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EVA AIR

2016 ANNUAL REPORT

5 STAR AIRLINE
SKYTRAX

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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A STAR ALLIANCE MEMBER

20 YEARS

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I. Letter to Shareholders

Dear Shareholders,

Since its establishment 28 years ago, EVA has sustained the enterprise’s spirit of “Challenge, Innovation, Teamwork”, and carried out a strict flight safety management and service quality. EVA's core values are “Safety and Services”. EVA received multiple honors and maintained excellent flight safety records in 2016. The accolades include being ranked AirlineRatings.com’s World Safest Airlines Top Twenty list and rated third among the “JACDEC Airline Safety Ranking” for the second consecutive year. In terms of the service quality, EVA and RIMOWA jointly released the cutting-edge electronic tag luggage, which simplifies passenger luggage check-in processes. This is the first airline in Asia and the second worldwide to officially offer the new service. For the benefit of visually disabled passengers, EVA prepared Braille cabin schematics and Braille versions of the passenger safety card, in accordance with the policy of the Civil Aeronautics Administration (CAA), Ministry of Transportation and Communications (MOTC), on barrier-free transportation environment, to offer visually disabled passengers information on the positions and instructions of all cabin safety facilities on board. In terms of overall performance evaluation, EVA received the highest honor in airline service quality from “SKYTRAX 5-Star Rating” in 2016. EVA is the first in Taiwan and the eighth worldwide to be awarded this honor. EVA has also been recognized as the world eighth best airline and named as the “Best Transpacific Airline”, “Best Business Class Comfort Amenities” as well as the world’s third “Most Loved Airlines” by SKYTRAX. Other awards include Global Traveler Magazine's “Best Airport Staff/Gate Agents” award and “Leisure Lifestyle Award for Outstanding Customized Service” (Hello Kitty Jets), the eighth on the Travel + Leisure Magazine's “The World’s Best International Airlines”, Business Today Magazine's “Best Brand Award” first place in the airline category, the first on Cheers Magazine’s “Top 100 Most Attractive Employers” of transportation industry, and CAA’s 2016 “Golden Flyer Award” for International and Cross-strait Route Group.

Regarding corporate social responsibility, EVA spares no effort in its devotion. In terms of corporate governance, EVA was rated the top 5% best listed companies in the “2nd Corporate Governance Evaluation” by TWSE (Taiwan Stock Exchange). With regard to environmental protection, EVA was certified for ISO 14001 environmental management system and ISO 50001 energy management system in 2016, and plans to adopt the ISO 14064 Greenhouse Gases emissions inspection and verification in 2017. EVA purchased 2.5 million kWh of green power, and received the “Corporate Vision Award” from the Ministry of Economic Affairs. “EVA Carbon Offset Program” will be carried out in 2017 to demonstrate EVA’s efforts on renewable energy and global warning issue, which allows passengers voluntarily pay the equivalent value or customized amount to take part in “zero-carbon travel” and support the international carbon reduction project funded by Climate Care. Regarding social involvement, in cooperation with the Chang Yung-Fa Foundation, EVA donated second-hand furniture to schools in remote areas of Miaoli County, and sponsored many sports and arts events such as the “Pingtung Picturesque Rice-Field Art Festival” to improve the nationals’ humanities accomplishment. Furthermore, EVA has participated in the “Taiwan Corporate Sustainability Award” held by TAISE (Taiwan Institute for Sustainable Energy) for two consecutive years, and has received the “Top 50 Corporate Sustainability Report Awards - Transportation Gold Award” and the “Social Inclusion Award” in 2016. EVA also attended TACS’ (Taiwan Academy of Corporate Sustainability) 1st Taipei Golden Eagle Micro-movie Festival and won the “Best Corporate Governance Award”.

2016 Results

EVA reported 2016 operating revenue of NT$115.50 billion, a slight 0.3% decrease year-on-year, with NT$3.48 billion in net profit and NT$0.86 earnings per share. Consolidated operating revenues reached NT$144.68 billion, a 5.5% increase over 2015, and net profit for 2016 amounted to NT$3.95 billion.

■ **Passenger revenue grew 4.7% to NT$85.8 billion in 2016, a NT$3.9 billion increase compared to 2015.**

Although the cross-strait routes were affected by China's tourism limitation policy, which resulted in a sharp drop in the numbers of Chinese travelers in Taiwan, the impact was reduced to minimum by reduction flights or flexible adjustments in the aircraft types in order to transfer capacities to more efficient and profitable Northeast Asia and Southeast Asia routes. Meanwhile, the transfer mechanism of additional transpacific day flights partnered with southeastern night flights built a comprehensive flight network, improving the convenience and competitiveness of transfer flight. The average load factor remained 80% in 2016, while the number of passengers grew by 11.7%.

■ **Cargo revenue contracted 20.1% to NT$20.8 billion in 2016, a NT$5.3 billion decrease compared to 2015.**

In consideration of the overcapacity in overall cargo market, EVA continues to adjust fleets and route structures. The cargo capacity dropped 2.0% while cargo volume slid 1.8% and the load factor decreased 0.1% year-on-year.

■ **A total of 76 aircraft with ongoing fleet renewal**

EVA operated 76 aircraft in 2016, including 68 passenger jets and 8 freighters. Two 747-400 freighters, two MD-11 freighters and four A330-200s were retired from our fleet with delivery of seven brand-new 777-300ERs, six A321-200s, and two ATR72-600s passenger jets.

Aircraft Type	Quantity
747-400	3
747-400 (Freighter)	6
MD-11 (Freighter)	2
777-300ER	29
A330-200	5
A330-300	5
A321-200	24
ATR72-600	2
Total	76

■ 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 operational policy is to construct downstream aviation service network and upstream supply chain.

Evergreen Aviation Technologies Corporation

Evergreen Aviation Technologies Corporation (EGAT) is a multiple award-wining, 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 other airlines and carriers. In 2016, EGAT signed aircraft maintenance contracts with Asiana Airlines, All Nippon Airways, Atlas Air, Austrian Airlines, the Italian Neos S.p.A, etc. EGAT was also awarded the business of converting Boeing's 767 passenger jets into freighters. Meanwhile, EGAT's fourth hangar will be ready to serve by early 2017. The new hangar will boost maintenance capacity and continue to provide high service quality to customers.

Evergreen Aviation Precision Corporation

Evergreen Aviation Precision Corporation (EGAP) is a manufacturer of aerospace parts and assemblies. In 2016, EGAP was awarded with orders of General Electric (GE) Company's case diffuser nozzle (CDN) of engine "Leap" and the orders of Boeing 737 main deck cargo door. In order to fully utilize the facilities' capacity, EGAP expands different businesses in accordance with the demand of domestic aviation supply chain.

Evergreen Sky Catering Corporation

Evergreen Sky Catering Corporation (EGSC) provides in-flight catering with extra emphasis on employee safety, food safety, and environmental protection. The business benefited from additional routes and flights of main customers, which contributed to a record high revenue and meal counts. The revenue in 2016 was NT$234 million increase, a 8.5% growth year-on-year. While the meal counts increased 1.63 million from last year, a 14.9% growth year-on-year. The meal quality came highly praised by customers. It placed top three on the 2016 QSAI Excellence Awards Winners announced by Medina Quality Food Assurance Services, received Air China's 2016 Annual Top Ten Best Catering Award, and a certificate of appreciation from All Nippon Airways Japanese meal and local meal cooperation project.

Evergreen Airline Services Corporation

Evergreen Airline Services Corporation (EGAS) provides airport ground handling service for EVA and UNI flights at Taoyuan International Airport, Taipei Songshan International Airport, Kaohsiung International Airport and Taichung International Airport. Emphasizing on safety and superb service, it has won ground-handling contracts with 24 international airlines. In 2016, the service is newly provided for Royal Flight Airlines and AirBridge Cargo Airlines.

Evergreen Air Cargo Services Corporation

Evergreen Air Cargo Services Corporation (EGAC) provides handling service of import, export, transit cargo for EVA Airways and other airlines. At the same time, EGAC also provides cargo documentation services to airlines. 16 international airlines are now as its customers. EGAC will continuously offer the best service to its clients based on its enriched experience.

EVA Flight Training Academy

EVA founded the EVA Flight Training Academy (EVA FTA) in California, USA in May 2013. Currently, one twin-engine and eight single-engine planes are EVA FTA’s learning fleet. With certification issued by local civil aviation authority, EVA FTA is eligible to provide training programs such as Private Pilot Licenses (PPL), Commercial Pilot License (CPL) and Multi-crew Pilot License (MPL) for cadets. The training of the airline's own cadet pilots not only raises the quality of basic flight trainings, but also better adheres to the strict company demands of flight safety. By the end of 2016, 66 cadet pilots have completed the training. The new building will be available in January 2017, while the academy plans to install a maintenance hangar, an aircraft shelter and dormitory. An estimated 80 cadets will be trained annually, which includes the training for EVA's own cadet pilots and other airlines.

Results vs. Projections

EVA budgeted NT$115.90 billion in total revenue for 2016 and achieved actual revenue of NT$115.50 billion, accomplishing 99.7% of our goal. We projected profit before tax at NT$3,843 million and produced actual results amounting to NT$4,368 million.

EVA and subsidiaries estimated total consolidated operating revenue of NT$144.06 billion for 2016 and actually achieved NT$144.68 billion, surpassing our goal with 100.4%. Our projected profit before tax was NT$4,703 million and actual profit before tax amounted to NT$5,297 million.

Analysis of Financial Results and Profitability

Compared to 2015, EVA's 2016 operating revenue slightly decreased 0.3% to NT$115.50 billion. The operating expense rose 1.9% to NT$110.53 billion.

EVA and subsidiaries reported consolidated operating revenue of NT$144.68 billion for 2016, a 5.5% increase over the previous year. Our consolidated operating expense was NT$137.55 billion, a 7.5% increase over the previous year.

Profitability analysis:

Return on total assets: 2.6%
Return on equity: 6.8%
Profit margin: 3%
Earnings per share: NT$0.86

Profitability analysis (consolidated):

Return on total assets: 2.6%
Return on equity: 6.9%
Profit margin: 2.7%
Earnings per share: NT$0.86

Research and development

1. Upgrading E-Commerce System Infrastructure

As the portion of revenue keeps increasing remarkably from E-Commerce channels such as global website and mobile App, EVA has strengthened its corporate image, market competitiveness and increased customer satisfaction. To enhance the service quality of global E-Commerce and satisfy the magnified market in the future, state-of-the-art platforms have been completed successfully in 2016. Hoping to bring up customer experience to higher level via stable and swift services provided by our E-Commerce platforms.

2. Customer Experience Management

As the rapid advances in internet technology, connections between customers and airline industry encounter dramatic changes. Main issue at present stage is how to gain insight into customers' mind such as behavior, experiences, preferences and so on by technology of Matching Algorithm, Big Data and Digital Behavior Analysis to improve the level of customer service.

Customer Experience Management (CEM) Project will achieve the purpose of building single view of all EVA customers, creating consistent experience of EVA brand across all touch channels for each customer. Through data mining, tag information is provided to customers. EVA may differentiate marketing strategy and refine personalized service by further intensifying customer management business model and improving satisfaction and loyalty of every customer.

3. Electronic Flight Log

EVA developed a new system utilizing our on-board mobile devices in the cockpit to help streamline the processes between pilots. Flight plan acceptance will be managed and tracked by this system whenever pilots sign off flight plan with electronic signature. Flight crew will be able to enquire previous flight records of each shift of crew with device mentioned above. This new system will reduce workload for our flight crew and save lots of time spending during change of shift, not to mention the eliminated paperwork for environmental protection.

This system has been in pilot-run phase since December 2016 and some enhancements are still undergoing according to the feedback from our cockpit crew. We regard April 2017 as our goal for project to deploy to all fleets of EVA.

4. Information System Privileged Account Security

To ensure and protect the digital assets of EVA Airways, we have invested resource setting up a secured system to manage privileged accounts. The purpose of this project was to centralize the control of logging activity from privileged accounts of our application servers, databases, and network equipment. With this solution, we will react effectively against malicious and intentional intrusion activities, and achieve our goal on protecting vital sensitivity data.

5. Data Center Firewall Architecture Redesign

To ensure the transaction security of our E-Commerce systems, we kept on improving the level of security architecture of our data center. We deployed next-generation firewalls based on layered defense concept to block all possible threats. This new architecture help us to increase the reliability, satiability and security level of the online transaction systems running in our data center.

2017 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 service quality 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:

In order to enhance our route competitiveness and in accordance with the plans of adding new destinations and flight frequencies of North America and Southeast Asia market, we will continue to expand the scale of the fleets. In 2017, a total of 12 new 777-300ERs, A330-300s passenger jets and 777 freighters will be delivered. Our fleet will be consisted of 78 aircraft from the previous year's 76. The first 777 freighter will be introduced in Q4 and gradually replace the 747-400 freighters.

Sales estimate and statistics

Passenger Business:

We forecast that EVA will carry 12.31 million passengers in 2017. This represents a 9.5% increase over the 11.24 million-passenger record we achieved in 2016.

Basis:

1. Based on market demand, additional frequencies will be added on North America and seasonal flights will be increased in Northeast Asia. Total capacity will increase by 20% compared to 2016.
2. Japanese and Korean travelled to Taiwan increased 17% and 34% respectively in 2016 while Taiwanese travelled to Japan and Korea has 13% and 62% growth respectively. The passengers travelling between Taiwan and Northeast Asia expects to reach record high again in 2017.
3. A more intensive network between North America and Southeast Asia will increase the transit passengers between the two regions.

4. The convenient and intensive Southeast Asia network encouraged the business and tourism in the region by the Taiwanese. On the other hand, due to VISA exemption policy open to Southeast Asian countries, it boosted the Southeast Asian tourism travelled to Taiwan.

5. The transit market potential between Japan, Korea and Southeast Asia is on the rise as the connecting network are gradually increasing.

Cargo Business:

We forecast carrying 592 thousand tons of air cargo in 2017, a 3.1% decrease from 611 thousand tons of air cargo in 2016.

Basis:

1. We estimate that the Company's available cargo capacity in 2017 will slightly increase by 0.4% year-on-year.
2. According to the World Economic Outlook Update published by IMF on January 2017, the global economy growth estimation is 3.4% in 2017. The economy of U.S., Japan and Germany, are expected to accelerate. The International Air Transport Association (IATA) indicated that export orders are predicted to drive growth for air transport demand. However, as the uncertainties and challenges still exist for the global air cargo market including the overcapacity, the estimated cargo volume will be decreased.

Future Development Strategies

1. Fleet renewal and cabin upgrades

To effectively increase our route competitiveness, we are retiring three 747-400, two 777-300ER, and two A330-200 passenger aircraft plus one 747-400 and two MD-11 freighters. Meanwhile, we will introduce seven 777-300ER and four A330-300 passenger aircraft and one 777 freighter in 2017. The upgrade of the Elite Class and Economy Class seats on the existing thirteen 777-300ER, as well as the in-flight entertainment system has completed in 2016 with Panasonic eX2 entertainment system and in-flight Wi-Fi service provided. The Company’s existing five A330-300 passenger aircraft are going to be installed with satellite communication system to provide Wi-Fi service on the next stage.

