



A STAR ALLIANCE MEMBER 

# 2015

## 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.

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## **I. Letter to Shareholders**

Dear Shareholders:

The recovery of global economy was weaker than expected during 2015, and several events impacted the airline industry and our operations. MERS broke out in Korea during May, Bangkok Erawan shrine bomb explosion in August and the Paris terrorist attacks in November. At the same time, sliding fuel prices lowered our operating costs significantly while network expansion increased our seat capacity, enabling us to lift the number of both outbound tourists from Taiwan and transit passengers. Our continuing efforts on aviation safety and the highest service standards enabled us to grow passenger traffic by more than 10% over the past two years. In late December 2015, we reached and surpassed a major milestone by carrying more than 10 million passengers.

We dedicate continually to enhancing service quality, and have earned a solid reputation within the airline industry for our safety record and superb service. We ranked AirlineRatings.com's World Safest Airlines Top Ten list and rated third among the world's safest airlines on the annual index reported by Germany's AERO International Magazine for the second consecutive year. We make every effort to maintain our record for flight safety. We also focus on continually improving our service standards. Those made passengers pleased with not only our quality products but also added convenient service such as our EVA Mobile App and Facebook service.

We introduced two new Airbus 330-300 airplanes outfitted with the latest 180° flat-bed seats and extra-large 18-inches touch-screens in Premium Laurel Class to give our passengers more comfort and a higher quality entertainment experience in 2015. We began equipping new aircraft with satellite communication systems and offering inflight Wi-Fi service. We teamed up with Michelin three-star Restaurant Chef Motokazu Nakamura of Nakamura Kyoto cuisine to create gourmet Kyoto-style meals for specific Taiwan-Japan routes' business class passengers. In recognition of our outstanding services, passengers responding to SKYTRAX's annual global survey voted EVA 9<sup>th</sup> among the world's top carriers and as the airline with the Best Cabin Cleanliness. Taiwan's Institute for Information Industry honored EVA among 15 brands with the Service Industry Innovation Award. Manager Today Magazine singled out EVA as the Most Influential Brand of 2015—Aviation Industry. The Taiwan-based business magazine "30" surveyed readers and found EVA Air to be the most commonly used and most desirable brand.

With corporate social responsibility more closely scrutinized than ever, we adopted the ISO14001 environmental management and ISO50001 energy management systems in 2015. We are proud to be certified by the Taiwan Occupational Safety and Health Management System (TOSHMS) while, at the same time, we set our safety standard for monitoring our operational environment and educating employees above government regulations. This enables us establish a better, safer working environment that meets the needs of both EVA and our employees. We also participate in the Ministry of Economic Affairs' Voluntary

Purchase of Green Power program, conserving energy and enhancing workplace safety, taking actions that reflects our concern for the environment and commitment to social welfare.

## **2015 Results**

EVA reported 2015 operating revenue of NT\$115.89 billion, a slight 0.9% decrease year-on-year, with NT\$6.44 billion in net profit and NT\$1.69 earnings per share. Consolidated operating revenues reached NT\$137.17 billion, a 3.1% increase over 2014, and net profit for 2015 amounted to NT\$6.86 billion.

### **■ Passenger revenue grew 5% to NT\$81.9 billion, a NT\$3.9 billion increase compared to 2014.**

The weaker yen continued to attract Taiwanese travelers to Japan. Stable cross-strait relations led to a greater number of Chinese tourists from second-tier cities. Increased flight frequencies on trans-Pacific and Southeast Asia routes, combined with the synergies of the Star Alliance network, helped boost our passenger load factor by 2.7% and numbers by 13.1%.

### **■ Cargo revenue contracted 16.5% to NT\$26.1 billion, a NT\$5.1 billion decrease compared to 2014.**

Ongoing route adjustments reduced overall cargo capacity by 7.8%. Still, the overcapacity in the market impacted EVA Air Cargo performance. Cargo trade volume slid 9.1% and the load factor dropped 2.3% year-on-year. Congestion at a major U.S. West Coast port nudged performance up in the first quarter but demand began to slip from the second quarter of 2015.

### **■ Ongoing fleet renewal**

We operated a total of 69 aircraft in 2015, including 57 passenger jets and 12 freighters:

Aircraft Type	Quantity
747-400	3
747-400 (Freighter)	8
MD-11 (Freighter)	4
777-300ER	22
A330-200	9
A330-300	5
A321-200	18
Total	69

We retired two MD-11 freighters, two Boeing 747-400 Combi planes, four MD-90 passenger jets and two Airbus 330-200s from our fleet. We added new four Boeing 777-300ERs, two Airbus 330-300s and six Airbus 321-200s into our operating fleet.

## ■ **Affiliated companies**

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

### **Evergreen Aviation Technologies Corporation**

Evergreen Aviation Technologies Corporation (EGAT) is a multiple award-winning, boutique airframe maintenance, engine overhaul and component one-stop service provider. Besides offering technical services for EVA and UNI Air, EGAT has focused its business activities towards servicing other airlines and carriers. In 2015, EGAT signed multi-year airframe and modification agreements with Asiana Airlines, Nippon Cargo Airlines, Cargolux and Mega Maldives Airlines.

In March 2014, GE Evergreen Engine Services Corporation was created as a joint venture between EGAT and General Electric Company to overhaul the next-generation GENx engines. EGAT is certified by a host of countries, including but not limited to the US Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Japan Civil Aviation Bureau (JCAB) and Korea's Ministry of Land, Infrastructure and Transport (MOLIT).

EGAT is a Boeing Edge partner in providing maintenance services for Boeing 787 airframes. Underpinned by its operational ethos "Safety First, Quality is Everything" and attitude of "We Make It Happen", EGAT is postured to deliver high value business propositions to its airline maintenance partners.

### **Evergreen Aviation Precision Corporation**

Evergreen Aviation Precision Corporation (EGAP) manufactures aerospace parts and assemblies. It introduced an auto riveting machine, electron beam welder and electrical discharge equipment in 2015 to fulfill requirements for GE Aviation and Boeing orders. After improving its capacity and technical capabilities, EGAP won a contract from GE Aviation to build the domeplate and related parts for its next generation engine – the Leap. When it acquired the first auto-riveting machine in Taiwan, it opened a new factory on December 2, 2015.

## **Evergreen Sky Catering Corporation**

Evergreen Sky Catering Corporation (EGSC) provides in-flight catering with extra emphasis on employee safety, food safety and environment protection. In 2015, it was certified by the Taiwan Occupational Safety and Health Management System (TOSHMS), OHSAS18001 Occupational Health and Safety Assessment System and ISO50001 energy management system. Its microbiology inspection laboratories are certified by the Taiwan Food and Drug Administration (TFDA).

New customers in 2015 were Turkish Airlines, Air China, China Eastern Airlines and Shanghai Airlines. Due to business expansion and larger passenger loads enjoyed by airlines, EGSC achieved a record high for the number of served meals and operating revenue. On August 7, 2015, it began to build a new factory with brand-new kitchens to meet growing and projected future demand.

## **Evergreen Airline Services Corporation**

Evergreen Airline Services Corporation (EGAS) provides airport ground handling service for EVA and UNI Air flights at Taoyuan International Airport, Taipei Songshan International Airport, Kaohsiung International Airport and Taichung International Airport. Emphasizing safety and superb service, it has won ground-handling contracts with 22 international airlines.

## **Evergreen Air Cargo Services Corporation**

Evergreen Air Cargo Services Corporation (EGAC) provides handling service of import, export, transit cargo for EVA and other airlines. At the same time, EGAC also provides cargo documentation services to airlines. With four more airlines, Cathy Pacific, Dragonair, Viet Jet and NokScoot, which were added onto its customer list in 2015, EGAC has 16 international airlines as its customers now. EGAC will continuously offer the best service to its clients based on its enriched experience.

## **EVA Flight Training Academy**

EVA Flight Training Academy (EVA FTA) has one twin-engine and seven single-engine planes in its learning fleet in 2015. EVA FTA is certified as a U.S. FAA Part 141 Flight School and train cadets to earn Private Pilot Licenses (PPL), Instrument Ratings (IR) and Commercial Pilot Licenses. EVA FTA also offers Multi-crew Pilot License (MPL) training programs sponsored by EVA. With U.S. government approval, the EVA FTA is authorized to train pilots who are not U.S. citizens to obtain pilot certifications. We plan to add aircraft maintenance hangars, parking apron areas and more training facilities. Once the infrastructure is improved, EVA FTA will have the capacity to train 70 to 100 pilots for EVA and other companies.

## **Results vs. Projections**

EVA budgeted NT\$115.64 billion in total revenue for 2015 and achieved actual revenue of NT\$115.89 billion, accomplishing 100% of our goal. We projected profit before tax at NT\$5,663 million and produced actual results amounting to NT\$6,540 million.

EVA and subsidiaries estimated total consolidated operating revenue of NT\$135.44 billion for 2015 and actually achieved NT\$137.17 billion, surpassing our goal with 101%. Our projected profit before tax was NT\$6,485 million and actual profit before tax amounted to NT\$7,365 million.

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

Compared to 2014, EVA's 2015 operating revenue fell 0.9% to NT\$115.89 billion. The operating expense fell 6.7% to NT\$108.52 billion.

EVA and subsidiaries reported consolidated operating revenue of NT\$137.17 billion for 2015, a 3.1% increase over the previous year. Our consolidated operating expense was NT\$127.96 billion, a 1.9% decrease from the previous year.

### **Profitability analysis:**

Return on total assets: 4.7%

Return on equity: 15.5%

Profit margin: 5.6%

Earnings per share: NT\$1.69

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

Return on total assets: 4.6%

Return on equity: 14.5%

Profit margin: 5%

Earnings per share: NT\$1.69

## **Research and development**

### 1. WCAG Compliance

EVA upgraded our website to comply with the U.S. Department of Transportation (DOT) rule (Title 14 CFR Part 382) regarding implementation of ACAA (Air Carrier Access Act). We developed all pages and functions to conform to standards for accessibility outlined in the widely used WCAG (Web Content Accessibility Guidelines) 2.0 and now meet Level AA Success Criteria mandated by W3C (World Wide Web Consortium). All of our core air travel services, information and functions (e.g., booking, modifying reservations or seats, check-in, Infinity MileageLands member privilege, etc.) have been fully accessible since December, 2015.



## 2. Inflight Entertainment System Value-Added Service

EVA began to introduce our latest Boeing 777-300ERs with the newest Panasonic Inflight Entertainment System eX3, global roaming (GCS), larger touchscreens and Wi-Fi capabilities in 2014. Further elevating our passenger experience, we integrated inflight sales and Audio-Video on demand into this system. Now, for our passengers' inflight enjoyment and convenience, our electronic Sky Shop, beverage and meal menus and a variety of entertainment options are right at their fingertips whenever they want to access them.

## 3. Flight Information Mobility

We developed a mobile App, using our EVA flight information system that integrates everything from all channels into one place and launched it globally in 2015. Instead of relying on inefficient communication and paper work, our ground staffs and maintenance engineers can now access flight information and aircraft conditions immediately, using this App on their hand-held devices. This App better prepares our staff to quickly take the best actions and make optimal decisions during pre-flight-check procedures.

## 4. Catering and Cabin Services Mobilization

To ensure that all catering and inflight-service-item loading is smooth and completed on time, EVA implemented the Catering and Cabin Services App in 2015, giving our ground staff easy access and improving pre-flight preparation coordination. Ground staff can now update status of these operations in real-time instead of waiting for the labor-intensive paperwork. Our state-of-the-art mobile solution now gives our Control Room up-to-the-minute status of these operations and prepares them to take appropriate and immediate actions to correct any irregularities.

## 5. Passenger O&D Analysis Project

EVA developed "Marriage O&D Analysis" and "Geographical O&D Analysis" functions in our own EDW system, tracking seat bookings, ticket fares, flight routes, marketing channels and OAL corporations to enhance sales. Making these accurate analyses tools available on our EDW helps us to make the best decisions about marketing strategies and revenue optimization.

## 6. Enhancement of Global Network Performance Management

We have faced more and more challenges as we have worked to identify technologies to ensure a reliable, resilient global network and equip us to both meet rapidly growing demand for an excellent customer experience and effectively utilize IT innovations such as the cloud and mobility. EVA further improved our global networking service level by implementing a global network performance and bandwidth monitoring system in 2015. We can use these tools to quickly identify and resolve any bottlenecks, upgrading the quality of our network services.

## **2016 Preview**

### **Operating objectives**

1. Promoting safety and service ideals:

Based on our existing safety structure, we will continue to enhance flight, ground and food safety. We will also raise our quality of service and advance our aim to become one of the world's best airlines.

2. Expanding route network to strengthen hub-and-spoke advantages:

We are using our expanding passenger fleet to add new destinations and increase flight frequencies to cities with strong growth potential. We are also maximizing the benefits and conveniences of our network by incorporating resources of other Star Alliance member airlines. Our goal is to become travelers' first choice.

3. Fleet renewal and cabin upgrades:

We are enhancing our route competitiveness by retiring two Boeing 747-400 freighters, two MD-11 freighters and four Airbus 330-200s as we introduce seven new Boeing 777-300ERs, six Airbus 321-200s and two ATR72-600s to our operating fleet. We expect to complete updating Elite and Economy Class seats on 13 Boeing 777-300ERs by October 2016. We are also installing Panasonic Avionics' eX2 system and in-flight Wi-Fi connectivity capabilities on these aircraft. In addition, we are equipping five of our Airbus 330 -300s with Wi-Fi and satellite communication systems.

### **Sales estimate and statistics**

#### **Passenger Business:**

We forecast that EVA will carry 11.08 million passengers in 2016. This represents a 10% increase over the 10.06 million-passenger record we achieved in 2015.

#### **Basis:**

1. We are launching new routes to match market demands. We are starting new Taipei to Istanbul, Taipei to Cebu and Taipei to Chicago services in 2016. We will also increase flight frequencies on current routes to America, Northeast Asia and Southeast Asia. We are forecasting that we will grow our passenger total by 18% compared to 2015.
2. Benefitting from the traffic right enhancement, there will be more Taiwanese travelers to Korea.
3. The volume of transit passengers between North America and Southeast Asia will grow.
4. The number of international tourists visiting Taiwan will continue to increase.

## **Cargo Business:**

We forecast carrying 600 thousand tons of air cargo in 2016, a 3.5% decrease from 622 thousand tons of air cargo in 2015.

## **Basis:**

1. We estimate that available cargo capacity will shrink 2.4% year-on-year.
2. IATA released data showing the airfreight market and global economy prospect are still fragile even though cargo demand is beginning to recover from hitting bottom. And international trade growth is continuing to decelerate. The lower yield and the weak Chinese economy limit manufacturing.

## **Future Development Strategies**

1. Enhancing Star Alliance partnership:

We are using the Star Alliance network and its related ticket products, mileage reward program cooperation and global corporate customer sales to attract more premium customers and elevate our advantage in the business travel market. We are also lowering EVA's operating costs and enhancing profitability through experience learning, joint purchasing, system developing and resource sharing with other Star Alliance member airlines.

EVA currently have code-sharing agreements with 13 carriers, including United Airlines, Singapore Airlines, All Nippon Airways, Asiana Airlines, Air Canada, Air China, Hainan Airlines, Shandong Airlines, Bangkok Airways, Hong Kong Airlines, Turkish Airlines, Shenzhen Airlines and Air China Cargo. We began co-shared flights with Shenzhen Airlines and Air Canada in 2016. Co-shared flight with Air Canada includes domestic flights in Canada and routes from Taiwan to Tokyo and Seoul.

2. Expanding Northeast Asia market:

We will increase flight frequencies to Korea from 2015's 20 flights a week to 31 in 2016. Also, we will add flights to Japan from 2015's 112 per week to 121 in 2016.

3. Developing transit market between North America and Southeast Asia:

We will increase frequencies to North America from 63 flights a week in 2015 to 77 in 2016. We will also add within Southeast Asia from 2015's 84 flights per week up to 124 in 2016.

4. Increasing transit passengers from China:

In accordance with cross-strait non-stop scheduled flight policies, we plan to expand our China flight network and develop a cross-strait transit market.

5. Reinforcing internet and App sales:

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.

6. Optimizing fleet and route assignment:

We will fully utilize cargo capacity and improve route profitability by strategically allocating aircraft types and setting flight frequency so that we can effectively accommodate market demand in each destination.

7. Diversifying cargo sources:

We will expand our market by adding consumer electronics such as virtual reality, wearable gadgets, intelligent automobiles and housewares to our cargo sources.

8. Promoting e-freight cargo service:

In collaboration with IATA, we will continue to develop our e-Air Waybill services. Comparing with previous year, e-AWB usage increased by 43% in 2015. We estimate the use of e-AWB will grow 60% in 2016.

## **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. Capacity continues to increase due to low fuel price. At the same time, fares keep fall and competition is becoming increasingly fierce.
3. Airlines are increasing fleet sizes. Low-cost carriers are gaining market share with lower fares. Domestic airlines are undergoing transformational changes. These factors continue to impact competition in regional markets and the balance of supply and demand.
4. We expect China's growing air transport demand continuously 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. The United States and China have agreed to extend business and student visas for Chinese citizens. China's aviation industry falls short of demand for capacity and long-haul travelers to the U.S. must transit through a third country such as Hong Kong, Seoul or Tokyo. This creates a huge opportunity for Taiwan's transit market.

6. As free trade agreements have been proliferating in the Asia region, government officials are discussing a Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and Transatlantic Trade and Investment Partnership (TTIP). Regional routes capacity may be further stimulated.

### **Legal Environment**

1. Political and economic stability directly impacts ups and downs in passenger and cargo markets.
2. Policies related to nonstop cross-strait flights are continuing to develop and support is fragmented. For example, China's Customs regulations differ from those in other countries and limit an airline's flexibility for operations.
3. Transit service for tourists from China has begun from a limited number of cities for a restricted number of travelers. At the same time, the market for tourists from China is decreasing for unconfirmed reasons. Future growth depends on the cross-strait relationship.
4. Airlines operating across the strait can delegate aircraft maintenance and ground service handlers, enhancing flight safety, lowering operating costs and, at the same time, increasing competitiveness.
5. Since countries in Europe and America have been affected by international terrorist attacks, security measures are stricter than before and free-visa programs with Taiwan may be affected.

### **Operating Environment**

1. The International Monetary Fund (IMF) has revised its estimates for the global economic growth rate from 3.6% to 3.4% for 2016. The lowered expectation is due to China's sliding trade volume and lower commodity prices. Still, the IMF's estimate is better than the 3.1% projected for 2015. In view of low fuel prices and U.S. economy continues to expand, the International Air Transport Association (IATA) forecasts global airline profits to reach US\$36.3 billion with the average net profit rate increasing from 4.6% to 5.1% over 2015.
2. The U.S. is ending its Quantitative Easing (QE) program, interest rates are rising and the U.S. dollar is getting stronger as a result. But the cost of a commodity valued in USDs will still go up. At the same time, the exchange rate for the Japanese Yen is fluctuating. Corporate profits have not improved, stunting both corporate investments and household consumption. These trends create risks and may lead to further economic decline.
3. Major economies such as China and the U.S. drive backflow from manufacturers and create local demand, reducing trade volume. This decreases the growth rate for global trade and shrinks airline load factor.

4. Supply and demand for crude oil is unstable and the Organization of Petroleum Exporting Countries' (OPEC's) future production policies are murky. At the same time, the U.S. has maintained a large crude oil inventory for the past 80 years. These factors and others have led to low fuel prices which have contributed to airline industry profits.
5. Infrastructure such as airport terminals, runways, arrival/departure slots and air traffic control cannot catch up with the speed of airline industry growth. The lagged development has become a risk for airline industry expansion.
6. Global warming brings climate change. Carbon tax issues continue to be discussed. And increasingly frequent occurrences of extreme weather events impacts airline control and can cause flight delays and cancellations.

We thrive to keep corporate governance principles such as rationality, transparency and integrity. Through internal cooperation and experience-sharing, we not only offer high quality service and safety guarantee but create a sustainable business.

Chairman

Lin, Bou-Shiu

## **II. Company Profile**

Date of Incorporation: April, 07, 1989

### **Major Milestones**

#### **1988~1990**

On September 1, 1988 at the celebration for the 20th 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 Boeing 767-300ERs 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 Boeing 747-400s 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 Boeing 747-400 and four Boeing 767-200s. The airline also added Hawaii, 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 and established Evergreen Aviation Technologies Corporation on February 24. That 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 Boeing 777-200X/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 Boeing 777-300ERs that was part of the firm purchase contract executed with Boeing in June 2000, expanding its fleet by a total of 15 brand-new Boeing 777-300ERs. Deliveries of the new aircraft started in 2005 and will continue through 2010.

## **2005**

EVA took delivery of its first two of fifteen Boeing 777-300ERs 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 January 1 and August 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's Songshan Airport to Shanghai's 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. By 2013 the integration process would be scheduled to complete.

## **2013**

EVA Air joined the Star Alliance network in June 2013, further strengthening the Alliance's presence in Asia/Pacific. In December 2013, EVA Air and Singapore Airlines teamed up on Taipei-Singapore flights, gave passengers more choices.

## **2014**

EVA Air ranked [AirlineRatings.com](http://AirlineRatings.com)'s World Safest Airlines Top Ten list.

## **2015**

EVA Air has been recognized as one of [AirlineRating.com](http://AirlineRating.com)'s "World's Top-10 Safest 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.

EVA Air ranked "The World's Top Ten Best Airlines" and "Best Airline Cabin Cleanliness" in SKYTRAX's 2015 World Airline Awards.

EVA Air signed agreements with the Boeing Company to introduce twenty-four Boeing 787 Dreamliners and two additional Boeing 777-300ERs.

## **2016**

### **January 2016**

AirlineRatings.com has ranked EVA Air among the world's safest airlines for the third year in a row. On the other hand, EVA continues to hold the third position among the world's safest airlines in an annual index compiled by Germany's Jet Airliner Crash Data Evaluation Centre (JACDEC).



### 3.1.2 Major Corporate Functions

Department	Functions
Corporate Planning Div.	Responsible for developing the company's management principles, analyzing the managing efficiency, planning flight routes, fuel procurement and negotiations of the freedoms of the air, etc.
Auditing Div.	Responsible for the inspection and evaluation of internal control to promote operating performance.
Legal & Insurance Div.	Responsible for insurance affairs, contracts examinations, legal consultation and litigation.
Public Affairs Div.	Responsible for advertising, planning PR activities and corporate image marketing.
Human Resources Div.	Responsible for human resources management, recruiting and the execution of general training programs.
General Affairs Dept.	Responsible for the training center maintenance, dormitory operations, receptions for visiting, the employee cafeteria operations and so on.
Clinic Div.	Responsible for employee's regular health examinations, medical consultation and general medical treatments.
Finance Div.	Responsible for accounting, stocks and tax processing, the cost calculation and the revenue auditing of passenger and freight management, capital allocation control and so on.
Corporate Safety, Security & Environment Div.	Responsible for promoting flight safety, employee's safety training, the company's safety, health and environment-related policies, preservation of aircrafts and at airport stations, the execution and supervisory of emergency disposal.
Occupational Safety & Health Div.	Responsible for the planning and implementation of occupational safety and health management.
Operation Management Dept.	Responsible for the worldwide station operation managements, planning and managing the Star Alliance and concerning projects.
Information Management Dept.	Responsible for the management of operating information systems.
Passenger Div.	Responsible for the worldwide passenger revenue management, pricing strategy development and concerning sales-related matters.

Department	Functions
Customer Service Div.	Responsible for reservations and ticketing, service quality checks and customer care.
Cargo Div.	Responsible for the worldwide freight revenue management, pricing strategy development, concerning sales-related matters and operating affairs
Kaohsiung Office	Responsible for passenger and freight sales-related matters and operating affairs, reservations and ticketing, flights dispatch and cabin service supplies management for Southern Taiwan.
Loyalty Marketing Dept.	Responsible for planning rewards approaches for EVA Air members, contracting with alliance airlines and cross-industries, participation and implementation of the Star Alliance member's projects.
Flight Operations Div.	Responsible for the pilot's scheduling, management and training, flight dispatch, analyzing aircrafts performances and fuel consumption of routes, formulating operating manual for aircrafts.
Cabin Service Div.	Responsible for the flight attendant's scheduling, management and training, formulating standard operating procedures, the development, procurement, marketing and warehousing of duty-free items, cabin service supplies, sky shop and LOGO commodities and sky catering management, etc.
Engineering & Maintenance Div.	Responsible for the aircraft's maintenance program, the purchase and control of ground equipment and aircraft spare parts and so on.
Airport Div.	Responsible for the passenger immigration related affairs and airlines dispatch.
Sky Jet Center	Responsible for the hosting, maintenance and ground handling affairs of business jets.
Computer Div.	Responsible for the design and maintenance of computer programs, the procurement of computer equipment and maintenance and the consulting of operation computer system.
Foreign Branches	Responsible for the branch's development and promotion of passenger and freight related businesses overseas.

### 3.2 Directors, Supervisors and Management Team

#### 3.2.1 Directors and Supervisors

APR 30, 2016

Title	Nationality	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	Relation
Chairman	Republic of China	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	-	-	-	-	-
	Republic of China	Representative: Lin, Bou-Shiu	2016.03.11	1.27 Years	1993.04.30	0	0.00	283,770	0.00	17,766	0.00	0	0.00	Chairman, Evergreen Steel Corp. Tamkang University	<b>Chairman:</b> Hsiang-Li Investment Corp., Evergreen Sky Catering Corp., UNI Airways Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Evergreen Aviation Precision Corp., GE Evergreen Engine Services Corp., Trade- Van Information Services Co.	-	-	-

Title	Nationality	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected 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	Relation
Director	Republic of China	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	-	-	-	-	-
	Republic of China	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	<b>Chairman:</b> Evergreen International Corp. <b>Director:</b> Evergreen International Storage & Transport Corp., Taiwan High Speed Rail Corp., Evergreen Steel Corp., Shun An Enterprise Corp., Chang Yung-Fa Charity Foundation, Chang Yung-Fa Foundation, <b>Supervisor:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen Security Corp., Ever Reward Logistics Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Evergreen Aviation Precision Corp., Hsin Yung Enterprise Corp.	-	-	-
	Republic of China	Representative: Tai, Jjin-Chyuan	2016.03.11	1.27 Years	2011.06.10	0	0.00	13,566	0.00	0	0.00	0	0.00	Executive Vice President, Legal Department of Evergreen International Corp. Master degree in Maritime Law, National Taiwan Ocean University	<b>Director and President:</b> Evergreen International Corp. <b>Director:</b> Evergreen International Storage & Transport Corp., Central Reinsurance Corp., Evergreen Sky Catering Corp., UNI Airways Corp., Taipei Port Container Terminal Corp., Evergreen Aviation Technologies Corp., Super Max Engineering Enterprise Corp., Chang Yung-Fa Charity Foundation, Chang Yung-Fa Foundation	-	-	-



Title	Nationality	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected 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	Relation
Director	Republic of China	Chang Yung-Fu Charity Foundation	2014.06.17	3 Years	2009.06.16	11,482,104	0.35	11,482,104	0.30	-	-	0	0.00	-	-	-	-	-
		Representative: Lee, Wen-Chung	2016.03.28	1.22 Years	2016.03.28	0	0.00	0	0.00	0	0.00	0	0.00	Attorney-at-Law of Chinese International Law Office Legal Consultant of Lite-On Technology Corp. Adjunct Assistant Professor, Department of Law, Fu Jen Catholic University <b>Independent Director:</b> Star World Technology Corp. <b>Director :</b> Taoyuan Bus Corp.	-	-	-	
Director	England	Falcon Investment Services Ltd.	2014.06.17	3 Years	2011.06.10	441,894,468	5.00	441,894,468	11.45	-	-	0	0.00	-	-	-	-	-
	Republic of China	Representative: Song, Yaw-Ming	2016.03.28	1.22 Years	2016.03.28	0	0.00	0	0.00	0	0.00	0	0.00	Staff Member to the Minister of Justice Master of Laws, Columbia Law School	Partner of Lee and Li Attorneys-at-Law, <b>Director:</b> UNI Airways Corp.	-	-	-
	Republic of China	Representative: Liang, Hwai-Hsin	2016.03.28	1.22 Years	2016.03.28	0	0.00	0	0.00	0	0.00	0	0.00	Attorney-at-Law in Giant Era International Law Office <b>Director:</b> Chang Hwa Commercial Bank, Ltd. AGV Products Corp.	-	-	-	

Title	Nationality	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	Relation
Independent Director	Republic of China	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, Taipei Representative Office in the U.K., Legislator, Legislative Yuan (Parliament), 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, The Chinese Institute of Environmental Engineering, Professor and Dean, College of Engineering, Tamkang University Ph. D. Aeronautics and Astronautics, New York University, U. S. A. B.S. Mechanical Engineering, National Taiwan University	<b>Chairman:</b> Taiwan Institute for Sustainable Energy(TAISE) Telecommunication and Transportation Foundation(TTF) Taiwan Institute for Climate Change and Energy(TICCE) <b>Managing Director:</b> Ten Outstanding Young Persons' Foundation(TOYP) <b>Independent Director:</b> Far Eastern Department Stores, Ltd. (FEDS) KD Holding Corp.	-	-	-

Title	Nationality	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	Relation
Independent Director	Republic of China	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, Co. LTD. 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 Mingtai Insurance	-	-	-
Independent Director	Republic of China	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	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	Relation
Supervisor	Republic of China	Evergreen International Corp.	2014.06.17	3 Years	1993.04.30	469,648,357	14.41	469,648,357	12.17	-	-	0	0.00	-	-	-	-	-
	Republic of China	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	Group Executive officer, Finance, Evergreen Group, MBA, Sun Yat Sen University	Executive Vice President, Finance Department of Evergreen Marine Corp. (Taiwan) Ltd. Executive Vice President, Supervisory Division of Evergreen International Corp. <b>Director:</b> Chang Yung-Fa Charity Foundation, Chang Yung-Fa Foundation <b>Supervisor:</b> Evergreen International Storage & Transport Corp., UNI Airways Corp., Evergreen Steel Corp., Taiwan Terminal Services Corp., Chang Yang Development Corp., Hsiang-Li Investment Corp.	-	-	-
Supervisor	Republic of China	Representative: Ku Lai, Mei-Hsueh	2016.03.11	1.27 Years	2016.03.11	0	0.00	4,999	0.00	5,036	0.00	0	0.00	Senior Vice President, Finance Division of Evergreen International Corp. Ming Chuan University	Executive Vice President, Finance Division of Evergreen International Corp. <b>Director:</b> Central Reinsurance Corp. <b>Supervisor:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen Sky Catering Corp., UNI Airways Corp., Ever Accord Construction Corp., Evergreen Logistics Corp.	Supervisor	Chen, Cheng-Pang	Spouse
	Republic of China	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 Vice President, Evergreen International Storage & Transport Corp. <b>Supervisor:</b> Shun An Enterprise Corp	Supervisor	Ku Lai, Mei-Hsueh	Spouse

Note: As of April 30, 2016 the Company has issued 3,858,945,005 shares

## Major shareholders of the institutional shareholders

APR 30, 2016

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%), Cathy Life Insurance Co. Ltd (2.47%), Cheng, Shen-Chin (2.11%), Cheng, Ming-Yi (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%)

## Major shareholders of the Company's major institutional shareholders

APR 30, 2016

Legal Entity	Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
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%)
	Cathy Life Insurance Co., Ltd.	Cathy Financial Holding Co., Ltd.(100%)
Evergreen International Corp.	Chang Yung-Fa Foundation	Non-profit Organization
	Chang Yung-Fa Charity Foundation	Non-profit Organization

## Professional qualifications and independence analysis of directors and supervisors

APR 30, 2016

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	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 Specialist 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 Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lin, Bou-Shiu			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Ko, Lee-Ching			✓	✓		✓	✓				✓	✓		0
Tai, Jiin-Chyuan			✓	✓		✓	✓				✓	✓		0
Lee, Wen-Chung	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Song, Yaw-Ming		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Liang, Hwai-Hsin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chien, You-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lo, Tzu-Chiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu, Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Kuang-Hui			✓	✓		✓	✓				✓	✓		0
Ku Lai, Mei-Hsueh			✓	✓		✓	✓		✓		✓	✓		0
Chen, Cheng-Pang			✓	✓	✓	✓		✓			✓	✓		0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of any affiliates of the Company. Not applicable in cases where the person is an independent director of the Company's parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- Not a natural-person 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 outstanding shares of the Company or ranking in the top 10 in holdings.
- 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.
- Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- Not a professional individual who is 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 to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Management Team

APR 30, 2016

Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
President	Republic of China	Chen, Hsien-Hung	2016.03.28	5,000	0.000	0	0	0	0	Bachelor degree in Diplomacy, National Chengchi University Chairman, UNI Airways Corp.	Director: Evergreen Sky Catering Corp., UNI Airways Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Hsiang-Li Investment, Evergreen Aviation Precision Corp.	-	-	-
Chief Executive Vice President	Republic of China	Ho, Ching-Sheng	2016.03.11	285,274	0.007	0	0	0	0	Master degree in Aviation Safety, University of Central Missouri	-	-	-	-
Executive Vice President, Public Affairs Div.	Republic of China	Kou, Jin-Cheng	2016.03.11	81,190	0.002	0	0	0	0	Bachelor degree in Navigation, National Taiwan Ocean University General Manager In China, Group Management Head Office	-	-	-	-
Executive Vice President, Human Resources Div.	Republic of China	Pu, Wei-Ping	2016.03.11	12	0.000	0	0	0	0	Bachelor degree in Law, Chinese Cultural University Human Resources (Executive Vice President), Group Management Head Office	-	-	-	-
Executive Vice President, Finance Div. (Financial Officer),	Republic of China	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 Corp., Evergreen Aviation Technologies Corp., GE Evergreen Engine Services Corp.	-	-	-
Executive Vice President, Corporate Planning Div.	Republic of China	Liao, Chi-Wei	2016.03.22	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 Corp.	-	-	-	-
Executive Vice President, Cargo Passenger Div.	Republic of China	Li, Shyh-Liang	2014.12.12	20,000	0.001	13	0	0	0	Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Executive Vice President, Cargo Div.	Republic of China	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, Flight Operations Div.	Republic of China	Yuen, Ping-Yu	2004.01.01	54,025	0.001	0	0	0	0	Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	-



Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
Executive Vice President, Cabin Service Div.	Republic of China	Yang, Yung-Heng	2012.07.01	74,192	0.002	0	0	0	0	Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-
Executive Vice President, Engineering & Maintenance Div.	Republic of China	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.	Republic of China	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.	Republic of China	Fang, Gwo-Shiang	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.	-	-	-	-
Executive Vice President, Shanghai Office	Republic of China	Chang, Jang-Tsang	2014.01.01	142,368	0.004	0	0	0	0	Bachelor degree in Business Management, Tatung University Senior Vice President, UNI Airways Corp.	-	-	-	-
Executive Vice President, America Head Office	Republic of China	Chen, Chi-Hung	2016.01.01	0	0.000	0	0	0	0	Department of Mechanical Engineering, St. John's and St. Mary's Institute of Technology	-	-	-	-
Secretary (Senior Vice President)	Republic of China	Chang, Yao-Ting	2015.10.15	0	0.000	0	0	0	0	Department of Tourism, Ming Chuan College Secretary (Senior Vice President), Group Management Head Office	-	-	-	-
Senior Vice President, Legal & Insurance Div.	Republic of China	Hsu, Hui-Sen	2016.01.01	0	0.000	0	0	0	0	Master degree in the Law of the Sea, National Taiwan Ocean University. Legal Affairs (Senior Vice President), Group Management Head Office	-	-	-	-
Senior Vice President, Auditing Div.	Republic of China	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.	Republic of China	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.	Republic of China	Soong, Allen	2007.01.01	40,222	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-
Senior Vice President, Finance Div. Finance Dept. (Accounting Officer)	Republic of China	Chiang, Chin-Lan	2015.01.01	45,135	0.001	0	0	0	0	Bachelor degree in Economics, National Taiwan University	-	-	-	-

Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
Senior Vice President, Finance Div. Revenue Audit Dept.	Republic of China	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, Finance Div. Stocks Dept.	Republic of China	Hsieh, Shu-Hui	2016.04.27	0	0.000	0	0	0	0	Bachelor degree in Law, Soochow University Deputy Senior Vice President, Evergreen International Corp.	-	-	-	-
President, Operation Management Dept.	Republic of China	Hsiao, Chin-Lung	2015.01.01	16,000	0.000	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	-
Senior Vice President, Passenger Div. Business Dept.	Republic of China	Lin, Nan-Yang	2016.01.01	46,439	0.001	0	0	0	0	Bachelor degree in Mass Communications, Chinese Cultural University	-	-	-	-
Senior Vice President, Customer Service Div.	Republic of China	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.	-	-	-	-
Senior Vice President, Cargo Div. Cargo Management Dept.	Republic of China	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, Cargo Div. Business Dept.	Republic of China	Chiou, Yu-Yi	2016.01.01	0	0.000	0	0	0	0	Bachelor degree in Physics, Chinese Cultural University	-	-	-	-
Senior Vice President, Flight Operations Div. Flight Control Dept.	Republic of China	Lee, Cheng-Chieh	2016.01.01	35,320	0.001	14,000	0	0	0	Bachelor degree in Mechanical Engineering, Tamkang University	-	-	-	-
Senior Vice President, Cabin Service Div. Cabin Crew Administration Dept.	Republic of China	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.	Republic of China	Tao, Shin-Chien	2015.01.01	0	0.000	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-

Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
Senior Vice President, Engineering & Maintenance Div. Quality Assurance Dept.	Republic of China	Yeh, Ching-Far	2012.01.01	126	0.000	0	0	0	0	Master degree in Business Administrations, National Chengchi University Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	-
Senior Vice President, Airport Div. Taoyuan Airport Office	Republic of China	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, Airport Div. Taoyuan Airport Office	Republic of China	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, Sky Jet Center	Republic of China	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.	Republic of China	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-Services Corp.	-	-	-	-
General Manager (Senior Vice President), Japan Branch	Republic of China	Wang, Chen-Hsing	2016.01.01	35,058	0.001	0	0	0	0	Department of Marine Engineering, Kaohsiung Institute of Marine Technology	-	-	-	-
General Manager (Senior Vice President), Thailand Branch	Republic of China	Yeh, Shih-Chung	2013.01.01	79,568	0.002	0	0	0	0	Bachelor degree in Industrial Management, National Taiwan University of Science and Technology	-	-	-	-
Senior Vice President, America Head Office	United States	Huang, Sandra	2016.01.01	0	0.000	0	0	0	0	Bachelor degree in Business, National Cheng Kung University	-	-	-	-
Secretary (Deputy Senior Vice President)	Republic of China	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.	Republic of China	Wang, Yuan-Shyang	2014.01.01	111	0.000	0	0	0	0	Bachelor degree in Business Administration, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Corporate Planning Div.	Republic of China	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.	-	-	-	-

Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
Deputy Senior Vice President, Corporate Planning Div.	Republic of China	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.	Republic of China	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, Information Management Dept.	Republic of China	Tseng, Wen-Chiang	2015.09.01	5,003	0.000	0	0	0	0	Bachelor degree in Journalism, Chinese Cultural University	-	-	-	-
Deputy Senior Vice President, Passenger Div. Revenue Management Dept.	Republic of China	Chung, Kai-Cheng	2015.09.01	12,000	0.000	0	0	0	0	Master degree in Transportation and Communication Management Science, National Cheng Kung University	-	-	-	-
Deputy Senior Vice President, Passenger Div. Reservation & Tariff Management Dept.	Republic of China	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.	Republic of China	Chen, Yu-Hou	2016.01.01	0	0.000	0	0	0	0	Master degree in Civil Engineering, National Chiao Tung University	-	-	-	-
Deputy Senior Vice President, Customer Service Div. Reservation & Ticketing Dept.	Republic of China	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, Kaohsiung Office, Kaohsiung Airport Office	Republic of China	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 Corp.	-	-	-	-
Deputy Senior Vice President, Corporate Safety, Security & Environment Div.	Republic of China	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. Training Equipment Dept.	Republic of China	Kuo, Ming-Cheng	2013.01.01	65,146	0.002	0	0	0	0	Bachelor degree in Economics, Fu Jen University	-	-	-	-

Title	Nationality	Name	Date Effective	Present Shareholdings		Shares Held by Spouse & Dependents		Shares Held by Third Parties		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Shares
Deputy Senior Vice President, Cabin Service Div. Cabin Crew Standard Dept.	Republic of China	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. Product Marketing Dept.	Republic of China	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.	Republic of China	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	Republic of China	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	Republic of China	Chen, Chia-Chuan	2014.01.01	25,205	0.001	81	0			Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-
General Manager (Deputy Senior Vice President), Beijing Office	Republic of China	Liu, Tung-I	2014.01.01	35,071	0.001	0	0	0	0	Bachelor degree in Business Administration, Feng Chia University Junior Vice President, UNI Airways Corp.	-	-	-	-
General Manager (Deputy Senior Vice President), Europe Head Office U.K. Branch	Republic of China	Pan, Hsin-Hsiu	2016.01.01	472	0.000	317	0	0	0	Bachelor degree in Western Language and Literature, National Chengchi University	-	-	-	-
General Manager (Deputy Senior Vice President), Hong Kong Branch	Republic of China	Chang, Ming-Hung	2014.01.01	20,000	0.001	0	0	0	0	Bachelor degree in International Trade, Tunghai University	-	-	-	-
General Manager (Deputy Senior Vice President), Turkey Branch	Republic of China	Chiu, Chung-Yu	2014.01.01	35,207	0.001	0	0	0	0	Bachelor degree in Mechanical Engineering, Feng Chia University	-	-	-	-
General Manager (Deputy Senior Vice President), America Head Office New York Branch	Republic of China	Chang, Yu-Tang	2014.01.01	33,000	0.001	0	0	0	0	Bachelor degree in Business Administration, Soochow University Junior Vice President, Evergreen International Corp.	-	-	-	-

### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice President Remuneration of Directors

As of December 31, 2015  
Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C+D) to Net Income (%)				Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from an Invested Company Other than the Company's Subsidiary						
		Base Compensation (A)		Severance Pay (B)		Remuneration to Directors (C)		Allowances (D)		EVA		Consolidated Subsidiaries of EVA		Salary, Bonuses, Allowances (E)		Severance Pay (F)		Employees' Compensation (G)			Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)		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	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	Consolidated Subsidiaries of EVA
Chairman	Chang Yung-Fa Charity Foundation Chang, KuoWei	6,800	6,800	-	-	3,000	6,100	48	48	0.15%	0.20%	-	-	-	-	-	-	-	-	-	-	-	-	0.15%	0.20%	524
Director	Chang Yung-Fa Charity Foundation Chang, Yung-Fa	-	-	-	-	-	-	48	48	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	15,600
Director	Evergreen Marine Corp. (Taiwan) Ltd. Ko, Lee-Ching	-	-	-	-	1,000	2,800	48	48	0.02%	0.04%	-	-	-	-	-	-	-	-	-	-	-	-	0.02%	0.04%	2,100
Director	Evergreen Marine Corp. (Taiwan) Ltd. Chang, Cheng-Yung	-	-	-	-	1,000	1,000	48	48	0.02%	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	0.02%	0.02%	-
Director	Falcon Investment Services Ltd. Tai, Jjin-Chyuan	-	-	-	-	1,000	1,000	48	48	0.02%	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	0.02%	0.02%	520
Director	Falcon Investment Services Ltd. Cheng, Chuan-Yi	-	-	-	-	2,500	4,800	48	48	0.04%	0.08%	4,730	450	10	450	10	10	-	-	-	-	-	-	0.12%	0.16%	-
Independent Director	Chien, You-Hsin	720	720	-	-	-	-	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Independent Director	Lo, Tzu-Chiang	720	720	-	-	-	-	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Independent Director	Hsu, Shun-Hsiung	720	720	-	-	-	-	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	-	-	-	-	0.01%	0.01%	-

### Remuneration of Supervisors

As of December 31, 2015  
Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Remuneration to Supervisors (B)		Allowances (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	-	-	500	1,600	48	48	0.01%	0.03%	250
Supervisor	Evergreen International Corp. Wu, Kuang-Hui	-	-	500	500	48	48	0.01%	0.01%	600
Supervisor	Evergreen International Corp. Chen, Cheng-Pang	-	-	500	500	48	48	0.01%	0.01%	-

**Remuneration of the President and Executive Vice President**

As of December 31, 2015

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employees' Compensation (D)			Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation from an Invested Company Other Than the Company's Subsidiary			
		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	EVA	Consolidated Subsidiaries of EVA					
President	Cheng, Chuan-Yi																			
	Tsai, Tai-Wei																			
	Chai, Chien-Hua																			
	Li, Shyh-Liang																			
	Sun, Chia-Ming																			
	Ho, Ching-Sheng	27,297	27,297	3,236	3,236	11,666	11,666	112	112	-	-	0.66%	-	-	-	-	-	-	-	
	Yuen, Ping-Yu																			
	Yang, Yung-Heng																			
	Huang, Sheh-Ming																			
	Chen, Yeou-Yuh																			
Fang, Gwo-Shiann																				



Range of Remuneration	Name of President and Executive Vice President	
	EVA	Consolidated Subsidiaries of EVA
Under NT\$ 2,000,000	-	-
NT\$2,000,001 ~ NT\$5,000,000	Tsai, Ta-Wei	Tsai, Ta-Wei
	Chai, Chien-Hua	Chai, Chien-Hua
	Li, Shyh-Liang	Li, Shyh-Liang
	Sun, Chia-Ming	Sun, Chia-Ming
	Ho, Ching-Sheng	Ho, Ching-Sheng
	Yuen, Ping-Yu	Yuen, Ping-Yu
	Yang, Yung-Heng	Yang, Yung-Heng
	Huang, Sheh-Ming	Huang, Sheh-Ming
	Chen, Yeou-Yuh	Chen, Yeou-Yuh
	Fang, Gwo-Shiang	Fang, Gwo-Shiang
	Cheng, Chuan-Yi	Cheng, Chuan-Yi
NT\$5,000,001 ~ NT\$10,000,000	-	-
NT\$10,000,001 ~ NT\$15,000,000	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	11	11

## Employees' Compensation of the Management Team

As of December 31, 2015

Unit: NT\$ thousands

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Cheng, Chuan-Yi	0	588	588	0.009%
	Executive Vice President (Financial Officer)	Tsai, Ta-Wei				
	Executive Vice President	Chai, Chien-Hua				
	Executive Vice President	Li, Shyh-Liang				
	Executive Vice President	Sun, Chia-Ming				
	Executive Vice President	Ho, Ching-Sheng				
	Executive Vice President	Yuen, Ping-Yu				
	Executive Vice President	Yang, Yung-Heng				
	Executive Vice President	Huang, Sheh-Ming				
	Executive Vice President	Chen, Yeou-Yuh				
	Executive Vice President	Fang, Gwo-Shianng				
	Executive Vice President	Chang, Jang-Tsang				
	Senior Vice President	Chang, Yao-Ting				
	Senior Vice President	Li, Ping-Yin				
	Senior Vice President	Wu, Chun-Hung				
	Senior Vice President	Soong, Allen				
	Senior Vice President (Accounting Officer)	Chiang, Chin-Lan				
	Senior Vice President	Ho, Li-Cheng				
	Senior Vice President	Liao, Chi-Wei				
	Senior Vice President	Hsiao, Chin-Lung				
	Senior Vice President	Lu, Yu-Chuan				
	Senior Vice President	Chuang, Shih-Hsiung				
	Senior Vice President	Yang, Hsiu-Huey				
	Senior Vice President	Tao, Shin-Chien				
	Senior Vice President	Yeh, Ching-Far				
	Senior Vice President	Chang, Lih-Lih				
Senior Vice President	Liu, Ying					
Senior Vice President	Chen, Yao-Min					
Senior Vice President	Hou, Hsien-Yu					

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Senior Vice President	Yeh, Shih-Chung	0	588	588	0.009%
	Senior Vice President	Chen, Chi-Hung				
	Deputy Senior Vice President	Wang, Yuan-Shyang				
	Deputy Senior Vice President	Chiang, Wei-Du				
	Deputy Senior Vice President	Huang, Chieh-Chih				
	Deputy Senior Vice President	Su, Wei-Jen				
	Deputy Senior Vice President	Lin, Ta-Yuan				
	Deputy Senior Vice President	Tseng, Wen-Chiang				
	Deputy Senior Vice President	Chung, Kai-Cheng				
	Deputy Senior Vice President	Wu, Shu-Ping				
	Deputy Senior Vice President	Lin, Nan-Yang				
	Deputy Senior Vice President	Wu, Su-Shin				
	Deputy Senior Vice President	Chiou, Yu-Yi				
	Deputy Senior Vice President	Chen, Shen-Chi				
	Deputy Senior Vice President	Lee, Cheng-Chieh				
	Deputy Senior Vice President	Hsu, Ping				
	Deputy Senior Vice President	Kuo, Ming-Cheng				
	Deputy Senior Vice President	Hsu, Shu-Ching				
	Deputy Senior Vice President	Chou, Yu-Chuan				
	Deputy Senior Vice President	Hsu, Ying-Fang				
	Deputy Senior Vice President	Liu, Wen-Jang				
	Deputy Senior Vice President	Yu, Chia-Chieh				
	Deputy Senior Vice President	Chen, Chia-Chuan				
	Deputy Senior Vice President	Liu, Tung-I				
	Deputy Senior Vice President	Chang, Ming-Hung				
	Deputy Senior Vice President	Wang, Chen-Hsing				
	Deputy Senior Vice President	Chiu, Chung-Yu				
Deputy Senior Vice President	Huang, Sandra					
Deputy Senior Vice President	Chang, Yu-Tang					

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Executive Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Executive Vice Presidents

The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and executive vice presidents of the Company, to the net income of the parent-company-only financial statements.

Title	EVA		Consolidated Subsidiaries of EVA	
	2014	2015	2014	2015
Directors	(0.79%)	0.36%	(1.29%)	0.47%
Supervisors	(0.01%)	0.03%	(0.09%)	0.04%
President and Executive Vice Presidents	(2.54%)	0.66%	(2.54%)	0.66%

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in 2015. The attendance of directors and supervisors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Chang Yung-Fa Charity Foundation Representative: Chang, Kuo-Wei	8	0	100%	-
Director	Chang Yung-Fa Charity Foundation Representative: Chang, Yung-Fa	0	8	0%	-
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Ko, Lee-Ching	8	0	100%	-
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Chang, Cheng-Yung	8	0	100%	-
Director	Falcon Investment Services Ltd. Representative: Tai, Jiin-Chyuan	8	0	100%	-
Director	Falcon Investment Services Ltd. Representative: Cheng, Chuan-Yi	8	0	100%	-
Independent Director	Chien, You-Hsin	8	0	100%	-
Independent Director	Lo, Tzu-Chiang	8	0	100%	-
Independent Director	Hsu, Shun-Hsiung	8	0	100%	-
Supervisor	Evergreen International Corp. Representative: Lin, Long-Hwa	8	0	100%	-
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	8	0	100%	-
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	8	0	100%	-

### 3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

**A. Audit Committee: The Company hasn't established Audit Committee.**

#### **B. Attendance of Supervisors at Board Meetings**

A total of 8 (A) meetings of the Board of Directors were held in 2015. The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【B/A】	Remarks
Supervisor	Evergreen International Corp. Representative: Lin, Long-Hwa	8	100%	-
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	8	100%	-
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	8	100%	-

Other mentionable items:

1. Composition and responsibilities of supervisors:

- (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): Employees and shareholders could directly or indirectly make suggestions to supervisors by paper, oral or Email.
- (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.): The Chief internal auditor submit audit report to supervisors reviewing periodically. CPA reports the audit result to supervisors quarterly in order to let supervisors monitor the Company's financial and business operation.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None

### 3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Board of Directors has approved “Corporate Governance Best-Practice Principles”, which can be found on both the Company’s website and Market Observation Post System.	None
2. Shareholding Structure & Shareholders’ Rights:				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		Stocks Department is in charge of handling the issue following internal control operation procedure.	None
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		Responsibility assigned to relevant department.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has established risk control measures within internal control operation procedure.	None
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		The Board of Directors has established “Procedures for Handling Material Inside Information” and “Insider Trading Prevention Management” within internal control operation procedure to prevent the trading of stock by insiders.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors:				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	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) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	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 establish a standard to measure the performance of the Board, and implement it annually?		V	The Company hasn’t formulated the performance evaluation policy for the Board of Directors.	The Company is scheduled to formulate the performance evaluation policy for the Board of Directors and will follow the policy to evaluate the performance of Board of Directors.
(4) Does the Company regularly evaluate the independence of CPAs?	V		The Company annually evaluated the specialization and independence of CPAs. Also, the CPAs have completed independent report for the appointed auditing affair. The assignment and remuneration for CPAs of financial and tax certification have been approved by Board of Directors on DEC. 28, 2015. The assigned accountants are not directors, supervisors, executive officers, employees or shareholders of the Company or its affiliated companies	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			and have been confirmed as non-stakeholders, which meets with the regulation of independent judgment of government.	
4. Does the Company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		Various sections are assigned the task of communicating with stakeholders, depending on the situation. The Company provides stakeholders section on the website (URL: <a href="http://www.evaair.com/zh-tw/stakeholder-interest/">http://www.evaair.com/zh-tw/stakeholder-interest/</a> ) to facilitate communication channel between investors, suppliers, customers and employees.	None
5. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V	The Company does not assign any agency to be in charge of its shareholder affairs.	Whereas stock department is managed by the Company itself, the Shareholders’ meeting is conducted following government regulation and corporate guideline to ensure its lawfulness, effectiveness and safeness.
6. Information Disclosure: (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<ol style="list-style-type: none"> <li>The Company has set up a corporate website (URL:<a href="https://www.evaair.com">https://www.evaair.com</a>) and designated appropriate people to monitor and keep it up-to-date with current information.</li> <li>Corporate governance status: The Company has disclosed “Articles of Incorporation”, important operating procedures and the resolutions adopted during Board of Director meetings on website. (URL: <a href="http://www.evaair.com/zh-tw/corporate-">http://www.evaair.com/zh-tw/corporate-</a></li> </ol>	None  None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		governance) The Company has established an English-language website and spokesperson system for gathering and disclosing information. Investor conference information of the Company held or been invited to over the years is disclosed on the Company’s website.	None
7. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. Extension education for directors and supervisors: (1) Director Ko, Lee-Ching, Director Tai, Jiin-Chyuan, Director Chang, Cheng-Yung, Director Cheng, Chuan-Yi, Supervisor Lin, Long-Hwa and Supervisor Wu, Kuang-Hui participated in the three-hour training course ” The necessary risk control system of Corporate Operation” held by Securities & Futures Institute on Sep. 24, 2015. (2) Independent Director Chien, You-Hsin achieved a total extension education hour of twelve in the year 2015 by: A. Participating in the three-hour training course “Corporate Governance and Corporate Social Responsibility” held by Taiwan Securities Association on Jan. 16, 2015.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>B. Participating in the three-hour training course “Corporate Social Responsibility Report-the Seminar of presenting Sustainable Development Value” organized by Securities &amp; Futures Institute on Jan. 22, 2015.</p> <p>C. Participating in the three-hour training course “Corporate Ethical Leaders Conference of TWSE Listed Company” held by Securities &amp; Futures Institute on May. 27, 2015.</p> <p>D. Participating in the three-hour training course “The necessary risk control system of Corporate Operation” held by Securities &amp; Futures Institute on Sep. 24, 2015.</p> <p>(3) Independent Director Lo, Tzu-Chiang achieved a total extension education hour of six in the year 2015 by:</p> <p>A. Participating in the three-hour training course “Corporate Ethical Leaders Conference of TWSE Listed Company” held by Securities &amp; Futures Institute on May. 27, 2015.</p> <p>B. Participating in the three-hour training course “The necessary risk control system of Corporate</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Operation” held by Securities &amp; Futures Institute on Sep. 24, 2015.</p> <p>(4) Independent Director Hsu, Shun-Hsiung achieved a total extension education hour of nine in the year 2015 by:</p> <p>A. Participating in the three-hour training course “The Practical use of Forensic Accounting Guideline (Kaohsiung)” held by Taiwan CPA on Jul. 31, 2015.</p> <p>B. Participating in the three-hour training course “The Practical use of Forensic Accounting Guideline (Taipei)” held by Taiwan CPA on Aug. 5, 2015.</p> <p>C. Participating in the three-hour training course “The necessary risk control system of Corporate Operation” held by Securities &amp; Futures Institute on Sep. 24, 2015.</p> <p>(5) Supervisor Chen, Cheng-Pang achieved a total extension education hour of six in the year 2015 by:</p> <p>A. Participating in the three-hour training course “Corporate Ethical Leaders Conference of TWSE Listed Company” held by Securities &amp; Futures Institute on May. 27, 2015.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>B. Participating in the three-hour training course “The necessary risk control system of Corporate Operation” held by Securities &amp; Futures Institute on Sep. 24, 2015.</p> <p>2. The Company begins purchasing liability insurance for directors and supervisors in the year 2015.</p>	
<p>8. Has the Company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.</p>		V	<p>The Company has neither made a self-examined corporate governance report nor assigned the task to professional institutions.</p>	<p>The Company will evaluate the possibility of preparing corporate governance report as business progresses.</p>

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
		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 specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	
Independent Director	Chien, You-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Lo, Tzu-Chiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Hsu, Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases 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 a natural-person 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 outstanding 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 sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is 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 to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

## B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in 2015. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Hsu, Shun-Hsiung	2	0	100%	-
Committee Member	Chien, You-Hsin	2	0	100%	-
Committee Member	Lo, Tzu-Chiang	2	0	100%	-

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				
(1) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	V		The Company’s “Corporate Social Responsibility Policy” has been formulated on Dec. 23, 2014. The “Corporate Social Responsibility Best-Practice” has been implemented after Board of Directors meeting on May. 11, 2015. The performance of Corporate Social Responsibility was reviewed quarterly or semi-yearly in routine meeting refer to the “Committee Regulation of Corporate Social Responsibility”.	None
(2) Does the Company provide educational training on corporate social responsibility on a regular basis?	V		The Company scheduled a corporate social responsibility training courses on Jan. 22 and Feb. 04, 2015. Meanwhile, the Company also assigns employees to attend related training courses held by Center for Corporate Sustainability.	None
(3) Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The “Corporate Social Responsibility Committee” is a specialized unit responsible for promoting corporate social responsibility and the Company’s President is assigned as Committee Chairman. The execution of related operation should be reported to Board of Director meeting regularly.	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary 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 ethics, service creativity, cooperation and harmony. Reward and punishment rules are stated clearly in the Company’s management policies.	None
2. Sustainable Environment Development (1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>The following is the illustration of the Company’s utilization of resource and renewable materials.</p> <ol style="list-style-type: none"> <li>Continually promoting paperless work: The Company has made available electronic pilot manual and electronic flight bag (EFB) to each fleet. Pilots will be able to have access to flight handbook through their iPads. Using electronic file instead of paper in office. Issuing E-ticket for passenger ticketing. Cargo operation is followed IATA e-cargo standard.</li> <li>Procure environment-friendly materials: The Company purchases recycled tissue certified by FSC™ to be used in offices and airplane. Printing paper is produced by suppliers that</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>provide only environmentally friendly products made of 100% reusable material, which is certified by PEFC (Programme for the Endorsement of Forest Certification). We control the original material to minimize the impact on the environment.</p> <p>3. Entire environment improvement and energy efficiency:</p> <p>(1) Improve energy efficiently: The office area has adopted power-saving LED light in place of conventional lighting of T8 and T9. Turn up the degree of air conditioner host in order to reduce energy consumption. As for office occupied less frequently, the installment of infrared ray sensor can effectively reduce the waste of extra electricity.</p> <p>(2) Recycled water: The Company has been completed installation of rainwater recycle equipment and air conditioner host condensates recycle equipment. The recycled water is mainly used for washing.</p> <p>(3) Reduce waste and resource reuse: The Company implemented garbage separation policy and formulated the plan to improve recycled waste by 1.8%. Through completed policy of garbage separation, it could reduce waste efficiently and increase resource utilization.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		<p>(4)The Company participated in “Green Power Voluntarily Purchase Plan” held by Ministry of Economic Affairs in Jan. 2016 and purchased 2.5 million kWh green power. Through the purchase, the Company supports the development renewable energy of the country and reduces CO2 emission at the same time, which really implements corporate social responsibility.</p> <p>The Company already required 2 certifications, which are ISO14001: 2015 environmental management system and ISO50001 energy management system. The Company controls its internal environment and energy-related operation with systematized thinking. Through policy and action plans improvement, the Company could facilitate energy utilization and become a sustainable development corporate.</p>	None
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish Company strategies for energy conservation and carbon reduction?	V		<p>The following is the illustration of the Company’s practice of reducing CO2 emission and greenhouse gas.</p> <ol style="list-style-type: none"> <li>1. 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>2. The Company has established “Sustainable Environment Promotion Sub-Committee” in 2015 aiming to design and supervise</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>environmental policies concerning fuel consumption reduction, environmental protection, energy-saving and carbon control. Meanwhile, the introduction of modern fleet has improved jet fuel efficiency and consequently lowered CO2 emission level.</p> <p>3. The Company plans to adopt ISO14064-1 greenhouse gas management system in 2016. Through systematized management, it could effectively control the CO2 emissions from the Company. With relevant carbon reduction plans, the Company could reduce CO2 emissions and prevent the earth from greenhouse effect.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p>	V		<p>The Company bases its management on related labor law, agreement and articles to formulate working regulations and human-resource regulations.</p>	None
	V		<p>The Company has designed consumer petition channels not only to be complied by the law but also maintain harmony between employers and employees. 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.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	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) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on 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 provide its employees with career development and training sessions?	V		The Company provides employees with well-packaged career development training. Details can be found on the Company’s Corporate Social Responsibility Report of 2014 (page 105-115).	None
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		Customer Service Division is in charge of handling customer complaint following company policies and 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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	V		Products and services provided by the Company all follow local law or international regulation set forth by the Commodity Labeling Act, Taiwan’s Civil Aeronautics Administration (CAA), US Federal Aviation Administration (FAA), US Department of Homeland Security (DHS) and European Union (EU). Complying with Department of Transportation (DOT) regulation of Barrie-Free website to guarantee the convenience and right of visually impaired, hearing impaired, disabled and cognitive passenger, a brand new website was available on Dec. 10, 2015 to provide friendly and equity service using environment.	None
(8) Does the Company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	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) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		The Company has published “Major Suppliers and Partners Corporate Social Responsibility Policy” on Dec. 15, 2015. Meanwhile, There are termination clauses in the contracts between the Company and major suppliers. If the suppliers violate corporate social responsibility policy and have obvious impact on the environment and society, the Company may terminate or dissolve the contracts refer to contract clauses.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4. Enhancing Information Disclosure</p> <p>(1) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</p>	V		<p>The Company has established Corporate Social Responsibility’s website and disclosed related information. It could be linked through EVA AIR’s website. Those information could be found as below.</p> <p>The Company’s Corporate Social Responsibility website:  <a href="http://csr.evaair.com">http://csr.evaair.com</a></p> <p>The Company’s Stakeholder’s Interest website:  <a href="http://www.evaair.com/zh-tw/stakeholder-interest/">http://www.evaair.com/zh-tw/stakeholder-interest/</a></p>	None

5. If the Company has established the Corporate Social Responsibility Principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:

The Company has formulated “Corporate Social Responsibility Best-Practice” and followed “Corporate Governance”, “Sustainable Environment Development”, “Society Public Interest Protection” and “Enforcement of Corporate Social Responsibility Information Disclosure” etc. to implement Corporate Social Responsibility. The actual operation does not vary from the Practice.

6. Other important information to facilitate better understanding of the Company’s Corporate Social Responsibility Practices :

To implement corporate social responsibility, the Company has become a founding member of Center for Corporate Sustainability founded by Taiwan Institute for Sustainable Energy (TAISE). Through the platform, the Company will continually participate and improve the related ideal and operation of Corporate Social Responsibility.

7. A clear statement shall be made below if the Corporate Social Responsibility Reports were verified by external certification institutions:

The 2014 CSR report was verified by SGS AA1000 (Class 1/ moderate). 2015 CSR report is still being reviewed by verification institution.

### 3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		The Company has formulated “ECM Best-Practice Principles” approved by the Board of Directors and declared 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) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	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



Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	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/TPEX Listed Companies” Article 7 Paragraph 2.	None
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	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

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	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) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	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 effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		The Company has established accounting system, internal control system and internal audit implementation rules. It is audited by internal and external auditors (including ISO verification organization and CPA) regularly to fully implement ethical corporate management.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	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. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has formulated regulations governing appeal and clearly states its impeachment policy, system and the ad hoc person.	None
(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		The Company has established standardized investigation process and impeacher protection policy based on “ECM Best-Practice Principles”.	None
(3) Does the Company provide proper whistleblower protection?	V		Following “ECM Best-Practice Principles”, the Company protects whistleblower from any improper treatment due to the impeachment case.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	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. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies): None				

**3.3.7 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>.

**3.3.8 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 shall be used as guideline to avoid insider trading by the directors, supervisors, managers and employees.

### 3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings

#### Major Shareholders' Meeting Resolutions

Date of Meeting	Summary of Important Proposals	Execution
June 16, 2015	<p>1. Net loss of the Company for the year ended 2014 is NT\$1,306,723,677. After adding unappropriated retained earnings of Dec. 31, 2013 and subtracting actuarial loss of 2014, deficit yet to be compensated at the end of 2014 amounts to NT\$1,309,023,839. It is proposed not to allocate dividends to shareholders, remuneration to directors and supervisors, and bonus to employees. In addition, it is proposed to compensate deficit by legal reserve and capital surplus. After compensating, there is no deficit yet to be compensated.</p>	<p>The resolution has been executed accordingly.</p>
	<p>2. Amending Articles of Incorporation.</p>	<p>The amended Articles of Incorporation has been approved by Commerce Department, Ministry of Economic Affairs and registered (no. 10401129090) and the related actions on behalf of the Company have been conducted in accordance with revised Article of Incorporation.</p>
	<p>3. Amending Procedures for Transaction of Derivative Products.</p>	<p>Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Transaction of Derivative Products.</p>

## Major Board of Director Meeting's Resolutions

Date of Meeting	Major Proposals
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 2014 deficit compensation.</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 amend the compensation structure and performance incentive system for managers.</li> <li>9. To formulate 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 the stop loss.</li> <li>15. To stipulate the date and venue for the annual 2015 General Shareholders' meeting.</li> </ol>
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.)
May 11, 2015	<ol style="list-style-type: none"> <li>1. To formulate the Corporate Social Responsibility Best-Practice Principles and the Regulations of Corporate Social Responsibility Committee.</li> <li>2. To amend the Internal Control System and Internal Audit Implementation Rules.</li> <li>3. To amend the Procedures of Transaction of Derivative Products.</li> <li>4. To authorize Executive Management to monitor and manage the Transaction of Derivative Products.</li> </ol>
July 20, 2015	<ol style="list-style-type: none"> <li>1. To procure five new 777F Cargo aircraft.</li> <li>2. To approve the sale and lease back of two purchase A330-300 aircraft.</li> </ol>
August 11, 2015	<ol style="list-style-type: none"> <li>1. To ratify of purchase one GE90-115BL2 spare engine.</li> <li>2. To procure two ATR72-600 aircraft.</li> <li>3. To subscribe new shares of Evergreen Aviation Precision Corp.</li> <li>4. To donate cash to Chang Yung-Fa Foundation for holding concert.</li> <li>5. To approve establishing branch in Istanbul, Turkey.</li> </ol>

Date of Meeting	Major Proposals
November 13, 2015	<ol style="list-style-type: none"> <li>1. To approve the engineering consultant and construction contractor of the new bonded building.</li> <li>2. To approve the adjustment of the member of Corporate Social Responsibility Committee and amend the Regulations of Corporate Social Responsibility Committee.</li> <li>3. To formulate the Procedures for halt and Resumption Applications.</li> </ol>
November 23, 2015	<ol style="list-style-type: none"> <li>1. To procure twenty-four 787 and two 777-300ER aircraft.</li> <li>2. To procure five GENx-1B spare engine.</li> </ol>
December 28, 2015	<ol style="list-style-type: none"> <li>1. To make donation to Chang Yung-Fa Foundation and Chang Yung-Fa Charity Foundation.</li> <li>2. To approve the 2015 annual bonus for the Chairman.</li> <li>3. To approve 2016 remuneration to the Chairman.</li> <li>4. To approve continuation of the compensation structure and performance incentive system for managers.</li> <li>5. To approve continuation of the compensation structure and performance incentive system for directors and supervisors.</li> <li>6. To approve 2015 annual bonus for managers.</li> <li>7. To approve 2016 compensation for managers.</li> <li>8. To approve 2016 remuneration for independent directors and members of the Company's Remuneration Committee.</li> <li>9. To approve directors and supervisors (except independent directors) traffic allowance for attendance Board of Directors in 2016.</li> <li>10. To procure the land located at NO.553, Nanrong Section, Luchu District, Taoyuan City.</li> <li>11. To approve establishing branch office in China's Nantong regions.</li> <li>12. To approve establishing branch office in Cebu, Philippine.</li> <li>13. To approve cash capital subscription of NT\$4 billion.</li> <li>14. To approve the self-assessment results of the Company's compiling Financial Report ability.</li> <li>15. To amend the Authorization List for Acquiring and Disposing of Assets and Other Financial Affairs.</li> <li>16. To formulate the Company's 2016 Internal Audit Plan.</li> <li>17. To appoint the Company's certified public accountants and determine their remuneration.</li> </ol>
March 11, 2016	To elect director Lin, Bou-Shiu as Chairman of the Company.

