the valuation variable by 5% would have the following effect:

	<b>Effects of changes in fair value on other comprehensive income</b>	
	<b><u>Favorable</u></b>	<b><u>Unfavorable</u></b>
As of December 31, 2014		
Available-for-sale financial assets	\$ <u>78,208</u>	<u>(78,208)</u>
As of December 31, 2013		
Available-for-sale financial assets	\$ <u>77,722</u>	<u>(77,722)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

#### (u) Management of financial risk

- (1) The Company is exposed to the nature and extent of the risks arising from financial instruments as below:
  - (i) Credit risk
  - (ii) Liquidity risk
  - (iii) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

#### (2) Risk management framework

The Company's Board of Directors has responsibility for the oversight of the risk management framework. The Company's inter-departmental management and committee, which consists of managers from all departments, is responsible for monitoring the Company's risk management policies and reports regularly to the Board of Directors on its activities.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Parent-Company-Only Financial Statements**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The inter-department management and committee are reviewed regularly to reflect change in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's supervisors oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company's supervisors are assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the supervisors.

#### **(3) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investments in securities.

##### **(i) Notes and accounts receivable**

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. In accordance with the Company's credit policy, each customer is analyzed individually for creditworthiness, and is required to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals before its credit terms and credit limit are offered. Credit limit is offered to each customer as the limit of transactions and is reviewed regularly.

The transaction amount of the majority of the Company's customers is not significant, leading to an insignificant influence of loss from credit risk arising from single customer on the Company. The Company set up the allowance for doubtful accounts to reflect the estimated loss of notes and accounts receivable. The major component of the allowance account includes the specific loss component related to individually significant exposure.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

#### (ii) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

#### (iii) Guarantees

As of December 31, 2014, the Company did not provide endorsements and guarantees.

#### (4) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's finance department monitors the needs for cash flows, and plans optional return from investments of idle capital. The Company aims to maintain the level of its cash and cash equivalents at an amount to cope with expected cash outflows on operation, including meeting its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### (5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (i) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the TWD and USD. The currencies used in these transactions are principally denominated in TWD, CNY, EUR, USD, and JPY.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

The Company hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary, the Company uses foreign currency financing and forward exchange contracts to hedge its currency risk. The financial department proactively collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information for securing the currency risk.

(ii) Interest rate risk

The Company enters into and designates interest rate swaps as hedges of the variability in interest rate risk from long-term borrowings.

(iii) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(v) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business.

As of December 31, 2014, there were no changes in the Company's approach to capital management.

#### 7. Transactions with related parties

(a) Relationships between parent and subsidiaries

A detailed list of the Company's subsidiaries is as follows:

Name	Country of incorporation	Ownership interest (shareholding%)		Note
		2014.12.31	2013.12.31	
Evergreen Airline Services Corp.	Taiwan	56.33%	56.33%	
Evergreen Sky Catering Corp.	Taiwan	49.80%	49.80%	
Evergreen Aviation Technologies Corp.	Taiwan	80.00%	80.00%	

(Continued)

## EVA AIRWAYS CORP.

### Notes to Parent-Company-Only Financial Statements

Name	Country of incorporation	Ownership interest (shareholding%)		Note
		2014.12.31	2013.12.31	
Evergreen Air Cargo Services Corp.	Taiwan	60.00%	60.00%	
Hsiang-Li Investment Corp.	Taiwan	100.00%	100.00%	
Evergreen Aviation Precision Corp.	Taiwan	40.00%	10.00%	Note 1
RTW Air Services (S) Pte. Ltd.	Singapore	49.00%	49.00%	
Green Siam Air Services Co., Ltd.	Thailand	49.00%	49.00%	
Evergreen Airways Service (Macau) Ltd.	Macau	99.00%	99.00%	
PT Perdana Andalan Air Service	Indonesia	51.00%	51.00%	
Sky Castle Investment Ltd.	Samoa	100.00%	100.00%	
Concord Pacific Ltd.	Samoa	100.00%	100.00%	
Sino Gain Ltd.	Samoa	-	100.00%	Note 2
EVA Flight Training Academy	USA	100.00%	100.00%	

Note 1: Evergreen Aviation Precision Corp. became the Company's subsidiary in July 2014. The acquisition of subsidiary is stated in note 6(g).

Note 2: Sino Gain Ltd. went into liquidation in August 2014.

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

(c) Significant transactions with related parties

(1) Operating revenue

Significant sales to related parties of the Company were as follows:

	2014	2013
Subsidiaries	\$ 204,419	207,542
Associates	46	13
Others	1,289,032	1,131,729
	\$ 1,493,497	1,339,284

Related parties leased aircraft from the Company to operate cross-strait flights between Mainland China and Taiwan. The rental is charged by actual flight hours and recorded under operating revenue.