2. Enhancing Star Alliance Partnership

Through Star Alliance network, mileage reward program, ticket product and global corporate customer sales mechanism, we hope to attract more premium members and elevate our advantage in developing the business travel market. In addition, through experience sharing, joint purchasing, system co-development and resource sharing with the alliance airlines, we aim to reduce operating cost and increase efficiency.

EVA Air currently has code-sharing agreements with 17 airlines, including Air Canada, Air China, Air India, All Nippon Airways, Asiana Airlines, Avianca, Bangkok Airways, Hainan Airlines, Hong Kong Airlines, Shandong Airlines, Shenzhen Airlines, Singapore Airlines, Thai Airways, Turkish Airlines, UNI Air, United Airlines and Air China Cargo. Our code-share flights which began in 2016, includes Air Canada (Canada's domestic flights and Taiwan – Tokyo/Seoul routes), Shenzhen Airlines (Taoyuan - Nantong routes), Avianca (Taoyuan - Los Angeles/San Francisco/New York - San Salvador routes), Thai Airways (Taoyuan - Bangkok - North America routes), and Air India (Taoyuan - Bangkok /Singapore - Mumbai routes).

3. Continue to develop transit market between North America and Southeast Asia

We are increasing the number of flights to North America from 80 per week in 2016 to 92 per week in 2017. The Southeast Asia routes will be increased from 127 flights per week in 2016 to 128 per week in 2017. The newly added Trans-Pacific daytime flights provide a denser transit network. Besides the existing flights to Los Angeles, New York and Seattle, we will be adding daytime flights to San Francisco in 2017. Together with the conveniently linked Southeast Asia routes, a transit mechanism between North America and Southeast Asia is established. Daytime flights fulfill the transit requirements of North America's inland passengers, enabling us to extend into the inland market.

4. Focusing on Northeast Asia market

Besides maintaining 31 flights per week between Taiwan and South Korea routes and 121 flights per week between Taiwan and Japan in Northeast Asia market, we will strategically increase the number of flights or providing charter flight services based on seasonal or market demand. We will also introduce in new colored aircraft to provide passengers with brand-new travelling experiences.

5. Reinforcing internet and mobile App sales

We are promoting our sales through the social media networking sites and mobile commerce App. By interacting with our consumers through social media, the Company's product information will be enhanced which resulted in increasing revenue.

6. Lively publicity and media

We will target on the requirements and transmit a clear theme, to leave an impression and build brand as well as product image. We aim to increase passengers' loyalty and brand stickiness by generating consumers' interest in the Company's products.

7. Optimizing fleet and route assignment

777 freighters are now introduced to replace 747-400 freighters. This new type of freighter may save more than 20% of fuel consumption compared to the old freighter. The operating cost will decreased and the goal of carbon reduction and energy saving will be reached.

Moreover, we will fully utilize fleet and improve route profitability by strategically allocating aircraft types and setting flight frequency, which will effectively accommodate market demand in each destination.

8. Diversifying cargo sources

We will continue to expand our market by adding consumer electronics such as virtual reality, wearable gadgets, intelligent automobiles, smart home appliances, and cross-border e-commerce to our cargo sources.

9. Promoting e-freight cargo services

EVA Air actively promotes the use of paperless e-Air Waybill (e-AWB). In 2016, the usage of e-AWB has reached 43% of the total number of air waybills, with a 56% coverage. The number of e-AWB is expected to grow by 50% in 2017, expecting to reach IATA’s annual target of 62% coverage.

Competition, Legal Issues and Overall Operating Environment

Competition

1. Global exchange rate fluctuation and unclear economic prospect impact the business travel budget and leisure markets which affect the number of travelling passengers and ticket price.

2. Capacity continues to increase significantly in 2016 due to low fuel price. However, fares are still in lower level due to strong competition. In 2017, the increase in airline fuel price will raise operating cost and reduce profit margin.

3. Airlines continue to expand their fleets and budget airlines are gaining market share with lower fares, which will continue to impact market competition and the balance of supply and demand.

4. The uncertain cross-strait situation and reduction in tourist quota to Taiwan result in about 5% decrease in number of China tourists to Taiwan compared to last year. No signs of improvement is expected in the future.

5. The increase in fuel price will cut the profits of airlines. At the end of November 2016, OPEC reached an output reduction agreement together with non-OPEC oil producing countries, oil production is possibly to reduce for at least six months at the beginning of January 2017. It will significantly affect the international fuel price.

6. The appreciation of New Taiwan Dollar will have impact on the export-oriented domestic electronics industry, resulting in pressure in export orders and exchange loss.

Legal Environment

1. Political and economic stability directly affects ups and downs in air passenger and cargo markets.

2. The continuous increase in operational flights leads to difficulty in obtaining airport slots. In addition, airlines' schedule executing rate and on-time rate have been strictly examined, posing a challenge in operation.

3. The amendments to relevant laws and regulations in flight crew duty as well as related new labor law expect to have direct influence on the operation and operating cost of the aviation industry.

Overall Operating Environment

1. The latest "World Economic Outlook" announced by the International Monetary Fund (IMF) on January 16, 2017 says that after a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017, and the economic growth is estimated to increase from 3.1% in 2016 to 3.4% in 2017.

2. The global economy continues to face high risk. The compelling factors include U.S. policies might change to internally oriented, causing rise in protectionism; tightening of global financial conditions exceeding expectation, weakening the Eurozone and some emerging countries' economy; and increase in geopolitical risk and much slower than expected economic growth of China.

3. The operating environment for 2016 was more challenging than that of 2015 and it is expected to continue in 2017. Fierce competition of airline industry, change in cross-strait political and economic situation, exchange rate changes and decrease in Business Class demand will all affect passenger yield. However, International Air Transport Association (IATA) predicts that the number of passengers throughout the world will reach 7.2 billion by 2035, doubling the 3.8 billion people in 2016.While more than half of the requirements are from Asia Pacific regions, hence the overall capacity is still on demand.

4. The United States' expansionary fiscal policy and pro-domestic manufacturing policy and China's promotion of local supply chain for the manufacturing industry policy will reduce part of trade volume. It might lead to a decrease in global trade growth and affect air cargo demand.

5. Infrastructure such as airport terminal, runways, arrival/departure slots and air traffic control are unable to catch up with the development of airline company, posing a risk to the growth of the aviation industry.

6. Global warming causes climate change. Extreme weather conditions affect the aircraft traffic control, causing the chances of flight delays or cancellations.

Looking forward to 2017, airline industry will face many challenges. However, EVA will persist on its corporate spirit and the Company's mission "Safe and Punctual Flights; Friendly and Professional Service; Efficient and Innovative Operations" and keep focusing on the core business and protecting stakeholders' interests.

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 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 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 six 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 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 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 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 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 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 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 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 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 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 on March 29, 2012. By 2013 the integration process would be scheduled to complete.

2013

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

2014

EVA ranked AirlineRatings.com's World Safest Airlines Top Ten list.

2015

EVA has been recognized as one of 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 ranked "The World's Top Ten Best Airlines" and "Best Airline Cabin Cleanliness" in SKYTRAX's 2015 World Airline Awards.

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

2016

AirlineRatings.com has ranked EVA among the world's safest airlines for the third year in a row. Moreover, 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). On the other hand, the Company received the highest honor in airline service quality of SKYTRAX 5-Star Rating, the world eighth best airline and named as the "Best Transpacific Airline", with the "Best Business Class Comfort Amenities" as well as the world's third "Most Loved Airlines". Other awards include Global Traveler Magazine's "Best Airport Staff/Gate Agents" award, "Leisure Lifestyle Award for Outstanding Customized Service" (Hello Kitty Jets), and the eighth on the Travel + Leisure Magazine's 2016 "The World's Best International Airlines".

2017

The leading magazine Business Traveller announced that EVA is awarded the Gold Medal of 2016 "Best Business Class Cellar" and "Best First Class Sparkling". Besides, Infinity Lounge in Taoyuan Airport is rewarded as 2016 "Top 10 First and Business Class Airline Lounges" by SKYTRAX. Also, EVA won CAA's 2016 "Golden Flyer Award" for International and Cross-strait Route Group.

III.Corporate Governance Report

The excellent corporate governance is the basis of corporate sustainable operation. By following the idea, the Company is devoted to maintaining shareholders’ interests, enhancing the functionality of Board of Directors and strengthening the correctness and instantaneity of information disclosure to make sure the efficiency and transparency of corporate operation.

The Company started electronic voting for Annual General Shareholders Meeting from year 2012. Shareholders could participate in voting by electronic way. The shareholders rights is protected and the activism of shareholders are implemented well. Besides, the Company also provides Chinese and English shareholder meeting agenda and annual report for investors’ reference to ensure all investors could receive equal information.

Since 2016, the Company has been awarded the top 5% of the corporate governance evaluation by Taiwan Stock Exchange among the TWSE/TPEx Listed Companies for the two consecutive years and is selected in the list of Taiwan Corporate Governance 100 Index. This illustrates that the Company has excellent performance in corporate governance and executed corporate social responsibility well.

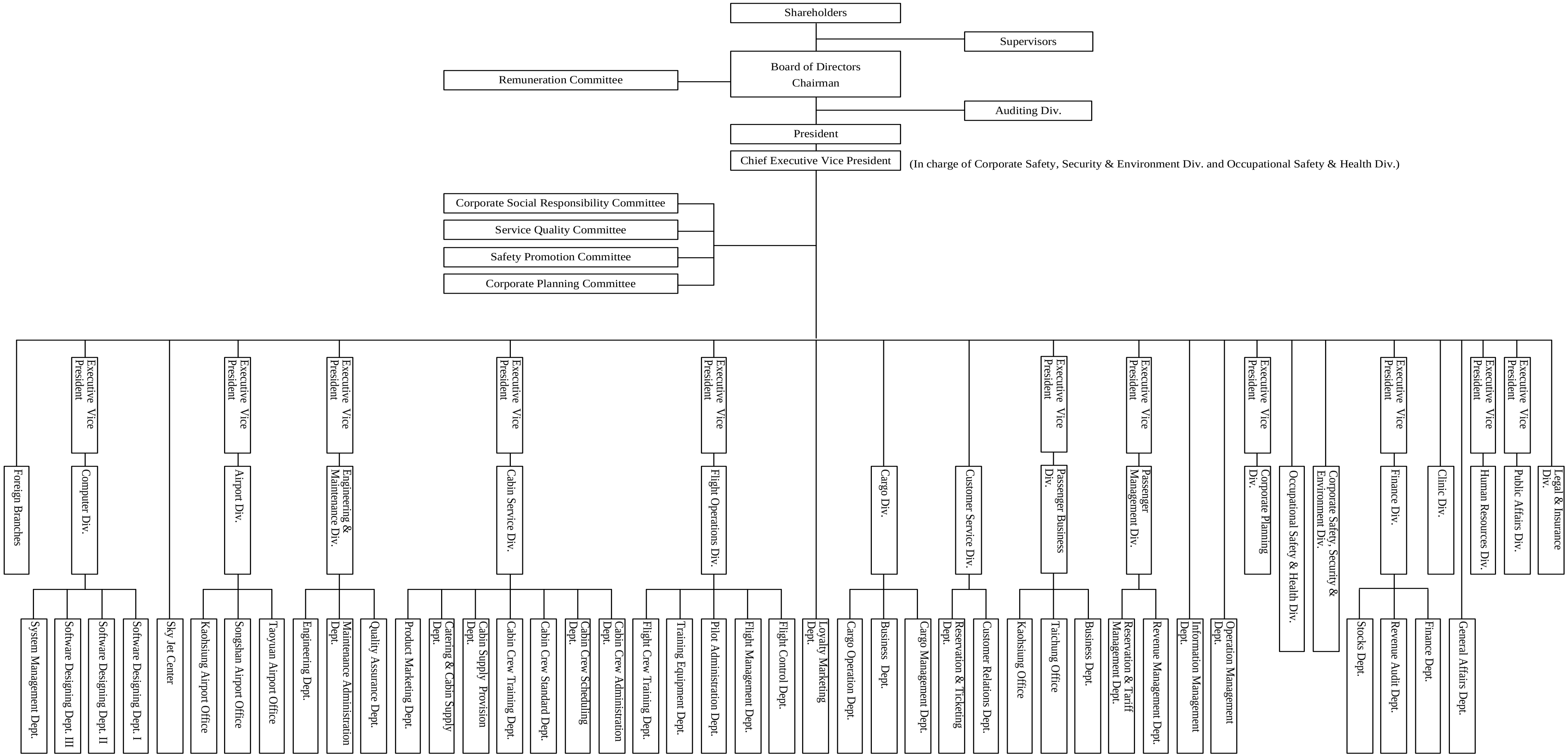
The Company’s Board of Directors is consisted of nine directors, including three independent directors. The tenure of three independent directors is not over nine years in order to make sure the independence and transparency of the operation of Board of Directors. The members of Board of Directors have professional knowledge and diverse background, such as air transportation, accounting, laws, technology, environmental protection and risk management. The independent directors provides professional opinions by their experiences and multi-dimensional thinking. Considering gender equality, there is one female director in the Board of Directors, which takes 11.11% among all the directors.

The Remuneration Committee is consisted of three independent directors and subordinated under Board of Directors. The Committee periodically reviews the remuneration policies of directors, supervisors and managers and stipulates a reasonable remuneration for them according to their devotion on company operation. The Auditing Div. is also subordinated under Board of Directors to build, implement and maintain the appropriateness and efficiency of internal control system and ensure that all the operation follows the related laws by auditing.

The Company has three supervisors who have professional accounting, finance background and plentiful practical experiences. In order to strengthen the quality of corporate governance and functionality of Board of Directors, the Company will set up Audit Committee in 2017 for completely carrying out corporate governance policies to conform with the spirit of sustainable operation.

3.1 Organization

3.1.1 Organizational Chart



Issued Date: April 30, 2017

3.1.2 Major Corporate Functions

Department	Functions
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 arranging 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.
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.
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 Management Div.	Responsible for the worldwide passenger revenue management, pricing strategy development and concerning matters.