Date of Meeting	Major Proposals
March 28,2016	<ol style="list-style-type: none"> <li>1. To reassign Chen, Hsien-Hung as President of the Company and Taipei Branch.</li> <li>2. To lift non-competition restrictions of President Chen, Hsien-Hung.</li> <li>3. To amend Articles of Incorporation.</li> <li>4. To amend the content of compensation structure for managers and revise the name to the Payment Regulation of managers compensation.</li> <li>5. To approve 2015 employees' compensation.</li> <li>6. To approve 2016 compensation for President.</li> <li>7. To amend the content of compensation structure for directors and supervisors and revise the name to the Regulation Payment Compensation for directors and supervisors.</li> <li>8. To approve 2015 remuneration for directors and supervisors.</li> <li>9. To approve 2015 remuneration to the Chairman.</li> <li>10. To approve 2015 Operation Report.</li> <li>11. To approve 2015 Parent-company-only Financial Statement and Consolidated Financial Statement.</li> <li>12. To approve the earnings distribution of 2015.</li> <li>13. To approve the issuance of new shares for capital increase by earnings re-capitalization.</li> <li>14. To accept the 2015 Declaration of Internal Control.</li> <li>15. To amend Internal Control System and Internal Audit Implementation Rules.</li> <li>16. To accept 2016 Operation Plan.</li> <li>17. To amend the Corporate Governance Best-Practice Principles.</li> <li>18. To make proposal on 2016 General Shareholders' meeting to lift non-competition restrictions of directors.</li> <li>19. To stipulate the date and venue for the annual 2016 General Shareholders' meeting.</li> </ol>

### 3.3.10 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Director

1. Date of Board Meeting: Mar 11, 2016

Period: 2016 1<sup>st</sup> Board Meeting

Agenda: To elect the Company's Chairman

Name of Directors: Chang, Kuo-Wei ; Cheng, Chuan-Yi

Voting situation: To propose Director Chang, Kuo-Wei as the Company's Chairman.

2. Date of Board Meeting: Mar 28, 2016

Period: 2016 2<sup>nd</sup> Board Meeting

(1) Agenda: To approve 2016 remuneration to the Chairman.

Name of Directors: Song, Yaw-Ming ; Liang, Hwai-Hsin

Voting situation: Abstain from voting.



(2) Agenda: To approve the earnings distribution of 2015.

Name of Directors: Song, Yaw-Ming ; Liang, Hwai-Hsin

Voting situation: Opposition.

(3) Agenda: To approve the issuance of new shares for capital increase by earnings re-capitalization of 2015.

Name of Directors: Song, Yaw-Ming ; Liang, Hwai-Hsin

Voting situation: Abstain from voting.

(4) Agenda: To amend Internal Control System and Internal Audit Implementation Rules.

Name of Directors: Song, Yaw-Ming ; Liang, Hwai-Hsin

Voting situation: Abstain from voting.

### 3.3.11 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

APR 30, 2016

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Chang, Kuo-Wei	2013.01.01	2016.03.11	Dismissal due to the re-appointment of representative of Chang Yung-Fa Charity Foundation
President	Cheng, Chuan-Yi	2013.01.01	2016.03.28	Retirement

### 3.4 Information Regarding the Company's Audit Fee and Independence

#### 3.4.1 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Chen, Ya-Ling	7,315	-	-	-	1,468	1,468	01 Jan~31 Dec, 2015	Tax consult, America airport tax filing, Certification of Dual-Status Business Entities Direct Deduction Method ,Revenue audit for Sky jet center, applying for interpretative letter of taxes, Cash subscription, examination for write-off assets.
	Wang, Ching-Sung								

#### 3.4.2 Replacement of CPA: None

#### 3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Finance Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2015.

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

Title	Name	2015		As of APR 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chang Yung-Fa Charity Foundation	0	0	0	0
	Representative: Lin, Bou-Shiu	0	0	0	0
Director	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
	Representative: Ko, Lee-Ching	0	0	0	0
	Representative: Tai, Jiin-Chyuan	0	0	0	0
Director	Chang Yung-Fa Charity Foundation	0	0	0	0
	Representative: Lee, Wen-Chung	0	0	0	0
Director	Falcon Investment Services Ltd.	278,931,543	0	0	0
	Representative: Song, Yaw-Ming	0	0	0	0
	Representative: Liang, Hwai-Hsin	0	0	0	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: Wu, Kuang-Hui	0	0	0	0
	Representative: Ku Lai, Mei-Hsueh	0	0	0	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.	278,931,543	0	0	0
President	Chen, Hsien-Hung	0	0	0	0
Chief Executive Vice President	Ho, Ching-Sheng	83,690	0	0	0
Executive Vice President	Fang, Gwo-Shiannng	69,737 (18,000)	0	0	0
Executive Vice President	Yuen, Ping-Yu	54,000	0	0	0

Title	Name	2015		As of APR 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President (Financial Officer)	Tsai, Ta-Wei	54,086	0	0	0
Executive Vice President	Chen, Yeou-Yuh	54,015	0	0	0
Executive Vice President	Sun, Chia-Ming	58,142 (28,000)	0	0	0
Executive Vice President	Yang, Yung-Heng	56,592	0	0	0
Executive Vice President	Huang, Sheh-Ming	56,384 (25,000)	0	0	0
Executive Vice President	Li, Shyh-Liang	30,000	0	0	0
Executive Vice President	Chang, Jang-Tsang	0	0	0	0
Executive Vice President	Chen, Chi-Hung	0	0	0	0
Executive Vice President	Liao, Chi-Wei	40,068	0	0	0
Executive Vice President	Kou, Jin-Cheng	0	0	0	0
Executive Vice President	Pu, Wei-Ping	0	0	0	0
Senior Vice President	Hou, Hsien-Yu	40,162 (40,000)	0	0	0
Senior Vice President	Lu, Yu-Chuan	40,156 (41,000)	0	0	0
Senior Vice President	Soong, Allen	40,028	0	0	0
Senior Vice President	Li, Ping-Yin	49,677 (49,000)	0	0	0
Senior Vice President	Yeh, Ching-Far	40,016 (40,000)	0	0	0
Senior Vice President	Tao, Shin-Chien	0	0	0	0
Senior Vice President	Liu, Ying	41,374	0	0	0
Senior Vice President	Chang, Lih-Lih	40,000	0	0	0
Senior Vice President	Chuang, Shih-Hsiung	40,000 (10,000)	0	0	0
Senior Vice President	Chen, Yao-Min	40,197 (8,000)	0	0	0

Title	Name	2015		As of APR 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Yang, Hsiu-Huey	40,036 (40,000)	0	0	0
Senior Vice President	Hsieh, Shu-Hui	0	0	0	0
Senior Vice President	Hsiao, Chin-Lung	35,000 (19,000)	0	0	0
Senior Vice President	Wu, Chun-Hung	35,000 (35,000)	0	0	0
Senior Vice President (Accounting Officer)	Chiang, Chin-Lan	36,301	0	0	0
Senior Vice President	Ho, Li-Cheng	37,209 (13,000)	0	0	0
Senior Vice President	Lee, Cheng-Chieh	35,041	0	0	0
Senior Vice President	Lin, Nan-Yang	40,826	0	0	0
Senior Vice President	Chiou, Yu-Yi	0	0	0	0
Senior Vice President	Wang, Chen-Hsing	0	0	0	0
Senior Vice President	Yeh, Shih-Chung	0	0	0	0
Senior Vice President	Huang, Sandra	0	0	0	0
Senior Vice President	Chang, Yao-Ting	0	0	0	0
Senior Vice President	Hsu, Hui-Sen	0	0	0	0
Deputy Senior Vice President	Wu, Su-Shin	36,687	0	0	0
Deputy Senior Vice President	Chiang, Wei-Du	35,324 (15,000)	0	0	0
Deputy Senior Vice President	Yu, Chia-Chieh	35,589	0	0	0
Deputy Senior Vice President	Chen, Shen-Chi	35,000	0	0	0
Deputy Senior Vice President	Wu, Shu-Ping	40,069 (10,000)	0	0	0
Deputy Senior Vice President	Kuo, Ming-Cheng	38,870	0	0	0
Deputy Senior Vice President	Hsu, Ping	35,015	0	0	0

Title	Name	2015		As of APR 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Deputy Senior Vice President	Chou, Yu-Chuan	35,000	0	0	0
Deputy Senior Vice President	Wang, Yuan-Shyang	35,000 (35,000)	0	0	0
Deputy Senior Vice President	Chiu, Chung-Yu	35,026	0	0	0
Deputy Senior Vice President	Chang, Ming-Hung	55,000 (35,000)	0	0	0
Deputy Senior Vice President	Chen, Chia-Chuan	35,026 (10,000)	0	0	0
Deputy Senior Vice President	Hsu, Ying-Fang	35,000 (35,000)	0	0	0
Deputy Senior Vice President	Liu, Wen-Jang	32,997	0	0	0
Deputy Senior Vice President	Su, Wei-Jen	30,371	0	0	0
Deputy Senior Vice President	Lin, Ta-Yuan	30,000	0	0	0
Deputy Senior Vice President	Hsu, Shu-Ching	30,066	0	0	0
Deputy Senior Vice President	Liu, Tung-I	0	0	0	0
Deputy Senior Vice President	Chang, Yu-Tang	0	0	33,000	0
Deputy Senior Vice President	Tseng, Wen-Chiang	0	0	0	0
Deputy Senior Vice President	Chung, Kai-Cheng	0	0	0	0
Deputy Senior Vice President	Chen, Yu-Hou	0	0	0	0
Deputy Senior Vice President	Pan, Hsin-Hsiu	0	0	0	0

Information of Stock Transfer: NIL

Information of Stock Pledged: NIL

### 3.6 Relationship among the Top Ten Shareholders

Name	Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Evergreen Marine Corp. (Taiwan) Ltd. Representative: Chang, Cheng-Yung	629,483,229	16.31	-		0	0	Evergreen International Storage & Transport Corp.	Evergreen Marine Corp. (Taiwan) Ltd. invest the company under equity method
							Evergreen International Corp.	The reinvestment company of major shareholders of Evergreen Marine Corp. (Taiwan) Ltd.
Evergreen International Corp. Representative: Ko, Lee-Ching	469,648,357	12.17	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	The reinvestment company of major shareholders of Evergreen International Corp.
							Evergreen International Storage & Transport Corp.	Supervisor of Evergreen international Storage & Transport Corp.
							Evergreen Steel Corp.	Evergreen International Corp. invest the company under equity method
Falcon Investment Services Ltd. Representative: Chang, Kuo-Wei	441,894,468	11.45	-		0	0	Chang, Yung-Fa Chang, Kuo-Ming Chang, Kuo-Cheng	Within two degrees kinship with the Representative
Evergreen Steel Corp. Representative: Lee, Kuan-Liang	194,710,074	5.05	-		0	0	Evergreen International Corp.	Evergreen International Corp. invest the company under equity method
Chang, Yung-Fa	112,847,371	2.92	0	0	0	0	Chang, Kuo-Ming, Chang, Kuo-Cheng	Within two degrees kinship
							Falcon Investment Services Ltd.	Within two degrees kinship with the Representative
Chang, Kuo-Cheng	74,957,249	1.94	0	0	0	0	Chang, Yung-Fa Chang, Kuo-Ming	Within two degrees kinship
							Falcon Investment Services Ltd.	Within two degrees kinship with the Representative

Name	Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
New Labor Pension Fund	68,253,995	1.77	-		0	0	-	-
Chang, Kuo-Ming	47,858,445	1.24	21,698,194	0.56	0	0	Chang, Yung-Fa Chang, Kuo-Cheng	Within two degrees kinship
							Falcon Investment Services Ltd.	Within two degrees kinship with the Representative
Cathy Life Insurance Co. Ltd. Representative: Tsai, Hong-Tu	42,541,000	1.10	-		0	0	-	-
Evergreen International Storage & Transport Corp. Representative: Hung, Ping-Kun	38,045,443	0.99	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen Marine Corp. (Taiwan) Ltd. invest the company under equity method
							Evergreen International Corp.	Supervisor of Evergreen International Storage & Transport Corp.

### 3.7 Ownership of Shares in Affiliated Enterprises

As of Dec 31 2015

Unit: thousand Shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
PT Perdana Andalan Air Service	41	51.00	0	0	41	51.00
RTW Air Services (S) Pte. Ltd.	735	49.00	0	0	735	49.00
Green Siam Air Services Co., Ltd.	98	49.00	0	0	98	49.00
Evergreen Airways Service (Macau) Ltd.	-	99.00	-	0	-	99.00
Concord Pacific Ltd.	74,137	100.00	0	0	74,137	100.00
Sky Castle Investment Ltd.	5,500	100.00	0	0	5,500	100.00
EVA Flight Training Academy	10,000	100.00	0	0	10,000	100.00
Evergreen Airline Services Corp.	23,536	56.33	8,356	20.00	31,892	76.33
Evergreen Sky Catering Corp.	49,800	49.80	25,000	25.00	74,800	74.80
Evergreen Security Corp.	6,336	31.25	13,939	68.75	20,275	100.00
Evergreen Aviation Technologies Corp.	508,929	80.00	0	0	508,929	80.00
Evergreen Air Cargo Service Corp.	72,750	60.625	13,649	11.374	86,399	71.999
Hsiang-Li Investment Corp.	2,680	100.00	0	0	2,680	100.00
Evergreen Precision Aviation Corp.	120,000	40.00	90,000	30.00	210,000	70.00



## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

Unit: thousand shares; NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Approval Date and Document No. by Ministry of Economic Affairs
Mar, 2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate Bond Conversion 318,356	-	Apr. 11, 2008. Jing-Shou-Shang Zi No. 09701085730
Apr, 2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate Bond Conversion 358,623	-	Jun. 30, 2008. Jing-Shou-Shang Zi No. 09701154430
Jul, 2009	10	4,000,000	40,000,000	2,262,677	22,626,773	Capital Reduction 16,800,000	-	Jul. 24, 2009. Jing-Shou-Shang Zi No. 09801165370
Sep, 2009	10	4,000,000	40,000,000	2,962,677	29,626,773	Cash Subscription 7,000,000	-	Oct. 12, 2009 Jing-Shou-Shang Zi No. 09801233470
Sep, 2011	10	4,000,000	40,000,000	3,258,945	32,589,450	Capitalization of Retained Earnings 2,962,677	-	Oct. 20, 2011 Jing-Shou-Shang Zi No. 10001239600
Feb, 2015	10	4,000,000	40,000,000	3,858,945	38,589,450	Cash Subscription 6,000,000	-	Mar. 06, 2015 Jing-Shou-Shang Zi No. 10401028870

##### B. Type of Stock

Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	3,858,945	141,055	4,000,000	Shares of TWSE Listed Companies

#### 4.1.2 Status of Shareholders

As of APR 26, 2016

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	6	26	208	116,231	992	117,463
Shareholding (shares)	119,367,181	93,674,992	1,423,967,036	1,236,108,558	985,827,238	3,858,945,005
Percentage (%)	3.09	2.43	36.90	32.03	25.55	100.00

### 4.1.3 Shareholding Distribution Status

#### Common Shares

As of APR 26, 2016

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	37,339	12,001,422	0.31
1,000 ~ 5,000	49,800	114,513,931	2.97
5,001 ~ 10,000	13,895	104,898,595	2.72
10,001 ~ 15,000	5,439	67,221,228	1.74
15,001 ~ 20,000	3,001	54,841,534	1.42
20,001 ~ 30,000	2,761	69,509,531	1.80
30,001 ~ 50,000	2,262	89,765,870	2.33
50,001 ~ 100,000	1,548	109,623,709	2.84
100,001 ~ 200,000	693	98,274,673	2.55
200,001 ~ 400,000	342	95,170,739	2.47
400,001 ~ 600,000	115	57,065,096	1.48
600,001 ~ 800,000	55	38,482,592	1.00
800,001 ~ 1,000,000	28	24,832,754	0.64
1,000,001 or over	185	2,922,743,331	75.73
Total	117,463	3,858,945,005	100.00

### 4.1.4 List of Major Shareholders

As of APR 26, 2016

Entity	Shareholding	Number of Shares	Percentage (%)
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
Evergreen Steel Corp.		194,710,074	5.05
Chang, Yung-Fa		112,847,371	2.92
Chang, Kuo-Cheng		74,957,249	1.94
New Labor Pension Fund		68,253,995	1.77
Chang, Kuo-Ming		47,858,445	1.24
Cathay Life Insurance Co., Ltd.		42,541,000	1.10
Evergreen International Storage & Transport Corp.		38,045,443	0.99

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2014 (Distributed in 2015)	2015 (Distributed in 2016)	2016 (As of APR 30)
<b>Market Price per Share</b>			
Highest Market Price	23.90	25.25	18.90
Lowest Market Price	14.00	16.30	15.70
Average Market Price	18.38	21.21	17.69
<b>Net Worth per Share</b>			
Before Distribution	10.55	12.66	-
After Distribution	-	-	-
<b>Earnings per Share</b>			
Weighted Average Shares (thousands)	3,258,945	3,804,699	3,858,945
Earnings per Share	(0.40)	1.69	-
<b>Dividends per Share</b>			
Cash Dividends	-	-	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	(45.95)	12.55	-
Price / Dividend Ratio (Note 2)	-	-	-
Cash Dividend Yield Rate (Note 3)	-	-	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

If the Company reports a surplus at the year end, after clearing taxes, the Company shall first offset losses from previous years (if any), then set aside 10% of the balance as the statutory surplus reserve, and set aside or reverse special surplus reserve per the provisions. After that, the Board of Directors shall propose a surplus distribution plan of the balance plus the retained earnings accrued from prior years, submit the distribution plan to the shareholders' meeting for approval, and then distribute it.

The dividends shall be distributed in the combination of cash and stocks, provided that cash dividends shall not be less than 10% of the total amount of dividends.

#### B. Proposed Distribution of Dividend

The proposal for the distribution of 2015 profits was passed at the meeting of the Board of Directors on Mar. 28, 2016 and will be distributed after discussion at the annual general shareholders' meeting on Jun. 24, 2016.

Cash Dividends to Common Shareholders	NT\$0.3/ per share	NT\$1,157,683,502
Stock Dividends to Common Shareholders	NT\$0.5/ per share	192,947,251 shares

#### 4.1.7 Impact of Stock Dividends issuance on the Company's Business Performance and Earnings per Share: N/A (The Company didn't disclose 2016 financial forecast.)

#### 4.1.8 Employees' Compensation and Remuneration of Directors and Supervisors

A. The amendment of Article of Incorporation has been approved by Board of Directors' meeting on Mar. 28, 2016 and will be proposed on 2016 General Shareholders' meeting.

If the Company makes profit in a fiscal year, employees' compensation, no less than 1% of the profit, and remuneration of directors and supervisors, no more than 5% of the profit, shall be set aside. However, in case the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses beforehand. The employees' compensation and the remuneration of directors and supervisors shall be set aside afterwards according to the principles mentioned above.

The employees' compensation shall be distributed in the form of stock or cash; while the remuneration of directors and supervisors shall be distributed only in the form of cash.

The profit mentioned above refers to profit before tax without deducting employees' compensation and remuneration of directors and supervisors.

The amount of employees' compensation and remuneration of directors and supervisors as well as the payment method of employees' compensation shall be determined by a resolution adopted by a majority vote at a board of directors' meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting.

B. Appropriation for Employees' Compensation and Remuneration of Directors and Supervisors:

Item	Resolutions of Board of Directors (Mar. 28, 2016)
Remuneration of Directors and Supervisors (Cash)	NT\$10,000,000
Employees' Compensation (Cash)	NT\$90,623,265

C. The Distribution Status of Employees' Compensation and Remuneration of Directors and Supervisors of previous year (including distributed shares, amount and market price). If the amount distributed vary from the amount recognized, it should display the difference amount, reason and the status of handling procedure:

The Company neither distributed employees' compensation and remuneration of directors and supervisors nor recognized employees' compensation expense of year 2014.

#### 4.1.9 Buyback of Treasury Stock: None

## 4.2 Corporate Bonds

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\$3,550,000,000
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		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

**4.3 Global Depository Receipts:** None

**4.4 Employee Stock Options:** None

**4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions:** None

**4.6 Financing Plans and Implementation:** As of first quarter of 2016, the financing plans and implementation of the Company's previous issued or private placement securities are executed accordingly.



## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

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

1. civil aviation transportation and general aviation business
2. maintenance of aircraft, engine and parts
3. ground service at airports
4. catering service
5. air cargo entrepot
6. manufacture of aircraft parts
7. to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

##### B. Revenue Distribution

Unit: NT\$ thousands

Year \ Item	Passenger		Cargo		Other		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2015	81,871,572	60%	26,093,054	19%	29,203,918	21%	137,168,544	100%
2014	77,959,069	59%	31,257,603	23%	23,873,336	18%	133,090,008	100%

#### 5.1.2. Research and Development

Research Product	Explanation
WCAG Compliance	EVA upgraded our website to comply with the U.S. Department of Transportation (DOT) rule (Title 14 CFR Part 382) regarding implementation of ACAA (Air Carrier Access Act). We developed all pages and functions to conform to standards for accessibility outlined in the widely used WCAG (Web Content Accessibility Guidelines) 2.0 and now meet Level AA Success Criteria mandated by W3C (World Wide Web Consortium). All of our core air travel services, information and functions (e.g., booking, modifying reservations or seats, check-in, Infinity MileageLands member privilege, etc.) have been fully accessible since December, 2015.

Research Product	Explanation
Inflight Entertainment System Value-Added Service	EVA began to introduce our latest Boeing 777-300ERs with the newest Panasonic Inflight Entertainment System eX3, global roaming (GCS), larger touchscreens and Wi-Fi capabilities in 2014. Further elevating our passenger experience, we integrated inflight sales and Audio-Video on demand into this system. Now, for our passengers' inflight enjoyment and convenience, our electronic Sky Shop, beverage and meal menus and a variety of entertainment options are right at their fingertips whenever they want to access them.
Flight Information Mobility	We developed a mobile App, using our EVA flight information system that integrates everything from all channels into one place and launched it globally in 2015. Instead of relying on inefficient communication and paper work, our ground staffs and maintenance engineers can now access flight information and aircraft conditions immediately, using this App on their hand-held devices. This App better prepares our staff to quickly take the best actions and make optimal decisions during pre-flight-check procedures.
Catering and Cabin Services Mobilization	To ensure that all catering and inflight-service-item loading is smooth and completed on time, EVA implemented the Catering and Cabin Services App in 2015, giving our ground staff easy access and improving pre-flight preparation coordination. Ground staff can now update status of these operations in real-time instead of waiting for the labor-intensive paperwork. Our state-of-the-art mobile solution now gives our Control Room up-to-the-minute status of these operations and prepares them to take appropriate and immediate actions to correct any irregularities.
Passenger O&D Analysis Project	EVA developed "Marriage O&D Analysis" and "Geographical O&D Analysis" functions in our own EDW system, tracking seat bookings, ticket fares, flight routes, marketing channels and OAL corporations to enhance sales. Making these accurate analyses tools available on our EDW helps us make the best decisions about marketing strategies and revenue optimization.
Enhancement of Global Network Performance Management	We have faced more and more challenges as we have worked to identify technologies to ensure a reliable, resilient global network and equip us to both meet rapidly growing demand for an excellent customer experience and effectively utilize IT innovations such as the cloud and mobility. EVA further improved our global networking service level by implementing a global network performance and bandwidth monitoring system in 2015. We can use these tools to quickly identify and resolve any bottlenecks, upgrading the quality of our network services.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Main Sales (Service) Region

##### Passenger Operations:

Item Region	2014			2015		
	No. of Passenger	RPK (Million)	Revenue (NT\$ Million)	No. of Passenger	RPK (Million)	Revenue (NT\$ Million)
America	1,375,420	14,488	28,817	1,633,066	17,425	30,475
Europe	671,654	4,976	9,505	687,534	5,145	9,311
Asia	6,812,554	10,768	39,067	7,697,952	12,401	41,501
Oceania	42,377	286	570	46,303	313	585
Total	8,902,005	30,518	77,959	10,064,855	35,284	81,872

##### Cargo Operations:

Item Region	2014			2015		
	Cargo Carried (Tons)	FTK (Million)	Revenue (NT\$ Million)	Cargo Carried (Tons)	FTK (Million)	Revenue (NT\$ Million)
America	245,827	2,895	20,192	228,935	2,636	17,898
Europe	50,753	516	3,747	39,710	403	2,444
Asia	386,056	643	7,258	351,770	593	5,694
Oceania	1,655	11	61	1,735	12	57
Total	684,291	4,065	31,258	622,150	3,644	26,093

#### B. Market Share (%) of Major Product Categories in the Last Two Years

Item	Year	2014	2015
Number of Flights	EVA Air	44,481	48,165
	Taiwan	241,761	255,759
	Market Share (%)	18.40	18.83
Number of Passengers	EVA Air	8,804,661	9,990,339
	Taiwan	44,035,682	47,811,845
	Market Share (%)	19.99	20.90
Tons of Cargo	EVA Air	606,199	551,157
	Taiwan	2,170,389	2,100,672
	Market Share (%)	27.93	26.23

Data Source: Monthly Digest of Statistics, CAA

Unit: %

Airline \ Year	2014		2015	
	Passenger	Cargo	Passenger	Cargo
China Airlines	27.68	36.23	26.74	37.89
EVA Airways	19.99	27.93	20.90	26.23
Mandarin Airlines	2.95	0.63	3.02	0.81
TransAsia Airways	4.20	0.83	3.45	0.51
UNI Airways	1.76	0.86	1.57	0.41
Far Eastern Air	0.63	0.00	0.66	0.00

Data Source: Monthly Digest of Statistics, CAA. Cargo data is the statistics of each airlines trade volume of import, export and transit cargo.

### 5.2.2 Production Procedures of Main Products

#### Major Products and Their Main Uses

Major Products	Main Uses
Passenger	International Air Transport and scheduled and non-scheduled charter flight.
Cargo	International cargo, express, mail and package transportation.
Others	Duty free sales and aircraft maintenance.

### 5.2.3 Supply Status of Main Materials

The Group mainly focuses on air transportation service and maintenance of airframe, engine and aircraft parts. Fuel is the main material for operation use.

#### Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2014			2015			2016 (As of March 31)		
	Company Name	Amount	(%)	Company Name	Amount	(%)	Company Name	Amount	(%)
1	CPC Corp.	12,193,803	10.09	Formosa Petrochemical co.	7,608,756	6.51	Formosa Petrochemical co.	1,314,261	4.41
2	Formosa Petrochemical co.	10,530,109	8.71	CPC Corp.	6,870,184	5.88	CPC Corp.	1,279,348	4.29
3	TESORO	5,261,788	4.35	AVIALL AIRSTOCKS LIMITED	4,361,023	3.73	GE ENGINE SERVICES DISTRIBUTION	1,266,047	4.24
4	CHEVRON	3,835,412	3.17	TESORO	2,963,408	2.53	AVIALL AIRSTOCKS LIMITED	1,184,178	3.97
5	MORGAN STANLEY CAPITAL GROUP	3,470,713	2.87	GE ENGINE SERVICES DISTRIBUTION	2,837,115	2.43	CHEVRON	521,815	1.75
	Others	85,549,183	70.81	Others	92,288,616	78.92	Others	24,267,820	81.34
	Net Total	120,841,008	100.00	Net Total	116,929,102	100.00	Net Total	29,833,469	100.00

## 5.2.4 Production in the Last Two Years

Year	2014	2015	Change rate
Capacity and Traffic			
Passenger Capacity(Thousand)	39,038,646	43,644,951	11.80%
Passenger Traffic(Thousand)	30,518,216	35,283,104	15.61%
Passenger Load Factor (%)	78.17%	80.84%	2.67ppt
Cargo Capacity(Thousand)	4,777,094	4,403,697	-7.82%
Cargo Traffic(Thousand)	4,064,751	3,644,451	-10.34%
Cargo Load Factor (%)	85.09%	82.76%	-2.33ppt
Overall Capacity(Thousand)	8,290,572	8,331,743	0.50%
Overall Traffic(Thousand)	6,811,391	6,819,930	0.13%
Overall Load Factor (%)	82.16%	81.85%	-0.31ppt

## 5.2.5 Sales in the Last Two Year

Unit: NT\$ thousands

Year	2014		2015	
	Quantity	Amount	Quantity	Amount
Passenger	8,902,005	77,959,069	10,064,855	81,871,572
Cargo(Tons)	684,291	31,257,603	622,150	26,093,054
Others	-	23,873,336	-	29,203,918
Total	-	133,090,008	-	137,168,544

## 5.3 Human Resources

Year	2014	2015	as of APR 30, 2016	
Number of Employees	Pilot	1,105	1,171	1,224
	Crew	2,793	3,292	3,756
	Others	10,433	11,092	11,480
	Total	14,331	15,555	16,460
Average Age	35.4	35.4	35.0	
Average Years of Service	9.4	9.1	8.6	
Education %	Ph.D.	0.1	0.1	0.1
	Masters	5.2	4.9	5.0
	Bachelor's Degree	76.8	77.0	77.6
	Senior High School	14.6	14.6	14.1
	Below Senior High School	3.3	3.4	3.2

## 5.4 Environmental Protection Expenditure

### 5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None.

### 5.4.2 Countermeasures

Unit: NT\$ thousands

Item / Year	2015	2016(Estimated)
Cleaning fee of litter	30,835	26,823
Aircraft noise prevention charge	133,241	145,534
EU carbon emissions fee	230	236
Expenses for development the environmental and energy management system program	4,456	7,657
Sewage treatment plant	156,372	-
Disposal fee of polluted water	13,175	20,215

## 5.5 Labor Relations

Please refer to page 94-97 of the Chinese annual report.