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~3 months, which do not materially differ from those of the third-party transactions. There was no collateral on the accounts receivable from related parties.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(2) Purchase

Significant purchases from related parties of the Company were as follows:

	<u>2014</u>	<u>2013</u>
Subsidiaries	\$ 8,846,364	8,736,244
Associates	4,636	4,356
Others	<u>1,178,852</u>	<u>1,180,030</u>
	<b>\$ <u>10,029,852</u></b>	<b><u>9,920,630</u></b>

Operating expenses from transactions with related parties were as follows:

	<u>2014</u>	<u>2013</u>
Subsidiaries	\$ 221,480	196,259
Associates	48,048	45,855
Others	<u>282,045</u>	<u>331,309</u>
	<b>\$ <u>551,573</u></b>	<b><u>573,423</u></b>

The prices for purchases from related parties are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

- (3) The Company sold spare parts amounting to \$1,466 and \$10,714 to subsidiaries for the years ended December 31, 2014 and 2013, respectively.
- (4) One subsidiary provides maintenance services for aircraft and engines for the Company. For the years ended December 31, 2014 and 2013, the amounts were \$2,275,654 and \$3,069,303, respectively, recorded under aircraft and machinery and equipment.
- (5) Construction commitment

In February 2012, the Company entered into a contract with its related parties amounting to \$636,585 for the purpose of the construction of its training center. As of December 31, 2013, the unpaid contract price amounted to \$198,598, and the aforementioned construction was finished in July 2014.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

(6) Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	<u>2014.12.31</u>	<u>2013.12.31</u>
Accounts receivable	Subsidiaries	\$ 430,160	12,802
Accounts receivable	Others	163,231	118,954
Other receivables	Subsidiaries	16,795	5,516
Other receivables	Associates	1	15
Other receivables	Others	<u>502,376</u>	<u>108,633</u>
		<b>\$ <u>1,112,563</u></b>	<b><u>245,920</u></b>

(7) Payables to related parties

Payables to related parties of the Company were as follows:

Account	Class of related parties	<u>2014.12.31</u>	<u>2013.12.31</u>
Accounts payable	Subsidiaries	\$ 2,887,592	3,195,068
Accounts payable	Associates	792	352
Accounts payable	Others	180,540	200,133
Other payables	Subsidiaries	435,901	137,570
Other payables	Associates	9,214	3,975
Other payables	Others	<u>105,405</u>	<u>288,578</u>
		<b>\$ <u>3,619,444</u></b>	<b><u>3,825,676</u></b>

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	\$ 36,147	31,318
Post-employment benefits	3,493	6,879
Share-based payment	<u>3,613</u>	-
	<b>\$ <u>43,253</u></b>	<b><u>38,197</u></b>

Please refer to note 6(p) for the disclosure of share-based payment.

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

**8. Pledged assets**

The book values of the pledged assets were as of follows:

<b>Pledged assets</b>	<b>Object</b>	<b><u>2014.12.31</u></b>	<b><u>2013.12.31</u></b>
Property, plant and equipment	Long-term borrowings	\$ 58,519,978	49,720,827
Available-for-sale financial assets – non-current	Contract performance guarantees	67,455	89,274
Time deposit – included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	<u>76,637</u>	<u>71,980</u>
		<b><u>\$ 58,664,070</u></b>	<b><u>49,882,081</u></b>

**9. Commitments and contingencies**

(a) Significant contingencies:

The Company is under investigation on the passenger and cargo fuel surcharge for alleged violation of antitrust law in the United States.

The Company takes a positive stand on this litigation. Because the ultimate outcome of the pending antitrust investigations cannot be predicted with certainty, the Company has made certain provisions for the matter. The Company will disclose the antitrust matter depending on the progression of the litigation.

(b) Significant commitments:

(1) In May 2012 and October 2013, the Company entered into aircraft purchase contracts amounting to US\$2,261,094 with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. As of December 31, 2014, the Company took delivery of 3 Boeing 777 aircraft; and the remaining contract price was US\$1,321,907. The Company has partially paid the price of \$4,248,972 (included in other non-current assets).

(2) Unused letters of credit for the Company were as follows:

	<b><u>2014.12.31</u></b>	<b><u>2013.12.31</u></b>
Unused letters of credit	<b><u>\$ 2,155,514</u></b>	<b><u>2,122,531</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Parent-Company-Only Financial Statements**

**10. Significant subsequent events: none**

**11. Others**

A summary of employee expenses, depreciation and amortization expenses, by function, is as follows:

	<u>Operating cost</u>	<u>2014 Operating expenses</u>	<u>Total</u>	<u>Operating cost</u>	<u>2013 Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 4,752,167	3,995,076	8,747,243	4,322,107	3,322,224	7,644,331
Labor and health insurance	261,789	226,461	488,250	229,014	194,122	423,136
Pension	289,546	157,131	446,677	263,225	138,113	401,338
Others	1,885,815	443,607	2,329,422	1,642,573	393,870	2,036,443
Depreciation (Note)	10,218,396	350,891	10,569,287	9,679,624	268,827	9,948,451
Amortization	355	150,303	150,658	-	94,283	94,283

As of December 31, 2014 and 2013, the Company had 8,141 and 7,077 employees, respectively.

Note: For the years ended December 31, 2014 and 2013, the depreciation expenses recognized were \$10,749,577 and \$10,083,867, respectively, less deferred gains of \$180,290 and \$135,416, respectively.

**12. Operating segments**

Please see the consolidated financial statements for the year ended December 31, 2014.



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