Department	Functions
Passenger Business Div.	Responsible for passenger sales-related management and concerning matters for Taiwan.
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.
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 aircraft.
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, 2017

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Chang Yung-Fa Charity Foundation	-	2014.06.17	3 Years	2009.06.16	11,482,104	0.35	12,056,209	0.30	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Lin, Bou-Shiu	Male	2016.03.11	1.27 Years	1993.04.30	0	0.00	297,958	0.00	18,654	0.00	0	0.00	Chairman, Evergreen Steel Corp. Tamkang University	**Chairman:** Hsiang-Li Investment Corp. **Director:** 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	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Evergreen Marine Corp. (Taiwan) Ltd.	-	2014.06.17	3 Years	1989.03.31	629,483,229	19.32	660,957,390	16.31	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Ko, Lee-Ching	Female	2014.06.17	3 Years	1992.05.02	0	0.00	95,122	0.00	0	0.00	0	0.00	Vice Group Chairman, Evergreen Group Keelung Girls' Senior High School	**Chairman:** Evergreen International Corp. **Director:** Evergreen International Storage &Transport Corp., Taiwan High Speed Rail Corp., Evergreen Steel Corp., Evergreen Security Corp., Shun An Enterprise Corp., Charng Yang Development Corp., Evergreen Marine (Singapore) Pte Ltd. **Supervisor:** Evergreen Marine Corp. (Taiwan) Ltd., 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. **Director and Manager:** Evergreen International S.A., Greencompass Marine S.A., Gaining Enterprise S.A.	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Representative: Tai, Jiin-Chyuan	Male	2016.03.11	1.27 Years	2011.06.10	0	0.00	14,244	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	**Director and President:** Evergreen International Corp. **Director:** Evergreen International Storage &Transport Corp., Central Reinsurance Corp., Evergreen Sky Catering Corp., UNI Airways Corp., Evergreen Security Corp., Shun An Enterprise Corp., Taipei Port Container Terminal Corp., Evergreen Aviation Technologies Corp., Super Max Engineering Enterprise Corp., Evergreen Container Terminal (Thailand) Ltd., Evergreen Insurance Company Limited	-	-	-
Director	R.O.C.	Chang Yung-Fa Charity Foundation	-	2014.06.17	3 Years	2009.06.16	11,482,104	0.35	12,056,209	0.30	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Lee, Wen-Chung	Male	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 MBA, University of Leicester	Attorney-at-Law of Chinese International Law Office Adjunct Assistant Professor, Department of Law, Fu Jen Catholic University	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	England	Falcon Investment Services Ltd.	-	2014.06.17	3 Years	2011.06.10	162,962,925	5.00	463,989,191	11.45	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Song, Yaw-Ming	Male	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, **Director:** UNI Airways Corp.	-	-	-
	R.O.C.	Representative: Liang, Hwai-Hsin	Male	2016.03.28	1.22 Years	2016.03.28	0	0.00	0	0.00	0	0.00	0	0.00	Attorney-at-Law Master of Laws, Fu Jen Catholic University	Attorney-at-Law in Giant Era International Law Office Arbitrator, The Chinese Arbitration Association, Taipei **Director:** AGV Products Corp.	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Chien, You-Hsin	Male	2014.06.17	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Minister of Transportation and Communications, Minister of Foreign Affairs, Minister of the Environmental Protection Administration, Representative, Taipei Representative Office in the U.K., Legislator, Legislative Yuan (Parliament), Deputy Secretary General Office of the President, Senior Advisor, National Security Council, National Policy Advisor, 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	**Chairman:** Taiwan Institute for Sustainable Energy **Independent Director:** Far Eastern Department Stores, Ltd. (FEDS) KD Holding Corp.	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Lo,Tzu-Chiang	Male	2014.06.17	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Managing Partner of KPMG Taiwan Firm, Member of Auditing/ Accounting Standards Committee of Accounting Research and Development Foundation, Board Member of Taiwan Provincial CPA Association, Board Member of Taipei City CPA Association, Accounting and Statistics Department of Tamkang University	Supervisor of Mingtai Insurance Co. Ltd.	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Hsu , Shun-Hsiung	Male	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 **Director:** Wellan System Corp., YMH International Co., Ltd., YMH Risk Management Consultant Ltd. **Supervisor:** Sagittarius Life Science Corp.	-	-	-
Supervisor	R.O.C.	Evergreen International Corp.	-	2014.06.17	3 Years	1993.04.30	469,648,357	14.41	493,156,676	12.17	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Wu, Kuang-Hui	Male	2014.06.17	3 Years	2010.12.01	0	0.00	39,973	0.00	0	0.00	0	0.00	Group Executive Officer, Finance, Evergreen Group MBA, Sun Yat-Sen University	Executive Vice President, Finance Division of Evergreen Marine Corp. (Taiwan) Ltd. Executive Vice President, Supervisory Division of Evergreen International Corp. **Supervisor:** Evergreen International Storage &Transport Corp., UNI Airways Corp., Evergreen Steel Corp., Evergreen Security Corp., Taiwan Terminal Services Corp., Charng Yang Development Corp., Hsiang-Li Investment Corp.	-	-	-

Title	Nationality	Name	Gender	Date of Election (Inaugu-ration)	Tenure	Date of Initial Election, Appoint-ment	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	R.O.C.	Representative: Ku Lai, Mei-Hsueh	Female	2016.03.11	1.27 Years	2016.03.11	0	0.00	5,248	0.00	5,287	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. **Director:** Central Reinsurance Corp. **Supervisor:** Evergreen Marine Corp. (Taiwan) Ltd., Evergreen Sky Catering Corp., UNI Airways Corp., Ever Accord Construction Corp, Evergreen Logistics Corp.	Supervisor	Chen, Cheng-Pang	Spouse
	R.O.C.	Representative: Chen, Cheng-Pang	Male	2014.06.17	3 Years	2001.04.19	0	0.00	5,287	0.00	5,248	0.00	0	0.00	Senior Vice President, Italia Marittima S.p.A. Accounting & Economics Dept., Soochow University	Executive Vice President, Finance Dept., Evergreen International Storage & Transport Corp. **Supervisor:** Shun An Enterprise Corp. United Stevedoring Corp. Taipei Port Container Terminal Corp.	Supervisor	Ku Lai, Mei-Hsueh	Spouse

Note: As of April 30, 2017, the Company has issued 4,051,892,256 shares.

Diversification of Board of Directors

Title	Name	Gender	Management	Air Transport	Finance Accounting	Law	Technology	Environmental Protection	Risk Management	Government & Supervision
Chairman	Lin, Bou-Shiu	Male	✓	✓			✓			
Director	Ko, Lee-Ching	Female	✓	✓	✓					
Director	Tai, Jiin-Chyuan	Male	✓	✓		✓				
Director	Lee, Wen-Chung	Male	✓			✓				
Director	Song, Yaw-Ming	Male	✓			✓				
Director	Liang, Hwai-Hsin	Male	✓			✓				
Independent Director	Chien, You-Hsin	Male	✓	✓			✓	✓		✓
Independent Director	Lo, Tzu-Chiang	Male	✓		✓				✓	
Independent Director	Hsu, Shun-Hsiung	Male	✓	✓	✓				✓	

Major shareholders of the institutional shareholders

APR 30, 2017

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-Ming (3.17%), Chang, Kuo-Cheng (2.67%), Fu, Di-Chen (2.62%), Cathy Life Insurance Co. Ltd (2.32%), Public Service Pension Fund (1.23%)
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, 2017

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, 2017

Criteria / 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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
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.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of any affiliates of the Company. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary which is regulated to local legislations.
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 subparagraphs.
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. 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“.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

APR 30, 2017

Title	Nationality	Name	Gender	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	Relation
President	R.O.C.	Chen, Hsien-Hung	Male	2016.03.28	5,250	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 Corp.	-	-	-
Chief Executive Vice President	R.O.C.	Ho, Ching-Sheng	Male	2016.03.11	299,537	0.007	0	0	0	0	Master degree in Aviation Safety, University of Central Missouri	-	-	-	-
Executive Vice President, Public Affairs Div.	R.O.C.	Kou, Jin-Cheng	Male	2016.03.11	85,249	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, Public Relations Dept., Evergreen International Corp.	-	-	-
Executive Vice President, Human Resources Div.	R.O.C.	Pu, Wei-Ping	Male	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)	R.O.C.	Tsai, Ta-Wei	Male	2011.01.01	57,407	0.001	783	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	Director: Hsiang-Li Investment Corp. Supervisor: Evergreen Sky Catering Corp., Ever Fun Travel Services Corp., Evergreen Aviation Technologies Corp., GE Evergreen Engine Services Corp.	-	-	-
Executive Vice President, Corporate Planning Div.	R.O.C.	Liao, Chi-Wei	Male	2016.03.22	42,558	0.001	4,024	0	0	0	Master degree in Marine Biology, National Sun Yat-Sen University President (Junior Vice President), EZFLY.COM Corp.	-	-	-	-

Title	Nationality	Name	Gender	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	Relation
Executive Vice President, Passenger Management Div.	R.O.C.	Sun, Chia-Ming	Male	2011.04.01	61,178	0.002	0	0	0	0	Bachelor degree in International Trade, Chinese Cultural University	-	-	-	-
Executive Vice President, Passenger Business Div.	R.O.C.	Li, Shyh-Liang	Male	2014.12.12	21,000	0.001	13	0	0	0	Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Executive Vice President, Flight Operations Div.	R.O.C.	Chen, Yeou-Yuh	Male	2011.01.01	56,823	0.001	0	0	0	0	Bachelor degree in Maritime Science, Tamkang University	-	-	-	-
Executive Vice President, Cabin Service Div.	R.O.C.	Yang, Yung-Heng	Male	2012.07.01	77,901	0.002	0	0	0	0	Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-
Executive Vice President, Engineering & Maintenance Div.	R.O.C.	Fang, Tian-Hwai	Male	2017.01.01	49,178	0.001	0	0	0	0	Bachelor degree in Marine Engineering, Tamkang University Executive Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Executive Vice President, Airport Div.	R.O.C	Yeh, Shih-Chung	Male	2017.02.01	83,546	0.002	0	0	0	0	Bachelor degree in Industrial Management, National Taiwan University of Science and Technology	-	-	-	-
Executive Vice President, Computer Div.	R.O.C.	Fang, Gwo-Shianng	Male	2007.01.01	166,512	0.004	0	0	0	0	Bachelor degree in Computer Science, Feng Chia University Deputy Junior Vice President, Evergreen IT Corp.	-	-	-	-
Executive Vice President, Beijing Office	R.O.C.	Chang, Jang-Tsang	Male	2014.01.01	149,486	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	R.O.C.	Chen, Chi-Hung	Male	2016.01.01	0	0.000	0	0	0	0	Department of Mechanical Engineering, St. John's and St. Mary's Institute of Technology	-	-	-	-
Senior Vice President, Legal & Insurance Div.	R.O.C.	Hsu, Hui-Sen	Male	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, Human Resources Div.	R.O.C.	Wu, Chun-Hung	Male	2015.01.01	29	0.000	0	0	0	0	Bachelor degree in Business Administration, National Chengchi University	-	-	-	-
Senior Vice President, Human Resources Div.	R.O.C.	Chang, Tsu-Chun	Male	2016.10.01	15,460	0.000	0	0	0	0	Master degree in Graduate Institute of Human Resource Management, National Central University Senior Vice President, Evergreen Aviation Precision Corp.	-	-	-	-
Senior Vice President, General Affairs Dept.	R.O.C.	Soong, Allen	Male	2007.01.01	42,233	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-

Title	Nationality	Name	Gender	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	Relation
Senior Vice President, , Finance Div. Finance Dept. (Accounting Officer)	R.O.C.	Chiang, Chin-Lan	Female	2015.01.01	47,391	0.001	0	0	0	0	Bachelor degree in Economics, National Taiwan University	-	-	-	-
Senior Vice President, Finance Div. Revenue Audit Dept.	R.O.C.	Ho, Li-Cheng	Female	2015.01.01	41,169	0.001	0	0	0	0	Bachelor degree in Banking and Finance, Tamkang University	-	-	-	-
Senior Vice President, Finance Div. Stocks Dept.	R.O.C.	Hsieh, Shu-Hui	Female	2016.04.27	0	0.000	0	0	0	0	Bachelor degree in Law, Soochow University	Senior Vice President, Stocks Dept., Evergreen International Corp.	-	-	-
Senior Vice President, Corporate Planning Div.	R.O.C.	Chiang, Wei-Du	Male	2017.01.01	23,650	0.001	9,246	0	0	0	Bachelor degree in Foreign Languages and Literature, National Tsing Hua University Deputy Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Senior Vice President, Operation Management Dept.	R.O.C.	Hsiao, Chin-Lung	Male	2015.01.01	16,800	0.000	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	-
Senior Vice President, Passenger Business Div. Business Dept.	R.O.C.	Wang, Chen-Hsing	Male	2016.12.15	36,810	0.001	450	0	0	0	Department of Marine Engineering, Kaohsiung Institute of Marine Technology	-	-	-	-
Senior Vice President, Customer Service Div.	R.O.C.	Lu, Yu-Chuan	Female	2006.01.01	0	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.	R.O.C.	Chuang, Shih-Hsiung	Male	2014.01.01	31,500	0.001	0	0	0	0	Bachelor degree in Animal Science and Biotechnology, Tunghai University	-	-	-	-
Senior Vice President, Cargo Div. Business Dept.	R.O.C.	Chiou, Yu-Yi	Male	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.	R.O.C.	Lee, Cheng-Chieh	Male	2016.01.01	37,086	0.001	14,700	0	0	0	Bachelor degree in Mechanical Engineering, Tamkang University	-	-	-	-
Senior Vice President, Cabin Service Div. Cabin Crew Administration Dept.	R.O.C.	Yang, Hsiu-Huey	Female	2013.01.01	301	0.000	0	0	0	0	Department of Radio & Television, World College of Journalism	-	-	-	-
Senior Vice President, Cabin Service Div. Cabin Supply & Provision Dept.	R.O.C.	Tao, Shin-Chien	Male	2015.01.01	0	0.000	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-
Senior Vice President, Cabin Service Div. Product Marketing Dept.	R.O.C.	Chen, Yao-Min	Male	2014.07.01	35,212	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-

Title	Nationality	Name	Gender	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	Relation
Senior Vice President, Engineering & Maintenance Div. Quality Assurance Dept.	R.O.C.	Yeh, Ching-Far	Male	2012.01.01	132	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	R.O.C.	Chang, Lih-Lih	Female	2004.01.01	42,000	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	R.O.C.	Liu, Ying	Female	2011.01.01	53,244	0.001	0	0	0	0	Master degree in Graduate Institute of Human Resource Management, National Central University	-	-	-	-
Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Yu, Chia-Chieh	Male	2017.01.01	41,568	0.001	0	0	0	0	Bachelor degree in International Business, Soochow University	-	-	-	-
Senior Vice President, Computer Div.	R.O.C.	Hou, Hsien-Yu	Male	2011.01.01	1,325	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), Beijing Office	R.O.C.	Liu, Tung-I	Male	2017.01.01	36,824	0.001	0	0	0	0	Bachelor degree in Business Administration, Feng Chia University Junior Vice President, UNI Airways Corp.	-	-	-	-
General Manager (Senior Vice President), Thailand Branch	R.O.C.	Lin, Nan-Yang	Male	2017.01.03	48,760	0.001	0	0	0	0	Bachelor degree in Mass Communication, Chinese Culture University	-	-	-	-
Senior Vice President, America Head Office	U.S.	Huang, Sandra	Female	2016.01.01	0	0.000	0	0	0	0	Bachelor degree in Business, National Cheng Kung University	-	-	-	-
Secretary (Deputy Senior Vice President)	R.O.C.	Chou, Yu-Chuan	Female	2014.01.01	36,750	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, Auditing Div.	R.O.C.	Lee, Yi-Chung	Male	2017.01.01	5	0.000	0	0	0	0	Bachelor degree in Accounting, Tunghai University Deputy Senior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Wang, Yuan-Shyang	Male	2014.01.01	116	0.000	0	0	0	0	Bachelor degree in Business Administration, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Su, Wei-Jen	Male	2015.01.01	34,539	0.001	18,502	0	0	0	Bachelor degree in International Trade, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Operation Management Dept.	R.O.C.	Lin, Ta-Yuan	Male	2015.01.01	31,500	0.001	13,786	0	0	0	Bachelor degree in Economics, Feng Chia University	-	-	-	-