## 5.6 Important Contracts

### A. Leasing Contracts

As of APR 30, 2016

Counterparty	Contract Period	Major Contents	Limited Clause
Gecas Aircraft Leasing Netherlands B.V.	2004.04~2017.06	747-400 (B-16401)	-
Gecas Aircraft Leasing Netherlands B.V.	2004.04~2016.11	747-400 (B-16402)	-
Gecas Aircraft Leasing Netherlands B.V.	2004.04~2016.05	747-400 (B-16462)	-
Orchard Aviation (A330) Pte. Ltd.	2013.04~2016.05	A330-200 (B-16306)	-
Orchard Aviation (A330) Pte. Ltd.	2013.12~2016.11	A330-200 (B-16307)	-
GFL Aircraft Leasing Netherlands B.V.	2007.02~2017.03	A330-200 (B-16308)	-
Aptree Aviation Trading 2 Co., Limited	2012.04~2017.05	A330-200 (B-16309)	-
CIT Aerospace International	2011.10~2023.10	A330-300 (B-16331)	-
CIT Aerospace International	2011.11~2023.11	A330-300 (B-16332)	-
CIT Aerospace International	2011.12~2023.12	A330-300 (B-16333)	-
Intrepid Aviation Group LLC	2015.11~2027.11	A330-300 (B-16335)	-
Intrepid Aviation Group LLC	2015.12~2027.12	A330-300 (B-16336)	-
DAE Capital Leasing B.V.	2008.03~2017.07	777-300ER (B-16701)	-
DAE Capital Leasing B.V.	2008.03~2017.08	777-300ER (B-16702)	-
HKAC Rentals (UK) Company Limited	2006.06~2024.06	777-300ER (B-16703)	-
IGAF MSN 33755 B.V.	2008.07~2020.07	777-300ER (B-16712)	-
ALC B773 44554, LLC	2015.11~2028.05	777-300ER (B-16725)	-
ALC B773 44552, LLC	2016.01~2028.01	777-300ER (B-16726)	-
ACG Acquisition BR2012-10B LLC	2012.10~2022.10	A321-200 (B-16201)	-
ACG Acquisition BR2012-10A LLC	2012.12~2022.12	A321-200 (B-16202)	-
ACG Acquisition BR2012-11 LLC	2012.12~2022.12	A321-200 (B-16203)	-
ACG Acquisition BR2013-02 LLC	2013.02~2023.02	A321-200 (B-16205)	-
Panamera Aviation Leasing Limited	2013.10~2023.10	A321-200 (B-16206)	-
Jin Shan Ireland Company Limited	2014.10~2023.11	A321-200 (B-16207)	-
Jin Shan Ireland Company Limited	2014.10~2024.03	A321-200 (B-16208)	-
Celestial Aviation Trading 54 Limited	2014.03~2024.03	A321-200 (B-16209)	-

Counterparty	Contract Period	Major Contents	Limited Clause
Celestial Aviation Trading 54 Limited	2014.05~2024.05	A321-200 (B-16210)	-
Celestial Aviation Trading 20 Limited	2014.07~2024.07	A321-200 (B-16211)	-
Celestial Aviation Trading 27 Limited	2014.09~2024.09	A321-200 (B-16212)	-
Celestial Aviation Trading 46 Limited	2014.10~2024.10	A321-200 (B-16213)	-
BOC Aviation Pte. Ltd.	2015.03~2025.03	A321-200 (B-16215)	-
BOC Aviation Pte. Ltd.	2015.04~2025.04	A321-200 (B-16216)	-
BOC Aviation Pte. Ltd.	2015.05~2025.05	A321-200 (B-16217)	-
BOC Aviation Pte. Ltd.	2015.06~2025.06	A321-200 (B-16218)	-
BOC Aviation Pte. Ltd.	2015.07~2025.07	A321-200 (B-16219)	-
BOC Aviation Pte. Ltd.	2015.08~2025.08	A321-200 (B-16220)	-
BOC Aviation Pte. Ltd.	2016.01~2026.01	A321-200 (B-16221)	-
BOC Aviation Pte. Ltd.	2016.02~2026.02	A321-200 (B-16222)	-
BOC Aviation Pte. Ltd.	2016.04~2026.04	A321-200 (B-16223)	-
C&L Leasing Co., Ltd.	2007.05~2019.05	777-300ER (B-16707)	-
C&L Leasing Co., Ltd.	2007.12~2019.12	777-300ER (B-16709)	-
UNI Airways Corporation	2016.01~2016.12	747-400(B-16411)	-
UNI Airways Corporation	2016.01~2016.12	777-300ER(B-16707)	-
UNI Airways Corporation	2016.01~2016.12	A330-200(B-16306)	-
UNI Airways Corporation	2016.01~2016.12	A321-200(B-16201)	-
UNI Airways Corporation	2016.01~2016.12	A321-200(B-16202)	-
UNI Airways Corporation	2016.01~2016.12	A321-200(B-16203)	-
UNI Airways Corporation	2015.09~2017.09	A321-200(B-16209)	-
UNI Airways Corporation	2015.09~2017.09	A321-200(B-16210)	-
Taoyuan Airport Corporation	2014.01~2016.12	Land and House lease	-
Taoyuan Airport Corporation	2015.07~2025.07	Land and House lease	-
CAA Taipei Station	2014.01~2016.12	Land and House lease	-
CAA Taipei Station	2012.03~2022.02	Land and House lease	-
Evergreen Aviation Technologies Corp.	2014.10~until paper request to cease contract	Bonded Warehouse and Open Platform	-



## B. Loan Contracts

As of APR 30, 2016

Institution	Loan period	Type of Loans	Limited Clause
Hua Nan Commercial Bank	2006.06~2018.06	Secured Loans (Aircraft Type : A330-200)	-
Mega International Commercial Bank, etc. Syndicated Loan	2006.11~2018.11	Secured Loans (Aircraft Type : 777-300ER)	-
Mega International Commercial Bank, etc. Syndicated Loan	2007.02~2019.02		-
Mega International Commercial Bank, etc. Syndicated Loan	2007.09~2019.09		-
Bank of Taiwan	2008.05~2020.05		-
First Commercial Bank, etc. Syndicated Loan	2008.06~2020.06		-
Taiwan Cooperative Bank, etc. Syndicated Loan	2009.02~2021.02		-
First Commercial Bank, etc. Syndicated Loan	2010.11~2022.11		-
Hua Nan Commercial Bank	2014.05~2026.05		-
Bank of Taiwan	2014.06~2026.06		-
Taiwan Cooperative Bank	2014.09~2026.09		-
Mega International Commercial Bank	2015.03~2027.03		-
Chang Hwa Commercial Bank	2015.09~2027.09		-
Hua Nan Commercial Bank	2015.10~2027.10		-
KGI Bank	2015.12~2022.12		Secured Loans Land & Buildings
Bank of Taiwan	2016.01~2023.01	-	
Bank of Taiwan	2013.12~2016.06	Unsecured Loans	-
Far Eastern International Bank	2011.08~2016.08		-
The Export-Import Bank of the Republic of China	2015.09~2016.10		-
Hua Nan Commercial Bank	2011.10~2016.10		-
Chang Hwa Commercial Bank	2011.10~2016.10		-
Taiwan Cooperative Bank	2011.11~2016.11		-
Taiwan Cooperative Bank	2012.03~2016.11		-
Sunny Bank	2014.02~2017.02		-
Taishin International Bank	2014.02~2017.02		-
Cathay United Bank	2012.06~2017.06		-

Institution	Loan period	Type of Loans	Limited Clause
Bank of Taiwan	2012.09~2017.09	Unsecured Loans	-
KGI Bank	2014.11~2017.11		-
KGI Bank	2015.05~2017.11		-
China Construction Bank	2014.12~2017.12		-
CTBC Bank	2015.09~2018.09		-
Bank of Taiwan	2013.12~2018.12		-
Hua Nan Commercial Bank	2014.02~2019.02		-
Bank of Communications	2016.02~2019.02		-
Bank of Communications	2016.03~2019.03		-
Chang Hwa Commercial Bank	2014.04~2019.04		-
Taiwan Cooperative Bank	2014.05~2019.05		-
Chang Hwa Commercial Bank	2014.09~2019.09		-
Chang Hwa Commercial Bank	2014.11~2019.11		-
Bank of Taiwan	2015.05~2020.05		-

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet – Based on IFRS (Consolidated)

Unit: NT\$ thousands

Item	2011	2012	2013	2014	2015	2016.03.31	
Current Assets		45,489,820	46,119,654	50,095,894	58,585,588	61,963,779	
Property, Plant and Equipment		94,745,769	88,226,342	98,752,051	113,750,466	113,838,585	
Intangible Assets		2,271,741	2,431,864	2,407,217	2,272,757	2,242,261	
Other Assets		13,016,987	15,945,074	16,305,038	20,797,501	21,425,628	
Total Assets		155,524,317	152,722,934	167,560,200	195,406,312	199,470,253	
Current Liabilities	Before Distribution	38,861,449	38,740,228	51,352,783	58,580,061	58,889,488	
	After Distribution	38,861,449	38,740,228	51,352,783	(Note 4)	-	
Non-current Liabilities		77,278,067	73,725,345	76,530,416	82,098,729	83,968,975	
Total Liabilities	Before Distribution	116,139,516	112,465,573	127,883,199	140,678,790	142,858,463	
	After Distribution	116,139,516	112,465,573	127,883,199	(Note 4)	-	
Equity attributable to Owners of parent	Not applicable	35,367,922	35,838,033	34,391,884	48,858,814	50,609,479	
Common Stock		32,589,450	32,589,450	32,589,450	38,589,450	38,589,450	
Capital Collected in advance		-	-	186,567	-	-	
Capital Surplus		1,723,602	1,723,602	2,047,602	6,237,027	6,237,027	
Retained earnings		Before Distribution	1,895,476	2,275,240	739,412	6,347,229	7,414,555
		After Distribution	1,895,476	2,275,240	739,412	(Note 4)	-
Other Equity		(840,606)	(750,259)	(1,171,147)	(2,314,892)	(1,631,553)	
Treasury Stock		-	-	-	-	-	
Non-controlling Interests		4,016,879	4,419,328	5,285,117	5,868,708	6,002,311	
Total Equity		Before Distribution	39,384,801	40,257,361	39,677,001	54,727,522	56,611,790
		After Distribution	39,384,801	40,257,361	39,677,001	(Note 4)	-

Note1: Above data are based on the consolidated financial statements as of December 31, 2015, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2016 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.

Note 4: Pending for shareholders resolution.

## 6.1.2 Condensed Statement of Comprehensive Income – Based on IFRS (Consolidated)

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

Item	2011	2012	2013	2014	2015	2016.03.31
Operating Revenue		120,158,467	124,164,451	133,090,008	137,168,544	34,906,089
Gross Profit		10,902,960	12,967,732	12,249,000	20,239,442	5,072,620
Operating Income (Loss)		2,409,150	3,470,319	2,634,889	9,205,241	2,158,854
Non-operating income and expenses		(713,983)	(1,629,981)	(2,585,944)	(1,840,037)	(633,490)
Profit (Loss) before tax	Not Applicable	1,695,167	1,840,338	48,945	7,365,204	1,525,364
Profit (Loss)		1,195,687	1,279,725	(789,918)	6,859,210	1,201,439
Other comprehensive income (loss), net of tax		(1,541,101)	(279,340)	(667,708)	(2,067,974)	682,829
Comprehensive Income (Loss)		(345,414)	1,000,385	(1,457,626)	4,791,236	1,884,268
Profit or Loss attributable to:						
Owners of Parent	Not Applicable	655,200	747,450	(1,306,724)	6,436,425	1,067,326
Non-controlling interests		540,487	532,275	516,806	422,785	134,113
Comprehensive income attributable to:						
Owners of Parent	Not Applicable	(826,131)	470,111	(1,956,716)	4,453,225	1,750,665
Non-controlling interests		480,717	530,274	499,090	338,011	133,603
Basic earnings (loss) per share		0.20	0.23	(0.40)	1.69	0.28

Note1: Above data are based on the consolidated financial statements as of December 31, 2015, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2016 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.

### 6.1.3 Condensed Balance Sheets – Based on IFRS (The Company)

Unit: NT\$ thousands

Item		2011	2012	2013	2014	2015
Current Assets			31,865,344	31,254,902	34,164,746	39,263,072
Property, Plant and Equipment			89,014,699	82,473,206	90,240,743	103,950,044
Intangible Assets			303,333	412,777	465,026	455,178
Other Assets			21,110,574	25,253,893	26,617,105	32,819,367
Total Assets			142,293,950	139,394,778	151,487,620	176,487,661
Current Liabilities	Before Distribution		36,603,179	36,240,883	48,369,147	53,762,220
	After Distribution		36,603,179	36,240,883	48,369,147	(Note 3)
Non-current Liabilities			70,322,849	67,315,862	68,726,589	73,866,627
Total Liabilities	Before Distribution		106,926,028	103,556,745	117,095,736	127,628,847
	After Distribution		106,926,028	103,556,745	117,095,736	(Note 3)
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	6,237,027
Retained earnings	Before Distribution		1,895,476	2,275,240	739,412	6,347,229
	After Distribution		1,895,476	2,275,240	739,412	(Note 3)
Other Equity			(840,606)	(750,259)	(1,171,147)	(2,314,892)
Treasury Stock			-	-	-	-
Total Equity	Before Distribution		35,367,922	35,838,033	34,391,884	48,858,814
	After Distribution		35,367,922	35,838,033	34,391,884	(Note 3)

Note1: Above data are based on the consolidated financial statements as of December 31, 2015, 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.

Note3: Pending for shareholders resolution.

#### 6.1.4 Condensed Statement of Comprehensive Income -Based on IFRS (The Company)

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

Item	2011	2012	2013	2014	2015
Operating Revenue		107,147,807	110,747,462	116,921,858	115,892,656
Gross Profit		8,075,673	10,284,596	9,570,778	17,352,315
Operating Income (Loss)		196,107	1,588,253	636,236	7,372,937
Non-operating income and expenses		557,916	(686,542)	(1,514,317)	(833,408)
Profit (Loss) before tax	Not Applicable	754,023	901,711	(878,081)	6,539,529
Profit (Loss)		655,200	747,450	(1,306,724)	6,436,425
Other comprehensive income (loss), net of tax		(1,481,331)	(277,339)	(649,992)	(1,983,200)
Comprehensive Income (Loss)		(826,131)	470,111	(1,956,716)	4,453,225
Basic earnings (loss) per share		0.20	0.23	(0.40)	1.69

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2015, 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.

### 6.1.5 Condensed Balance Sheets – Based on ROC GAAP (Consolidated)

Unit: NT\$ thousands

Item		2011	2012	2013	2014	2015
Current Assets		45,720,568	49,938,664			
Funds and Investments		5,224,441	5,295,605			
Property, Plant and Equipment		94,857,339	87,779,979			
Intangible Assets		351,146	281,504			
Other Assets		5,242,218	5,970,823			
Total Assets		151,395,712	149,266,575			
Current Liabilities	Before Distribution	36,234,830	38,076,906			
	After Distribution	36,647,779	38,388,164			
Long-term Liabilities		70,566,107	67,892,564			
Other Liabilities		2,948,851	2,582,594			
Total Liabilities	Before Distribution	109,749,788	108,552,064			
	After Distribution	110,162,737	108,863,322			
Common Stock		32,589,450	32,589,450			
Capital Surplus		2,626,446	2,626,446			
Retained earnings	Before Distribution	6,301,045	6,805,056			
	After Distribution	5,844,465	6,446,002			
Unrealized gains or losses on financial instruments		202,590	265,365			
Cumulative translation adjustments		(2,579,360)	(4,376,170)			
Net loss not recognized as pension cost		(1,266,896)	(1,356,686)			
Minority Interest		3,772,649	4,161,050			
Total Equity	Before Distribution	41,645,924	40,714,511			
	After Distribution	41,232,975	40,403,253			

Not Applicable  
(The Company compiled its financial statement referred to IFRSs from 2013)

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

### 6.1.6 Condensed Statement of Comprehensive Income – Based on ROC GAAP (Consolidated)

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

Item	2011	2012	2013	2014	2015
Operating Revenue	113,619,373	120,121,016	<p style="text-align: center;">Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)</p>		
Gross Profit	10,255,304	11,584,765			
Operating Income	2,440,954	2,995,372			
Non-operating income and gains	707,204	792,723			
Non-operating expenses and losses	2,028,976	2,317,222			
Income before income tax	1,119,182	1,470,873			
Net income	750,933	1,041,083			
Income attributable to:					
Parent Company	209,028	504,011	<p style="text-align: center;">Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)</p>		
Minority interest	541,905	537,072			
Basic earnings per share	Before retraced adjustment	0.06			
	After retraced adjustment	0.06	0.15		

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



### 6.1.7 Condensed Balance Sheets – Based on ROC GAAP (The Company)

Unit: NT\$ thousands

Item		2011	2012	2013	2014	2015
Current Assets		32,841,444	35,967,240			
Funds and Investments		13,449,975	14,359,368			
Property, Plant and Equipment		87,529,888	80,598,176			
Intangible Assets		301,345	225,167			
Other Assets		5,123,260	5,900,614			
Total Assets		139,245,912	137,050,565			
Current Liabilities	Before Distribution	33,383,685	35,942,709			
	After Distribution	33,383,685	35,942,709			
Long-term Liabilities		64,952,297	61,609,082			
Other Liabilities		3,036,655	2,945,313			
Total Liabilities	Before Distribution	101,372,637	100,497,104			
	After Distribution	101,372,637	100,497,104			
Common Stock		32,589,450	32,589,450			
Capital Surplus		2,626,446	2,626,446			
Retained earnings	Before Distribution	6,301,045	6,805,056			
	After Distribution	6,301,045	6,805,056			
Unrealized gains or losses on financial instruments		202,590	265,365			
Cumulative translation adjustments		(2,579,360)	(4,376,170)			
Net loss not recognized as pension cost		(1,266,896)	(1,356,686)			
Total Equity	Before Distribution	37,873,275	36,553,461			
	After Distribution	37,873,275	36,553,461			

Not Applicable  
(The Company compiled its financial statement referred to IFRSs from 2013)

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

### 6.1.8 Condensed Statement of Comprehensive Income – Based on ROC GAAP (The Company)

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

Item		2011	2012	2013	2014	2015
Operating Revenue		102,192,051	107,110,356	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)		
Gross Profit		7,780,266	8,783,242			
Operating Income		447,553	810,972			
Non-operating income and gains		1,675,937	1,543,329			
Non-operating expenses and losses		1,886,123	1,821,944			
Income before income tax		237,367	532,357			
Net income		209,028	504,011			
Basic earnings per share	Before retraced adjustment	0.06	0.15			
	After retraced adjustment	0.06	0.15			

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

### 6.1.9 Auditors' Opinions from 2011 to 2015

Year	CPA	Audit Opinion
2011	Chen, Ya-Ling 、 Chang, Chia-Hsin	An Unqualified Opinion with explanatory paragraph
2012	Chang, Chia-Hsin 、 Shih, Wei-Ming	
2013	Chang, Chia-Hsin 、 Shih, Wei-Ming	An Unqualified Opinion
2014	Chen, Ya-Ling 、 Wang, Ching Sung	
2015	Chen, Ya-Ling 、 Wang, Ching Sung	

## 6.2 Five-Year Financial Analysis

### A. Financial Analysis – Based on IFRS (Consolidated)

Item		2011	2012	2013	2014	2015	2016.03.31
Financial Structure (%)	Debts Ratio		74.68	73.64	76.32	71.99	71.62
	Long-term Fund to Property, Plant and Equipment		123.13	129.19	117.68	120.29	123.49
Solvency (%)	Current Ratio		117.06	119.05	97.55	100.01	105.22
	Quick Ratio		91.54	94.11	79.69	82.47	88.88
	Times Interest Earned (Times)		205.30	225.03	109.40	562.49	734.16
Operating Performance	Average Collection Turnover (Times)(Note1)		-	-	-	-	-
	Average Collection Days for Receivables		-	-	-	-	-
	Average Inventory Turnover (Times)(Note1)		-	-	-	-	-
	Average Payment Turnover (Times)(Note1)		-	-	-	-	-
	Average Days for Sale of Goods (Note1)		-	-	-	-	-
	Property, Plant and Equipment Turnover (Times)	Not Applicable	1.23	1.36	1.42	1.29	0.31
	Total Assets Turnover (Times)		0.77	0.81	0.83	0.76	0.18
Profitability	Return on Total Assets (%)		1.72	1.69	0.32	4.55	0.78
	Return on Total Equity (%)		3.02	3.21	(1.98)	14.53	2.16
	Pre-tax Income to Paid-in Capital Ratio (%)		5.20	5.65	0.15	19.09	3.95
	Net Margin (%)		1.00	1.03	(0.59)	5.00	3.44
	Earnings (Loss) Per Share (NT\$)		0.20	0.23	(0.40)	1.69	0.28
Cash Flow (%)	Ratio of Cash Flows		38.29	44.53	29.55	44.43	9.48
	Cash Flow Adequacy Ratio		214.14	202.97	121.38	113.36	114.62
	Ratio of Reinvestment for Cash		8.70	10.16	8.33	12.45	2.58
Leverage	Operating Leverage		13.31	10.31	14.01	5.20	5.92
	Financial Leverage		3.86	1.86	2.46	1.23	1.23

Analysis of deviation of 2015 vs. 2014 over 20%:

1. Times Interest Earned and ratio of Profitability changed mainly because the company showed a turn from loss to profit after tax which resulted in the variation of each ratio.
2. Cash Flow: The increasing rate of net cash flows from operation activities is much more than the increasing rate of current liabilities. Therefore, the ratio of cash flows and ratio of reinvestment for cash increased relatively.
3. Operating Leverage: The operating income of year 2015 increased compared to that of year 2014 which resulted in the operating leverage decreased relatively.
4. Financial Leverage: The operating income after deducting interest expenses of year 2015 increased compared to year 2014, which resulted in the decrease of financial leverage.

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the consolidated financial statements as of December 31, 2015, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2016 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.

## B. Financial Analysis – Based on IFRS (The Company)

Item		2011	2012	2013	2014	2015
Financial Structure (%)	Debts Ratio		75.14	74.29	77.30	72.32
	Long-term Fund to Property, Plant and Equipment		118.73	125.08	114.27	118.06
Solvency (%)	Current Ratio		87.06	86.24	70.63	73.03
	Quick Ratio		77.73	78.77	65.23	67.85
	Times Interest Earned (Times)		153.56	170.15	41.29	555.41
Operating Performance	Average Collection Turnover (Times)(Note1)		-	-	-	-
	Average Collection Days for Receivables		-	-	-	-
	Average Inventory Turnover (Times)(Note1)		-	-	-	-
	Average Payment Turnover (Times)(Note1)		-	-	-	-
	Average Days for Sale of Goods (Note1)		-	-	-	-
	Property, Plant and Equipment Turnover (Times)	Not Applicable	1.16	1.29	1.35	1.19
	Total Assets Turnover (Times)		0.75	0.79	0.80	0.71
Profitability	Return on Total Assets (%)		1.42	1.39	(0.08)	4.70
	Return on Total Equity (%)		1.83	2.10	(3.72)	15.46
	Pre-tax Income to Paid-in Capital Ratio (%)		2.31	2.77	(2.69)	16.95
	Net Margin (%)		0.61	0.67	(1.12)	5.55
	Earnings (Loss) Per Share (NT\$)		0.20	0.23	(0.40)	1.69
Cash Flow (%)	Ratio of Cash Flows		40.38	38.65	27.79	44.66
	Cash Flow Adequacy Ratio		242.12	203.30	118.49	113.68
	Ratio of Reinvestment for Cash		9.69	9.27	8.37	12.93
Leverage	Operating Leverage		127.85	17.96	47.22	5.36
	Financial Leverage		(0.13)	12.90	(0.80)	1.26

Analysis of deviation of 2015 vs. 2014 over 20%:

1. Times Interest Earned and ratio of Profitability changed mainly because the company showed a turn from loss to profit after tax which resulted in the variation of each ratio.
2. Cash Flow: The increasing rate of net cash flows from operation activities is much more than the increasing rate of current liabilities. Therefore, the ratio of cash flows and ratio of reinvestment for cash increased relatively.
3. Operating Leverage: The operating income of year 2015 increased compared to that of year 2014 which resulted in the operating leverage decreased relatively.
4. Financial Leverage: The operating income after deducting interest expenses of year 2015 increased compared to year 2014, which resulted in the decrease of financial leverage.

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the parent-company-only financial statements as of December 31, 2015, 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.

### C. Financial Analysis – Based on ROC GAAP (Consolidated)

Item		2011	2012	2013	2014	2015
Financial Structure (%)	Debts Ratio	72.49	72.72	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)		
	Long-term Fund to Property, Plant and Equipment	118.30	123.73			
Solvency (%)	Current Ratio	126.18	131.15			
	Quick Ratio	82.19	93.39			
	Times Interest Earned (Times)	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)	1.14	1.32			
	Total Assets Turnover (Times)	0.73	0.80			
Profitability	Return on Total Assets (%)	1.43	1.65			
	Return on Equity (%)	1.75	2.53			
	Income before income tax to Paid-in Capital Ratio (%)	3.43	4.51			
	Net Margin (%)	0.66	0.87			
	Earnings Per Share (NT\$)	Before retraced adjustment	0.06	0.15		
		After retraced adjustment	0.06	0.15		
Cash Flow (%)	Ratio of Cash Flows	38.60	31.74			
	Cash Flow Adequacy Ratio	57.96	90.48			
	Ratio of Reinvestment for Cash	6.34	7.42			
Leverage	Operating Leverage	11.97	10.47			
	Financial Leverage	3.59	2.39			

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

#### D. Financial Analysis – Based on ROC GAAP (The Company)

Item		2011	2012	2013	2014	2015
Financial Structure (%)	Debts Ratio	72.80	73.33	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)		
	Long-term Fund to Property, Plant and Equipment	117.47	121.79			
Solvency (%)	Current Ratio	98.38	100.07			
	Quick Ratio	69.32	79.19			
	Times Interest Earned (Times)	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)	1.11	1.27			
	Total Assets Turnover (Times)	0.71	0.78			
Profitability	Return on Total Assets(%)	1.11	1.33			
	Return on Equity (%)	0.53	1.35			
	Income (loss) before income tax to Paid-in Capital Ratio (%)	0.73	1.63			
	Net Margin (%)	0.20	0.47			
	Earnings Per Share (NT\$)	Before retraced adjustment	0.06	0.15		
		After retraced adjustment	0.06	0.15		
Cash Flow (%)	Ratio of Cash Flows	40.48	34.41			
	Cash Flow Adequacy Ratio	59.64	98.52			
	Ratio of Reinvestment for Cash	6.73	8.57			
Leverage	Operating Leverage	51.24	30.46			
	Financial Leverage	(0.37)	(1.02)			

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

### **6.3 Supervisors' Report for the Most Recent Year**

#### **To: Audit Report by Supervisors**

The Board reports the financial statements, business report, and earnings distribution proposal of 2015, and the financial statements have been audited by KPMG Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

EVA Airways Corporation  
2016 Annual General Shareholders' Meeting

Supervisors: Wu, Kuang-Hui

Ku Lai, Mei-Hsueh

Chen, Cheng-Pang

Date: March 29, 2016

### **6.4 Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

Please refer to page 115~192 Appendix 1.

### **6.5 The Parent-Company-Only Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

Please refer to page 193~261 Appendix 2.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status (Consolidated)

Unit: NT\$ thousands

Item	Year		Difference	
	2015	2014	Amount	%
Current Assets	58,585,588	50,095,894	8,489,694	16.95
Property, Plant and Equipment	113,750,466	98,752,051	14,998,415	15.19
Intangible Assets	2,272,757	2,407,217	(134,460)	(5.59)
Other Assets	20,797,501	16,305,038	4,492,463	27.55
<b>Total Assets</b>	<b>195,406,312</b>	<b>167,560,200</b>	<b>27,846,112</b>	<b>16.62</b>
Current Liabilities	58,580,061	51,352,783	7,227,278	14.07
Non-current Liabilities	82,098,729	76,530,416	5,568,313	7.28
<b>Total Liabilities</b>	<b>140,678,790</b>	<b>127,883,199</b>	<b>12,795,591</b>	<b>10.01</b>
Equity attributable to Owners of parent	48,858,814	34,391,884	14,466,930	42.06
Capital Stock	38,589,450	32,589,450	6,000,000	18.41
Capital Collected in advance	-	186,567	(186,567)	(100.00)
Capital Surplus	6,237,027	2,047,602	4,189,425	204.60
Retained Earnings	6,347,229	739,412	5,607,817	758.42
Other Equity	(2,314,892)	(1,171,147)	(1,143,745)	97.66
Non-controlling Interests	5,868,708	5,285,117	583,591	11.04
<b>Total Equity</b>	<b>54,727,522</b>	<b>39,677,001</b>	<b>15,050,521</b>	<b>37.93</b>

#### Analysis of deviation:

- (1) Other assets: Mainly due to the advance payment of Boeing 777 and 787 aircraft.
- (2) Capital surplus: Mainly due to cash subscription in excess of par value of shares of year 2015.
- (3) Retained earnings: Mainly due to the increase of net profit of year 2015.
- (4) Other equity: Mainly due to the unrealized losses on evaluation of cash flow hedges.

**Future response action:** The above deviation has no significantly impact on the Company.



## 7.2 Analysis of Financial Performance (Consolidated)

Unit: NT\$ thousands

Item \ Year	2015	2014	Increase (Decrease) Amount	Change (%)
Operating Revenue	137,168,544	133,090,008	4,078,536	3.06
Operating Cost	116,929,102	120,841,008	(3,911,906)	(3.24)
Gross Profit	20,239,442	12,249,000	7,990,442	65.23
Operating Expenses	11,034,201	9,614,111	1,420,090	14.77
Operating Income	9,205,241	2,634,889	6,570,352	249.36
Non-operating Income and Expenses	(1,840,037)	(2,585,944)	745,907	(28.84)
Profit(Loss) before Tax	7,365,204	48,945	7,316,259	14,947.92
Income Tax Expenses	(505,994)	(838,863)	332,869	(39.68)
Profit(Loss)	6,859,210	(789,918)	7,649,128	(968.34)

### Analysis of deviation:

- (1) The increase of gross profit: Benefit from flight frequencies of America, Japan and Korea route, the passenger revenue increases 5% compared to 2014. The services revenue of the Group also increases 22%. In addition, the decrease in operating cost due to the fall of fuel prices. The fuel cost decreases as well.
- (2) The decrease of net non-operating expenses: Mainly due to the decrease of impairment loss for consolidated available-for-sale financial assets.

## 7.3 Analysis of Cash Flow (Consolidated)

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item \ Year	2015	2014	Increase (Decrease) Amount	Change (%)
Cash and cash equivalents at the beginning of year	27,144,950	24,898,172	2,246,778	9.02
Net cash flows from (used in) operating activities	26,027,353	15,033,803	10,993,550	73.13
Net cash flows from (used in) investing activities	(26,004,227)	(19,058,135)	(6,946,092)	36.45
Net cash flows from (used in) financing activities	8,575,102	6,235,119	2,339,983	37.53
Exchange rate adjustments	1,687	35,991	(34,304)	(95.31)
Cash and cash equivalents at the end of year	35,744,865	27,144,950	8,599,915	31.68

**Analysis of deviation:**

- (1) Operating activities: Net cash generated by operating activities due to the growth of operation. The amount of account receivable increases as well.
- (2) Investing activities: Net cash used in investing activities primarily for the advanced payment of Boeing 777 and Boeing 787 aircraft.
- (3) Financing activities: Net cash generated by financing activities due to cash subscription.

**Remedy Measures of Inadequate Liquidity:** Not required.

**7.3.2 Cash Flow Analysis for the Coming Year**

Unit: NT\$ thousands

Cash and Cash Equivalents at Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Balance (1)+(2)-(3)	Preparation for Liquidity shortfall	
				Investment Plans	Financing Plans
35,744,865	21,837,009	22,424,576	35,157,298	-	Cash Subscription

**Analysis of cash flow deviation of year 2016:**

- (1) Operating activities: The estimated net cash generated by operating activities.
- (2) Investing activities: Primarily for purchase of aircraft and equipment.
- (3) Financing activities: The cash flow used in financing activities mainly for redemption of bank borrowings and distribution of cash dividends.

**Leverage of Cash Deficit:** Not applicable.

**7.4 Major Capital Expenditure Items (The Parent-Company-Only)**

- (1) In May 2012 and October 2013, the Company entered into aircraft purchase contracts amounting to US\$2.26 billion with Boeing Company and four subsidiaries of GECAS for seven Boeing 777 aircraft. As of December 31, 2015, the Company took delivery of six Boeing 777 aircraft; and the remaining contract price was US\$368 million. The Company has partially paid the price of \$2.78 billion.
- (2) In July 2015, the Company entered into aircraft purchase contracts amounting to US\$1.62 billion with Boeing Company for five Boeing 777 freighters. As of December 31, 2015, the five Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of \$1.61 billion.
- (3) In September 2015, the Company entered into aircraft purchase contracts amounting to US\$44.20 million with GECAS Company for two ATR72-600 aircraft. As of December 31, 2015, the two ATR72-600 aircraft had not yet been delivered by GECAS Company. The Company has partially paid the price of \$64.80 million.
- (4) In July 2015, the Company entered into engine purchase contracts amounting to US\$31.56 million with General Electric Company for one 777-300ER spare engine. As of December 31, 2015, the 777-300ER spare engine had not yet been delivered by General Electric Company.

- (5) In November 2015, the Company entered into aircraft purchase contracts amounting to US\$7.32 billion with Boeing Company for two Boeing 777 aircraft and eighteen Boeing 787-10 aircraft. As of December 31, 2015, the two Boeing 777 aircraft and eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of \$4.20 billion.
- (6) In November 2015, the Company entered into engine purchase contracts amounting to US\$118.66 million with General Electric Company for five 787 engines. As of December 31, 2015, the five 787 engines had not yet been delivered by General Electric Company.
- (7) The Company signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to \$1.38 billion. No payment was settled as of December 31, 2015.

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

The Company's recent reinvestment mainly focus on the development of aviation-related industries to make sure the service quality of airline industry. Due to the well performance of reinvestment companies, such as 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\$1.04 billion in 2015.

In the recent fiscal year, the Group reinvest in aviation-related industries, including ground handling services, air freight terminals, aircraft components manufacturing etc. For the year 2015, the Group reported investment income of NT\$ 131 million.

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### ■ Basic information of Affiliated Companies

As of December 31, 2015

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT\$417.8 million	56.33%
Evergreen Aviation Technologies Corp.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT\$6.4 billion	80.00%
Evergreen Air Cargo Services Corp.	Cargo terminal operation	Taiwan	Mar. 2000	NT\$1.2 billion	60.625%
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\$3 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	SGD1.5 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\$20 million	100%

## ■ The Operating Overviews of Affiliated Companies

As of December 31, 2015

Unit: NT\$ thousands

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
Evergreen Airline Services Corp.	417,817	2,407,232	970,771	1,436,461	2,252,659	96,858	90,220	2.16
Evergreen Aviation Technologies Corp.	6,361,606	21,668,731	11,795,732	9,872,999	24,399,641	1,176,606	902,058	1.42
Evergreen Air Cargo Services Corp.	1,200,000	2,517,588	245,513	2,272,075	1,263,614	123,300	101,361	0.84
Evergreen Sky Catering Corp.	1,000,000	3,419,560	464,130	2,955,430	2,763,003	598,013	485,933	4.86
Hsiang-Li Investment Corp.	26,800	42,216	157	42,059	3,149	2,553	2,939	1.10
Evergreen Aviation Precision Corp.	3,000,000	4,669,789	2,058,075	2,611,714	307,312	(294,019)	(307,095)	(1.50)
Evergreen Airways Service(Macau) Ltd.	327	206,746	33,399	173,347	65,212	64,535	65,063	-
Green Siam Air Services Co., Ltd.	21,350	47,135	1,409	45,726	56,284	14,726	15,155	75.78
RTW Air Services (S) Pte Ltd.	22,651	99,589	44,761	54,828	42,414	3,299	4,209	2.81
PT Perdana Andalan Air Service	5,280	146,429	40,266	106,163	25,003	1,763	959	11.98
Sky Castle Investment Ltd.	179,173	377,420	388	377,032	20,820	20,418	18,433	3.35
Concord Pacific Ltd.	2,223,285	14,227	1,099	13,128	-	(1,112)	(1,093)	(0.01)
EVA Flight Training Academy	624,850	538,616	3,577	535,039	25,578	(52,936)	(52,269)	(5.23)

# Appendix 1

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**December 31, 2015 and 2014**  
**(With Independent Auditors' Report Thereon)**

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## 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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and their financial performance and cash flows for the years ended December 31, 2015 and 2014, 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.



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We have audited the Company's parent-company-only financial statements as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, on which we have expressed an unqualified opinion.

A handwritten signature in black ink, appearing to read 'KPMG'.

Taipei, Taiwan (the Republic of China)  
March 28, 2016

**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". 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, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31	Liabilities and Equity	2015.12.31	2014.12.31
<b>Assets</b>					
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 6(a))	\$ 35,744,865	27,144,950	Short-term borrowings (note 6(l))	\$ 739,836	949,826
Financial assets at fair value through profit or loss – current (note 6(b))	3,420	3,052	Derivative financial liabilities for hedge purposes – current (note 6(c))	2,493,413	2,332,383
Available-for-sale financial assets – current (note 6(b))	1,796,287	1,104,523	Notes and accounts payable	2,793,892	2,967,792
Notes receivable, net (note 6(d))	412,641	420,018	Accounts payable – related parties (note 7)	95,341	203,147
Accounts receivable, net (note 6(d))	6,515,138	8,283,584	Other payables (notes 6(u), 7 and 9)	12,202,582	11,948,648
Accounts receivable – related parties (notes 6(d) and 7)	3,606,179	2,872,770	Income tax payable	247,292	255,665
Inventories (notes 6(e) and 7)	8,489,127	7,687,222	Unearned revenue (note 6(o))	13,373,984	10,540,338
Other current assets (notes 6(d) and 7)	2,017,931	2,579,775	Current portion of long-term liabilities (notes 6(l) and 8)	18,113,629	16,234,074
<b>Total current assets</b>	<u>58,585,588</u>	<u>50,095,894</u>	Other current liabilities (notes 6(i), 6(l) and 6(m))	<u>8,520,092</u>	<u>5,920,910</u>
<b>Non-current assets:</b>			<b>Total current liabilities</b>	<u>58,580,061</u>	<u>51,352,783</u>
Available-for-sale financial assets – non-current (notes 6(b) and 8)	2,564,168	2,963,385	<b>Non-current liabilities:</b>		
Investments accounted for using equity method (notes 6(f) and 7)	624,026	630,177	Derivative financial liabilities for hedge purposes – non-current (note 6(c))	1,054,338	-
Property, plant and equipment (notes 6(i), 7 and 8)	113,750,466	98,752,051	Bonds payable (notes 6(l) and 8)	11,000,000	16,100,000
Intangible assets (note 6(j))	2,272,757	2,407,217	Long-term borrowings (notes 6(l) and 8)	51,912,104	46,294,783
Deferred tax assets (note 6(p))	5,745,667	5,333,655	Deferred tax liabilities (note 6(p))	111,640	66,849
Other non-current assets (notes 6(k), 7, 8 and 9)	<u>11,863,640</u>	<u>7,377,821</u>	Lease liabilities – non-current (note 6(l))	5,152,193	3,954,168
<b>Total non-current assets</b>	<u>136,820,724</u>	<u>117,464,306</u>	Net defined benefit liabilities – non-current (note 6(o))	4,010,247	3,271,521
			Other non-current liabilities (notes 6(i), 6(m) and 6(t))	<u>8,858,207</u>	<u>6,843,095</u>
			<b>Total non-current liabilities</b>	<u>82,098,729</u>	<u>76,530,416</u>
			<b>Total liabilities</b>	<u>140,678,790</u>	<u>127,883,199</u>
			<b>Equity (notes 6(c), 6(o), 6(p), 6(q) and 6(r)):</b>		
			Common stock	38,589,450	32,589,450
			Capital collected in advance	-	186,567
			Capital surplus	6,237,027	2,047,602
			Retained earnings	6,347,229	739,412
			Other equity	(2,314,892)	(1,171,147)
			<b>Total equity attributable to owners of parent</b>	<u>48,858,814</u>	<u>34,391,884</u>
			Non-controlling interests (note 6(h))	5,868,708	5,285,117
			<b>Total equity</b>	<u>54,727,522</u>	<u>39,677,001</u>
			<b>Total liabilities and equity</b>	<u>\$ 195,406,312</u>	<u>\$ 167,560,200</u>

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars, except Earnings per Common Share)

	2015	2014
Operating revenue (notes 6(t) and 7)	\$ 137,168,544	133,090,008
Operating cost (notes 6(c), 6(e), 6(i), 6(j), 6(m), 6(n), 6(o), 6(r), 7 and 9)	<u>(116,929,102)</u>	<u>(120,841,008)</u>
Gross profit from operations	20,239,442	12,249,000
Operating expenses (notes 6(d), 6(i), 6(j), 6(n), 6(o), 6(r), 6(u) and 7)	<u>(11,034,201)</u>	<u>(9,614,111)</u>
Net operating income	<u>9,205,241</u>	<u>2,634,889</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(v))	791,403	496,127
Other gains and losses (notes 6(b), 6(m) and 6(v))	(1,069,254)	(1,626,462)
Finance costs (notes 6(m) and 6(v))	(1,693,378)	(1,565,898)
Share of profit of associates accounted for using equity method (note 6(f))	<u>131,192</u>	<u>110,289</u>
Total non-operating income and expenses	<u>(1,840,037)</u>	<u>(2,585,944)</u>
Profit before tax	7,365,204	48,945
Income tax expenses (note 6(p))	<u>(505,994)</u>	<u>(838,863)</u>
Profit (loss)	<u>6,859,210</u>	<u>(789,918)</u>
<b>Other comprehensive income (notes 6(c), 6(f), 6(o), 6(p) and 6(q)):</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurements of the net defined benefit plans	(1,104,328)	(315,138)
Share of other comprehensive income of associates accounted for using equity method	(5,862)	(1,228)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>187,735</u>	<u>53,573</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(922,455)</u>	<u>(262,793)</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign financial statements	10,246	72,379
Unrealized gains (losses) on available-for-sale financial assets	(139,453)	1,483,038
Cash flow hedges	(1,215,368)	(2,358,473)
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>199,056</u>	<u>398,141</u>
Total items that may be reclassified subsequently to profit or loss	<u>(1,145,519)</u>	<u>(404,915)</u>
Other comprehensive income, net of tax	<u>(2,067,974)</u>	<u>(667,708)</u>
Comprehensive income	<u>\$ 4,791,236</u>	<u>(1,457,626)</u>
<b>Profit (loss) attributable to:</b>		
Owners of parent	\$ 6,436,425	(1,306,724)
Non-controlling interests	<u>422,785</u>	<u>516,806</u>
	<u>\$ 6,859,210</u>	<u>(789,918)</u>
<b>Comprehensive income attributable to:</b>		
Owners of parent	\$ 4,453,225	(1,956,716)
Non-controlling interests	<u>338,011</u>	<u>499,090</u>
	<u>\$ 4,791,236</u>	<u>(1,457,626)</u>
<b>Earnings per common share (note 6(s))</b>		
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 1.69</u>	<u>(0.40)</u>
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 1.69</u>	<u>(0.40)</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, 2015 and 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent										Total equity			
	Retained earnings					Other equity								
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Retained earnings (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
Balance on January 1, 2014	\$ 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
Appropriations of prior year's 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)	-	(789,918)
Other comprehensive income in 2014	-	-	-	-	-	(229,104)	(229,104)	57,674	1,478,971	(1,957,533)	(420,888)	(649,992)	516,806	(667,708)
Issuance of common stock	-	186,567	324,000	-	-	-	-	-	-	-	-	510,567	-	510,567
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	366,699	366,699
Balance on December 31, 2014	32,589,450	186,567	2,047,602	1,298,178	750,259	(1,309,025)	739,412	126,987	637,744	(1,935,878)	(1,171,147)	34,391,884	5,285,117	39,677,001
Appropriations of prior year's earnings:														
Legal reserve used to offset accumulated deficit	-	-	-	(1,298,178)	-	1,298,178	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Capital surplus used to offset accumulated deficit	-	-	(10,847)	-	-	10,847	10,847	-	-	-	-	-	-	-
Profit for 2015	-	-	-	-	-	6,436,425	6,436,425	-	-	-	-	6,436,425	422,785	6,859,210
Other comprehensive income in 2015	-	-	-	-	-	(839,455)	(839,455)	10,210	(145,200)	(1,008,755)	(1,143,745)	(1,983,200)	(84,774)	(2,067,974)
Issuance of common stock	6,000,000	(186,567)	4,200,000	-	-	-	-	-	-	-	-	10,013,433	-	10,013,433
Adjustments to share of changes in equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	272	245,580	245,580
Balance on December 31, 2015	\$ 38,589,450	-	6,237,027	-	750,259	5,596,970	6,347,229	137,197	492,544	(2,944,633)	(2,314,892)	48,858,814	5,808,708	54,727,522

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)**

	2015	2014
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 7,365,204	48,945
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	12,774,438	11,422,313
Amortization expense	344,037	304,586
Impairment loss	241,124	1,634,310
Interest expense	1,693,378	1,565,898
Interest income	(329,138)	(355,051)
Dividend income	(461,979)	(140,790)
Issuance of common stock employee compensation cost	-	324,000
Share of profit of associates accounted for using equity method	(131,192)	(110,289)
Gains on disposal of property, plant and equipment	(33,725)	(168,926)
Gains on disposal of investments	(8,834)	(11,971)
Others	564,182	(55,096)
Total adjustments to reconcile profit	<u>14,652,291</u>	<u>14,408,984</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss—current	(368)	(1,860)
Notes receivable, net	7,377	(74,546)
Accounts receivable, net	1,777,100	315,058
Accounts receivable—related parties	(770,711)	(2,531,298)
Inventories	(800,763)	906,288
Other current assets	597,429	(1,399,585)
Total changes in operating assets	<u>810,064</u>	<u>(2,785,943)</u>
Changes in operating liabilities:		
Notes and accounts payable	(198,169)	337,769
Accounts payable—related parties	(76,300)	772,842
Other payables	344,321	1,337,340
Unearned revenue	2,766,854	1,275,736
Other current liabilities	(241,398)	594,084
Net defined benefit liabilities—non-current	(354,142)	(362,012)
Other non-current liabilities	1,491,212	(97,078)
Total changes in operating liabilities	<u>3,732,378</u>	<u>3,858,681</u>
Total changes in operating assets and liabilities	<u>4,542,442</u>	<u>1,072,738</u>
Total adjustments	<u>19,194,733</u>	<u>15,481,722</u>
Cash inflow generated from operations	26,559,937	15,530,667
Income taxes paid	(532,584)	(496,864)
Net cash flows from operating activities	<u>26,027,353</u>	<u>15,033,803</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease (increase) in available-for-sale financial assets—current	(688,200)	970,782
Acquisition of available-for-sale financial assets—non-current	(43,276)	(67,550)
Proceeds from disposal of available-for-sale financial assets—non-current	67,362	89,222
Proceeds from capital reduction of available-for-sale financial assets—non-current	-	3,764
Acquisition of investments accounted for using equity method	-	(90,482)
Net cash flows from acquisition of subsidiary	-	58,538
Acquisition of property, plant and equipment	(15,200,600)	(16,193,270)
Proceeds from disposal of property, plant and equipment	872,023	645,629
Increase in prepayments for equipments	(11,549,390)	(4,516,922)
Acquisition of intangible assets	(209,577)	(263,422)
Increase in other non-current assets	(175,033)	(260,069)
Interest received	345,510	357,746
Dividend received	576,954	207,899
Net cash flows used in investing activities	<u>(26,004,227)</u>	<u>(19,058,135)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	12,150,000	10,891,450
Decrease in short-term borrowings	(12,360,000)	(11,270,398)
Redemption of bonds payable	(5,100,000)	-
Proceeds from long-term borrowings	18,618,500	18,584,000
Redemption of long-term borrowings	(11,382,079)	(8,557,254)
Increase in deposits received	28,184	-
Decrease in other payables—related parties	-	(500,000)
Redemption of lease liabilities	(2,028,562)	(1,500,699)
Capital collected in advance	-	186,567
Issuance of common stock	10,013,433	-
Interest paid	(1,610,439)	(1,476,102)
Decrease in non-controlling interests	246,065	(122,445)
Net cash flows from financing activities	<u>8,575,102</u>	<u>6,235,119</u>
Effect of exchange rate changes on cash and cash equivalents	1,687	35,991
Net increase in cash and cash equivalents	8,599,915	2,246,778
Cash and cash equivalents at the beginning of period	27,144,950	24,898,172
Cash and cash equivalents at the end of period	\$ <u>35,744,865</u>	<u>27,144,950</u>

See accompanying notes to consolidated financial statements.

# **EVA AIRWAYS CORP. AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

**December 31, 2015 and 2014**

**(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 parts;
- 1.7 to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

The details are disclosed in note 14.

### **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 28, 2016.

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

- (a) The impact of the new release, amendments to standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC")

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) issued by the FSC with fully adoption starting 2015. Relevant new releases, modifications and amendments to standards and interpretations are as follows:

<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
Amended 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 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 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
Amended IAS 19 “Employee Benefits”	January 1, 2013
Amended 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (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 may 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 changed the presentation of other comprehensive income according to the standard, and the restatements in the comparative period have been made retrospectively.

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

The Group had disclosed the information on its subsidiaries as the standard requires. Please refer to note 6(h).

#### (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. The Group has disclosed fair value measurements as the guidance over the transition period of the standard, and postponed the adoption of fair value measurements, please refer to note 6(w). The Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for the new disclosures. Notwithstanding the above, the change has no significant impact on the measurements of the Group’ assets and liabilities.

#### (b) The new released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that has not yet endorsed by the FSC are as follows:

<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”	Not yet approved by the IASB
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, 2018

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

New standards and amendments	Effective date per IASB
IFRS 16 “Lease”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2017
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 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “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
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The Group is currently evaluating the impact from the above-mentioned 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 consolidated financial statements, except when otherwise indicated.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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).

(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 sheets:

- (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 net defined benefit liabilities are 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

#### (2) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Principal activity	Shareholding		Note
			2015.12.31	2014.12.31	
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	60.625%	60.00%	-
The Company	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	40.00%	40.00%	Note 2
Evergreen Aviation Technologies Corp.	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	30.00%	30.00%	Note 2
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	Green Siam Air Services Co., Ltd.	Traveling agency	49.00%	49.00%	Notes 1 and 3
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	EVA Flight Training Academy	Flight training	100.00%	100.00%	-

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

Note 3: Green Siam Air Services Co., Ltd. went into liquidation in 2015, and this liquidation resolution was approved during the board meeting of EVA AIRWAYS CORP. held on November 13, 2015.

#### (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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated 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 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 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.

#### (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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

#### (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.

#### (1) 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) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

The estimated recovery costs are incurred through the lease of aircraft. The Group's restoration obligations are based on necessary maintenance expenses under the lease contracts of the aircraft, in which the Group expects all of the maintenance expenses to be reimbursed when the Group returns back all its rented aircraft. The amounts are estimated by gauging the maintenance experiences of similar types of aircraft, the actual maintenance expenses in the past, and the historical information on the usage of the aircraft.

#### (n) 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

(o) 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.

- (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.

(p) 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (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. The fair value of any plan assets is 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.

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 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 expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

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.

#### (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.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (q) 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.

#### (r) 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

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(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.

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.

(s) 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. For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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.

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(t) 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.

(u) 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(i), 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: (1) note 6(m), provisions, and (2) note 6(p), realization of deferred tax assets.

The accounting policy and disclosure of the Group include measuring the financial assets and financial liabilities at fair value. The accounting department of the Group uses information of external information to make the evaluation result agreeable to the market status and to ensure that the data resources are independent, reliable and consistent with the other resources. The accounting department of the Group regularly revises the evaluation models and the input parameters, makes retrospective review and makes essential adjustments to ensure that the evaluation results is reasonable.

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical 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).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 6(w).

#### 6. Significant account disclosures

##### (a) Cash and cash equivalents

	<b>2015.12.31</b>	<b>2014.12.31</b>
Cash on hand	\$ 171,346	244,116
Cash in bank	34,520,115	26,049,031
Short-term notes	1,053,404	851,803
	<b>\$ 35,744,865</b>	<b>27,144,950</b>

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

##### (b) Financial assets

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Money market funds	<b>\$ 3,420</b>	<b>3,052</b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Publicly traded stocks	\$ 8,173	12,913
Money market funds	<u>1,788,114</u>	<u>1,091,610</u>
	<b><u>\$ 1,796,287</u></b>	<b><u>1,104,523</u></b>

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Non-publicly traded stocks	\$ 1,762,037	2,076,487
Publicly traded stocks	758,968	819,443
U.S. Treasury notes	<u>43,163</u>	<u>67,455</u>
	<b><u>\$ 2,564,168</u></b>	<b><u>2,963,385</u></b>

In 2015 and 2014, the Group recognized the impairment losses of \$241,124 and \$1,634,310, respectively, in other gains or losses, due to the permanent decrease in value of the investment in securities of company.

The exposure to fair value arising from financial instruments is disclosed in note 6(w).

As of December 31, 2015 and 2014, the pledge for Group's financial assets is disclosed in note 8.

(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:

<b>Price of the equity securities at the reporting date</b>	<b>2015</b>		<b>2014</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>218,007</u>	<u>142</u>	<u>202,789</u>	<u>127</u>
decrease 5%	\$ <u>(218,007)</u>	<u>(142)</u>	<u>(202,789)</u>	<u>(127)</u>

(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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2015 and 2014, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument		Period when cash flows are expected to occur	Period when profit or loss is affected
		2015.12.31	2014.12.31		
Floating price of fuel	Fuel swap agreement	\$ (1,886,605)	(2,332,383)	2015~2017	2015~2017
Floating price of fuel	Option agreements	(1,661,146)	-	2015~2018	2015~2018
		<u>\$ (3,547,751)</u>	<u>(2,332,383)</u>		

The above-mentioned fair values of the assigned hedging instructions were recorded as follows:

	2015.12.31	2014.12.31
Derivative financial liabilities for hedge purposes— current	\$ (2,493,413)	(2,332,383)
Derivative financial liabilities for hedge purposes— non-current	(1,054,338)	-
	<u>\$ (3,547,751)</u>	<u>(2,332,383)</u>

The Group's gains and losses arising from cash flow hedges in 2015 and 2014 were as follows:

Account	2015	2014
Recognized in other comprehensive income during the period	\$ <u>(1,215,368)</u>	<u>(2,358,473)</u>
Reclassification from equity to operating cost (income) for the period	\$ <u>3,658,493</u>	<u>670,004</u>

(d) Notes and accounts receivable, and other receivables

	2015.12.31	2014.12.31
Notes receivable	\$ 412,641	420,018
Accounts receivable (including related parties)	10,286,598	11,255,587
Other receivables (including related parties) (included in other current assets)	233,978	1,095,591
Less: allowance for doubtful accounts	(165,283)	(99,233)
	<u>\$ 10,767,934</u>	<u>12,671,963</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Past due within 30 days	\$ 279,167	22,269
Past due 31~60 days	63,735	170,358
Past due over 60 days but less than one year	94,275	65,870
Past due more than one year	-	4,005
	<b>\$ 437,177</b>	<b>262,502</b>

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

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Beginning balance as of January 1, 2015	\$ 53,206	46,027	99,233
Impairment loss recognized	74,704	37	74,741
Amounts written off /reversal	-	(8,691)	(8,691)
Balance as of December 31, 2015	<b>\$ 127,910</b>	<b>37,373</b>	<b>165,283</b>
	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Beginning balance as of January 1, 2014	\$ 142,557	36,337	178,894
Impairment loss recognized	649	10,000	10,649
Amounts written off /reversal	(90,000)	(310)	(90,310)
Balance as of December 31, 2014	<b>\$ 53,206</b>	<b>46,027</b>	<b>99,233</b>

As of December 31, 2015 and 2014, 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2015 and 2014, 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>2015.12.31</b>	<b>2014.12.31</b>
Work in progress	\$ 2,794,853	1,339,164
Aircraft spare parts	4,169,026	5,081,709
Consumables for use and merchandise for in-flight sales	1,153,336	1,096,181
Fuel for aircraft and others	371,912	170,168
	<b>\$ 8,489,127</b>	<b>7,687,222</b>

For the years ended December 31, 2015 and 2014, 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>2015</b>	<b>2014</b>
Losses on valuation of inventories and obsolescence	<b>\$ 521,943</b>	<b>787,144</b>

As of December 31, 2015 and 2014, these inventories were not pledged.

(f) Investments accounted for using equity method

Summary of financial information for the individually insignificant investments in associates accounted for using equity method was as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

	<b>2015.12.31</b>	<b>2014.12.31</b>
Associates	<b>\$ 624,026</b>	<b>630,177</b>
	<b>2015</b>	<b>2014</b>
Attributable to the Group:		
Profit	\$ 131,192	110,289
Other comprehensive income	(5,862)	(1,228)
Comprehensive income	<b>\$ 125,330</b>	<b>109,061</b>

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (1) The Group acquired 19.9% of the shares of GE Evergreen Engine Services Corp. at the price of \$90,482 on March 27, 2014.
- (2) As of December 31, 2015 and 2014, 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 and Evergreen Aviation Technologies Corp. acquired 70% of the shares at the price of \$940,000. There was no the abovementioned transactions payable.
- (2) The following summarizes the major classes of consideration transferred:

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)
	\$	<u><u>754,072</u></u>

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

(h) Subsidiaries with material non-controlling interests

The subsidiaries that have non-controlling interests which are material to the Group were listed as follows:

Name of the subsidiary	Principal place of business or country of incorporation of the subsidiary	The proportion of ownership interests and voting rights held by non-controlling interests	
		2015.12.31	2014.12.31
Evergreen Sky Catering Corp.	Taiwan	50.2%	50.2%
Evergreen Aviation Technologies Corp.	Taiwan	20 %	20 %

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The summarized financial information of the above-mentioned subsidiaries is as follows. The financial information has been prepared in accordance with the International Financial Reporting Standards (“IFRS”) endorsed by the FSC. The amounts included in the IFRS financial statements of the associate have been adjusted to reflect the adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies. The amounts in the summarized financial information shall be the amounts before the inter-company eliminations.

(1) The summarized financial information of Evergreen Sky Catering Corp. was listed as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Current assets	\$ 2,021,063	1,649,566
Non-current assets	1,398,497	1,359,293
Current liabilities	360,037	329,069
Non-current liabilities	104,093	81,684
Net assets	<b><u>\$ 2,955,430</u></b>	<b><u>2,598,106</u></b>
Carrying amounts of non-controlling interests	<b><u>\$ 1,483,625</u></b>	<b><u>1,304,249</u></b>
	<b>2015</b>	<b>2014</b>
Operating revenue	<b><u>\$ 2,763,003</u></b>	<b><u>2,520,201</u></b>
Profit	<b><u>\$ 485,933</u></b>	<b><u>420,486</u></b>
Comprehensive income	<b><u>\$ 457,324</u></b>	<b><u>412,291</u></b>
Profit attributable to non-controlling interests	<b><u>\$ 243,938</u></b>	<b><u>211,084</u></b>
Comprehensive income attributable to non-controlling interests	<b><u>\$ 229,576</u></b>	<b><u>206,970</u></b>
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities	\$ 552,598	424,606
Cash flows used in investing activities	(123,757)	(195,383)
Cash flows used in financing activities	(100,024)	(199,916)
Net increase in cash and cash equivalents	<b><u>\$ 328,817</u></b>	<b><u>29,307</u></b>
Dividend paid for non-controlling interests	<b><u>\$ 50,200</u></b>	<b><u>100,400</u></b>

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (2) The summarized financial information of Evergreen Aviation Technologies Corp. was listed as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Current assets	\$ 16,000,008	15,522,114
Non-current assets	5,668,723	5,310,984
Current liabilities	6,306,863	5,421,909
Non-current liabilities	<u>5,488,869</u>	<u>6,382,942</u>
Net assets	<u>\$ 9,872,999</u>	<u>9,028,247</u>
Carrying amounts of non-controlling interests	<u>\$ 1,974,600</u>	<u>1,805,649</u>
	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 24,399,641</u>	<u>19,524,973</u>
Profit	<u>\$ 902,058</u>	<u>946,695</u>
Comprehensive income	<u>\$ 844,752</u>	<u>888,846</u>
Profit attributable to non-controlling interests	<u>\$ 180,412</u>	<u>189,339</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 168,950</u>	<u>177,769</u>
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities	\$ 1,935,207	750,430
Cash flows used in investing activities	(770,088)	(599,785)
Cash flows used in financing activities	<u>(27,548)</u>	<u>(436,585)</u>
Net increase(decrease) in cash and cash equivalents	<u>\$ 1,137,571</u>	<u>(285,940)</u>
Dividend paid for non-controlling interests	<u>\$ 115,666</u>	<u>105,151</u>

(i) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2015 and 2014 were as follows:

	<b>Land</b>	<b>Building and structures</b>	<b>Machinery and equipment</b>	<b>Leased assets</b>	<b>Aircraft</b>	<b>Unfinished construction</b>	<b>Total</b>
<b>Cost:</b>							
Beginning balance as of January 1, 2015	\$ 4,033,181	13,038,640	22,092,757	19,028,515	109,498,168	1,677,498	169,368,759
Additions	234,988	93,548	1,324,050	6,186,644	13,415,661	632,253	21,887,144
Disposals	-	(1,905)	(1,714,014)	(453,436)	(4,909,464)	-	(7,078,819)
Reclassification (Note)	252,236	895,336	2,921,801	314,931	3,815,324	(1,673,806)	6,525,822
Effect of exchange rate changes	-	-	2,839	-	-	3,172	6,011
Balance as of December 31, 2015	<u>\$ 4,520,405</u>	<u>14,025,619</u>	<u>24,627,433</u>	<u>25,076,654</u>	<u>121,819,689</u>	<u>639,117</u>	<u>190,708,917</u>

(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, 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	<u>\$ 4,033,181</u>	<u>13,038,640</u>	<u>22,092,757</u>	<u>19,028,515</u>	<u>109,498,168</u>	<u>1,677,498</u>	<u>169,368,759</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2015	\$ -	6,019,382	13,041,433	7,671,827	43,884,066	-	70,616,708
Depreciation expense	-	432,899	1,820,853	2,787,883	7,732,803	-	12,774,438
Disposals	-	(1,905)	(1,521,694)	(450,146)	(4,266,776)	-	(6,240,521)
Reclassification (Note)	-	(90,528)	(32,039)	-	(69,476)	-	(192,043)
Effect of exchange rate changes	-	-	(131)	-	-	-	(131)
Balance as of December 31, 2015	<u>\$ -</u>	<u>6,359,848</u>	<u>13,308,422</u>	<u>10,009,564</u>	<u>47,280,617</u>	<u>-</u>	<u>76,958,451</u>
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>
<b>Carrying amounts:</b>							
Balance as of December 31, 2015	<u>\$ 4,520,405</u>	<u>7,665,771</u>	<u>11,319,011</u>	<u>15,067,090</u>	<u>74,539,072</u>	<u>639,117</u>	<u>113,750,466</u>
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>
Beginning balance as of January 1, 2014	<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>

Note: Reclassifications are mainly the transfers of property, plant and equipment to operating cost and operating expenses, 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, 2015 and 2014, the restoration obligations were \$9,130,299 and \$5,019,507, respectively. Refer to note 6(m) for the movements of restoration obligations.

(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, 2015 and 2014, the unrealized gains from the sale and leaseback were \$291,524 and \$387,033, respectively and were recognized as other non-current liabilities.

(3) Pledge

As of December 31, 2015 and 2014, 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) Property transactions

In 2015, the gain and unrealized gain generated from sold of property, plant and equipment between the Group and the associate amounted to \$78,793 and \$15,680, respectively.

(5) For the years ended December 31, 2015 and 2014, the Group capitalized the interest expenses on purchase of assets amounted to \$60,938 and \$70,478, respectively. The ranges of the monthly interest rate used for capitalization calculation were 0.13%~0.14% and 0.12%~0.13%, respectively.

(j) Intangible assets

The movements of intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	<b>Operating concession</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost:</b>			
Beginning balance as of January 1, 2015	\$ 2,271,505	879,672	3,151,177
Additions	-	209,577	209,577
Disposals	-	(132,342)	(132,342)
Balance as of December 31, 2015	<u>\$ 2,271,505</u>	<u>956,907</u>	<u>3,228,412</u>
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>

**Accumulated amortization:**

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	<b>Operating concession</b>	<b>Computer software</b>	<b>Total</b>
Beginning balance as of January 1, 2015	\$ 380,313	363,647	743,960
Amortization expense	134,297	209,740	344,037
Disposals	-	(132,342)	(132,342)
Balance as of December 31, 2015	<u>\$ 514,610</u>	<u>441,045</u>	<u>955,655</u>
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>
<b>Carrying amounts:</b>			
Balance as of December 31, 2015	<u>\$ 1,756,895</u>	<u>515,862</u>	<u>2,272,757</u>
Balance as of December 31, 2014	<u>\$ 1,891,192</u>	<u>516,025</u>	<u>2,407,217</u>
Beginning Balance as of January 1, 2014	<u>\$ 1,982,616</u>	<u>449,248</u>	<u>2,431,864</u>

(1) Amortization

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

(2) Pledge

As of December 31, 2015 and 2014, the Group's intangible assets were not pledged.

(k) Other non-current assets

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Prepayments for equipments	\$ 10,200,098	5,823,508
Refundable deposits	1,545,025	1,316,773
Pledged time deposits	113,657	166,660
Others	4,860	70,880
Total	<u>\$ 11,863,640</u>	<u>7,377,821</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(1) 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>2015.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Due date</b>	<b>Amount</b>
Unsecured short-term loans	TWD	1.10%~1.50%	2016/01/08~2016/02/17	\$ <u>739,836</u>
Secured bonds payable	TWD	1.15%~1.44%	2016/01/20~2018/06/14	\$ 16,100,000
Less: Current portion (included in current portion of long-term liabilities)				<u>5,100,000</u>
Total				\$ <u>11,000,000</u>
Unsecured loans	TWD	1.22%~2.01%	2016/02/23~2020/12/23	\$ 14,106,033
Secured loans	TWD, USD	1.10%~4.59%	2016/07/10~2030/07/29	<u>50,819,700</u>
Subtotal				64,925,733
Less: Current portion				<u>13,013,629</u>
Total				\$ <u>51,912,104</u>
Lease liabilities	TWD, USD	2.03%~6.93%	2016/01/08~2024/06/21	\$ 7,067,237
Less: Current portion (included in other current liabilities)				<u>1,915,044</u>
Total				\$ <u>5,152,193</u>
<b>2014.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Due date</b>	<b>Amount</b>
Unsecured short-term loans	TWD	1.10%~1.25%	2015/1/8~2015/2/26	\$ <u>949,826</u>
Secured bonds payable	TWD	1.15%~1.44%	2015/1/20~2018/6/14	\$ 21,200,000
Less: Current portion (included in current portion of long-term liabilities)				<u>5,100,000</u>
Total				\$ <u>16,100,000</u>
Unsecured loans	TWD	1.36%~2.00%	2015/3/10~2019/12/24	\$ 14,152,961
Secured loans	TWD, USD	1.26%~4.59%	2015/1/31~2030/7/29	<u>43,275,896</u>
Subtotal				57,428,857
Less: Current portion				<u>11,134,074</u>
Total				\$ <u>46,294,783</u>
Lease liabilities	TWD, USD	3.5%~6.93%	2015/1/8~2019/12/28	\$ 5,458,255
Less: Current portion (included in other current liabilities)				<u>1,504,087</u>
Total				\$ <u>3,954,168</u>

Parts of the Group's long-term borrowings will be settled in foreign currency. The details of foreign long-term liabilities were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
USD (in thousands)	\$ <u>350,222</u>	<u>321,627</u>
Convert to TWD	\$ <u>11,496,033</u>	<u>10,179,481</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2015, the details of the future repayment periods and amounts of the Group's long-term borrowings, secured bonds payable, and lease liabilities were as follows:

Year due	Amount
2016.1.1~2016.12.31	\$ 20,028,673
2017.1.1~2020.12.31	50,205,375
2021.1.1 and thereafter	<u>17,858,922</u>
	<b><u>\$ 88,092,970</u></b>

Information on the Group's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(w).

(1) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(2) Unused lines of credit

As of December 31, 2015 and 2014 the unused credit lines for short-term and long-term borrowings amounted to \$14,236,067 and \$11,475,502, respectively.

(3) Lease liabilities

The Group's lease liabilities were as follows:

	2015.12.31			2014.12.31		
	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	\$ 2,116,239	201,195	1,915,044	1,718,933	214,846	1,504,087
1 to 5 years	4,408,516	295,733	4,112,783	4,256,720	302,552	3,954,168
More than 5 years	<u>1,076,660</u>	<u>37,250</u>	<u>1,039,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 7,601,415</u></b>	<b><u>534,178</u></b>	<b><u>7,067,237</u></b>	<b><u>5,975,653</u></b>	<b><u>517,398</u></b>	<b><u>5,458,255</u></b>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2015 and 2014 are disclosed in note 6(v).