Title	Nationality	Name	Gender	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	Relation
Deputy Senior Vice President, Information Management Dept.	R.O.C.	Chiu, Chung-Yu	Male	2016.11.04	36,967	0.001	0	0	0	0	Bachelor degree in Mechanical Engineering, Feng Chia University	-	-	-	-
Deputy Senior Vice President, Passenger Management Div. Revenue Management Dept.	R.O.C.	Chung, Kai-Cheng	Male	2015.09.01	12,600	0.000	0	0	0	0	Master degree in Transportation and Communication Management Science, National Cheng Kung University	-	-	-	-
Deputy Senior Vice President, Passenger Management Div. Reservation & Tariff Management Dept.	R.O.C.	Wu, Shu-Ping	Female	2013.01.01	32,071	0.001	4,687	0	0	0	Department of Tourism, Hsing Wu College of Commerce	-	-	-	-
Deputy Senior Vice President, Customer Service Div. Reservation & Ticketing Dept.	R.O.C.	Wu, Su-Shin	Female	2006.01.01	50,550	0.001	0	0	0	0	Bachelor degree in Sociology, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Loyalty Marketing Dept.	R.O.C.	Liu, Ying-Chun	Female	2017.01.01	762	0.000	5,595	0	0	0	Bachelor degree in Spanish, Tamkang University	-	-	-	-
Deputy Senior Vice President, Corporate Safety, Security& Environment Div.	R.O.C.	Hsu, Ping	Male	2013.07.01	36,878	0.001	0	0	0	0	Bachelor degree in Psychology, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Flight Operations Div. Training Equipment Dept.	R.O.C.	Kuo, Ming-Cheng	Male	2013.01.01	68,403	0.002	0	0	0	0	Bachelor degree in Economics, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Cabin Service Div. Cabin Crew Standard Dept.	R.O.C.	Hsu, Shu-Ching	Female	2015.01.01	32,040	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, Engineering & Maintenance Div. Engineering Dept.	R.O.C.	Liu, Wen-Jang	Male	2015.01.01	35,014	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. Songshan Airport Office	R.O.C.	Chang, Yu-Heng	Male	2017.01.01	266	0	371	0	0	0	Bachelor degree in Physics, Tunghai University	-	-	-	-
Deputy Senior Vice President, Airport Div. Kaohsiung Airport Office	R.O.C.	Chen, Shen-Chi	Male	2007.01.01	36,750	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, Computer Div. Software Designing Dept. I	R.O.C.	Chen, Chia-Chuan	Male	2014.01.01	26,465	0.001	85	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-

Title	Nationality	Name	Gender	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	Relation
General Manager (Deputy Senior Vice President), Shanghai Office	R.O.C.	Chen, Yu-Hou	Male	2016.05.16	0	0.000	0	0	0	0	Master degree in Civil Engineering, National Chiao Tung University	-	-	-	-
General Manager (Deputy Senior Vice President), Europe Head Office U.K. Branch	R.O.C.	Pan, Hsin-Hsiu	Male	2016.01.01	495	0.000	332	0	0	0	Bachelor degree in Western Language and Literature, National Chengchi University	-	-	-	-
General Manager (Deputy Senior Vice President), Hong Kong Branch	R.O.C.	Chang, Ming-Hung	Male	2014.01.01	0	0.000	0	0	0	0	Bachelor degree in International Trade, Tunghai University	-	-	-	-
General Manager (Deputy Senior Vice President), Japan Branch	R.O.C.	Tseng, Wen-Chiang	Male	2016.12.01	5,253	0.000	0	0	0	0	Bachelor degree in Journalism, Chinese Cultural University	-	-	-	-
General Manager (Deputy Senior Vice President), America Head Office New York Branch	R.O.C.	Chang, Yu-Tang	Male	2014.01.01	0	0.000	0	0	0	0	Bachelor degree in Business Administration, Soochow University Junior Vice President, Evergreen International Corp.	-	-	-	-
General Manager (Deputy Senior Vice President), America Head Office San Francisco Branch	R.O.C.	Liu, Hsin-Cheng	Male	2017.01.01	47,847	0.001	826	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	-	-	-	-
General Manager (Deputy Senior Vice President), America Head Office Seattle Branch	R.O.C.	Wang, Pei-Chi	Male	2017.01.01	0	0.000	0	0	0	0	Department of Foreign Languages, Christ's College Taipei	-	-	-	-

3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

3.3.1 <u>Remuneration of Directors</u>

As of December 31, 2016
Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)</th><th rowspan="4">Compensation from an Invested Company Other than the Company's Subsidiaries</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Remuneration to Directors (C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Employees' Compensation (G)</th></tr>
<tr><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th colspan="2">EVA</th><th colspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Chang Yung-Fa Charity Foundation
Representative :Lin, Bou-Shiu</td><td rowspan="14">8,666</td><td rowspan="14">8,666</td><td rowspan="14">-</td><td rowspan="14">-</td><td rowspan="14">8,000</td><td rowspan="14">13,699</td><td rowspan="14">252</td><td rowspan="14">252</td><td rowspan="14">0.48%</td><td rowspan="14">0.65%</td><td rowspan="14">1,197</td><td rowspan="14">1,197</td><td rowspan="14">11,679</td><td rowspan="14">11,679</td><td rowspan="14">-</td><td rowspan="14">-</td><td rowspan="14">-</td><td rowspan="14">-</td><td rowspan="14">0.85%</td><td rowspan="14">1.02%</td><td rowspan="14">9,142</td></tr>
<tr><td>Director</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：Ko, Lee-Ching</td></tr>
<tr><td>Director</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：Tai, Jiin-Chyuan</td></tr>
<tr><td>Director</td><td>Chang Yung-Fa Charity Foundation
Representative：Lee, Wen-Chung</td></tr>
<tr><td>Director</td><td>Falcon Investment Services Ltd.
Representative：Song, Yaw-Ming</td></tr>
<tr><td>Director</td><td>Falcon Investment Services Ltd.
Representative：Liang, Hwai-Hsin</td></tr>
<tr><td>Former Director</td><td>Chang Yung-Fa Charity Foundation
Representative：Chang, Kuo-Hua</td></tr>
<tr><td>Former Director</td><td>Falcon Investment Services Ltd.
Representative：Chang, Kuo-Wei</td></tr>
<tr><td>Former Director</td><td>Falcon Investment Services Ltd.
Representative：Cheng, Chuan-Yi</td></tr>
<tr><td>Former Director</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：Chang, Cheng-Yung</td></tr>
<tr><td>Former Director</td><td>Chang Yung-Fa Charity Foundation
Representative：Chang, Yung-Fa</td></tr>
<tr><td>Independent Director</td><td>Chien, You-Hsin</td></tr>
<tr><td>Independent Director</td><td>Lo, Tzu-Chiang</td></tr>
<tr><td>Independent Director</td><td>Hsu, Shun-Hsiung</td></tr>
<tr><td colspan="23">Note: Except for the disclosed information above, the directors received remuneration due to providing service (ex. being consultant) for the Company's subsidiaries: None.</td></tr>
</table>

<table>
<tr><th rowspan="3">Range of Remuneration to Directors</th><th colspan="4">Name of Directors</th></tr>
<tr><th colspan="2">Total Amount of Remuneration (A+B+C+D)</th><th colspan="2">Total Amount of Relevant Remuneration Received by Directors Who are Also Employees (A+B+C+D+E+F+G)</th></tr>
<tr><th>EVA</th><th>Consolidated Subsidiaries of EVA (H)</th><th>EVA</th><th>Reinvestment Companies of EVA (I)</th></tr>
<tr><td rowspan="4">Under NT$ 2,000,000</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lee, Wen-Chung,
Chang, Kuo-Hua,
Chang, Yung-Fa</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lee, Wen-Chung,
Chang, Kuo-Hua,
Chang, Yung-Fa</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lee, Wen-Chung,
Chang, Kuo-Hua,
Chang, Yung-Fa</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lee, Wen-Chung,
Chang, Kuo-Hua,
Chang, Yung-Fa</td></tr>
<tr><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Ko, Lee-Ching,
Tai, Jiin-Chyuan,
Chang, Cheng-Yung</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Chang, Cheng-Yung</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Ko, Lee-Ching,
Tai, Jiin-Chyuan,
Chang, Cheng-Yung</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Chang, Cheng-Yung</td></tr>
<tr><td>Falcon Investment Services Ltd.
Representative：
Song, Yaw-Ming,
Liang, Hwai- Hsin,
Chang, Kuo-Wei,
Cheng, Chuan-Yi</td><td>Falcon Investment Services Ltd.
Representative：
Song, Yaw-Ming,
Liang, Hwai-Hsin,
Cheng, Chuan-Yi</td><td>Falcon Investment Services Ltd.
Representative：
Song, Yaw-Ming,
Liang, Hwai-Hsin,
Chang, Kuo-Wei</td><td>Falcon Investment Services Ltd.
Representative：
Song, Yaw-Ming,
Liang, Hwai-Hsin</td></tr>
<tr><td>Chien, You-Hsin,
Lo,Tzu-Chiang,
Hsu, Shun-Hsiung</td><td>Chien, You-Hsin,
Lo,Tzu-Chiang,
Hsu, Shun-Hsiung</td><td>Chien, You-Hsin,
Lo,Tzu-Chiang,
Hsu, Shun-Hsiung</td><td>Chien, You-Hsin,
Lo,Tzu-Chiang,
Hsu, Shun-Hsiung</td></tr>
<tr><td rowspan="2">NT$2,000,001 ~
NT$5,000,000</td><td rowspan="2">-</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Ko, Lee-Ching,
Tai, Jiin-Chyuan</td><td rowspan="2">-</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Tai, Jiin-Chyuan</td></tr>
<tr><td>Falcon Investment Services Ltd.
Representative：
Chang, Kuo-Wei</td><td>Falcon Investment Services Ltd.
Representative：
Chang, Kuo-Wei</td></tr>
<tr><td>NT$5,000,001 ~
NT$10,000,000</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lin, Bou-Shiu</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lin, Bou-Shiu</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lin, Bou-Shiu</td><td>Evergreen Marine Corp. (Taiwan) Ltd.
Representative：
Ko, Lee-Ching</td></tr>
<tr><td rowspan="2">NT$10,000,001 ~
NT$15,000,000</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">Falcon Investment Services Ltd.
Representative：
Cheng, Chuan-Yi</td><td>Chang Yung-Fa Charity Foundation
Representative:
Lin, Bou-Shiu</td></tr>
<tr><td>Falcon Investment Services Ltd.
Representative：
Cheng, Chuan-Yi</td></tr>
<tr><td>NT$15,000,001 ~
NT$30,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$30,000,001 ~
NT$50,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,001 ~
NT$100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>14</td><td>14</td><td>14</td><td>14</td></tr>
</table>

3.3.2 Remuneration of Supervisors

As of December 31, 2016
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 Subsidiaries
		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. Representative: Wu, Kuang-Hui, Ku Lai, Mei-Hsueh, Chen, Cheng-Pang	-	-	1,500	2,003	108	108	0.04%	0.06%	1,302
Former Supervisor	Evergreen International Corp. Representative: Lin, Long-Hwa									

Range of Remuneration to Supervisors	Name of Supervisors	
	Total Amount of Remuneration (A+B+C)	
	EVA	Reinvestment Companies of EVA (D)
Under NT$ 2,000,000	Evergreen International Corp. Representative: Wu, Kuang-Hui; Ku Lai, Mei-Hsueh; Chen, Cheng-Pang; Lin, Long-Hwa	Evergreen International Corp. Representative: Wu, Kuang-Hui; Ku Lai, Mei-Hsueh; Chen, Cheng-Pang; Lin, Long-Hwa
NT$2,000,001 ~ NT$5,000,000	-	-
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	4	4

3.3.3 Remuneration of the President and Executive Vice President

As of December 31, 2016
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		Compensation from an Invested Company Other than the Company's Subsidiaries
		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	
								Cash	Stock	Cash	Stock			
President	Chen, Hsien-Hung	38,501	38,501	22,309	22,309	17,240	17,240	225	-	225	-	2.25%	2.25%	-
Former President	Cheng, Chuan-Yi													
Chief Executive Vice President	Ho, Ching-Sheng													
Executive Vice President	Kou, Jin-Cheng													
Executive Vice President	Pu, Wei-Ping													
Executive Vice President	Tsai, Ta-Wei													
Executive Vice President	Liao, Chi-Wei													
Executive Vice President	Li, Shyh-Liang													
Executive Vice President	Sun, Chia-Ming													
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													
Executive Vice President	Chen, Chi-Hung													
Former Executive Vice President	Nieh, Kuo-Wei													
Former Executive Vice President	Chai, Chien-Hua													

Range of Remuneration	Name of President and Executive Vice President	
	EVA	Consolidated Subsidiaries of EVA
Under NT$ 2,000,000	Chai, Chien-Hua	Chai, Chien-Hua
NT$2,000,001 ~ NT$5,000,000	Chen, Hsien-Hung Ho, Ching- Sheng Kou, Jin-Cheng Pu, Wei-Ping Tsai, Ta-Wei Liao, Chi-Wei Li, Shyh-Liang Sun, Chia-Ming Yuen, Ping-Yu Yang, Yung-Heng Huang, Sheh-Ming Chen, Yeou-Yuh Fang, Gwo-Shianng Chang, Jang-Tsang Chen, Chi-Hung	Chen, Hsien-Hung Ho, Ching- Sheng Kou, Jin-Cheng Pu, Wei-Ping Tsai, Ta-Wei Liao, Chi-Wei Li, Shyh-Liang Sun, Chia-Ming Yuen, Ping-Yu Yang, Yung-Heng Huang, Sheh-Ming Chen, Yeou-Yuh Fang, Gwo-Shianng Chang, Jang-Tsang Chen, Chi-Hung
NT$5,000,001 ~ NT$10,000,000	Nieh, Kuo-Wei	Nieh, Kuo-Wei
NT$10,000,001 ~ NT$15,000,000	Cheng, Chuan-Yi	Cheng, Chuan-Yi
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	18	18