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(m) Provisions

The movements of the restoration obligations for the years ended December 31, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Beginning balance as of January 1	\$ 5,019,507	3,882,172
Additions	4,555,023	1,120,791
Decreases	(747,537)	(263,021)
Effect of exchange rate changes	303,306	279,565
Balance as of December 31	<b>\$ 9,130,299</b>	<b>5,019,507</b>

The estimated recovery costs are incurred through the lease of aircraft. The Group's restoration obligations are based on necessary maintenance expenses under the lease contracts of the aircraft, in which the Group expects all of the maintenance expenses to be reimbursed when the Group returns back all its rented aircraft. The amounts are estimated by gauging the maintenance experiences of similar types of aircraft, the actual maintenance expenses in the past, and the historical information on the usage of the aircraft.

(n) Operating leases

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Within 1 year	\$ 8,005,273	7,808,558
1 to 5 years	24,050,774	18,247,536
More than 5 years	21,834,832	11,018,973
	<b>\$ 53,890,879</b>	<b>37,075,067</b>

For the years ended December 31, 2015, and 2014, rental expenses included in operating cost and operating expenses were \$7,654,452 and \$8,119,630, 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(o) 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:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Total present value of defined benefit obligations	\$ 10,111,592	9,065,847
Fair value of plan assets	<u>(6,101,345)</u>	<u>(5,794,326)</u>
Recognized liabilities of net defined benefit obligations	<u>\$ 4,010,247</u>	<u>3,271,521</u>

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.

(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 \$6,013,818 as of December 31, 2015. 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

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

	<b>2015</b>	<b>2014</b>
Defined benefit obligations as of January 1	\$ 9,065,847	8,525,724
Liabilities due to acquiring subsidiary	-	1,218
Benefits paid by the plan	(521,791)	(205,689)
Current service costs and interest	433,214	416,526
Net remeasurements of defined benefit liabilities		
– Experience adjustments	400,091	358,977
– Actuarial losses (gains) arising from changes in financial assumptions	687,979	(49,901)
– Actuarial losses (gains) arising from changes in demographic assumptions	46,252	18,992
Defined benefit obligations as of December 31	<b>\$ 10,111,592</b>	<b>9,065,847</b>

(iii) Movements in the fair value of defined benefit plan assets

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

	<b>2015</b>	<b>2014</b>
Fair value of plan assets as of January 1	\$ 5,794,326	5,152,605
Assets due to acquiring subsidiary	-	177
Contributions from plan participants	636,864	712,439
Benefits paid by the plan	(478,621)	(191,198)
Expected return on plan assets	118,782	107,373
Net remeasurements of defined benefit liabilities		
– Return on plan assets (excluding the amounts included in net interest expense)	29,994	12,930
Fair value of plan assets as of December 31	<b>\$ 6,101,345</b>	<b>5,794,326</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>2015</b>	<b>2014</b>
Current services costs	\$ 258,875	250,338
Net interest on the net defined benefit liabilities	<u>58,371</u>	<u>58,815</u>
	<b><u>\$ 317,246</u></b>	<b><u>309,153</u></b>
Operating cost	\$ 230,328	233,003
Operating expenses	<u>86,918</u>	<u>76,150</u>
	<b><u>\$ 317,246</u></b>	<b><u>309,153</u></b>

(v) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income (before tax)

As of December 31, 2015 and 2014, the Group's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<b>2015</b>	<b>2014</b>
Balance as of January 1	\$ (1,340,191)	(1,025,053)
Loss recognized during the period	<u>(1,104,328)</u>	<u>(315,138)</u>
Balance as of December 31	<b><u>\$ (2,444,519)</u></b>	<b><u>(1,340,191)</u></b>

(vi) Actuarial assumptions

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

A. the rate applied in calculating the present value of defined benefit obligations

	<b>2015.12.31</b>	<b>2014.12.31</b>
Discount rate	1.50%~1.875%	1.75%~2.25%
Future salary increases	1.58%~13.92%	1.23%~6.12%

B. the rate applied in calculating the defined benefit plan cost

	<b>2015</b>	<b>2014</b>
Discount rate	1.50%~2.00%	1.75%~2.25%
Future salary increases	1.60%~6.12%	1.23%~3.6%

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group expects to make contributions of \$617,309 to the defined benefit plans in the next year starting from December 31, 2015. The weighted average of the defined benefit plans is 13.89 years.

(vii) Sensitivity analysis

When calculating the present value of defined benefit obligations, the Group used judgments and estimations to determine the actuarial assumptions, including the discount 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.

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	<b>Effects to the defined benefit obligation</b>		
	<b>Increase (decrease)</b>	<b>Favorable</b>	<b>Unfavorable</b>
Discount rate	0.25%	279,127	290,438
Future salary increases	0.25%	269,133	278,493

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net defined benefit liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(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 \$470,872 and \$387,499 as pension costs under the defined contribution plans in 2015 and 2014, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(p) Income tax

(1) Income tax expense

For the years ended December 31, 2015 and 2014, the components of estimated income tax expenses were as follows:

	2015	2014
Current tax expenses	\$ 486,424	496,101
Deferred tax expenses	<u>19,570</u>	<u>342,762</u>
Income tax expenses	<u><u>\$ 505,994</u></u>	<u><u>838,863</u></u>

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

	2015	2014
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit plans	<u>\$ 187,735</u>	<u>53,573</u>
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains on available-for-sale financial assets	\$ (7,557)	(2,799)
Cash flow hedges	<u>206,613</u>	<u>400,940</u>
	<u><u>\$ 199,056</u></u>	<u><u>398,141</u></u>

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

	2015	2014
Profit before tax	<u>\$ 7,365,204</u>	<u>48,945</u>
Income tax using the Company's domestic tax rate	\$ 1,252,085	8,321
Exempt income	(210,965)	(244,497)
10% taxation on undistributed earnings	64,270	81,033
Current-year losses for which no deferred tax asset was recognized	-	10,938
Changes in unrecognized deductible temporary differences	(975,258)	1,192,732
Loss carryforwards	189,057	(123,894)
Loss on valuation of inventories	-	(348,552)
Under (over) accrued income tax payable in prior periods	(8,084)	29,143
Others	<u>194,889</u>	<u>233,639</u>
	<u><u>\$ 505,994</u></u>	<u><u>838,863</u></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

The Group's unrecognized deferred tax assets were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Unrecognized deferred tax assets:		
Tax losses	\$ 311,693	1,312,748
Investment loss of foreign operations accounted for using equity method	25,687	-
Other	<u>110</u>	<u>-</u>
	<b><u>\$ 337,490</u></b>	<b><u>1,312,748</u></b>

According to the R.O.C. 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, 2015, the Group's loss carryforwards recognized and unrecognized as deferred tax assets and the 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>
2006	\$ -	57,392	57,392	2016
2009	4,438,119	1,392,715	5,830,834	2019
2010	-	839	839	2020
2011	1,285,537	-	1,285,537	2021
2012	-	248	248	2022
2013	2,591,562	16,656	2,608,218	2023
2014	-	59,585	59,585	2024
2015	-	306,056	306,056	2025
	<b><u>\$ 8,315,218</u></b>	<b><u>1,833,491</u></b>	<b><u>10,148,709</u></b>	

The Group has no unrecognized deferred tax liabilities as of December 31, 2015 and 2014.

(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 plans	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, 2015	\$ 1,090,073	592,059	265,082	571,904	401,121	380,018	85,476	477,331	1,470,591	5,333,655
Recognized in profit or loss	323,514	45,713	(60,337)	(70,547)	30,634	17,171	200,464	(477,331)	15,905	25,186
Recognized in other comprehensive income	-	-	-	187,770	-	-	-	-	199,056	386,826
Balance at December 31, 2015	<u>\$ 1,413,587</u>	<u>637,772</u>	<u>204,745</u>	<u>689,127</u>	<u>431,755</u>	<u>397,189</u>	<u>285,940</u>	<u>-</u>	<u>1,685,552</u>	<u>5,745,667</u>
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>

Deferred tax liabilities:

	Unrealized foreign exchange gains	Investment gains of foreign operations accounted for using equity method	Defined benefit plans	Others	Total
Beginning balance at January 1, 2015	\$ 18,137	-	-	48,712	66,849
Recognized in profit or loss	(10,268)	65,343	-	(10,319)	44,756
Recognized in other comprehensive income	-	-	35	-	35
Balance at December 31, 2015	<u>\$ 7,869</u>	<u>65,343</u>	<u>35</u>	<u>38,393</u>	<u>111,640</u>
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>-</u>	<u>-</u>	<u>48,712</u>	<u>66,849</u>

- (3) The Company's income tax returns for the years through 2013 were examined and approved by the local tax authorities.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Unappropriated earnings before 1997	\$ -	-
Unappropriated earnings after 1998	<u>5,596,970</u>	<u>(1,309,025)</u>
	<b>\$ <u>5,596,970</u></b>	<b><u>(1,309,025)</u></b>
Balance of ICA	<b>\$ <u>1,189,661</u></b>	<b><u>1,014,604</u></b>
	<b>2015</b>	<b>2014</b>
Tax creditable ratio for earnings distribution to R.O.C. residents	<b><u>20.48% (estimated)</u> - <u>% (actual)</u></b>	

According to the amendment by the Ministry of Finance on October 17, 2013 under the Rule No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, in case that the gross dividends or the gross earnings received by the shareholder residing outside the territory of R.O.C. contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid under the provisions of Article 66-9 hereof, half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(q) Capital and other equity

As of December 31, 2015 and 2014, 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 \$38,589,450 and \$32,589,450, respectively.

(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. The related registration process had been completed.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Cash subscription in excess of par value of shares	\$ 4,218,825	29,672
Stock options granted to employees	606,100	606,100
Additional paid-in capital from bond conversion	1,411,830	1,411,830
Difference between actual acquiring subsidiary's equity and carrying amount	<u>272</u>	<u>-</u>
	<u>\$ 6,237,027</u>	<u>2,047,602</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 will have to be proposed by the Board of Directors, which will be resolved at the stockholders' meeting for an allocation plan to be distributed to the shareholders.

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.

According to the amended Company Act, which was announced in May 2015, employee bonuses and the directors' and supervisors' remuneration were not parts of the appropriations of earnings. The Company will amend the Articles of Incorporation before the deadline specified by the authorities.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(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.

(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

A resolution was approved during the shareholders' meeting held on June 16, 2015 for legal reserve and capital surplus to be used in offsetting the accumulated deficit amounted to \$1,309,025. There was no difference between the aforementioned offsetting accumulated deficit and the resolution approved in the board meeting. The related information can be found on the Market Observation Post System website.

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

There was no difference between the appropriation in the 2013 earnings for employee bonuses and directors' and supervisors' remuneration and those accrued in the financial statements for the year ended December 31, 2013. The related information can be found on the Market Observation Post System website.

In 2014, the Company did not recognize any bonuses to its employees and remuneration to its directors and supervisors due to operating loss.

(Continued)

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(4) Other equity (net of taxes)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) on available-for-sale financial assets</b>	<b>Cash flow hedges</b>	<b>Non- controlling interests</b>	<b>Total</b>
<b>Beginning balance as of January 1, 2015</b>	\$ 126,987	637,744	(1,935,878)	13,368	(1,157,779)
Exchange differences on translation of foreign financial statements	10,210	-	-	36	10,246
Impairment of available-for-sale financial assets reclassified to profit or loss	-	241,124	-	-	241,124
Unrealized losses on available-for-sale financial assets	-	(386,324)	-	(1,810)	(388,134)
Cash flow hedges, effective portion	-	-	(1,008,755)	-	(1,008,755)
<b>Balance as of December 31, 2015</b>	<b>\$ 137,197</b>	<b>492,544</b>	<b>(2,944,633)</b>	<b>11,594</b>	<b>(2,303,298)</b>
<b>Beginning balance as of 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 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 as of December 31, 2014</b>	<b>\$ 126,987</b>	<b>637,744</b>	<b>(1,935,878)</b>	<b>13,368</b>	<b>(1,157,779)</b>

(r) Share-based payment

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

<b>Type</b>	<b>Grant date</b>	<b>Number of shares granted (thousand shares)</b>	<b>Contract term (year)</b>	<b>Vesting Conditions</b>
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 follows:

Unit: Thousand shares /dollars

<b>Cash-settled share-based payment plan (reserved for employees to subscribe)</b>	<b>2015</b>	<b>2014</b>	<b>Exercise price (NT\$)</b>
Number of shares outstanding as of January 1	60,000	-	\$ -
Number of shares granted during the period	-	60,000	17
Number of shares exercised during the period	(47,851)	(1,493)	17
Number of shares abandoned during the period	(12,149)	-	17
Number of shares outstanding as of December 31	<u>-</u>	<u>58,507 (note)</u>	
Fair value per share at grant date	<u>\$ 5.40</u>	<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:

	<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 duration	53 days
Dividend yield	-
Risk-free interest rate	1.6%

- (4) Employee expense:

For the years ended December 31, 2015 and 2014, the compensation cost for the employee shares of stock amounted to \$0 and \$324,000, respectively, which was recognized as operating expenses.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(s) 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:

	2015	2014
Basic earnings per share:		
Profit (loss) attributable to ordinary equity holders	\$ <u>6,436,425</u>	<u>(1,306,724)</u>
Weighted-average number of shares outstanding during the period (thousand shares)	<u>3,804,699</u>	<u>3,258,945</u>
Basic earnings per share (in dollars)	\$ <u>1.69</u>	<u>(0.40)</u>
Diluted earnings per share:		
Profit (loss) attributable to ordinary equity holders	\$ <u>6,436,425</u>	<u>(1,306,724)</u>
Weighted-average number of shares outstanding during the period (thousand shares)	3,804,699	3,258,945
Effect of the potentially dilutive common stock		
Employee bonuses (thousand shares)	<u>4,872</u>	<u>-</u>
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	<u>3,809,571</u>	<u>3,258,945</u>
Diluted earnings per share (in dollars)	\$ <u>1.69</u>	<u>(0.40)</u>

(t) Revenue

For the years ended December 31, 2015 and 2014, the components of revenue were as follows:

	2015	2014
Aviation transportation revenue	\$ 107,964,626	109,216,672
Services revenue	18,442,998	13,839,017
Others	<u>10,760,920</u>	<u>10,034,319</u>
	\$ <u>137,168,544</u>	<u>133,090,008</u>

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, 2015 and 2014, the above-mentioned deferred revenue amounted to \$2,216,631 and \$1,765,867, respectively, were recorded as unearned revenue and other non-current liabilities.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(u) Employee compensation, and the directors' and supervisors' remuneration

According to the Company's Articles of Incorporation which has not yet been resolved at the meeting of the Board and shareholders, once the Company has an annual earning, a minimum of 1% will be distributed as employee compensation and a maximum of 5% will be allotted for directors' and supervisors' remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

For the year ended December 31, 2015, the Company's accrued and recognized employee compensation and the directors' and supervisors' remuneration amounted to \$90,623 and \$10,000 respectively. The employee compensation and the directors' and supervisors' remuneration were estimated based on the income before tax, excluding, the amount of the employee compensation, and the directors' and supervisors' remuneration, then multiplied by the rule of the Company's Article of Incorporation. The employee compensation was included in the operating costs and operating expenses for the year ended December 31, 2015. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

(v) Non-operating income and expenses

(1) Other income

	<b>2015</b>	<b>2014</b>
Interest income	\$ 329,138	355,051
Dividend income	461,979	140,790
Others	<u>286</u>	<u>286</u>
	<b><u>\$ 791,403</u></b>	<b><u>496,127</u></b>

(2) Other gains and losses

	<b>2015</b>	<b>2014</b>
Foreign exchange losses	\$ (785,605)	(464,082)
Gains on disposal of property, plant and equipment	33,725	168,926
Impairment losses resulting from permanent decrease in value of financial assets	(241,124)	(1,634,310)
Others	<u>(76,250)</u>	<u>303,004</u>
	<b><u>\$ (1,069,254)</u></b>	<b><u>(1,626,462)</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(3) Finance costs

	<b>2015</b>	<b>2014</b>
Interest expense		
Bank borrowings	\$ 1,199,294	1,160,614
Lease liabilities	247,000	238,997
Others	308,022	236,765
Less: capitalized interest	(60,938)	(70,478)
	<b>\$ 1,693,378</b>	<b>1,565,898</b>

(w) Financial instruments

(1) Credit risk

(i) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(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.

(2) Liquidity risk

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>As of December 31, 2015</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 65,665,569	69,467,110	14,696,897	37,134,200	17,636,013
Secured bonds payable	16,100,000	16,483,725	5,300,925	11,182,800	-
Lease liabilities	7,067,237	7,601,415	2,116,239	4,408,516	1,076,660
Notes and accounts payable (including related parties)	2,889,233	2,889,233	2,889,233	-	-
Other payables (including related parties)	10,671,056	10,671,056	10,671,056	-	-
Subtotal	102,393,095	107,112,539	35,674,350	52,725,516	18,712,673

(Continued)



# EVA AIRWAYS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
<b>Derivative financial liabilities</b>					
Fuel swap and option agreement for hedge purposes	3,547,751	3,547,751	2,493,413	1,054,338	-
<b>Total</b>	<b>\$ <u>105,940,846</u></b>	<b><u>110,660,290</u></b>	<b><u>38,167,763</u></b>	<b><u>53,779,854</u></b>	<b><u>18,712,673</u></b>
<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	-
Notes and accounts payable (including related parties)	3,170,939	3,170,939	3,170,939	-	-
Other payables (including related parties)	11,062,794	11,062,794	11,062,794	-	-
Subtotal	<u>99,270,671</u>	<u>103,652,896</u>	<u>34,173,993</u>	<u>56,425,484</u>	<u>13,053,419</u>
<b>Derivative financial liabilities</b>					
Fuel swap agreement for hedge purposes	2,332,383	2,332,383	2,332,383	-	-
<b>Total</b>	<b>\$ <u>101,603,054</u></b>	<b><u>105,985,279</u></b>	<b><u>36,506,376</u></b>	<b><u>56,425,484</u></b>	<b><u>13,053,419</u></b>

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

### (3) Currency risk

#### (i) Exposure to currency risk

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

	2015.12.31			2014.12.31		
	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD
<b>Financial assets</b>						
Monetary items						
USD	\$ 644,327	32.825	21,150,043	405,658	31.650	12,839,085
EUR	6,461	35.88	231,822	5,341	38.47	205,467
JPY	843,212	0.2727	229,944	797,276	0.2646	210,959
HKD	212,273	4.24	898,977	176,366	4.08	719,575
CNY	344,357	5.00	<u>1,720,063</u>	944,321	5.09	<u>4,808,484</u>
			<b>\$ <u>24,230,849</u></b>			<b><u>18,783,570</u></b>
<b>Financial liabilities</b>						
Monetary items						
USD	\$ 667,086	32.825	21,897,104	588,975	31.650	18,641,072
EUR	5,739	35.88	205,909	7,436	38.47	286,074
JPY	1,637,238	0.2727	446,475	1,317,762	0.2646	348,680
HKD	23,744	4.24	100,558	10,293	4.08	41,994
CNY	241,993	5.00	<u>1,208,756</u>	225,184	5.09	<u>1,146,637</u>
			<b>\$ <u>23,858,802</u></b>			<b><u>20,464,457</u></b>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (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, 2015 and 2014, would have changed the profit by \$3,720 and \$16,809, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015 and 2014.

Due to the variety of the Group's functional currency, the Group discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2015 and 2014, the Group's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to \$785,605 and \$464,082, respectively.

#### (4) Interest rate risk

The liquidity risk and interest rate exposure of the Group's financial liabilities are illustrated in note 6(x).

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 change \$662,020 and \$594,735 for the years ended December 31, 2015 and 2014, respectively due to the Group's floating-interest borrowings.

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## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(5) Fair value

(i) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	2015.12.31				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Money market funds	\$ 3,420	3,420	-	-	3,420
Available-for-sale financial assets					
Money market funds	1,788,114	1,788,114	-	-	1,788,114
Publicly traded stock	767,141	767,141	-	-	767,141
U.S. Treasury notes	43,163	43,163	-	-	43,163
Non-publicly traded stock	1,762,037	-	419,598	1,342,439	1,762,037
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,361,475	2,598,418	419,598	1,342,439	4,360,455
Loans and receivables					
Cash and cash equivalents	35,744,865	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	10,767,934	-	-	-	-
Subtotal	46,512,799	-	-	-	-
Other non-current assets	1,658,682	-	-	-	-
Total	<u>\$ 52,536,376</u>	<u>2,601,838</u>	<u>419,598</u>	<u>1,342,439</u>	<u>4,363,875</u>
Derivative financial liabilities for hedge purposes	\$ 3,547,751	-	3,547,751	-	3,547,751
Amortized cost of financial liabilities					
Short-term borrowings	739,836	-	-	-	-
Note and accounts payable (including related parties)	2,889,233	-	-	-	-
Other payables (including related parties)	10,671,056	-	-	-	-
Bonds payable (including current portion)	16,100,000	-	16,064,342	-	16,064,342
Long-term borrowings (including current portion)	64,925,733	-	64,933,544	-	64,933,544
Lease liabilities	7,067,237	-	7,110,534	-	7,110,534
Subtotal	102,393,095	-	88,108,420	-	88,108,420
Total	<u>\$ 105,940,846</u>	<u>-</u>	<u>91,656,171</u>	<u>-</u>	<u>91,656,171</u>

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

	2014.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Money market funds	\$ 3,052	3,052	-	-	3,052
Available-for-sale financial assets					
Money market funds	1,091,610	1,091,610	-	-	1,091,610
Publicly traded stock	832,356	832,356	-	-	832,356
U.S. Treasury notes	67,455	67,455	-	-	67,455
Non-publicly traded stock	2,076,487	495,429	-	1,581,058	2,076,487
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	<u>4,068,928</u>	<u>2,486,850</u>	<u>-</u>	<u>1,581,058</u>	<u>4,067,908</u>
Loans and receivables					
Cash and cash equivalents	27,144,950	-	-	-	-
Notes and accounts receivables, and other receivables (including related parties)	<u>12,671,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>39,816,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other non-current assets	<u>1,483,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 45,372,326</u>	<u>2,489,902</u>	<u>-</u>	<u>1,581,058</u>	<u>4,070,960</u>
Derivative financial liabilities for hedge purposes	\$ 2,332,383	-	2,332,383	-	2,332,383
Amortized cost of financial liabilities					
Short-term borrowings	949,826	-	-	-	-
Note and accounts payable (including related parties)	3,170,939	-	-	-	-
Other payables (including related parties)	11,062,794	-	-	-	-
Bonds payable (including current portion)	21,200,000	-	21,101,784	-	21,101,784
Long-term borrowings (including current portion)	57,428,857	-	57,468,181	-	57,468,181
Lease liabilities	<u>5,458,255</u>	<u>-</u>	<u>5,475,114</u>	<u>-</u>	<u>5,475,114</u>
Subtotal	<u>99,270,671</u>	<u>-</u>	<u>84,045,079</u>	<u>-</u>	<u>84,045,079</u>
Total	<u>\$ 101,603,054</u>	<u>-</u>	<u>86,377,462</u>	<u>-</u>	<u>86,377,462</u>

(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.

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

	2015	2014
Secured bonds payable	1.52%	1.57%
Long-term borrowings	1.52%~1.57%	1.57%~1.59%
Lease liabilities	1.52%	1.57%

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (iii) As of December 31, 2015, the partial available-for-sale financial assets amounting to \$419,598 was transferred from Level 1 to Level 2 due to the market value measurement considering the indirect observable parameters. As of December 31, 2014, the fair value hierarchy levels of financial instruments were not transferred.
- (iv) Movements in fair value measurements of financial assets in Level 3

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:

	<b>Unquoted equity instruments</b>	
Beginning balance as of January 1, 2015	\$	1,581,058
Total gains or losses:		
Recognized in profit and loss		(107,914)
Recognized in other comprehensive income		(130,705)
Balance as of December 31, 2015	<b>\$</b>	<b><u>1,342,439</u></b>
Beginning balance as of January 1, 2014	\$	1,568,259
Total gains or losses:		
Recognized in profit and loss		(922,370)
Recognized in other comprehensive income		938,933
Proceeds from capital reduction of investments		(3,764)
Balance as of December 31, 2014	<b>\$</b>	<b><u>1,581,058</u></b>

The amounts of total gains or losses for the periods were recognized in other gains and losses and unrealized gains (losses) on available-for-sale financial assets.

As of December 31, 2015 and 2014, the assets which were still held by the Group were as follows:

	<b>2015</b>	<b>2014</b>
Gains or losses (including in other gains and losses)	\$ (107,914)	(922,370)
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)	(130,566)	938,933

- (v) Quantitative information about the significant unobservable inputs used in the fair value measurements categorized within Level 3

The Group classified a partial of its available-for-sale financial assets—investments in equity securities that do not have a quoted market price in an active market as Level 3 of the fair value hierarchy.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Most of the fair value measurements categorized within Level 3 use the significant unobservable inputs. The significant unobservable inputs are independent to each other.

The significant unobservable inputs were as follows:

items	Valuation techniques	significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Available-for-sale financial assets – investments in equity securities	Market approach—relevant information generated by publicly companies	<ul style="list-style-type: none"> <li>● Price-book ratio (as of December 31, 2015 was 0.40~4.29)</li> <li>● Market liquidity discount rate (as of December 31, 2015 was 80%)</li> </ul>	<ul style="list-style-type: none"> <li>● The higher the price-book ratio, the higher the fair value</li> <li>● The higher the market liquidity discount rate, the lower the fair value</li> </ul>

- (vi) Sensitivity analysis for fair value measurements categorized within Level 3 of the fair value hierarchy

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, a fluctuation in the valuation variable by 5% would have the following effect:

Inputs	Increase (decrease)	Effects of changes in fair value on other comprehensive income	
		Favorable	Unfavorable
Price-book ratio	5%	68,549	(63,716)
Market liquidity discount rate	5%	71,577	(60,693)

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.

- (x) 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

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

#### (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 account 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, 2015, 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, 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.

(y) 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, 2015, 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:

	2015	2014
Associates	\$ 11,403,088	5,273,185
Others	<u>2,396,210</u>	<u>2,281,934</u>
	<b><u>\$ 13,799,298</u></b>	<b><u>7,555,119</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-parties 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:

	2015	2014
Associates	\$ 83,455	88,542
Others	<u>1,126,358</u>	<u>1,386,998</u>
	<b><u>\$ 1,209,813</u></b>	<b><u>1,475,540</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

Significant operating expenses from transactions with related parties were as follows:

	<u>2015</u>	<u>2014</u>
Associates	\$ 60,713	64,639
Others	<u>230,368</u>	<u>291,435</u>
	<u>\$ 291,081</u>	<u>356,074</u>

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) Construction commitment

In October 2014, the consolidated subsidiary, Evergreen Aviation Technologies Corp., entered into a contract with other related parties amounting to \$1,181,900 for the purpose of the construction of its aircraft maintenance plants. As of December 31, 2015, the unpaid contract price amounted to \$987,577.

The consolidated subsidiary, Evergreen Aviation Precision Corp., entered into a contract with other related parties amounting to \$896,189 for the purpose of the construction of its plants, and the aforementioned construction was finished in November, 2015.

#### (5) Other

The consolidated subsidiary, Evergreen Aviation Technologies Corp. (hereinafter refer to as EGAT), purchased a piece of agricultural land on Puxin, Dayuan Dist., Taoyuan City for car park in 2015. The purchase was in the name of the Company's chairman. As of December 31, 2015, EGAT has partially paid the price of \$12,112 for the abovementioned transaction, which was included in other non-current assets.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(6) Receivables from related parties

Receivables from related parties of the Group were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2015.12.31</u>	<u>2014.12.31</u>
Accounts receivable	Associates	\$ 3,165,657	2,395,012
Accounts receivable	Others	440,522	477,758
Other receivables	Associates	39	48
Other receivables	Others	<u>195,505</u>	<u>509,443</u>
		<b><u>\$ 3,801,723</u></b>	<b><u>3,382,261</u></b>

(7) Payables to related parties

Payables to related parties of the Group were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2015.12.31</u>	<u>2014.12.31</u>
Accounts payable	Associates	\$ 8,669	8,095
Accounts payable	Others	86,672	195,052
Other payables	Associates	23,283	10,980
Other payables	Others	<u>147,403</u>	<u>124,243</u>
		<b><u>\$ 266,027</u></b>	<b><u>338,370</u></b>

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2015</u>	<u>2014</u>
Short-term employee benefits	\$ 166,555	141,414
Post-employment benefits	7,231	7,534
Share-based payment	<u>-</u>	<u>3,613</u>
	<b><u>\$ 173,786</u></b>	<b><u>152,561</u></b>

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

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 8. Pledged assets

The carrying amounts of the pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2015.12.31</u>	<u>2014.12.31</u>
Property, plant, and equipment	Short-term and long-term borrowings	\$ 74,322,928	63,162,578
Available-for-sale financial assets – non-current	Contract performance guarantees	43,163	67,455
Time deposit – included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	<u>113,657</u>	<u>166,660</u>
		<u>\$ 74,479,748</u>	<u>63,396,693</u>

#### 9. Significant contingent liabilities and unrecognized commitments

##### (a) Significant contingent liabilities:

The Company is under investigation on the passenger and cargo fuel surcharge for alleged violation of antitrust law in the United States. A resolution was passed during the board meeting held on April 28, 2015 and the Company had reached a settlement agreement with the plaintiffs amounting to US\$99,000 which will be paid by three installments in 3 years for reducing the impact on the Company's operation. As of December 31, 2015, the settlement amount has been accrued in the accompanying balance sheets. Besides, the Company derivatively reached a settlement with A Company because of the abovementioned case which was recognized as accrued liabilities.

The Company takes a positive stand on its passenger litigation. Further information will be disclosed upon the developments 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, 2015, the Company took delivery of 6 Boeing 777 aircraft; and the remaining contract price was US\$367,860. The Company has partially paid the price of \$2,783,861, which was included in other non-current assets.
- (2) In July 2015, the Company entered into aircraft purchase contracts amounting to US\$1,620,000 with Boeing Company for 5 Boeing 777 freighter. As of December 31, 2015, the 5 Boeing 777 freighter had not yet been delivered by Boeing Company. The Company has partially paid the price of \$1,619,221, which was included in other non-current assets.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (3) In September 2015, the Company entered into aircraft purchase contracts amounting to US\$44,200 with GECAS Company for 2 ATR72-600 aircraft. As of December 31, 2015, the 2 ATR72-600 aircraft had not yet been delivered by GECAS Company. The Company has partially paid the price of \$64,800, which was included in other non-current assets.
- (4) In July 2015, the Company entered into engine purchase contracts amounting to US\$31,560 with General Electric Company for 1 777-300ER engine. As of December 31, 2015, the 777-300ER engine had not yet been delivered by General Electric Company.
- (5) In November 2015, the Company entered into aircraft purchase contracts amounting to US\$7,324,000 with Boeing Company for 2 Boeing 777 aircraft and 18 Boeing 787-10 aircraft. As of December 31, 2015, the 2 Boeing 777 aircraft and 18 Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of \$4,204,606, which was included in other non-current assets.
- (6) In November 2015, the Company entered into engine purchase contracts amounting to US\$118,660 with General Electric Company for 5 787 engines. As of December 31, 2015, the 5 787 engines had not yet been delivered by General Electric Company.
- (7) The Company signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to \$1,377,000. No payment was settled as of December 31, 2015.
- (8) Unused letters of credit for the Group were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Unused letters of credit	<b>\$ <u>2,322,913</u></b>	<b><u>2,201,227</u></b>

- (9) The 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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 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.

(iii) Royalty

EGAC should pay CAA royalties with the amount of a certain percentage (originally set at 6.00% before being adjusted to 6.10% on July 1, 2005 and adjusted subsequently to 6.00% 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.

(Continued)

## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (v) Taoyuan International Airport of Civil Aeronautics Administration of the Ministry of transportation and Communications had been reorganized into Taoyuan International Airport Corporation (hereinafter refer to as TIAC) on November 1, 2010. The contracts that EGAC signed with CAA had been received by TIAC since the establishment. The royalty, penalty, and the commercial paper of land rent of the counterparty had been changed to TIAC. For the year ended December 31, 2015, the estimated royalty amounted to \$74,431, which was recorded as operating cost. Besides, as of December 31, 2015, the promissory notes for the performance of the concession contract issued by EGAC amounted to \$695,563.
- (10) Evergreen Airline Services Corp., the consolidated subsidiary, signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to \$1,504,762. No payment was settled as of December 31, 2015.
- (11) As of December 31, 2015, EGAT, the consolidated subsidiary, had obtained guarantees from Hua Nan Bank and Mega International Commercial Bank amounting to \$40,287 for trading with the R.O.C. Ministry of National Defense. There is a controversy between the two parties about the extent of warranty for the maintenance services, and EGAT has been negotiating with the R.O.C. Ministry of National Defense on this matter.
- (12) The consolidated subsidiary, Evergreen Aviation Precision Corp. (hereinafter refer to as EGAP), entered into equipment purchase contracts amounting to \$506,269. As of December 31, 2015, EGAP has partially paid the price of \$357,328, which was included in other non-current assets.
- (13) The consolidated subsidiary, Evergreen Sky Catering Corp., entered into a construction commitment with Best-Giving Construction Corp. amounting to \$2,855,000, which was approved during the Board of Directors' meeting of Evergreen Sky Catering Corp..

**10. Significant disaster losses: None.**

**11. Significant subsequent events:**

On March 11, 2016, Chang Yung-Fa Charity Foundation ("the Foundation"), the main corporate juristic shareholder of the Company, convened a board of directors' meeting to replaced Chang Kuo-Wei as the juristic representative of the Foundation. Instead, Lin Pao-Shui was assigned to take over his position. Afterward, the Company convened an interim board meeting and Lin Pao-Shui was selected as chairman of the Company.