Employees' Compensation of the Management Team

As of December 31, 2016
Unit: NT$ thousands

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chen, Hsien-Hung	0	915	915	0.026%
	Chief Executive Vice President	Ho, Ching-Sheng				
	Executive Vice President	Kou, Jin-Cheng				
	Executive Vice President	Pu, Wei-Ping				
	Executive Vice President (Financial Officer)	Tsai, Ta-Wei				
	Executive Vice President	Liao, Chi-Wei				
	Executive Vice President	Yuen, Ping-Yu				
	Executive Vice President	Sun, Chia-Ming				
	Executive Vice President	Li, Shyh-Liang				
	Executive Vice President	Chen, Yeou-Yuh				
	Executive Vice President	Yang, Yung-Heng				
	Executive Vice President	Huang, Sheh-Ming				
	Executive Vice President	Fang, Gwo-Shianng				
	Executive Vice President	Chang, Jang-Tsang				
	Executive Vice President	Chen, Chi-Hung				
	Senior Vice President	Hsu, Hui-Sen				
	Senior Vice President	Li, Ping-Yin				
	Senior Vice President	Wu, Chun-Hung				
	Senior Vice President	Chang, Tsu-Chun				
	Senior Vice President	Soong, Allen				
	Senior Vice President (Accounting Officer)	Chiang, Chin-Lan				
	Senior Vice President	Ho, Li-Cheng				
	Senior Vice President	Hsieh, Shu-Hui				
	Senior Vice President	Hsiao, Chin-Lung				
	Senior Vice President	Wang, Chen-Hsing				
	Senior Vice President	Lu, Yu-Chuan				
	Senior Vice President	Chuang, Shih-Hsiung				
	Senior Vice President	Chiou, Yu-Yi				
	Senior Vice President	Lee, Cheng-Chieh				

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Senior Vice President	Yang, Hsiu-Huey	0	915	915	0.026%
	Senior Vice President	Tao, Shin-Chien				
	Senior Vice President	Chen, Yao-Min				
	Senior Vice President	Yeh, Ching-Far				
	Senior Vice President	Chang, Lih-Lih				
	Senior Vice President	Liu, Ying				
	Senior Vice President	Hou, Hsien-Yu				
	Senior Vice President	Yeh, Shih-Chung				
	Senior Vice President	Lin, Nan-Yang				
	Senior Vice President	Huang, Sandra				
	Deputy Senior Vice President	Chou, Yu-Chuan				
	Deputy Senior Vice President	Wang, Yuan-Shyang				
	Deputy Senior Vice President	Chiang, Wei-Du				
	Deputy Senior Vice President	Su, Wei-Jen				
	Deputy Senior Vice President	Lin, Ta-Yuan				
	Deputy Senior Vice President	Chiu, Chung-Yu				
	Deputy Senior Vice President	Chung, Kai-Cheng				
	Deputy Senior Vice President	Wu, Shu-Ping				
	Deputy Senior Vice President	Wu, Su-Shin				
	Deputy Senior Vice President	Hsu, Ping				
	Deputy Senior Vice President	Kuo, Ming-Cheng				
	Deputy Senior Vice President	Hsu, Shu-Ching				
	Deputy Senior Vice President	Liu, Wen-Jang				
	Deputy Senior Vice President	Yu, Chia-Chieh				
	Deputy Senior Vice President	Chen, Shen-Chi				
	Deputy Senior Vice President	Chen, Chia-Chuan				
	Deputy Senior Vice President	Liu, Tung-I				
	Deputy Senior Vice President	Chen, Yu-Hou				
	Deputy Senior Vice President	Pan, Hsin-Hsiu				
	Deputy Senior Vice President	Chang, Ming-Hung				
	Deputy Senior Vice President	Tseng, Wen-Chiang				
	Deputy Senior Vice President	Chang, Yu-Tang				

3.3.4 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

1. 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	
	2015	2016	2015	2016
Directors	0.36%	0.85%	0.47%	1.02%
Supervisors	0.03%	0.04%	0.04%	0.06%
President and Executive Vice Presidents	0.66%	2.25%	0.66%	2.25%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

   The remuneration of directors and supervisors are stipulated according to the Company's Article of Incorporation, authorizing Board of Directors to determine the remuneration by its participation and contribution as well as that of other company's data. The remuneration of managers are determined in accordance with the Payment Regulation of Managers Compensation. The remuneration for directors, supervisors and managers are stipulated by Remuneration Committee and should be approved by Board of Directors. The bonus would be considered and distributed refer to the operation results of the Company and the personal performance.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2016. The attendance of directors and supervisors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Chang Yung-Fa Charity Foundation Representative: Lin, Bou-Shiu	6	0	100%	Newly elected on March 11,2016 Required numbers of attendance: 6
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Ko, Lee-Ching	6	0	100%	-
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Tai, Jiin-Chyuan	5	1	83.33%	Newly elected on March 11,2016 Required numbers of attendance: 6
Director	Chang Yung-Fa Charity Foundation Representative: Lee, Wen-Chung	5	0	100%	Newly elected on March 28,2016 Required numbers of attendance: 5
Director	Falcon Investment Services Ltd. Representative: Song, Yaw-Ming	4	1	80%	Newly elected on March 28,2016 Required numbers of attendance: 5
Director	Falcon Investment Services Ltd. Representative: Liang, Hwai-Hsin	5	0	100%	Newly elected on March 28,2016 Required numbers of attendance: 5
Director	Chang Yung-Fa Charity Foundation Representative: Chang, Kuo-Hua	1	0	100%	Term ceased on March 28,2016 Required numbers of attendance: 1

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Director	Falcon Investment Services Ltd. Representative: Chang, Kuo-Wei	0	1	0%	Term ceased on March 28,2016 Required numbers of attendance: 1
Director	Falcon Investment Services Ltd. Representative: Cheng, Chuan-Yi	1	0	100%	Term ceased on March 28,2016 Required numbers of attendance: 1
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Chang, Cheng-Yung	0	0	0%	Term ceased on March 11,2016 Required numbers of attendance: 0
Independent Director	Chien, You-Hsin	5	1	83.33%	-
Independent Director	Lo, Tzu-Chiang	6	0	100%	-
Independent Director	Hsu, Shun-Hsiung	6	0	100%	-
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	6	0	100%	-
Supervisor	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	6	0	100%	Newly elected on March 11,2016 Required numbers of attendance: 6
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	6	0	100%	-
Supervisor	Evergreen International Corp. Representative: Lin, Long-Hwa	0	0	0%	Term ceased on March 11,2016 Required numbers of attendance: 0

Other mentionable items:

1. Please illustrate the date of the Board of Directors, period, agenda and all independent directors' opinions and the Company's responses if one of following situation is occurred during the Board of Directors:

(1) The items listed in Article 14-3 of Securities and Exchange Act

A. Date: Mar 28, 2016.
   Period: 2016 2nd Board Meeting.
   Proposals:
   a. To approve 2016 compensation of the Chairman.
      Directors being required for recusal: Chairman Lin, Bou-Shiu
      Reason: The Chairman has direct personal interest conflicts to the proposal.
      Voting situation: Except for Chairman who recused himself from the discussion and resolution, 6 attendance agreed with the proposal while two directors (Liang, Hwai-Hsin and Song, Yaw-Ming) abandoned voting. The proposal was approved by more than half of the directors.
   b. To lease two passenger aircraft to UNI Airways.
      Directors being required for recusal: Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Song, Yaw-Ming
      Reason: Chairman Lin, Bou-shiu, Director Tai, Jiin-Chyuan and Song, Yaw-Ming are also directors of UNI Airways.
      Voting situation: Except for directors who recused themselves from the discussion and resolution, 6 attendance agreed and approved the proposal.
   c. Capitalization of retained earnings.
   d. To amend Internal Control System and Internal Audit Implementation Rules.
   Opinions of independent directors: None
   The Company's response to the opinions: None

B. Date: Aug 9, 2016.
   Period: 2016 4th Board Meeting.
   Proposal: To stipulate the dividend record date.
   Opinions of independent directors: None
   The Company's response to the opinions: None

C. Date: Nov 11, 2016.
   Period: 2016 5th Board Meeting.
   Proposal: To donate cash to Chang Yung-Fa Foundation for holding a concert.
   Directors being required for recusal: Director Ko, Lee-Ching and Tai, Jiin-Chyuan
   Reason: Director Ko, Lee-Ching and Tai, Jiin-Chyuan are also directors of Chang Yung-Fa Foundation.

Voting situation: Except for directors who recused themselves from the discussion and resolution, all 7 attendance agreed and approved the proposal.

Opinions of independent directors: None

The Company's response to the opinions: None

D. Date: Dec 22, 2016.

Period: 2016 6th Board Meeting.

Proposals:

a. To approve 2017 traffic allowance for independent directors and compensation as members of the Company's Remuneration Committee.
   Directors being required for recusal: Independent directors Chien, You-Hsin, Lo, Tzu-Chiang and Hsu, Shun-Hsiung
   Reason: The independent directors have direct personal interest conflicts to the proposal.
   Voting situation: Except for directors who recused themselves from the discussion and resolution, 5 attendance agreed and approved the proposal.
b. To approve the bonus of Chairman of 2016.
   Directors being required for recusal: Chairman Lin, Bou-Shiu
   Reason: The Chairman has direct personal interest conflicts to the proposal.
   Resolution: Except for Chairman who recused himself from the discussion and resolution, 7 attendance agreed and approved the proposal.
c. To approve 2017 compensation of Chairman.
   Directors being required for recusal: Chairman Lin, Bou-Shiu
   Reason: The Chairman has direct personal interest conflicts to the proposal.
   Voting situation: Except for Chairman who recused himself from the discussion and resolution, 7 attendance agreed and approved the proposal.
d. To resolve continuous leasing six passenger aircraft to UNI Airways.
   Directors being required for recusal: Chairman Lin, Bou-Shiu, Directors Tai, Jiin-Chyuan and Song, Yaw-Ming
   Reason: Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Song, Yaw-Ming are also directors of UNI Airways.
   Voting situation: Except for directors who recused themselves from the discussion and resolution, 5 attendance agreed and approved the proposal.
e. To resolve donation for Chang Yung-Fa Foundation and Chang Yung-Fa Charity Foundation.
   Directors being required for recusal: Directors Ko, Lee-Ching and Tai, Jiin-Chyuan
   Reason: Directors Ko, Lee-Ching and Tai, Jiin-Chyuan are also directors of Chang Yung-Fa Foundation and Chang Yung-Fa Charity Foundation.
   Voting situation: Except for directors who recused themselves from the discussion and resolution, 7 attendance agreed and approved the proposal.

f. To resolve Lee, Yi-Chung as the new Chief Internal Auditor.

g. To appoint the Company's certified public accountants and determine their remuneration.

Opinions of independent directors: None

The Company's response to the opinions: None

(2) Except for the proposal mentioned above, the other literally recorded resolutions which are opposed or have qualified opinion by independent directors: None.

2. If the directors have personal interest conflicts to the proposal and are required for recusal, please specify the name of the directors, proposal, reason and the resolution: Please refer to item 1 for more information.

3. The evaluation to strengthen the functionality of Board of Directors in recent years(ex. establish Audit Committee or enhance information transparency):

(1) The Company has purchased insurance for directors and supervisors in order to disperse the risk of legal responsibility and improve the ability of corporate governance.

(2) To enhance the professional ability of directors and supervisors as well as implement corporate governance, the Company have invited lecturers for directors and supervisors to attend training courses in 2016.

(3) The Company listed the top 5% of the corporate governance evaluation, which illustrated the Company had well performance during operation.

(4) To enhance the information transparency, the Company voluntarily publishes important dissolutions of Board of Directors and establishes corporate governance page, social responsibility page, stakeholders interest page and investors page on company website.

(5) The Company has 3 independent directors and has stipulated the obligation of independent directors' duties. The Company will establish Audit Committee in 2017 to enhance the functionality of Board of Directors.

3.4.2 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 6 (A) meetings of the Board of Directors were held in 2016.

The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【B/A】	Remarks
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	6	100%	-
Supervisor	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	6	100%	Newly elected on March 11,2016 Required Numbers of attendance: 6
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	6	100%	-
Supervisor	Evergreen International Corp. Representative: Lin, Long-Hwa	0	0%	Term ceased on March 11,2016 Required Numbers of attendance: 0

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 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 meeting, sessions, contents of motion, resolutions of the directors’ meetings and the Company’s response to the supervisor’s opinion should be specified: None

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>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"?</td><td>V</td><td></td><td>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.</td><td>None</td></tr>
<tr><td>2. Shareholding Structure & Shareholders' Rights:</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?</td><td>V</td><td></td><td>Stocks Department is in charge of handling the issue following internal control operation procedure.</td><td>None</td></tr>
<tr><td>(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?</td><td>V</td><td></td><td>Responsibility assigned to relevant department.</td><td>None</td></tr>
<tr><td>(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?</td><td>V</td><td></td><td>The Company has established risk control measures within internal control operation procedure.</td><td>None</td></tr>
<tr><td>(4) Does the Company establish internal rules against insiders trading with undisclosed information?</td><td>V</td><td></td><td>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.</td><td>None</td></tr>
</table>