As of March 22, 2016, EGAC received disciplinary citation from the Taipei Customs, Customs Administration Ministry of Finance for that the employees of EGAC are involved in smuggling case. In view of individual behavior of the employees, EGAC will file an application for recheck as administrative remedy. EGAC will provide collateral equivalent to the amount of the fine, \$10,819, during the recheck period.

(Continued)



## EVA AIRWAYS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 12. Others

A summary of personnel expenses, depreciation and amortization expenses, by function, is as follows:

	2015			2014		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	\$ 10,235,856	4,994,852	15,230,708	8,635,054	4,457,294	13,092,348
Labor and health						
Insurance	708,843	290,938	999,781	615,069	263,638	878,707
Pension	569,416	218,702	788,118	512,282	184,370	696,652
Others	2,655,794	556,562	3,212,356	2,251,190	487,649	2,738,839
Depreciation (Note)	12,105,298	533,709	12,639,007	10,824,926	417,097	11,242,023
Amortization	154,177	189,860	344,037	143,821	160,765	304,586

Note: For the years ended December 31, 2015 and 2014, the depreciation expenses recognized were \$12,774,438 and \$11,422,313 respectively, less deferred gains of \$135,431 and \$180,290, 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, investment, manufacture of aircraft parts, and flight training. For the years ended December 31, 2015 and 2014, 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

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.

(Continued)

# EVA AIRWAYS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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:

	2015					
	Aviation transportation segment	Maintenance segment	Catering services segment	Other segments	Reconciliation and elimination	Total
<b>Revenue:</b>						
Revenue from external customers	\$ 115,670,066	19,486,041	562,256	1,450,181	-	137,168,544
Intersegment revenue	222,590	4,913,600	2,200,747	2,525,834	(9,862,771)	-
Interest income	281,736	27,943	9,220	10,239	-	329,138
Net revenues	<u>\$ 116,174,392</u>	<u>24,427,584</u>	<u>2,772,223</u>	<u>3,986,254</u>	<u>(9,862,771)</u>	<u>137,497,682</u>
Interest expense	\$ (1,538,519)	(127,813)	(46)	(27,000)	-	(1,693,378)
Depreciation and amortization	(12,028,343)	(490,683)	(83,243)	(392,571)	11,797	(12,983,043)
Share of profit (loss) of associates accounted for using equity method	1,044,140	(61,186)	-	86,033	(937,795)	131,192
Other significant non-cash items:						
Impairment loss	241,124	-	-	-	-	241,124
<b>Reportable segment profit or loss</b>	<u>\$ 6,539,529</u>	<u>1,117,341</u>	<u>618,081</u>	<u>(6,658)</u>	<u>(903,089)</u>	<u>7,365,204</u>
<b>Assets:</b>						
Investment accounted for using equity method	\$ 13,638,065	889,410	-	436,764	(14,340,213)	624,026
Capital expenditures of non-current assets	24,983,029	549,096	127,515	1,299,927	-	26,959,567
<b>Reportable segment assets</b>	<u>\$ 176,487,661</u>	<u>21,668,731</u>	<u>3,419,560</u>	<u>11,066,986</u>	<u>(17,236,626)</u>	<u>195,406,312</u>
<b>Reportable segment liabilities</b>	<u>\$ 127,628,847</u>	<u>11,795,732</u>	<u>464,130</u>	<u>3,399,415</u>	<u>(2,609,334)</u>	<u>140,678,790</u>
	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

(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.

Revenue from external customers:

<b>Geography</b>	<b>2015</b>	<b>2014</b>
Taiwan	\$ 69,748,029	61,442,036
Asia	35,628,765	39,467,111
Europe	4,937,027	5,951,322
North America	26,518,634	25,832,005
Others	336,089	397,534
	<b>\$ 137,168,544</b>	<b>133,090,008</b>

Non-current assets:

<b>Geography</b>	<b>2015</b>	<b>2014</b>
Taiwan	\$ 125,821,760	106,680,526
Asia	201,995	202,127
Others	199,566	100,123
	<b>\$ 126,223,321</b>	<b>106,982,776</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 2

**EVA AIRWAYS CORP.**  
**Parent-Company-Only Financial Statements**  
**December 31, 2015 and 2014**  
**(With Independent Auditors' Report Thereon)**

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安侯建業聯合會計師事務所

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## 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, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and its financial performance and cash flows for the years ended December 31, 2015 and 2014, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)  
March 28, 2016

### 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, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31	Liabilities and Equity	2015.12.31	2014.12.31
<b>Assets</b>					
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 6(a))	\$ 28,890,633	22,615,367	Derivative financial liabilities for hedge purposes—current (note 6(c))	\$ 2,493,413	2,332,383
Available-for-sale financial assets—current (note 6(b))	1,517,801	961,042	Accounts payable	1,217,432	1,611,459
Notes receivable, net (note 6(d))	410,415	419,297	Accounts payable—related parties (note 7)	2,444,097	3,068,924
Accounts receivable, net (note 6(d))	5,118,146	6,060,903	Other payables (notes 6(t), 7 and 9)	10,999,723	11,023,303
Accounts receivable—related parties (notes 6(d) and 7)	311,057	593,391	Unearned revenue (note 6(s))	13,241,354	10,222,709
Inventories (notes 6(e) and 7)	1,619,953	1,803,547	Current portion of long-term liabilities (notes 6(k) and 8)	14,936,936	14,289,100
Other current assets (notes 6(d) and 7)	1,395,067	1,711,199	Other current liabilities (notes 6(h), 6(k) and 6(l))	8,429,265	5,821,269
<b>Total current assets</b>	<u>39,263,072</u>	<u>34,164,746</u>	<b>Total current liabilities</b>	<u>53,762,220</u>	<u>48,369,147</u>
<b>Non-current assets:</b>			<b>Non-current liabilities:</b>		
Available-for-sale financial assets—non-current (notes 6(b) and 8)	2,520,463	2,916,594	Derivative financial liabilities for hedge purposes—non-current (note 6(c))	1,054,338	-
Investments accounted for using equity method (notes 6(f) and 6(g))	13,638,065	12,077,343	Bonds payable (notes 6(k) and 8)	11,000,000	16,100,000
Property, plant and equipment (notes 6(h), 7 and 8)	103,950,044	90,240,743	Long-term borrowings (notes 6(k) and 8)	44,367,854	39,101,424
Intangible assets (note 6(i))	455,178	465,026	Deferred tax liabilities (note 6(o))	65,343	-
Deferred tax assets (note 6(o))	5,249,243	4,912,090	Lease liabilities—non-current (note 6(k))	5,152,193	3,954,168
Other non-current assets (notes 6(j), 8 and 9)	11,411,596	6,711,078	Net defined benefit liabilities—non-current (note 6(n))	3,409,432	2,762,962
<b>Total non-current assets</b>	<u>137,224,589</u>	<u>117,322,874</u>	Other non-current liabilities (notes 6(h), 6(f) and 6(s))	8,817,467	6,808,035
			<b>Total non-current liabilities</b>	<u>73,866,627</u>	<u>68,726,589</u>
			<b>Total liabilities</b>	<u>127,628,847</u>	<u>117,095,736</u>
			<b>Equity (notes 6(c), 6(n), 6(o), 6(p) and 6(q)):</b>		
			Common stock	38,589,450	32,589,450
			Capital collected in advance	-	186,567
			Capital surplus	6,237,027	2,047,602
			Retained earnings	6,347,229	739,412
			Other equity	(2,314,892)	(1,171,147)
			<b>Total equity</b>	<u>48,858,814</u>	<u>34,391,884</u>
<b>Total assets</b>	<u>\$ 176,487,661</u>	<u>151,487,620</u>	<b>Total liabilities and equity</b>	<u>\$ 176,487,661</u>	<u>151,487,620</u>

See accompanying notes to financial statements.

**EVA AIRWAYS CORP.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2015 and 2014**

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

	<b>2015</b>	<b>2014</b>
<b>Operating revenue (notes 6(s) and 7)</b>	\$ 115,892,656	116,921,858
<b>Operating cost (notes 6(c), 6(e), 6(h), 6(i), 6(l), 6(m), 6(n), 6(t), 7 and 9)</b>	<u>(98,540,341)</u>	<u>(107,351,080)</u>
<b>Gross profit from operations</b>	17,352,315	9,570,778
<b>Operating expenses (notes 6(d), 6(h), 6(i), 6(m), 6(n), 6(q), 6(t) and 7)</b>	<u>(9,979,378)</u>	<u>(8,934,542)</u>
<b>Net operating income</b>	<u>7,372,937</u>	<u>636,236</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(u))	743,615	443,477
Other gains and losses (notes 6(b), 6(l) and 6(u))	(1,082,644)	(979,372)
Finance costs (notes 6(l) and 6(u))	(1,538,519)	(1,431,107)
Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	<u>1,044,140</u>	<u>452,685</u>
<b>Total non-operating income and expenses</b>	<u>(833,408)</u>	<u>(1,514,317)</u>
<b>Profit (loss) before tax</b>	6,539,529	(878,081)
<b>Income tax expenses (note 6(o))</b>	<u>(103,104)</u>	<u>(428,643)</u>
<b>Profit (loss)</b>	<u>6,436,425</u>	<u>(1,306,724)</u>
<b>Other comprehensive income (notes 6(c), 6(f), 6(n), 6(o) and 6(p)):</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurements of the net defined benefit plans	(839,731)	(185,279)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(142,478)	(75,322)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>142,754</u>	<u>31,497</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>(839,455)</u>	<u>(229,104)</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign financial statements	10,210	57,674
Unrealized gains (losses) on available-for-sale financial assets	(132,110)	558,374
Cash flow hedges	(1,215,368)	(2,358,473)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(5,533)	923,396
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>199,056</u>	<u>398,141</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(1,143,745)</u>	<u>(420,888)</u>
<b>Other comprehensive income, net of tax</b>	<u>(1,983,200)</u>	<u>(649,992)</u>
<b>Comprehensive income</b>	<u>\$ 4,453,225</u>	<u>(1,956,716)</u>
<b>Earnings per common share (note 6(r))</b>		
<b>Basic earnings per share (in New Taiwan Dollars)</b>	\$ <u>1.69</u>	<u>(0.40)</u>
<b>Diluted earnings per share (in New Taiwan Dollars)</b>	\$ <u>1.69</u>	<u>(0.40)</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Equity

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity			Total equity		
	Common Stock	Capital collected in advance	Capital Surplus	Retained earnings (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, 2014</b>	\$ 32,589,450	-	1,723,602	1,272,977	5,467,491	69,313	(841,227)	21,655	(750,259)	35,838,033
Appropriations of prior year's earnings:										
Legal reserve	-	-	-	25,201	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(4,717,232)	-	-	-	-	-
Loss for 2014	-	-	-	-	(1,306,724)	-	-	-	-	(1,306,724)
Other comprehensive income in 2014	-	-	-	-	(229,104)	-	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>	32,589,450	186,567	2,047,602	1,298,178	750,259	126,987	637,744	(1,935,878)	(1,171,147)	34,391,884
Appropriations of prior year's earnings:										
Legal reserve used to offset accumulated deficit	-	-	-	(1,298,178)	-	-	-	-	-	-
Other changes in capital surplus:										
Capital surplus used to offset accumulated deficit	-	-	(10,847)	-	-	-	-	-	-	-
Profit for 2015	-	-	-	10,847	-	-	-	-	-	6,436,425
Other comprehensive income in 2015	-	-	-	6,436,425	-	10,210	(145,200)	(1,008,755)	(1,143,745)	(1,983,200)
Issuance of common stock	6,000,000	(186,567)	4,200,000	(839,455)	-	-	-	-	-	10,013,433
Adjustments to share of changes in equity of subsidiaries	-	-	272	-	-	-	-	-	-	272
<b>Balance on December 31, 2015</b>	\$ 38,589,450	-	6,237,027	5,596,970	750,259	137,197	492,544	(2,944,633)	(2,314,892)	48,858,814

See accompanying notes to financial statements.



EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 6,539,529	(878,081)
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	11,988,133	10,749,577
Amortization expense	175,641	150,658
Interest expense	1,538,519	1,431,107
Interest income	(281,736)	(305,867)
Dividend income	(461,879)	(137,610)
Issuance of common stock employee compensation cost	-	324,000
Share of profit of subsidiaries and associates accounted for using equity method	(1,044,140)	(452,685)
Losses (gains) on disposal of property, plant and equipment	45,226	(168,426)
Gains on disposal of investments	(7,299)	(10,743)
Impairment loss	241,124	711,310
Others	559,813	11,270
Total adjustments to reconcile profit (loss)	<u>12,753,402</u>	<u>12,302,591</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	8,882	(74,559)
Accounts receivable, net	942,757	21,508
Accounts receivable—related parties	282,334	(461,635)
Inventories	180,998	215,289
Other current assets	325,465	(896,115)
Total changes in operating assets	<u>1,740,436</u>	<u>(1,195,512)</u>
Changes in operating liabilities:		
Accounts payable	(394,027)	(237,056)
Accounts payable—related parties	(624,827)	373,159
Other payables	21,479	1,544,551
Unearned revenue	3,018,645	1,090,147
Other current liabilities	(276,204)	565,261
Net defined benefit liabilities—non-current	(193,261)	(208,742)
Other non-current liabilities	1,486,438	(8,703)
Total changes in operating liabilities	<u>3,038,243</u>	<u>3,118,617</u>
Total changes in operating assets and liabilities	<u>4,778,679</u>	<u>1,923,105</u>
Total adjustments	<u>17,532,081</u>	<u>14,225,696</u>
Cash inflow generated from operations	24,071,610	13,347,615
Income taxes paid	(59,120)	(41,766)
<b>Net cash flows from operating activities</b>	<u>24,012,490</u>	<u>13,305,849</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease (increase) in available-for-sale financial assets—current	(550,649)	846,201
Acquisition of available-for-sale financial assets—non-current	(43,276)	(67,550)
Proceeds from disposal of available-for-sale financial assets—non-current	67,362	89,222
Proceeds from capital reduction of available-for-sale financial assets—non-current	-	3,764
Acquisition of investments accounted for using equity method	(820,302)	(640,000)
Proceeds from capital reduction of investments accounted for using equity method	-	780
Acquisition of property, plant and equipment	(14,268,966)	(14,561,016)
Proceeds from disposal of property, plant and equipment	764,592	615,714
Acquisition of intangible assets	(165,793)	(202,907)
Increase in other non-current assets	(233,340)	(177,999)
Increase in prepayments for equipments	(10,548,270)	(4,240,606)
Interest received	298,361	308,477
Dividend received	651,466	405,657
<b>Net cash flows used in investing activities</b>	<u>(24,848,815)</u>	<u>(17,620,263)</u>
<b>Cash flows from (used in) financing activities:</b>		
Redemption of bonds payable	(5,100,000)	-
Proceeds from long-term borrowings	15,223,000	16,584,000
Redemption of long-term borrowings	(9,569,105)	(7,013,201)
Increase in deposits received	27,251	-
Redemption of lease liabilities	(2,028,562)	(1,500,699)
Issuance of common stock	10,013,433	-
Capital collected in advance	-	186,567
Interest paid	(1,454,426)	(1,339,490)
<b>Net cash flows from financing activities</b>	<u>7,111,591</u>	<u>6,917,177</u>
<b>Net increase in cash and cash equivalents</b>	6,275,266	2,602,763
<b>Cash and cash equivalents at the beginning of year</b>	<u>22,615,367</u>	<u>20,012,604</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 28,890,633</u>	<u>22,615,367</u>

See accompanying notes to financial statements.

**EVA AIRWAYS CORP.**

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

**December 31, 2015 and 2014**

**(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 28, 2016.

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

(a) The impact of the new release, amendments to standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC")

The Company have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) issued by the FSC with fully adoption starting 2015. Relevant new releases, modifications and amendments to standards and interpretations are as follows:

<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
Amended IFRS 7 "Disclosures—derecognition of financial assets and financial liabilities"	January 1, 2013

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<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
Amended IAS 19 “Employee Benefits”	January 1, 2013
Amended 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 may 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 the standard and the restatements in the comparative period have been made retrospectively.

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

The Company had disclosed the information on its subsidiaries as the standard requires. Please refer to the consolidated financial statements for the year ended December 31, 2015.

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### 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. The Company has disclosed fair value measurements as the guidance over the transition period of the standard, and postponed the adoption of fair value measurements, please refer to note 6(v). The Company has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for the new disclosures. Notwithstanding the above, the change has no significant impact on the measurements of the Company’s assets and liabilities.

(b) The new released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that has not yet endorsed by the FSC are as follows:

New standards and amendments	Effective date per IASB
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”	Not yet approved by the IASB
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, 2018
IFRS 16 “Lease”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2017
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 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

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<u>New standards and amendments</u>	<u>Effective date per IASB</u>
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
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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 have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### (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 sheets:

- (i) Available-for-sale financial assets are measured at fair value;
- (ii) Hedging derivative financial instruments are measured at fair value; and

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## EVA AIRWAYS CORP.

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

- (iii) The net defined benefit liabilities are 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.

#### (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.

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## EVA AIRWAYS CORP.

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

#### (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.

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

(Continued)

## **EVA AIRWAYS CORP.**

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

- (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.

(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.

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### 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.

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### **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.

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## **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.

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## **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.

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## 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.

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## **EVA AIRWAYS CORP.**

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

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.

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.

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

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.

(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.

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## EVA AIRWAYS CORP.

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

#### (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.

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.

#### (l) 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.

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## **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) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

The estimated recovery costs are incurred through the lease of aircraft. The Company's restoration obligations are based on necessary maintenance expenses under the lease contracts of the aircraft, in which the Company expects all of the maintenance expenses to be reimbursed when the Company returns back all its rented aircraft. The amounts are estimated by gauging the maintenance experiences of similar types of aircraft, the actual maintenance expenses in the past, and the historical information on the usage of the aircraft.

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

#### (n) 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.

#### (o) 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.

##### (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.

#### (p) 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.

(Continued)

## **EVA AIRWAYS CORP.**

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

#### (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. The fair value of any plan assets is 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 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.

When the benefits of a plan are improved the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

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.

(Continued)

## EVA AIRWAYS CORP.

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

#### (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.

#### (q) 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.

#### (r) 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.

(Continued)

## EVA AIRWAYS CORP.

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

(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.

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.

(s) 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. For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(Continued)

## EVA AIRWAYS CORP.

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

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.

(t) 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.

(u) 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 Governing the Preparation of Financial Reports by Securities Issuers" 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.

(Continued)

## EVA AIRWAYS CORP.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in: (1) note 6(l), provisions, and (2) note 6(o), realization of deferred tax assets.

The accounting policy and disclosure of the Company include measuring the financial assets and financial liabilities at fair value. The accounting department of the Company uses information of external information to make the evaluation result agreeable to the market status and to ensure that the data resources are independent, reliable and consistent with the other resources. The accounting department of the Company regularly revises the evaluation models and the input parameters, makes retrospective review and makes essential adjustments to ensure that the evaluation results is reasonable.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical 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).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 6(v).

#### 6. Significant account disclosures

##### (a) Cash and cash equivalents

	<u>2015.12.31</u>	<u>2014.12.31</u>
Cash on hand	\$ 89,032	86,842
Cash in bank	<u>28,801,601</u>	<u>22,528,525</u>
	<u>\$ 28,890,633</u>	<u>22,615,367</u>

Refer to note 6(v) 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>2015.12.31</b>	<b>2014.12.31</b>
Money market funds	\$ <u><b>1,517,801</b></u>	<u><b>961,042</b></u>

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Non-publicly traded stocks	\$ 1,757,091	2,071,718
Publicly traded stocks	720,209	777,421
U.S. Treasury notes	<u>43,163</u>	<u>67,455</u>
	<u><b>\$ 2,520,463</b></u>	<u><b>2,916,594</b></u>

In 2015 and 2014, the Company recognized the impairment losses of \$241,124 and \$711,310, respectively, in other gains and losses, due to the permanent decrease in value of the investment in securities of company.

The exposure to fair value arising from financial instruments is disclosed in note 6(v).

As of December 31, 2015 and 2014, 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>2015</b>		<b>2014</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>201,898</b></u>	<u>-</u>	<u><b>193,276</b></u>	<u>-</u>
decrease 5%	\$ <u><b>(201,898)</b></u>	<u>-</u>	<u><b>(193,276)</b></u>	<u>-</u>

(Continued)



**EVA AIRWAYS CORP.**

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

(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, 2015 and 2014, 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>2015.12.31</u>	<u>2014.12.31</u>		
Floating price of fuel	Fuel swap agreement	\$ (1,886,605)	(2,332,383)	2015~2017	2015~2017
Floating price of fuel	Option agreements	(1,661,146)	-	2015~2018	2015~2018
		<u>\$ (3,547,751)</u>	<u>(2,332,383)</u>		

The above-mentioned fair values of the assigned hedging instructions were recorded as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Derivative financial liabilities for hedge purposes – current	\$ (2,493,413)	(2,332,383)
Derivative financial liabilities for hedge purposes – non-current	(1,054,338)	-
	<u>\$ (3,547,751)</u>	<u>(2,332,383)</u>

The Company's gains and losses arising from cash flow hedges in 2015 and 2014 were as follows:

<u>Account</u>	<u>2015</u>	<u>2014</u>
Recognized in other comprehensive income during the period	\$ <u>(1,215,368)</u>	<u>(2,358,473)</u>
Reclassification from equity to operating cost (income) for the period	\$ <u>3,658,493</u>	<u>670,004</u>

(Continued)

**EVA AIRWAYS CORP.**

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

(d) Notes and accounts receivable, and other receivables

	<b>2015.12.31</b>	<b>2014.12.31</b>
Notes receivable	\$ 410,415	419,297
Accounts receivable (including related parties)	5,466,576	6,697,787
Other receivables (including related parties) (included in other current assets)	231,008	899,909
Less: allowance for doubtful accounts	<u>(37,373)</u>	<u>(43,493)</u>
	<b><u>\$ 6,070,626</u></b>	<b><u>7,973,500</u></b>

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Past due within 30 days	\$ 38,487	5,819
Past due 31~60 days	24,053	-
Past due over 60 days but less than one year	-	-
Past due more than one year	-	-
	<b><u>\$ 62,540</u></b>	<b><u>5,819</u></b>

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

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Beginning balance as of January 1, 2015	\$ -	43,493	43,493
Impairment loss recognized	-	37	37
Amounts written off	<u>-</u>	<u>(6,157)</u>	<u>(6,157)</u>
Balance as of December 31, 2015	<b><u>\$ -</u></b>	<b><u>37,373</u></b>	<b><u>37,373</u></b>
	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Beginning balance as of January 1, 2014	\$ -	33,803	33,803
Impairment loss recognized	-	10,000	10,000
Amounts written off	<u>-</u>	<u>(310)</u>	<u>(310)</u>
Balance as of December 31, 2014	<b><u>\$ -</u></b>	<b><u>43,493</u></b>	<b><u>43,493</u></b>

(Continued)

## EVA AIRWAYS CORP.

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

As of December 31, 2015 and 2014, the allowances for doubtful accounts were 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.

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, 2015 and 2014, 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>2015.12.31</b>	<b>2014.12.31</b>
Aircraft spare parts	\$ 425,297	666,660
Consumables for use and merchandise for in-flight sales	1,153,336	1,096,181
Fuel for aircraft and others	<u>41,320</u>	<u>40,706</u>
	<b><u>\$ 1,619,953</u></b>	<b><u>1,803,547</u></b>

For the years ended December 31, 2015 and 2014, 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>2015</b>	<b>2014</b>
Losses on valuation of inventories and obsolescence	<b><u>\$ 363,881</u></b>	<b><u>415,277</u></b>

As of December 31, 2015 and 2014, these inventories were not pledged.

(f) Investments accounted for using equity method

The components were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Subsidiaries	\$ 13,556,698	12,001,163
Associates	<u>81,367</u>	<u>76,180</u>
	<b><u>\$ 13,638,065</u></b>	<b><u>12,077,343</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, 2015.

In 2015, the Company increased its investments in its subsidiaries amounting to \$820,302.

(2) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using equity method was as follows. The aforementioned financial information was included in the Parent-company-only financial statements of the Company.

	2015	2014
Attributable to the Company:		
Profit	\$ 14,217	10,644
Other comprehensive income	(5,862)	(1,228)
Comprehensive income	\$ <b>8,355</b>	<b>9,416</b>

(3) Pledged

As of December 31, 2015 and 2014, 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. There was no the abovementioned transactions payable.

(2) The following summarizes the major classes of consideration transferred:

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>

(Continued)

## EVA AIRWAYS CORP.

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

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

(h) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2015 and 2014 were as follows :

	<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>
<b>Cost:</b>							
Beginning balance as of January 1, 2015	\$ 1,873,333	6,019,301	15,375,897	18,973,193	109,534,875	528,871	152,305,470
Additions	8,161	43,661	723,592	6,185,624	13,395,800	83,826	20,440,664
Disposals	-	-	(1,404,791)	(453,436)	(4,909,464)	-	(6,767,691)
Reclassification (Note)	<u>252,236</u>	<u>(295,063)</u>	<u>2,141,297</u>	<u>314,931</u>	<u>3,833,063</u>	<u>(367,046)</u>	<u>5,879,418</u>
Balance as of December 31, 2015	<u>\$ 2,133,730</u>	<u>5,767,899</u>	<u>16,835,995</u>	<u>25,020,312</u>	<u>121,854,274</u>	<u>245,651</u>	<u>171,857,861</u>
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)	(911,881)	(551,694)	(232,124)	-	(1,696,690)
Reclassification (Note)	<u>-</u>	<u>362,012</u>	<u>(767,867)</u>	<u>-</u>	<u>(30,018)</u>	<u>(266,269)</u>	<u>(702,142)</u>
Balance as of December 31, 2014	<u>\$ 1,873,333</u>	<u>6,019,301</u>	<u>15,375,897</u>	<u>18,973,193</u>	<u>109,534,875</u>	<u>528,871</u>	<u>152,305,470</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2015	\$ -	2,449,872	8,089,382	7,626,405	43,899,068	-	62,064,727
Depreciation expense	-	144,626	1,330,083	2,784,039	7,729,385	-	11,988,133
Disposals	-	-	(1,240,951)	(450,145)	(4,266,777)	-	(5,957,873)
Reclassification (Note)	<u>-</u>	<u>(90,057)</u>	<u>(37,530)</u>	<u>-</u>	<u>(59,583)</u>	<u>-</u>	<u>(187,170)</u>
Balance as of December 31, 2015	<u>\$ -</u>	<u>2,504,441</u>	<u>8,140,984</u>	<u>9,960,299</u>	<u>47,302,093</u>	<u>-</u>	<u>67,907,817</u>
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)	<u>-</u>	<u>-</u>	<u>(73,083)</u>	<u>-</u>	<u>(13,851)</u>	<u>-</u>	<u>(86,934)</u>
Balance as of December 31, 2014	<u>\$ -</u>	<u>2,449,872</u>	<u>8,089,382</u>	<u>7,626,405</u>	<u>43,899,068</u>	<u>-</u>	<u>62,064,727</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2015	<u>\$ 2,133,730</u>	<u>3,263,458</u>	<u>8,695,011</u>	<u>15,060,013</u>	<u>74,552,181</u>	<u>245,651</u>	<u>103,950,044</u>
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>
Beginning balance as of January 1, 2014	<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>

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

(Continued)

## EVA AIRWAYS CORP.

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

(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, 2015 and 2014, the restoration obligations were \$9,130,299 and \$5,019,507, respectively. Refer to note (1) for the movements of restoration obligations.

(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, 2015 and 2014, the unrealized gains from the sale and leaseback were \$291,524 and \$387,033, respectively and were recognized as other non-current liabilities.

(3) Pledge

As of December 31, 2015 and 2014, 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, 2015 and 2014, the Company capitalized the interest expenses on purchase of assets amounting to \$58,904 and \$65,038, respectively. The monthly interest rate used for capitalization calculation was 0.13%.

(i) Intangible assets

The movements of intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	<u>Computer software</u>
<b>Costs:</b>	
Beginning balance as of January 1, 2015	\$ 774,344
Additions	165,793
Disposals	<u>(131,697)</u>
Balance as of December 31, 2015	<u>\$ 808,440</u>
Beginning balance as of January 1, 2014	\$ 622,549
Additions	202,907
Disposals	<u>(51,112)</u>
Balance as of December 31, 2014	<u>\$ 774,344</u>

(Continued)

**EVA AIRWAYS CORP.**

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

**Computer software**

**Accumulated amortization:**

Beginning balance as of January 1, 2015	\$	309,318
Amortization expense		175,641
Disposals		<u>(131,697)</u>
Balance as of December 31, 2015	\$	<u><b>353,262</b></u>
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>

**Carrying amounts:**

Balance as of December 31, 2015	\$	<u><b>455,178</b></u>
Balance as of December 31, 2014	\$	<u><b>465,026</b></u>
Beginning balance as of January 1, 2014	\$	<u><b>412,777</b></u>

(1) Amortization

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

(2) Pledge

As of December 31, 2015 and 2014, the Company's intangible assets were not pledged.

(j) Other non-current assets

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Prepayments for equipments	\$ 9,796,059	5,328,880
Refundable deposits	1,536,239	1,304,541
Pledged time deposits	78,278	76,637
Others	<u>1,020</u>	<u>1,020</u>
Total	<u><b>\$ 11,411,596</b></u>	<u><b>6,711,078</b></u>

(Continued)

## EVA AIRWAYS CORP.

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

(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>2015.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Year due</b>	<b>Amount</b>
Secured bonds payable	TWD	1.15%~1.44%	2016/1/20~2018/6/14	\$ 16,100,000
Less: Current portion (included in current portion of long-term liabilities)				<u>5,100,000</u>
Total				<u>\$ 11,000,000</u>
Unsecured loans	TWD	1.3%~2.01%	2016/2/24~2020/5/28	\$ 6,891,666
Secured loans	TWD, USD	1.1%~4.59%	2016/7/10~2027/10/27	<u>47,313,124</u>
Subtotal				54,204,790
Less: Current portion				<u>9,836,936</u>
Total				<u>\$ 44,367,854</u>
Lease liabilities	TWD, USD	2.03%~6.93%	2016/1/8~2024/6/21	\$ 7,067,237
Less: Current portion (included in other current liabilities)				<u>1,915,044</u>
Total				<u>\$ 5,152,193</u>
<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%	2015/1/20~2018/6/14	\$ 21,200,000
Less: Current portion (included in current portion of long-term liabilities)				<u>5,100,000</u>
Total				<u>\$ 16,100,000</u>
Unsecured loans	TWD	1.44%~1.99%	2015/12/31~2019/9/30	\$ 7,795,000
Secured loans	TWD, USD	1.26%~4.59%	2015/1/31~2026/6/25	<u>40,495,524</u>
Subtotal				48,290,524
Less: Current portion				<u>9,189,100</u>
Total				<u>\$ 39,101,424</u>
Lease liabilities	TWD, USD	3.5%~6.93%	2015/1/8~2019/12/28	\$ 5,458,255
Less: Current portion (included in other current liabilities)				<u>1,504,087</u>
Total				<u>\$ 3,954,168</u>

Parts of the Company's long-term borrowings will be settled in foreign currency. The details of foreign long-term liabilities were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
USD (in thousands)	<u>\$ 350,222</u>	<u>321,627</u>
Convert to TWD	<u>\$ 11,496,033</u>	<u>10,179,481</u>

(Continued)



## EVA AIRWAYS CORP.

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

As of December 31, 2015, 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:

Year due	Amount
2016.1.1~2016.12.31	\$ 16,851,980
2017.1.1~2020.12.31	43,430,787
2021.1.1 and thereafter	<u>17,089,260</u>
	<u>\$ <b>77,372,027</b></u>

Information on the Company's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(v).

(1) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(2) Unused lines of credit

As of December 31, 2015 and 2014 the unused credit lines for short-term and long-term borrowing amounted to \$7,955,439 and \$7,431,945, respectively.

(3) Lease liabilities

The Company's lease liabilities were as follows:

	2015.12.31			2014.12.31		
	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	\$ 2,116,239	201,195	1,915,044	1,718,933	214,846	1,504,087
1 to 5 years	4,408,516	295,733	4,112,783	4,256,720	302,552	3,954,168
More than 5 years	<u>1,076,660</u>	<u>37,250</u>	<u>1,039,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ <b>7,601,415</b></u>	<u><b>534,178</b></u>	<u><b>7,067,237</b></u>	<u><b>5,975,653</b></u>	<u><b>517,398</b></u>	<u><b>5,458,255</b></u>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2015 and 2014 are disclosed in note 6(u).

(Continued)

## EVA AIRWAYS CORP.

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

(l) Provisions

The movements of the restoration obligations for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Beginning balance as of January 1	\$ 5,019,507	3,882,172
Additions	4,555,023	1,120,791
Decreases	(747,537)	(263,021)
Effect of exchange rate changes	303,306	279,565
Balance as of December 31	\$ <b>9,130,299</b>	<b>5,019,507</b>

The estimated recovery costs are incurred through the lease of aircraft. The Company's restoration obligations are based on necessary maintenance expenses under the lease contracts of the aircraft, in which the Company expects all of the maintenance expenses to be reimbursed when the Company returns back all its rented aircraft. The amounts are estimated by gauging the maintenance experiences of similar types of aircraft, the actual maintenance expenses in the past, and the historical information on the usage of the aircraft.