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		According to the Company’s “Corporate Governance Best- Practice Principles” paragraph 3 of Article 20, the composition of the Board of Directors should considered its diversification. Paragraph 4 of Article 20, the members of the Board of Directors should have professional knowledge, skill and ability. Please refer to page 30 for the information of diversification of the Company’s Board of Directors.	None
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	The Company didn’t voluntarily establish other functional committees.	Although the Company only establishes Remuneration Committee, Board of Directors executes authority according to laws, Articles of Incorporation, resolutions of Shareholders’ Meeting and the principle of corporate governance.
(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 will formulate the performance evaluation policy for the Board of Directors at proper time and evaluate the performance of Board of Directors in the future.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company regularly evaluate the independence of CPA?	V		The assigned accountants are not directors, supervisors, executive officers, employees or shareholders of the Company or its affiliated companies and have been confirmed as non-stakeholders, which meets with the regulation of independent judgment of government. (Please refer to Table 1 for the CPA independence evaluation.) The Company annually evaluate the specialization and independence of CPA. Also, the CPA have completed independent report for the appointed auditing affair. The assignment and remuneration for CPA of 2017 financial and tax certification have been approved by Board of Directors on DEC 22, 2016.	None
4. Does the TWSE/TPEx Listed Companies establish sections to mainly or concurrently deal with corporate governance business(including but not limited to provide directors and supervisors necessary information, hold Board Meeting or Annual General Meeting, company registration and change registration of company and Minutes of Board of Directors meeting and Annual General Meeting preparation) ?	V		The Stocks Department is concurrently in charge of corporate governance and is supervised by the top management of Finance Division. The main duties are as follows: 1. Prepare agenda of Board Meeting, provide necessary information and inform all directors for attendance 7 days prior to the meeting. If the proposal should be recused by specific directors, the Stocks Department will remind directors in advance. After the meeting, the minutes of Board Meetings will be prepared and forwarded to directors. Some resolutions will be published immediately in accordance with laws.	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. Register the date of Shareholders' Meeting and declare notices of the meeting, agenda and minutes. Change registration of the Company will be completed after Articles of Incorporation is amended or re-election of directors. 3. Assist Chairman to proceed the meeting (including Shareholders' Meeting, Board Meeting and Remuneration Committee), such as procedure and explanation of relevant laws. 4. Stipulate and amend articles related to corporate governance. 5. Contact shareholders and solve shareholders' problems.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), 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: http://www.evaair.com/zh-tw/stakeholder-interest/) to facilitate communication channel between investors, suppliers, customers and employees.	None
6. 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 Stocks 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.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
7. Information Disclosure: (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		1. The Company has set up a corporate website (URL:https//www.evaair.com) and designated appropriate people to monitor and keep it up-to-date with current information. 2. Corporate governance status: The Company has disclosed "Articles of Incorporation", important operating procedures and the resolutions adopted during Board Meetings on website. (URL: http://www.evaair.com/zh-tw/corporate-governance)	None
(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		The Company has established an English 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
8. 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,	V		1. Extension education for directors and supervisors: (1) Chairman Lin, Bou-Shiu, Director Ko, Lee-Ching, Director Tai, Jiin-Chyuan, Director Song, Yaw-Ming, Director Liang, Hwai-Hsin, Supervisor Wu, Kuang-Hui and Supervisor Chen, Cheng-Pang participated in the six-hour training course in 2016.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			A. Participating in the three-hour training course "What Should Corporate Response to Labor Dispute" held by Taiwan Corporate Governance Association on Oct 11, 2016. B. Participating in the three-hour training course "Fraud Risk Governance" held by Taiwan Corporate Governance Association on Nov 23, 2016. (2) Independent Director Chien, You-Hsin participated in the twelve-hour training course in 2016 and four-hour training course in 2017. A. Participating in the three-hour training course "The Concrete Connotation of Trustee of Directors and Supervisors" held by Taiwan Corporate Governance Association on Mar 25, 2016. B. Participating in the two-hour training course "Expand Overseas Market, Implement Corporate Social Responsibility" held by Center for Corporate Sustainability on Apr 28, 2016. C. Participating in the two-hour training course "Corporate Governance" held by Center for Corporate Sustainability on Jul 28, 2016.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			D. Participating in the two-hour training course "Planning Corporate Sustainable Future" held by Center for Corporate Sustainability on Oct 27, 2016. E. Participating in the three-hour training course "Board of Directors Operation and Corporate Governance" held by Taiwan Academy of Banking and Finance on Dec 22, 2016. F. Participating in the two-hour training course "Vision International, Heading Corporate Sustainability" held by Center for Corporate Sustainability on Jan 19, 2017. G. Participating in the two-hour training course "Establishing Sustainable Future for Taiwan" held by Center for Corporate Sustainability on Apr 27, 2017. (3) Independent Director Lo, Tzu-Chiang participated in the six-hour training course in 2016. A. Participating in the three-hour training course "What Should Corporate Response to Labor Dispute" held by Taiwan Corporate Governance Association on Oct 11, 2016.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			B. Participating in the three-hour training course "The 11th Taipei Corporate Governance Forum" held by Financial Supervisory Commission R.O.C. (Taiwan) on Oct 20, 2016. (4) Independent Director Hsu, Shun-Hsiung participated in the six-hour training course in 2016. A. Participating in the three-hour training course "The Introduction of Forensic Accounting" held by Taiwan CPA on Apr 9, 2016. B. Participating in the three-hour training course "What Should Corporate Response to Labor Dispute" held by Taiwan Corporate Governance Association on Oct 11, 2016. (5) Director Lee, Wen-Chung participated in the six-hour training course in 2016 and three-hour training course in 2017. A. Participating in the three-hour training course "What Should Corporate Response to Labor Dispute" held by Taiwan Corporate Governance Association on Oct 11, 2016. B. Participating in the three-hour training course "Fraud Risk Governance" held by Taiwan Corporate Governance Association	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			on Nov 23, 2016. C. Participating in the three-hour training course "Knowing the Point of Merger and Agreement" held by Taiwan Corporate Governance Association on Apr 25, 2017. (6) Supervisor Ku-Lai, Mei-Hsueh participated in the nine-hour training course in 2016 : A. Participating in the three-hour training course "The 2nd Corporate Governance Award Ceremony and Lecture" held by Securities & Futures Institute on Jun 16, 2016. B. Participating in the three-hour training course "What Should Corporate Response to Labor Dispute" held by Taiwan Corporate Governance Association on Oct 11, 2016. C. Participating in the three-hour training course "Fraud Risk Governance" held by Taiwan Corporate Governance Association on Nov 23, 2016. 2. The Company has purchased liability insurance for directors and supervisors from the year 2015.	
9. Please specify the Company's measures for the evaluation results published by Corporate Governance Center of Taiwan Stock Exchange Corporation which should be improved: (1) The Company will establish Audit Committee in 2017 according to relative laws. (2) The directors and supervisors of the Company have completed training courses according to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE				

Listed and TPEx Listed Companies" and will continually encourage directors and supervisors to attend training courses. (3) The Company has been invited to attend Investor Conference held by KGI Securities Co., Ltd. on Apr 14, 2017 in order to communicate with investors instantly in the future.

Table 1: CPA Independence Evaluation

No.	Item	The Company's Evaluation	Statement of CPA Chen, Ya-Ling	Statement of CPA Wang, Chin-Sun
1.	CPA and their family do not have any direct or indirect significant finance benefit of the Company.	Conformity	Conformity	Conformity
2.	CPA or their family have no business relation between the Company's directors, supervisors and managers that might affect the independence of CPA.	Conformity	Conformity	Conformity
3.	CPA are not one of the Company's directors, supervisors, managers or any important positions now or during the last two years. Also, CPA do not promise to take the positions mentioned above.	Conformity	Conformity	Conformity
4.	During auditing period, the family of CPA are not the directors, supervisors, managers or any important positions of the Company.	Conformity	Conformity	Conformity
5.	During auditing period, CPA and the Company's directors, supervisors or managers have no direct blood relative, direct relatives by marriage, collateral blood relatives in 2nd degree.(Or during auditing period, the close relatives of CPA is being the Company's directors, supervisors, managers or any other important positions that might affect auditing but the violence of independence has been diminished to an acceptable level)	Conformity	Conformity	Conformity
6.	The CPA do not accept the gifts from the Company, the directors, supervisors, managers or main shareholders. (The value of the gift is not over the standard of normal social etiquette.)	Conformity	Conformity	Conformity

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / 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 an 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 which is regulated to local legislations.
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 2016. 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 decline to adopt or modify 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 exceed 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.

3.4.5 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 periodically invite external experts or assign employees to attend corporate social responsibility training. The Company has attend 8 times of "Corporate Sustainable Competitiveness Enhancement" 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 Directors 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		The following is the illustration of the Company's utilization of resource and renewable materials. 1. Continually introducing energy-saving aircraft and promoting paperless work: (1) The Company signed contract with Boeing Company in 2015 for the latest Boeing 787 Dreamliner, which will be introduced to Taiwan continually in 2018. As much as 50 percent of the primary structure is made of carbon fiber composite material, and the cabin is featured with LED lighting facility and new GEnx engine, that could save more than 20% fuel consumption and greenhouse gas emission.	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	
			(2) The electronic pilot manual and electronic flight bag (EFB) are available to each fleet. Pilots will be able to access to flight handbook through their iPads in place of paperwork and enhance efficiency. (3) Issuing E-ticket for passenger ticketing. Cargo operation is followed IATA e-cargo standard. (4) The 1st in Asia, 2nd in the world to provide E-tag baggage check-in service in 2016. The check-in procedure will completed through mobile device which widely reducing the usage of paperwork. 2. Procure environment-friendly materials: The Company purchases FSC™ certified paper for use in airline magazines, tissues and office paper. For the office facility and energy saving system, the Company purchases green mark product to minimize the impact on the environment. 3. Improvement of entire environment and energy efficiency: (1) The office area has adopted power-saving LED light in place of conventional lighting. (2) Installment of infrared ray sensor for less frequently occupied office area can effectively reduce the waste of extra electricity.	

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) The brand-new air condition energy center is available in 2014. It can wisely control and adjust the use of air condition to avoid energy waste. (4) The Company started to use the product with water label and have completed installation of rainwater recycle equipment. (5) 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.	
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company already installed ISO14001: 2015 environmental management system and ISO50001 energy management system in 2015 and required two international certificates in Jan 2016. 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.	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 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		The following is the illustration of the Company's practice of reducing CO2 emission and greenhouse gas. 1. The Company has been voluntarily 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. 2. The Company has established "Sustainable Environment Promotion Sub-Committee" in 2015 aiming to design and supervise 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. 3. The Company plans to adopt ISO14064 greenhouse gas management system in 2017 and require certificate from the third party. Through systematized management, it could effectively control the CO2 emissions.	None
3. Preserving Public Welfare (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company bases its management on related labor law, agreement and articles to formulate working regulations and human-resource regulations.	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	
(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		The Company has designed channels not only to be complied by the law but also maintain harmony between employers and employees. The policy has been announced to all the employees, enabling them to appeal verbally or through filing document. The case officer needs to handle the following appeals procedures properly.	None
(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 decreasing in recent year.	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 2015 (page 95-98).	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	
(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 not only handling customer complaints following company policies and but also formal service procedure. Customers may leave comments or complaints through company website page "Contact us and Comments". Besides, there is stakeholder-interest area on website for investors, customers, employees and suppliers to communicate with the Company.	None
(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 and international regulation such as 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).	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 considered as well, such as supplier's company image and its record of law violation.	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	
(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
4. Enhancing Information Disclosure (1) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The Company has established Corporate Social Responsibility website and disclosed related information. It could be linked through EVA AIR’s website. Those information could be found as below. The Company’s Corporate Social Responsibility website: http://www.evacsr.com The Company’s Stakeholder’s Interest website: http://www.evaair.com/zh-tw/stakeholder-interest/	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：

The Company has participated in Taiwan Corporate Sustainability Awards held by TAISE (Taiwan Institute for Sustainable Energy) for the two consecutive years. The Company are the winner of two rewards which are Taiwan Top 50 Corporate Sustainability Report of Transportation Industry and Best Performance of Social Communion. Besides, the Company attend Taipei Golden Eagle Micro-movie Festival held by TACS (Taiwan Academy of Corporate Sustainability) and was rewarded of Best Corporate Governance by the micro-movie "Safety, Because of Me". The public may understand the operation of the Company's corporate governance through different channel.

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

The 2015 CSR report was successfully verified by Bureau Veritas AA1000 AS (2008) higher-level Type II verification.

3.4.6 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. subordinated 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 CPA 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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>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?</td><td>V</td><td></td><td>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”.</td><td>None</td></tr>
<tr><td colspan="5">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</td></tr>
<tr><td colspan="5">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</td></tr>
</table>

3.4.7 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.

3.4.8 Important information in understanding corporate governance management:

To establish well 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.

3.4.9 Major Resolutions of Shareholders' Meeting and Board Meetings

Major Shareholders' Meeting Resolutions

<table>
<tr><th>Date of Meeting</th><th>Summary of Important Proposals</th><th>Execution</th></tr>
<tr><td rowspan="3">June 24, 2016</td><td>1. Amending Articles of Incorporation.</td><td>The amended Articles of Incorporation has been approved by Commerce Department, Ministry of Economic Affairs (no. 10501164050) and the related actions on behalf of the Company have been conducted in accordance with revised Article of Incorporation.</td></tr>
<tr><td>2. To approve the issuance of new shares for capital increase by earnings re-capitalization.
a. Cash dividends to common shareholders: NTD 0.3 per share, with total NTD 1,157,683,502. Stock dividends to common shareholders: 50 shares per thousand shares.
Total 192,947,251 shares are distributed and par value is NT$ 10 per share.
b. To authorize Chairman to adjust ratios of the stock dividends and cash dividends if the number of total shares outstanding is changed.</td><td>a. The Board Meeting held on August 9, 2016 resolved August 30, 2016 as dividend record date.
b. The cash dividend was distributed on September 20. Stock dividend was distributed by the certificate of new stock. After the change of the company registration was approved by Commerce Department, Ministry of Economic Affairs (no. 10501233140), the new stocks were available in stock market on October 5.</td></tr>
<tr><td>3. To approve the lifting of Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Director Song, Yaw-Ming non-competition restrictions.</td><td>The related actions have been executed in accordance with the resolution.</td></tr>
</table>

Major Board of Director Meeting's Resolutions

Date of Meeting	Major Proposals
March 11, 2016	To elect Director Lin, Bou-Shiu as Chairman of the Company.
March 28, 2016	1. To reassign Chen, Hsien-Hung as President of the Company and Taipei Branch. 2. To lift non-competition restrictions of President Chen, Hsien-Hung. 3. To amend Articles of Incorporation. 4. To amend the content of Compensation Structure for Managers and revise the name to the Payment Regulation of Managers Compensation. 5. To approve 2015 employees' compensation. 6. To approve 2016 compensation of President. 7. To amend the content of Compensation Structure for Directors and Supervisors and revise the name to the Payment Regulation of Directors and Supervisors Compensation. 8. To approve 2015 remuneration for directors and supervisors. 9. To approve 2016 compensation of the Chairman. 10. To approve 2015 Business Report. 11. To approve 2015 Parent-company-only Financial Statement and Consolidated Financial Statement. 12. To approve the earnings distribution of 2015. 13. To approve the issuance of new shares for capital increase by earnings re-capitalization of 2015. 14. To accept the 2015 Declaration of Internal Control. 15. To amend Internal Control System and Internal Audit Implementation Rules. 16. To accept 2016 Operation Plan. 17. To amend the Corporate Governance Best-Practice Principles. 18. To make proposal on 2016 Annual General Shareholders Meeting to release restrictions of competitive activities of directors. 19. To stipulate the date and venue for the annual 2016 Annual General Shareholders' Meeting.
August 9, 2016	1. To ratify the change of owner of leasing A321-211 passenger aircraft and the transferring contract. 2. To resolve the change of owner of leasing 777-300ER passenger aircraft and the transferring contract. 3. To change the address of India Branch. 4. To amend Regulations of Corporate Social Responsibility Committee. 5. To resolve the dissolution of Concord Pacific Ltd. which is 100% held by the Company in Samoa. 6. To resolve August 30, 2016 as dividend record date and September 20, 2016 as cash dividend distribution date.

Date of Meeting	Major Proposals
November 11, 2016	1. To ratify the change of owner of leasing three A321-211 passenger aircraft and the transferring contract. 2. To ratify the procurement of one 787 aircraft cabin simulator. 3. To donate cash to Chang Yung-Fa Foundation for holding a concert. 4. To resolve the issuance of the 19^{th} domestic secured corporate bond. 5. To amend the Procedures for Halt and Resumption Applications. 6. To amend the Corporate Social Responsibility Best-Practice Principles.
December 22, 2016	1. To approve the bonus of management of 2016. 2. To amend the Performance Incentive System and Payment Regulation of Managers Compensation. 3. To approve 2017 compensation for management. 4. To amend the Payment Regulation of Directors and Supervisors Compensation. 5. To approve directors and supervisors (except independent directors) traffic allowance for attendance of Board Meeting in 2017. 6. To approve 2017 traffic allowance for independent directors and compensation as the members of the Company's Remuneration Committee. 7. To approve the bonus of Chairman of 2016. 8. To approve 2017 compensation of Chairman. 9. To resolve continuous leasing six passenger aircraft to UNI Airways. 10. To resolve donation for Chang Yung-Fa Foundation and Chang Yung-Fa Charity Foundation. 11. To resolve selling of three 747-400 aircraft parts and twelve CF6-80C2B1F engines. 12. To resolve re-assigning the representative of Korea Branch. 13. To formulate the Company's 2017 Internal Audit Plan. 14. To resolve Lee, Yi-Chung as the new Chief Internal Auditor. 15. To amend the Corporate Governance Best-Practice Principles. 16. To appoint the Company's certified public accountants and determine their remuneration. 17. To approve 2017 budget.
March 29, 2017	1. To approve 2016 employees' compensation. 2. To approve 2016 remuneration for directors and supervisors. 3. To approve 2016 Business Report. 4. To approve 2016 Parent-company-only Financial Statement and Consolidated Financial Statement. 5. To approve the earnings distribution of 2016. 6. To approve the issuance of new shares for capital increase by earnings re-capitalization of 2016. 7. To accept the 2016 Declaration of Internal Control. 8. To amend Internal Control System and Internal Audit Implementation Rules. 9. To accept 2017 Operation Plan.

Date of Meeting	Major Proposals
	10. To change bank authorized person of the Company's Thailand Branch. 11. To amend the Articles of Incorporation. 12. To amend the Regulations for Electing Directors and Supervisors. 13. To amend the Procedure for Acquiring and Disposing of Assets. 14. To amend the Procedures for Transaction of Derivative Products. 15. To amend the Procedures for Funds Lending, Endorsement and Guarantee. 16. To elect new directors. 17. To make proposal on 2017 Annual General Shareholders Meeting to release restrictions of competitive activities of newly-elected directors. 18. To make proposal of holding 2017 Annual General Shareholders' Meeting.

3.4.10 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 1st 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 2nd Board Meeting

   (1) Agenda: To approve 2016 compensation of 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: Against.

   (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.

3.4.11 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, 2017

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
Chief Internal Auditor	Li, Ping-Yin	1996.02.01	2017.01.01	Position adjustment

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 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	6,590	0	0	0	2,370	2,370	01 Jan~ 31 Dec, 2016	revenue audit for sky jet center, tax consult, transfer pricing report, America airport tax filing, certification of dual-status business entities direct deduction method , declaration of capitalization of retained earnings, corporate bond issusing
	Wang, Chin-Sun								

3.5.2 Replacement of CPA: None

3.5.3 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 2016.

3.6 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2016		As of APR 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chang Yung-Fa Charity Foundation	574,105	0	0	0
	Representative: Lin, Bou-Shiu	14,188	0	0	0
Director	Evergreen Marine Corp. (Taiwan) Ltd.	31,474,161	0	0	0
	Representative: Ko, Lee-Ching	4,529	0	0	0
	Representative: Tai, Jiin-Chyuan	678	0	0	0
Director	Chang Yung-Fa Charity Foundation	574,105	0	0	0
	Representative: Lee, Wen-Chung	0	0	0	0
Director	Falcon Investment Services Ltd.	22,094,723	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.	23,508,319	0	0	0
	Representative: Wu, Kuang-Hui	1,903	0	0	0
	Representative: Ku Lai, Mei-Hsueh	249	0	0	0
	Representative: Chen, Cheng-Pang	251	0	0	0
Major Shareholder	Evergreen Marine Corp. (Taiwan) Ltd.	31,474,161	0	0	0
Major Shareholder	Evergreen International Corp.	23,508,319	0	0	0
Major Shareholder	Falcon Investment Services Ltd.	22,094,723	0	0	0
President	Chen, Hsien-Hung	250	0	0	0
Chief Executive Vice President	Ho, Ching-Sheng	14,263	0	0	0
Executive Vice President	Kou, Jin-Cheng	4,059	0	0	0
Executive Vice President	Pu, Wei-Ping	12	0	0	0

Title	Name	2016		As of APR 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President (Finance Officer)	Tsai, Ta-Wei	2,733	0	0	0
Executive Vice President	Liao, Chi-Wei	2,026	0	0	0
Executive Vice President	Sun, Chia-Ming	2,913	0	0	0
Executive Vice President	Li, Shyh-Liang	1,000 (10,000)	0	0	0
Executive Vice President	Chen, Yeou-Yuh	2,705	0	0	0
Executive Vice President	Yang, Yung-Heng	3,709	0	0	0
Executive Vice President	Fang, Tian-Hwai	0	0	0	0
Executive Vice President	Yeh, Shih-Chung	3,978	0	0	0
Executive Vice President	Fang, Gwo-Shianng	7,929	0	0	0
Executive Vice President	Chang, Jang-Tsang	7,118	0	0	0
Executive Vice President	Chen, Chi-Hung	0	0	0	0
Senior Vice President	Hsu, Hui-Sen	0	0	0	0
Senior Vice President	Wu, Chun-Hung	1	0	0	0
Senior Vice President	Chang, Tsu-Chun	0	0	0	0
Senior Vice President	Soong, Allen	2,011	0	0	0
Senior Vice President (Accounting Officer)	Chiang, Chin-Lan	2,256	0	0	0
Senior Vice President	Ho, Li-Cheng	1,960	0	0	0
Senior Vice President	Hsieh, Shu-Hui	0	0	0	0
Senior Vice President	Chiang, Wei-Du	1,126	0	0	0
Senior Vice President	Hsiao, Chin-Lung	800	0	0	0
Senior Vice President	Wang, Chen-Hsing	1,752	0	0	0
Senior Vice President	Lu, Yu-Chuan	10	0	0 (229)	0
Senior Vice President	Chuang, Shih-Hsiung	1,500	0	0	0

Title	Name	2016		As of APR 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Chiou, Yu-Yi	0	0	0	0
Senior Vice President	Lee, Cheng-Chieh	1,766	0	0	0
Senior Vice President	Yang, Hsiu-Huey	14	0	0	0
Senior Vice President	Tao, Shin-Chien	0	0	0	0
Senior Vice President	Chen, Yao-Min	1,676	0	0	0
Senior Vice President	Yeh, Ching-Far	6	0	0	0
Senior Vice President	Chang, Lih-Lih	2,000	0	0	0
Senior Vice President	Liu, Ying	2,535	0	0	0
Senior Vice President	Yu, Chia-Chieh	1,979	0	0	0
Senior Vice President	Hou, Hsien-Yu	63	0	0	0
Senior Vice President	Liu, Tung-I	1,753	0	0	0
Senior Vice President	Lin, Nan-Yang	2,321	0	0	0
Senior Vice President	Huang, Sandra	0	0	0	0
Deputy Senior Vice President	Chou, Yu-Chuan	1,750	0	0	0
Deputy Senior Vice President	Lee, Yi-Chung	0	0	0	0
Deputy Senior Vice President	Wang, Yuan-Shyang	5	0	0	0
Deputy Senior Vice President	Su, Wei-Jen	1,644	0	0	0
Deputy Senior Vice President	Lin, Ta-Yuan	1,500	0	0	0
Deputy Senior Vice President	Chiu, Chung-Yu	1,760	0	0	0
Deputy Senior Vice President	Chung, Kai-Cheng	600	0	0	0
Deputy Senior Vice President	Wu, Shu-Ping	1,527	0	0	0

Title	Name	2016		As of APR 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Deputy Senior Vice President	Wu, Su-Shin	2,407	0	0	0
Deputy Senior Vice President	Liu, Ying-Chun	0	0	0	0
Deputy Senior Vice President	Hsu, Ping	1,756	0	0	0
Deputy Senior Vice President	Kuo, Ming-Cheng	3,257	0	0	0
Deputy Senior Vice President	Hsu, Shu-Ching	1,525	0	0	0
Deputy Senior Vice President	Liu, Wen-Jang	1,667	0	0	0
Deputy Senior Vice President	Chang, Yu-Heng	0	0	0	0
Deputy Senior Vice President	Chen, Shen-Chi	1,750	0	0	0
Deputy Senior Vice President	Chen, Chia-Chuan	1,260	0	0	0
Deputy Senior Vice President	Chen, Yu-Hou	0	0	0	0
Deputy Senior Vice President	Pan, Hsin-Hsiu	23	0	0	0
Deputy Senior Vice President	Chang, Ming-Hung	1,000 (21,000)	0	0	0
Deputy Senior Vice President	Tseng, Wen-Chiang	250	0	0	0
Deputy Senior Vice President	Chang, Yu-Tang	34,650	0	0 (34,650)	0
Deputy Senior Vice President	Liu, Hsin-Cheng	0	0	0	0
Deputy Senior Vice President	Wang, Pei-Chi	0	0	0	0

Information of Stock Transfer: NIL

Information of Stock Pledged: NIL

3.7 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.	660,957,390	16.31	-		0	0	Evergreen International Storage & Transport Corp.	Evergreen Marine Corp. (Taiwan) Ltd. invests the company under equity method
							Evergreen International Corp.	Major shareholders of Evergreen Marine Corp. (Taiwan) Ltd. reinvest the company
							Evergreen Steel Corp.	Supervisor of Evergreen Marine Corp. (Taiwan) Ltd.
							Ko, Lee-Ching	Supervisor of Evergreen Marine Corp. (Taiwan) Ltd.
Representative: Chang, Cheng-Yung	0	0.00	0	0.00	0	0	-	-
Evergreen International Corp.	493,156,676	12.17	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Major shareholders of Evergreen International Corp. reinvest the company
							Evergreen International Storage & Transport Corp.	Supervisor of Evergreen International Storage & Transport Corp.
							Evergreen Steel Corp.	Evergreen International Corp. invests the company under equity method
							Chang, Kuo-Cheng	Supervisor and major shareholder of Evergreen International Corp.
							Chang, Kuo-Ming	Director and major shareholder of Evergreen International Corp.
Representative: Ko, Lee-Ching	95,122	0.00	0	0.00	0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Supervisor
							Evergreen Steel Corp.	Director
							Evergreen International Storage & Transport Corp.	Director

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
Falcon Investment Services Ltd.	463,989,191	11.45	-		0	0	Chang, Yung-Fa Chang, Kuo-Ming Chang, Kuo-Cheng	Within two degrees kinship with the Representative
Representative: Chang, Kuo-Wei	0	0.00	0	0.00	0	0	Chang, Yung-Fa Chang, Kuo-Ming Chang, Kuo-Cheng	Within two degrees kinship
Evergreen Steel Corp.	204,445,577	5.05	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Supervisor of Evergreen Marine Corp. (Taiwan) Ltd.
							Evergreen International Corp.	Evergreen International Corp. invests the company under equity method
							Ko, Lee-Ching	Director of Evergreen Steel Corp.
Representative: Li, Kuan-Liang	0	0.00	0	0.00	0	0	-	-
Chang, Yung-Fa	118,489,739	2.92	0	0.00	0	0	Chang, Kuo-Ming Chang, Kuo-Cheng Chang, Kuo-Wei	Within two degrees kinship
							Falcon Investment Services Ltd.	Within two degrees kinship with the Representative
Chang, Kuo-Cheng	78,705,111	1.94	0	0.00	0	0	Evergreen International Corp.	Supervisor and major shareholder
							Chang, Yung-Fa Chang, Kuo-Ming Chang, Kuo-Wei	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	55,969,930	1.38	-		0	0	-	-
Chang, Kuo-Ming	50,251,367	1.24	22,783,103	0.56	0	0	Evergreen International Corp.	Director and major shareholder
							Chang, Yung-Fa Chang, Kuo-Cheng Chang, Kuo-Wei	Within two degrees kinship
							Falcon Investment Services Ltd.	Within two degrees kinship with the Representative
Shin Kong Life Insurance Co. Ltd.	44,804,000	1.11	-		0	0	-	-
Representative: Wu, Tung-Chin	0	0.00	0	0.00	0	0	-	-
Evergreen International Storage & Transport Corp.	39,947,715	0.99	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen Marine Corp. (Taiwan) Ltd. invests the company under equity method
							Evergreen International Corp.	Supervisor of Evergreen International Storage & Transport Corp.
							Ko, Lee-Ching	Director of Evergreen International Storage & Transport Corp.
Representative: Hung, Ping-Kun	10,987	0.00	0	0.00	0	0	-	-

3.8 Ownership of Shares in Affiliated Enterprises

As of Dec 31, 2016

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
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.	25,890	56.33	9,301	20.24	35,191	76.57
Evergreen Sky Catering Corp.	54,780	49.80	27,500	25.00	82,280	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
Aug, 2016	10	4,500,000	45,000,000	4,051,892	40,518,923	Capitalization of Retained Earnings 1,929,473	-	Sep 29, 2016 Jing-Shou-Shang Zi No. 10501233140

B. Type of Stock

Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	4,051,892	448,108	4,500,000	Shares of TWSE Listed Companies

4.1.2 Status of Shareholders

As of APR 28, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	22	213	123,207	1,004	124,450
Shareholding (shares)	74,009,231	78,284,123	1,535,665,106	1,331,459,421	1,032,474,375	4,051,892,256
Percentage (%)	1.83	1.93	37.90	32.86	25.48	100.00

4.1.3 Shareholding Distribution Status

Common Shares

As of APR 28, 2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	39,401	12,258,127	0.30
1,000 ~ 5,000	49,997	112,090,461	2.77
5,001 ~ 10,000	14,972	105,931,582	2.61
10,001 ~ 15,000	7,279	86,617,578	2.14
15,001 ~ 20,000	3,051	53,972,342	1.33
20,001 ~ 30,000	3,538	84,944,249	2.10
30,001 ~ 50,000	2,692	103,394,461	2.55
50,001 ~ 100,000	1,881	129,596,432	3.20
100,001 ~ 200,000	829	114,447,491	2.82
200,001 ~ 400,000	373	104,428,215	2.58
400,001 ~ 600,000	136	66,060,561	1.63
600,001 ~ 800,000	62	43,483,530	1.07
800,001 ~ 1,000,000	43	38,195,185	0.94
1,000,001 or over	196	2,996,472,042	73.96
Total	124,450	4,051,892,256	100.00

4.1.4 List of Major Shareholders

As of APR 28, 2017

Shareholding / Entity	Number of Shares	Percentage (%)
Evergreen Marine Corp. (Taiwan) Ltd.	660,957,390	16.31
Evergreen International Corp.	493,156,676	12.17
Falcon Investment Services Ltd.	463,989,191	11.45
Evergreen Steel Corp.	204,445,577	5.05
Chang, Yung-Fa	118,489,739	2.92
Chang, Kuo-Cheng	78,705,111	1.94
New Labor Pension Fund	55,969,930	1.38
Chang, Kuo-Ming	50,251,367	1.24
Shin Kong Life Insurance Co., Ltd.	44,804,000	1.11
Evergreen International Storage & Transport Corp.	39,947,715	0.99

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

Unit: NT$

Items	2015 (Distributed in 2016)	2016 (Distributed in 2017)	2017 (As of APR 30)
Market Price per Share			
Highest Market Price	25.25	18.90	16.95
Lowest Market Price	16.30	13.65	14.50
Average Market Price	21.21	16.14	15.55
Net Worth per Share			
Before Distribution	12.66	13.16	(Note 5)
After Distribution	12.36	(Note 4)	-
Earnings per Share			
Weighted Average Shares (thousands)	3,804,699	4,051,892	4,051,892
Earnings per Share	1.69	0.86	(Note 5)
Adjusted Earnings per Share	1.61	(Note 4)	-
Dividends per Share			
Cash Dividends	0.30	(Note 4)	-
Stock Dividends			
Dividends from Retained Earnings	0.50	(Note 4)	-
Dividends from Capital Surplus	-	(Note 4)	-
Accumulated Undistributed Dividends	-	(Note 4)	-
Return on Investment			
Price / Earnings Ratio (Note 1)	12.41	18.27	-
Adjusted Price / Earnings Ratio (Note 1)	13.02	(Note 4)	-
Price / Dividend Ratio (Note 2)	69.90	(Note 4)	-
Cash Dividend Yield Rate (Note 3)	1.43%	(Note 4)	-

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

Note 4: Pending for shareholders resolution.