(m) Operating leases

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

	2015.12.31	2014.12.31
Within 1 year	\$ 7,709,127	7,555,181
1 to 5 years	23,224,767	17,525,045
More than 5 years	21,519,444	10,844,185
	\$ <b>52,453,338</b>	<b>35,924,411</b>

For the years ended December 31, 2015 and 2014, rental expenses included in operating cost and operating expenses were \$7,315,364 and \$7,819,931, 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

(n) 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:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Total present value of defined benefit obligations	\$ 7,164,435	6,424,388
Fair value of plan assets	<u>(3,755,003)</u>	<u>(3,661,426)</u>
Recognized liabilities of net defined benefit obligations	<u>\$ 3,409,432</u>	<u>2,762,962</u>

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 \$3,720,280 as of December 31, 2015. 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.

(Continued)

**EVA AIRWAYS CORP.**

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

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

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

	<u>2015</u>	<u>2014</u>
Defined benefit obligations as of January 1	\$ 6,424,388	6,063,401
Benefits paid by the plan	(432,211)	(132,604)
Current service costs and interest	313,355	299,116
Net remeasurements of defined benefit liabilities		
– Experience adjustments	262,567	231,649
– Actuarial losses (gains) arising from changes in financial assumptions	<u>596,336</u>	<u>(37,174)</u>
Defined benefit obligations as of December 31	<u>\$ 7,164,435</u>	<u>6,424,388</u>

(iii) Movements in the fair value of the defined benefit plan assets

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

	<u>2015</u>	<u>2014</u>
Fair value of plan assets as of January 1	\$ 3,661,426	3,276,976
Contributions from plan participants	400,442	431,186
Benefits paid by the plan	(401,154)	(123,926)
Expected return on plan assets	75,117	67,994
Net remeasurements of defined benefit liabilities		
– Return on plan assets (excluding the amounts included in net interest expense)	<u>19,172</u>	<u>9,196</u>
Fair value of plan assets as of December 31	<u>\$ 3,755,003</u>	<u>3,661,426</u>

(iv) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2015</u>	<u>2014</u>
Current services costs	\$ 186,653	179,341
Net interest on the net defined benefit liabilities	<u>51,585</u>	<u>51,781</u>
	<u>\$ 238,238</u>	<u>231,122</u>
Operating cost	\$ 165,263	166,633
Operating expenses	<u>72,975</u>	<u>64,489</u>
	<u>\$ 238,238</u>	<u>231,122</u>

(Continued)

**EVA AIRWAYS CORP.**

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

- (v) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income (before tax)

As of December 31, 2015 and 2014, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<b>2015</b>	<b>2014</b>
Balance as of January 1	\$ (945,042)	(759,763)
Loss recognized during the period	<u>(839,731)</u>	<u>(185,279)</u>
Balance as of December 31	<u>\$ <b>(1,784,773)</b></u>	<u><b>(945,042)</b></u>

- (vi) Actuarial assumptions

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

- A. the rate applied in calculating the present value of defined benefit obligations

	<b>2015.12.31</b>	<b>2014.12.31</b>
Discount rate	1.875%	2.00%
Future salary increases	1.58%~13.92%	1.60%~6.12%

- B. the rate applied in calculating the defined benefit plan cost

	<b>2015</b>	<b>2014</b>
Discount rate	2.00%	2.00%
Future salary increases	1.60%~6.12%	1.41%~2.64%

The Company expects to make contributions of \$386,865 to the defined benefit plans in the next year starting from December 31, 2015. The weighted average of the defined benefit plans is 15.6 years.

- (vii) Sensitivity analysis

When calculating the present value of defined benefit obligations, the Company used judgments and estimations to determine the actuarial assumptions, including the discount 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.

(Continued)

## EVA AIRWAYS CORP.

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

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	<b>Effects to the defined benefit obligation</b>		
	<b>Increase (decrease)</b>	<b>Favorable</b>	<b>Unfavorable</b>
Discount rate	0.25%	186,647	193,828
Future salary increases	0.25%	178,787	184,634

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net defined benefit liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(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 \$272,255 and \$215,555 as pension costs under the defined contribution plans in 2015 and 2014, respectively. Payment was made to the Bureau of Labor Insurance.

(o) Income tax

(1) Income tax expenses

For the years ended December 31, 2015 and 2014, the components of estimated income tax expenses were as follows:

	<b>2015</b>	<b>2014</b>
Current tax expenses	\$ 33,104	51,324
Deferred tax expenses	<u>70,000</u>	<u>377,319</u>
Income tax expenses	<u><b>\$ 103,104</b></u>	<u><b>428,643</b></u>

(Continued)

**EVA AIRWAYS CORP.**

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

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

	<b>2015</b>	<b>2014</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit plans	\$ <u><b>142,754</b></u>	<u><b>31,497</b></u>
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains on available-for-sale financial assets	\$ (7,557)	(2,799)
Cash flow hedges	<u>206,613</u>	<u>400,940</u>
	<u><b>\$ 199,056</b></u>	<u><b>398,141</b></u>

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

	<b>2015</b>	<b>2014</b>
Profit (loss) before tax	\$ <u><b>6,539,529</b></u>	<u><b>(878,081)</b></u>
Income tax using the Company's domestic tax rate	\$ 1,111,720	(149,274)
Exempt income	(194,244)	(228,165)
Changes in unrecognized deductible temporary differences	(1,026,494)	1,192,732
Loss carryforwards	189,057	(123,894)
Loss on valuation of inventories	-	(348,552)
Under (over) accrued income tax payable in prior periods	(10,401)	17,060
Others	<u>33,466</u>	<u>68,736</u>
	<u><b>\$ 103,104</b></u>	<u><b>428,643</b></u>

(2) Deferred tax assets and liabilities

(i) Unrecognized deferred tax assets and liabilities

The Company's unrecognized deferred tax assets were as follows:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Unrecognized deferred tax assets:		
Tax losses	\$ 236,758	1,288,939
Investment loss of foreign operations accounted for using equity method	<u>25,687</u>	<u>-</u>
	<u><b>\$ 262,445</b></u>	<u><b>1,288,939</b></u>

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## EVA AIRWAYS CORP.

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

According to the R.O.C. 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, 2015, the Company's loss carryforwards recognized and unrecognized as deferred tax assets and their expiry year were as follows:

Filing year	Recognized un-deducted operating loss	Unrecognized un-deducted operating loss	Total	Expiry year
2009	\$ 4,438,119	1,392,696	5,830,815	2019
2011	1,285,537	-	1,285,537	2021
2013	<u>2,591,562</u>	<u>-</u>	<u>2,591,562</u>	2023
	<b><u>\$ 8,315,218</u></b>	<b><u>1,392,696</u></b>	<b><u>9,707,914</u></b>	

The Company has no unrecognized deferred tax liabilities as of December 31, 2015 and 2014.

(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 plans	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, 2015	\$ 1,089,968	336,828	265,082	474,170	401,121	380,018	482,600	85,476	477,331	919,496	4,912,090
Recognized in profit or loss	323,619	19,110	(60,337)	(31,438)	30,634	17,171	(58,013)	200,464	(477,331)	31,464	(4,657)
Recognized in other comprehensive income	-	-	-	142,754	-	-	-	-	-	199,056	341,810
Balance at December 31, 2015	<b><u>\$ 1,413,587</u></b>	<b><u>355,938</u></b>	<b><u>204,745</u></b>	<b><u>585,486</u></b>	<b><u>431,755</u></b>	<b><u>397,189</u></b>	<b><u>424,587</u></b>	<b><u>285,940</u></b>	<b><u>-</u></b>	<b><u>1,150,016</u></b>	<b><u>5,249,243</u></b>
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	<b><u>\$ 1,089,968</u></b>	<b><u>336,828</u></b>	<b><u>265,082</u></b>	<b><u>474,170</u></b>	<b><u>401,121</u></b>	<b><u>380,018</u></b>	<b><u>482,600</u></b>	<b><u>85,476</u></b>	<b><u>477,331</u></b>	<b><u>919,496</u></b>	<b><u>4,912,090</u></b>

(Continued)



**EVA AIRWAYS CORP.**

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

Deferred tax liabilities:

	<u>Unrealized foreign exchange gains</u>	<u>Investment gains of foreign operations accounted for using equity method</u>	<u>Total</u>
Beginning balance at January 1, 2015	\$ -	-	-
Recognized in profit or loss	-	65,343	65,343
Balance at December 31, 2015	<u>\$ -</u>	<u>65,343</u>	<u>65,343</u>
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>

- (3) The Company's income tax returns for the years through 2013 were examined and approved by the local tax authorities.
- (4) Information related to unappropriated earnings and creditable ratio:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Unappropriated earnings before 1997	\$ -	-
Unappropriated earnings after 1998	<u>5,596,970</u>	<u>(1,309,025)</u>
	<u>\$ 5,596,970</u>	<u>(1,309,025)</u>
Balance of ICA	<u>\$ 1,189,661</u>	<u>1,014,604</u>
	<u>2015</u>	<u>2014</u>
Tax creditable ratio for earnings distribution to R.O.C. residents	<u>20.48% (estimated)</u>	<u>- % (actual)</u>

According to the amendment by the Ministry of Finance on October 17, 2013 under the Rule No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, in case that the gross dividends or the gross earnings received by the shareholder residing outside the territory of R.O.C. contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid under the provisions of Article 66-9 hereof, half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(Continued)

## EVA AIRWAYS CORP.

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

(p) Capital and other equity

As of December 31, 2015 and 2014, 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 \$38,589,450 and \$32,589,450, respectively.

(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. The related registration process had been completed.

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:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Cash subscription in excess of par value of shares	\$ 4,218,825	29,672
Stock options granted to employees	606,100	606,100
Additional paid-in capital from bond conversion	1,411,830	1,411,830
Difference between actual acquiring subsidiary's equity and carrying amount	<u>272</u>	<u>-</u>
	<u>\$ 6,237,027</u>	<u>2,047,602</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.

### Notes to Parent-Company-Only 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 will have to be proposed by the Board of Directors, which will be resolved at the stockholders' meeting for an allocation plan to be distributed to the shareholders.

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.

According to the amended Company Act, which was announced in May 2015, employee compensation and the directors' and supervisors' remuneration were not parts of the appropriations of earnings. The Company will amend the Articles of Incorporation before the deadline specified by the authorities.

##### (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.

##### (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.

(Continued)

## EVA AIRWAYS CORP.

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

(iii) Earnings distribution

A resolution was approved during the shareholders' meeting held on June 16, 2015 for legal reserve and capital surplus to be used in offsetting the accumulated deficit amounted to \$1,309,025. There was no difference between the aforementioned offsetting accumulated deficit and the resolution approved in the board meeting. The related information can be found on the Market Observation Post System website.

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

There was no difference between the appropriation in the 2013 earnings for employee bonuses and directors' and supervisors' remuneration and those accrued in the financial statements for the year ended December 31, 2013. The related information can be found on the Market Observation Post System website.

In the 2014, the Company did not recognize any bonuses to its employees and remuneration to its directors and supervisors due to operating 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, 2015</b>	\$ 126,987	637,744	(1,935,878)	(1,171,147)
Exchange differences on translation of foreign financial statements	10,210	-	-	10,210
Impairment of available-for-sale financial assets reclassified to profit or loss	-	241,124	-	241,124
Unrealized losses on available-for-sale financial assets	-	(380,791)	-	(380,791)
Unrealized losses on available-for-sale financial assets of subsidiary	-	(5,533)	-	(5,533)
Cash flow hedges, effective portion	-	-	(1,008,755)	(1,008,755)
<b>Balance at December 31, 2015</b>	<b>\$ <u>137,197</u></b>	<b><u>492,544</u></b>	<b><u>(2,944,633)</u></b>	<b><u>(2,314,892)</u></b>
<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)

(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>
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	-	-	<u>(1,957,533)</u>	<u>(1,957,533)</u>
<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>

(q) 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:

Unit: Thousand shares /dollars

<u>Cash-settled share-based payment plan (reserved for employees to subscribe)</u>	<u>2015</u>	<u>2014</u>	<u>Exercise price (NT\$)</u>
Number of shares outstanding as of January 1	60,000	-	\$ -
Number of shares granted during the period	-	60,000	17
Number of shares exercised during the period	(47,851)	(1,493)	17
Number of shares abandoned during the period	<u>(12,149)</u>	<u>-</u>	17
Number of shares outstanding as of December 31	<u>-</u>	<u>58,507 (note)</u>	
Fair value per share at grant date	<u>\$ 5.40</u>	<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:

**Cash-settled share-based payment plan  
(reserved for employees to subscribe)**

Fair value per share on grant date	22.4
Exercise price	17
Expected volatility	21.6963%
Expected duration	53 days
Dividend yield	-
Risk-free interest rate	1.6%

- (4) Employee expense:

For the years ended December 31, 2015 and 2014, the compensation cost for the employee shares of stock amounted to \$0 and \$324,000, respectively, which was recognized as operating expenses.

- (r) 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>2015</u>	<u>2014</u>
Basic earnings per share:		
Profit (loss) attributable to ordinary equity holders	\$ <u>6,436,425</u>	<u>(1,306,724)</u>
Weighted-average number of shares outstanding during the period (thousand shares)	<u>3,804,699</u>	<u>3,258,945</u>
Basic earnings per share (in dollars)	\$ <u>1.69</u>	<u>(0.40)</u>
Diluted earnings per share:		
Profit (loss) attributable to ordinary equity holders	\$ <u>6,436,425</u>	<u>(1,306,724)</u>
Weighted-average number of shares outstanding during the period (thousand shares)	3,804,699	3,258,945
Effect of the potentially dilutive common stock		
Employee bonuses (thousand shares)	<u>4,872</u>	<u>-</u>
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	<u>3,809,571</u>	<u>3,258,945</u>
Diluted earnings per share (in dollars)	\$ <u>1.69</u>	<u>(0.40)</u>

(Continued)

## EVA AIRWAYS CORP.

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

(s) Revenue

For the years ended December 31, 2015 and 2014, the components of revenue were as follows:

	<u>2015</u>	<u>2014</u>
Aviation transportation revenue	\$ 107,964,626	109,216,672
Others	<u>7,928,030</u>	<u>7,705,186</u>
	<u>\$ 115,892,656</u>	<u>116,921,858</u>

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, 2015 and 2014, the above-mentioned deferred revenue amounted to \$2,212,631 and \$1,765,867, respectively, were recorded as unearned revenue and other non-current liabilities.

(t) Employee compensation, and the directors' and supervisors' remuneration

According to the Company's Articles of Incorporation which has not yet been resolved at the meeting of the Board and shareholders, once the Company has an annual earning, a minimum of 1% will be distributed as employee compensation and a maximum of 5% will be allotted for directors' and supervisors' remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

For the year ended December 31, 2015, the Company's accrued and recognized employee compensation and the directors' and supervisors' remuneration amounted to \$90,623 and \$10,000 respectively. The employee compensation and the directors' and supervisors' remuneration were estimated based on the income before tax, excluding, the amount of the employee compensation, and the directors' and supervisors' remuneration, then multiplied by the rule of the Company's Article of Incorporation. The employee compensation was included in the operating costs and operating expenses for the year ended December 31, 2015. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

(Continued)

**EVA AIRWAYS CORP.**

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

(u) Non-operating income and expenses

(1) Other income

	<b>2015</b>	<b>2014</b>
Interest income	\$ 281,736	305,867
Dividend income	<u>461,879</u>	<u>137,610</u>
	<b><u>\$ 743,615</u></b>	<b><u>443,477</u></b>

(2) Other gains and losses

	<b>2015</b>	<b>2014</b>
Foreign exchange losses	\$ (832,244)	(646,150)
Gain (losses) on disposal of property, plant and equipment	(45,226)	168,426
Impairment losses resulting from permanent decrease in value of financial assets	(241,124)	(711,310)
Others	<u>35,950</u>	<u>209,662</u>
	<b><u>\$ (1,082,644)</u></b>	<b><u>(979,372)</u></b>

(3) Finance costs

	<b>2015</b>	<b>2014</b>
Interest expense		
Bank borrowings	\$ 1,042,594	1,021,084
Lease liabilities	247,000	238,997
Others	307,829	236,064
Less: capitalized interest	<u>(58,904)</u>	<u>(65,038)</u>
	<b><u>\$ 1,538,519</u></b>	<b><u>1,431,107</u></b>

(v) Financial instruments

(1) Credit risk

(i) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(Continued)



## EVA AIRWAYS CORP.

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

(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.

(2) 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, 2015</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 54,204,790	57,626,454	10,649,224	30,168,555	16,808,675
Secured bonds payable	16,100,000	16,483,725	5,300,925	11,182,800	-
Lease liabilities	7,067,237	7,601,415	2,116,239	4,408,516	1,076,660
Accounts payable (including related parties)	3,661,529	3,661,529	3,661,529	-	-
Other payables (including related parties)	9,779,992	9,779,992	9,779,992	-	-
	<u>\$ 90,813,548</u>	<u>95,153,115</u>	<u>31,507,909</u>	<u>45,759,871</u>	<u>17,885,335</u>
<b>Derivative financial liabilities</b>					
Fuel swap and option agreement for hedge purposes	\$ <u>3,547,751</u>	<u>3,547,751</u>	<u>2,493,413</u>	<u>1,054,338</u>	<u>-</u>
<b>Total</b>	<u>\$ 94,361,299</u>	<u>98,700,866</u>	<u>34,001,322</u>	<u>46,814,209</u>	<u>17,885,335</u>
<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 (including related parties)	10,336,946	10,336,946	10,336,946	-	-
	<u>\$ 89,966,108</u>	<u>94,021,198</u>	<u>32,035,599</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>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 92,298,491</u>	<u>96,353,581</u>	<u>34,367,982</u>	<u>49,602,594</u>	<u>12,383,005</u>

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

(Continued)

## EVA AIRWAYS CORP.

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

#### (3) Currency risk

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

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

	2015.12.31			2014.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 488,768	32.825	16,043,815	254,899	31.650	8,067,568
EUR	5,096	35.88	182,836	5,051	38.47	194,299
JPY	820,461	0.2727	223,740	797,106	0.2646	210,914
HKD	212,254	4.24	898,898	176,366	4.08	719,575
CNY	344,357	5.00	<u>1,720,063</u>	944,321	5.09	<u>4,808,484</u>
			<b>\$ <u>19,069,352</u></b>			<b><u>14,000,840</u></b>
Financial liabilities						
Monetary items						
USD	\$ 642,230	32.825	21,081,214	576,534	31.650	18,247,310
EUR	5,730	35.88	205,591	7,431	38.47	285,883
JPY	1,637,238	0.2727	446,475	1,317,762	0.2646	348,680
HKD	23,744	4.24	100,558	10,293	4.08	41,994
CNY	241,993	5.00	<u>1,208,756</u>	225,184	5.09	<u>1,146,637</u>
			<b>\$ <u>23,042,594</u></b>			<b><u>20,070,504</u></b>

##### (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, 2015 and 2014, would have (decreased) increased the profit by \$39,732 and \$60,697 in 2015 and 2014, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015 and 2014.

Due to the variety of the Company's functional currency, the Company discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2015 and 2014, the Company's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to \$832,244 and \$646,150, respectively.

(Continued)

## EVA AIRWAYS CORP.

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

#### (4) Interest rate risk

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

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) \$555,784 and \$503,474 for the years ended December 31, 2015 and 2014, respectively due to the Company's floating-interest borrowings.

#### (5) Fair value

##### (i) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	Carrying amount	2015.12.31			Total
		Fair value			
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Money market funds	\$ 1,517,801	1,517,801	-	-	1,517,801
Publicly traded stock	720,209	720,209	-	-	720,209
U.S. Treasury notes	43,163	43,163	-	-	43,163
Non-publicly traded stock	1,757,091	-	419,598	1,337,493	1,757,091
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	<u>4,039,284</u>	<u>2,281,173</u>	<u>419,598</u>	<u>1,337,493</u>	<u>4,038,264</u>
Loans and receivables					
Cash and cash equivalents	\$ 28,890,633	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	6,070,626	-	-	-	-
Subtotal	<u>34,961,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other non-current assets	1,614,517	-	-	-	-
Total	<u>\$ 40,615,060</u>	<u>2,281,173</u>	<u>419,598</u>	<u>1,337,493</u>	<u>4,038,264</u>
Derivative financial liabilities for hedge purposes	\$ 3,547,751	-	3,547,751	-	3,547,751

(Continued)

## EVA AIRWAYS CORP.

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

	2015.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Amortized cost of financial liabilities					
Accounts payable (including related parties)	\$ 3,661,529	-	-	-	-
Other payables (including related parties)	9,779,992	-	-	-	-
Bonds payable (including current portion)	16,100,000	-	16,064,342	-	16,064,342
Long-term borrowings (including current portion)	54,204,790	-	54,215,465	-	54,215,465
Lease liabilities	7,067,237	-	7,110,534	-	7,110,534
Subtotal	<u>90,813,548</u>	<u>-</u>	<u>77,390,341</u>	<u>-</u>	<u>77,390,341</u>
Total	<u>\$ 94,361,299</u>	<u>-</u>	<u>80,938,092</u>	<u>-</u>	<u>80,938,092</u>
	2014.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Money market funds	\$ 961,042	961,042	-	-	961,042
Publicly traded stock	777,421	777,421	-	-	777,421
U.S. Treasury notes	67,455	67,455	-	-	67,455
Non-publicly traded stock	2,071,718	495,429	-	1,576,289	2,071,718
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	<u>3,878,656</u>	<u>2,301,347</u>	<u>-</u>	<u>1,576,289</u>	<u>3,877,636</u>
Loans and receivables					
Cash and cash equivalents	22,615,367	-	-	-	-
Accounts receivables, and other receivables (including related parties)	7,973,500	-	-	-	-
Subtotal	<u>30,588,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other non-current assets	1,381,178	-	-	-	-
Total	<u>\$ 35,848,701</u>	<u>2,301,347</u>	<u>-</u>	<u>1,576,289</u>	<u>3,877,636</u>
Derivative financial liabilities for hedge purposes	\$ 2,332,383	-	2,332,383	-	2,332,383
Amortized cost of financial liabilities					
Accounts payable (including related parties)	4,680,383	-	-	-	-
Other payables (including related parties)	10,336,946	-	-	-	-
Bonds payable (including current portion)	21,200,000	-	21,101,784	-	21,101,784
Long-term borrowings (including current portion)	48,290,524	-	48,330,624	-	48,330,624
Lease liabilities	5,458,255	-	5,475,114	-	5,475,114
Subtotal	<u>89,966,108</u>	<u>-</u>	<u>74,907,522</u>	<u>-</u>	<u>74,907,522</u>
Total	<u>\$ 92,298,491</u>	<u>-</u>	<u>77,239,905</u>	<u>-</u>	<u>77,239,905</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.

(Continued)

**EVA AIRWAYS CORP.**

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

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.

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

	2015	2014
Secured bonds payable	1.52%	1.57%
Long-term borrowings	1.52%	1.57%
Lease liabilities	1.52%	1.57%

(iii) As of December 31, 2015, the partial available-for-sale financial assets amounting to \$419,598 was transferred from Level 1 to Level 2 due to the market value measurement considering the indirect observable parameters. As of December 31, 2014, the fair value hierarchy levels of financial instruments were not transferred.

(iv) Movements in fair value measurements of financial assets in Level 3

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:

	<b>Unquoted equity instruments</b>
Beginning balance as of January 1, 2015	\$ 1,576,289
Total gains or losses:	
Recognized in profit and loss	(107,914)
Recognized in other comprehensive income	(130,882)
Balance as of December 31, 2015	\$ <u><b>1,337,493</b></u>
Beginning balance as of January 1, 2014	\$ 1,563,768
Total gains or losses:	
Recognized in profit and loss	630
Recognized in other comprehensive income	15,655
Proceeds from capital reduction of investments	(3,764)
Balance as of December 31, 2014	\$ <u><b>1,576,289</b></u>

The amounts of total gains or losses for the periods were recognized in other gains and losses and unrealized gains (losses) on available-for-sale financial assets.

(Continued)

## EVA AIRWAYS CORP.

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

As of December 31, 2015 and 2014, the assets which were still held by the Company were as follows:

	<b>2015</b>	<b>2014</b>
Gains or losses (including in other gains and losses)	\$ (107,914)	630
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)	(130,743)	15,655

- (v) Quantitative information about the significant unobservable inputs used in the fair value measurements categorized within Level 3

The Company classified a partial of its available-for-sale financial assets—investments in equity securities that do not have a quoted market price in an active market as Level 3 of the fair value hierarchy.

Most of the fair value measurements categorized within Level 3 use the significant unobservable inputs. The significant unobservable inputs are independent to each other.

The significant unobservable inputs were as follows:

items	Valuation techniques	significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Available-for-sale financial assets – investments in equity securities	Market approach—relevant information generated by publicly companies	<ul style="list-style-type: none"> <li>● Price-book ratio (as of December 31, 2015 was 0.40~4.29)</li> <li>● Market liquidity discount rate (as of December 31, 2015 was 80%)</li> </ul>	<ul style="list-style-type: none"> <li>● The higher the price-book ratio, the higher the fair value</li> <li>● The higher the market liquidity discount rate, the lower the fair value</li> </ul>

(Continued)

## EVA AIRWAYS CORP.

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

- (vi) Sensitivity analysis for fair value measurements categorized within Level 3 of the fair value hierarchy

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, a fluctuation in the valuation variable by 5% would have the following effect:

<u>Inputs</u>	<u>Increase (decrease)</u>	<u>Effects of changes in fair value on other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>
Price-book ratio	5%	68,549	(63,716)
Market liquidity discount rate	5%	71,577	(60,693)

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.

- (w) 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, 2015, 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.

(x) 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, 2015, there were no changes in the Company's approach to capital management.

(Continued)

## EVA AIRWAYS CORP.

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

#### 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
		2015.12.31	2014.12.31	
Evergreen Aviation Technologies Corp.	Taiwan	80.00%	80.00%	
Evergreen Airline Services Corp.	Taiwan	56.33%	56.33%	
Evergreen Sky Catering Corp.	Taiwan	49.80%	49.80%	
Evergreen Air Cargo Services Corp.	Taiwan	60.625%	60.00%	
Evergreen Aviation Precision Corp.	Taiwan	40.00%	40.00%	Note 1
Hsiang-Li Investment Corp.	Taiwan	100.00%	100.00%	
Sky Castle Investment Ltd.	Samoa	100.00%	100.00%	
Concord Pacific Ltd.	Samoa	100.00%	100.00%	
Evergreen Airways Service (Macau) Ltd.	Macau	99.00%	99.00%	
Green Siam Air Services Co., Ltd.	Thailand	49.00%	49.00%	Note 2
RTW Air Services (S) Pte. Ltd.	Singapore	49.00%	49.00%	
PT Perdana Andalan Air Service	Indonesia	51.00%	51.00%	
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: Green Siam Air Services Co., Ltd. went into liquidation in 2015, and this liquidation resolution was approved during the board meeting of EVA AIRWAYS CORP. held on November 13, 2015.

##### (b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and its subsidiaries.

(Continued)

**EVA AIRWAYS CORP.**

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

(c) Significant transactions with related parties

(1) Operating revenue

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

	<u>2015</u>	<u>2014</u>
Subsidiaries	\$ 222,590	204,419
Associates	-	46
Others	<u>1,316,047</u>	<u>1,289,032</u>
	<u>\$ 1,538,637</u>	<u>1,493,497</u>

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.

(2) Purchase

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

	<u>2015</u>	<u>2014</u>
Subsidiaries	\$ 9,363,823	8,846,364
Associates	4,118	4,636
Others	<u>955,136</u>	<u>1,178,852</u>
	<u>\$ 10,323,077</u>	<u>10,029,852</u>

Operating expenses from transactions with related parties were as follows:

	<u>2015</u>	<u>2014</u>
Subsidiaries	\$ 200,716	221,480
Associates	41,053	48,048
Others	<u>216,906</u>	<u>282,045</u>
	<u>\$ 458,675</u>	<u>551,573</u>

(Continued)

## EVA AIRWAYS CORP.

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

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 \$61,330 and \$1,466 to subsidiaries for the years ended December 31, 2015 and 2014, respectively.
- (4) One subsidiary provides maintenance services for aircraft and engines for the Company. For the years ended December 31, 2015 and 2014, the amounts were \$1,943,693 and \$2,275,654, respectively, recorded under aircraft and machinery and equipment.
- (5) Receivables from related parties

Receivables from related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2015.12.31</u>	<u>2014.12.31</u>
Accounts receivable	Subsidiaries	\$ 156,858	430,160
Accounts receivable	Others	154,199	163,231
Other receivables	Subsidiaries	33,874	16,795
Other receivables	Associates	-	1
Other receivables	Others	<u>191,710</u>	<u>502,376</u>
		<b><u>\$ 536,641</u></b>	<b><u>1,112,563</u></b>

- (6) Payables to related parties

Payables to related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2015.12.31</u>	<u>2014.12.31</u>
Accounts payable	Subsidiaries	\$ 2,368,204	2,887,592
Accounts payable	Associates	590	792
Accounts payable	Others	75,303	180,540
Other payables	Subsidiaries	101,603	435,901
Other payables	Associates	9,332	9,214
Other payables	Others	<u>97,468</u>	<u>105,405</u>
		<b><u>\$ 2,652,500</u></b>	<b><u>3,619,444</u></b>

(Continued)

**EVA AIRWAYS CORP.**

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

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 48,246	36,147
Post-employment benefits	3,236	3,493
Share-based payment	-	<u>3,613</u>
	<u>\$ <b>51,482</b></u>	<u><b>43,253</b></u>

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

**8. Pledged assets**

The carrying amounts of the pledged assets were as of follows:

<b>Pledged assets</b>	<b>Object</b>	<b>2015.12.31</b>	<b>2014.12.31</b>
Property, plant and equipment	Long-term borrowings	\$ 69,877,512	58,519,978
Available-for-sale financial assets — non-current	Contract performance guarantees	43,163	67,455
Time deposit — included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	<u>78,278</u>	<u>76,637</u>
		<u>\$ <b>69,998,953</b></u>	<u><b>58,664,070</b></u>

**9. Significant contingent liabilities and unrecognized commitments**

(a) Significant contingent liabilities:

The Company is under investigation on the passenger and cargo fuel surcharge for alleged violation of antitrust law in the United States. A resolution was passed during the board meeting held on April 28, 2015 and the Company had reached a settlement agreement with the plaintiffs amounting to US\$99,000 which will be paid by three installments in 3 years for reducing the impact on the Company's operation. As of December 31, 2015, the settlement amount has been accrued in the accompanying balance sheets. Besides, the Company derivatively reached a settlement with A Company because of the abovementioned case which was recognized as accrued liabilities.

The Company takes a positive stand on its passenger litigation. Further information will be disclosed upon the developments of the litigation.

(Continued)

## EVA AIRWAYS CORP.

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

(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, 2015, the Company took delivery of 6 Boeing 777 aircraft; and the remaining contract price was US\$367,860. The Company has partially paid the price of \$2,783,861, which was included in other non-current assets.
- (2) In July 2015, the Company entered into aircraft purchase contracts amounting to US\$1,620,000 with Boeing Company for 5 Boeing 777 freighter. As of December 31, 2015, the 5 Boeing 777 freighter had not yet been delivered by Boeing Company. The Company has partially paid the price of \$1,619,221, which was included in other non-current assets.
- (3) In September 2015, the Company entered into aircraft purchase contracts amounting to US\$44,200 with GECAS Company for 2 ATR72-600 aircraft. As of December 31, 2015, the 2 ATR72-600 aircraft had not yet been delivered by GECAS Company. The Company has partially paid the price of \$64,800, which was included in other non-current assets.
- (4) In July 2015, the Company entered into engine purchase contracts amounting to US\$31,560 with General Electric Company for 1 777-300ER engine. As of December 31, 2015, the 777-300ER engine had not yet been delivered by General Electric Company.
- (5) In November 2015, the Company entered into aircraft purchase contracts amounting to US\$7,324,000 with Boeing Company for 2 Boeing 777 aircraft and 18 Boeing 787-10 aircraft. As of December 31, 2015, the 2 Boeing 777 aircraft and 18 Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of \$4,204,606, which was included in other non-current assets.
- (6) In November 2015, the Company entered into engine purchase contracts amounting to US\$118,660 with General Electric Company for 5 787 engines. As of December 31, 2015, the 5 787 engines had not yet been delivered by General Electric Company.
- (7) The Company signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to \$1,377,000. No payment was settled as of December 31, 2015.
- (8) Unused letters of credit for the Company were as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Unused letters of credit	\$ <u>2,322,913</u>	<u>2,155,514</u>

(Continued)

## EVA AIRWAYS CORP.

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

**10. Significant disaster losses: None.**

**11. Significant subsequent events:**

On March 11, 2016, Chang Yung-Fa Foundation (“the Foundation”), the main corporate juristic shareholder of the Company, convened a board of directors’ meeting to replaced Chang Kuo-Wei as the juristic representative of the Foundation. Instead, Lin Pao-Shui was assigned to take over his position. Afterward, the Company convened an interim board meeting and Lin Pao-Shui was selected as chairman of the Company.

**12. Others**

A summary of personnel expenses, depreciation and amortization expenses, by function, is as follows:

	<u>Operating cost</u>	<u>2015 Operating expenses</u>	<u>Total</u>	<u>Operating cost</u>	<u>2014 Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 5,669,291	4,453,655	10,122,946	4,752,167	3,995,076	8,747,243
Labor and health						
Insurance	303,539	249,132	552,671	261,789	226,461	488,250
Pension	324,342	186,151	510,493	289,546	157,131	446,677
Others	2,207,949	495,754	2,703,703	1,885,815	443,607	2,329,422
Depreciation (Note)	11,413,811	438,891	11,852,702	10,218,396	350,891	10,569,287
Amortization	836	174,805	175,641	355	150,303	150,658

As of December 31, 2015 and 2014, the Company had 8,936 and 8,141 employees, respectively.

Note: For the years ended December 31, 2015 and 2014, the depreciation expenses recognized were \$11,988,133 and \$10,749,577, respectively, less deferred gains of \$135,431 and \$180,290, respectively.

**13. Operating segments**

Please see the consolidated financial statements for the year ended December 31, 2015.







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