Note 5: The Company's financial statements as of March 31, 2017 hasn't been reviewed by independent auditors.

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 2016 profits was passed at the meeting of the Board of Directors on March 29, 2017 and will be distributed after discussion at the Annual General Shareholders Meeting on June 26, 2017.

Cash Dividends to Common Shareholders	NT$0.2/ per share	NT$ 810,378,452
Stock Dividends to Common Shareholders	NT$0.3/ per share	121,556,768 shares

4.1.7 Impact of Stock Dividends issuance on the Company's Business Performance and Earnings per Share: N/A (The Company does not disclose 2017 financial forecast.)

4.1.8 Employees' Compensation and Remuneration of Directors and Supervisors

A. According to the Article 26 of the Company's Article of Incorporation, 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.

The Company is planned to set up Audit Committee in year 2017 in lieu of supervisors according to Securities and Exchange Act Article 14-4. Besides, to minimize the difference ratio between remuneration of directors and employees' compensation that set aside, it is estimated to adjust the remuneration of directors from 5% to 2% of annual profit. The mentioned amendment is approved by Board of Directors Meeting on March 29, 2017 and will be proposed for discussion on Annual General Shareholder Meeting of year 2017.

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

Item	Resolutions of Board of Directors (Mar 29, 2017)
Remuneration of Directors and Supervisors (Cash)	NT$9,500,000
Employees' Compensation (Cash)	NT$145,590,000

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 distributed remuneration of directors and supervisors NT$10,000,000 and employees' compensation NT$90,623,265 of year 2015. The amount distributed are not varied from the amount recognized.

4.1.9 Buyback of Treasury Stock: None

4.2 Corporate Bond

<table>
<tr><th colspan="2">Corporate Bond Type</th><th>17th Secured Corporate Bond</th></tr>
<tr><td colspan="2">Issue date</td><td>May 31, 2012</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$1,000,000</td></tr>
<tr><td colspan="2">Issuing and transaction location</td><td>Not applicable</td></tr>
<tr><td colspan="2">Issue price</td><td>Issue by denomination</td></tr>
<tr><td colspan="2">Total price</td><td>NT$6,500,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>1.22% p.a.</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years
Maturity: May 31, 2017</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>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</td></tr>
<tr><td colspan="2">Consignee</td><td>Cathay United Bank Trust Department</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>None</td></tr>
<tr><td colspan="2">Certified lawyer</td><td>Kuo, Hui-Chi
(Hsi Endai Lawyer Office)</td></tr>
<tr><td colspan="2">CPA</td><td>Chen, Ya-Ling
Chang, Chia-Hsin
(KPMG)</td></tr>
<tr><td colspan="2">Repayment method</td><td>Repayment in lump sum upon maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$6,500,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>None</td></tr>
<tr><td colspan="2">Restrictive clause</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, rating of corporate bond</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities</td><td>Not applicable</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Not applicable</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity</td><td>No dilution and impact on existing shareholders' equity</td></tr>
<tr><td colspan="2">Transfer agent</td><td>Not applicable</td></tr>
</table>

Corporate Bond Type		18th Secured Corporate Bond
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 bond		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	19th Domestic Secured Corporate Bond
Issue date	December 29, 2016
Denomination	NT$1,000,000
Issuing and transaction location	Not applicable
Issue price	Issue by denomination
Total price	NT$8,500,000,000
Coupon rate	1.07% p.a.
Tenor	5 years Maturity: December 29, 2021
Guarantee agency	Bank of Taiwan Hua Nan Commercial Bank Mega International Commercial Bank Co., Ltd. Chang Hwa Bank Taiwan Cooperation Bank The Shanghai Commercial & Savings Bank, Ltd.
Consignee	Cathay United Bank
Underwriting institution	Capital Securities Corp., etc.
Certified lawyer	Kuo, Hui-Chi (True Honesty International Lawyer Offices)
CPA	Chen, Ya-Ling Wang, Chin-Sun (KPMG)
Repayment method	Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year.
Outstanding principal	NT$8,500,000,000
Terms of redemption or advance repayment	None
Restrictive clause	None
Name of credit rating agency, rating date, rating of corporate bond	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
Other rights attached: 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 Preferred Stock: None

4.4 Global Depository Receipts: None

4.5 Employee Stock Options: None

4.6 Employee Restricted Stock: None

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

4.8 Financing Plans and Implementation:

As of the first quarter of 2017, the financing plan of Company's 17th Secured Corporate Bond and 18th Secured Corporate Bond has been executed accordingly. The 19th domestic secured corporate bond has been executed as planned and is in line with the expected effectiveness. The expected time of completion on May 2017. The purposed implementation and execution status is as follows:

(1) The purposed implementation:

Unit: NT$ thousands

Corporate Bond Type	Proposal	Expected Time of Completion	Fund Required	Expected Repaying Schedule	
				2017	
				Q1	Q2
19th Domestic Secured Corporate Bond	Loan Repayment	May, 2017	8,500,000	2,214,491	6,285,509

(2) The execution status is as follows:

Unit: NT$ thousands

Corporate Bond Type	Expected Repaying Schedule	Fund Used		Percentage	
		Scheduled	Actual	Scheduled	Actual
19th Domestic Secured Corporate Bond	2017 Q1	2,214,491	2,214,491	26.05%	26.05%

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 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

Item / Year	Passenger		Cargo		Other		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2016	85,752,229	59%	20,841,362	15%	38,086,074	26%	144,679,665	100%
2015	81,871,572	60%	26,093,054	19%	29,203,918	21%	137,168,544	100%

C. The business activities provided by EVA’s subsidiaries

1. Passenger business: international air transportation of passenger, periodically and non-periodically charter flights.
2. Cargo business: transportation of international freight, express, mail and parcel.
3. Sky shop business: duty-free goods sale.
4. Maintenance business: maintenance of aircraft, engine and parts.
5. Ground service: providing luggage and freight loading and unloading service, aircraft cleanness and aircraft ground-infrastructure support.
6. Catering business: providing in-flight meals for airlines.
7. Manufacturing of aircraft parts business.
8. Training service: pilot training.

D. New services planned to be developed

(1) Continuously improving the quality of cabin service to upgrade passenger's in-flight experience:

By October 2016, we have replaced the elite class & economy class seats with more avant-garde and novel pattern, upgraded cabin entertainment system as well as Wi-Fi system installation of thirteen 777-300ER passenger jets. Moreover, in response to the high demand of using portable electronic devices and charging, the seats in each cabin have equipped with 110V voltage and USB socket to meet the passenger's requirement.

(2) Promoting the air cold chain market:

In April 2015, we started to provide the cold-chain temperature control product service (EVA Pharmacare) and had extended to 28 stations at the end of 2016. The service mainly focuses on high value goods such as pharmaceuticals, vaccines, high-end food ingredients and high-tech semiconductor components. EVA will keep expanding the service to other stations with safety, convenience and reliability in the near future.

5.1.2 Industry Overview

A. Current status and development of the industry

According to the estimation of IATA the global passenger traffic will increase from 3.8 billion passengers in 2016 to 4 billion passengers in 2017. More than half of the demand will come from the Asia-Pacific region. Despite the fuel price remained low last year, fuel price trend will be on the rise this year. We have conservative and positive attitude toward future development the airline industry and expect that the overall passenger demand will grow steadily.

IMF forecasts that the global economic growth rate will be 3.4% in 2017, which is higher than 3.1% in 2016. While there are still quite a few risks including the influence of BREXIT, President Trump's strengthening protectionism policy, substantial slowdown of China's economic growth, geopolitical tensions, global action of terrorism, aggravation of fluctuations in exchange rates and greater tightening of global financial environment. These will make air cargo market full of uncertainties in 2017.

In early January 2017, IATA revised its forecast of global airline industry profits from US$ 39.4 billion forecasted in June 2016 to US$ 35.6 billion (a 9.6% decline) mainly due to slowing down of the global economic growth and rise of fuel prices. In air cargo market, IATA statistics showed that the global Available Freight Tonne Kilometers (AFTK) increased by 5.3% in 2016, and Freight Tonnage Kilometers (FTK) grew by 3.8%. The trend of oversupply in capacity continues which lower the freight rates and profit.

Looking ahead to 2017, IATA forecasts of the profits generated by the global airline industry is US$ 29.8 billion, with a decline of US$ 5.8 billion from US$ 35.6 billion in 2016. In air cargo market, IATA forecasts 55.7 million tons of cargo will be carried in 2017, a 3.3% increase compared to 53.9 million tons in 2016. However, the jet fuel price is estimated US$ 64.9 per barrel in 2017, with a rise of 24.6% compared to US$ 52.1 per barrel on average in 2016. While airfreight rates continues to decline, the rise in jet fuel will considerably dilute air cargo profits.

B. Development trends of products

(1) Development of global alliance

Due to the constraint of air traffic right and market, also to share the resources and reduce operational costs, airlines usually join strategic alliance with others to increase the overall competitiveness and to expand the air traffic network by code-sharing or frequent flyer plan. Currently, we have marketing alliance with 17 airlines including United Airlines, All Nippon Airways, Air Canada, Air China, Asiana Airlines and Singapore Airlines. We will continue to seek the opportunities to cooperate with Star Alliance member airlines in the future.

Three major global alliances in airline industry already consists two-thirds of total available seat kilometer (ASK).

Three Major Alliances

Star Alliance	One World	Sky Team
Adria Airways	Airberlin	Aeroflot
Aegean Airlines	American Airlines	Aerolíneas Argentinas
Air Canada	British Airways	Aeromexico
Air China	Cathay Pacific	Air Europa
Air India	Finnair	Air France
Air New Zealand	Iberia	Alitalia
ANA	Japan Airlines	China Airlines
Asiana Airlines	LATAM	China Eastern
Austrian	Malaysia Airlines	China Southern
Avianca	Qantas	Czech Airlines
Avianca in Brazil	Qatar Airways	Delta Air Lines
Brussels Airlines	Royal Jordanian	Garuda Indonesia
Copa Airlines	S7 Airlines	Kenya Airways
Croatia Airlines	SriLankan Airlines	KLM
EGYPTAIR		Korean Air
Ethiopian Airlines		Middle East Airlines
EVA Air		Saudia
LOT Polish Airlines		TAROM
Lufthansa		Vietnam Airlines
Scandinavian Airlines		XiamenAir
Shenzhen Airlines		
Singapore Airlines		
South African Airways		
SWISS		
TAP Portugal		
THAI		
Turkish Airlines		
United		

Data Sources: Official Website of Star Alliance, Sky Team and One World

(2) Open sky policy in airline industry

The long-term trend of the international airline market is to open sky. So far, the United States has carried out the open sky policy thoroughly while there still have a certain control to maintain free competitive market and protect consumers interests. EU and other countries tend to follow this trend. At present, Taiwan is not fully open sky, but will gradually reduce the restrictions to meet the international trend.

(3) Integration of airline related industries

Airline operators have to rely on the support of related industries including catering, ground handling, aircraft maintenance, inland trucking as well as alliance between travel agent/freight forwarder. Therefore, to ensure flight safety and service quality and to further reduce costs and increase revenue, airlines are trying to find partners to form the industry integration. Airlines are moving forward to get involved in manufacturing and maintenance of aircraft components in order to create a complete supply chain of airline industry.

(4) Change of air cargo structure

With the change of the industrial structure, the air transport demand for large instruments and equipment declines year by year. The electronic product design is moving towards light in weight and smaller in size. In recent years, with the popularization of mobile devices and high penetration rate of intelligent technology application, the proportion of thin & lightweight electronic information products and online shopping and e-business cargo increases year by year. Products of high-yield cold chain and pharmaceuticals could be transported by passenger aircraft belly hold. Passenger aircraft belly hold has gradually becomes the mainstream in air cargo transportation. We will continue to adjust the passenger and cargo aircraft fleet size and enhance the sales of passenger aircraft belly hold, so as to optimizing the fleet operation synergy.

C. Product competition situation

According to statistics of CAA and import & export statistics of Taoyuan Airport, EVA maintains quite fair market share. Please refer to the statistics of passenger and cargo traffic volume of international airlines in Taiwan.

Statistics of Passenger & Cargo Traffic Volume of International Airlines in Taiwan

Name of Airline	2016					
	Passenger Operation				Cargo Operation	
	Number of Flights	Seat Capacity	Passenger Capacity	PLF (%)	Tons of Cargo	Percentage (%)
China Airlines	61,111	16,860,846	13,030,115	77.3	719,940	42.9
EVA Air	53,476	13,550,273	11,177,470	82.5	490,788	29.3
Cathay Pacific Airways	14,735	5,048,085	3,931,273	77.9	85,518	5.1
TransAsia Airways	12,029	2,385,881	1,656,094	69.4	10,261	0.6
Tigerair Taiwan	11,145	2,006,100	1,415,864	70.6	824	0.0
Mandarin Airlines	10,133	1,802,006	1,359,532	75.4	15,123	0.9
China Eastern Airlines	8,320	1,595,896	1,229,495	77.0	6,899	0.4
Dragonair	7,530	1,798,301	1,357,904	75.5	2,180	0.1
China Southern Airlines	7,118	1,338,798	1,020,561	76.2	6,133	0.4
Japan Airlines	5,873	1,163,596	969,912	83.4	12,973	0.8
Air China	5,625	1,211,441	975,058	80.5	28,260	1.7
UNI Air	4,907	1,007,682	781,961	77.6	10,144	0.6
Peach Airlines	4,894	880,920	739,421	83.9	0	0.0
Vanilla Air	4,796	863,280	731,655	84.8	0	0.0
Air Macau	3,985	663,808	498,902	75.2	2,124	0.1
Xiamen Airlines	3,885	673,723	520,649	77.3	1,709	0.1
Vietnam Airlines	3,704	694,935	527,887	76.0	1,034	0.1
V Air	3,454	649,944	432,437	66.5	0	0.0
HongKong Airlines	2,927	883,832	744,862	84.3	23,128	1.4
Scoot	2,880	1,055,606	859,731	81.4	11,740	0.7
Jetstar Airways	2,336	420,480	337,053	80.2	532	0.0
All Nippon Airways	2,196	494,747	450,837	91.1	45,212	2.7
Thai Airways	2,192	657,476	508,631	77.4	20,182	1.2
Shenzhen Airlines	2,172	358,395	270,823	75.6	697	0.0
Korean Air	2,154	548,652	403,261	73.5	8,484	0.5
Jetstar Japan	1,969	354,780	254,246	71.7	0	0.0
Far Eastern Air	1,855	308,861	235,211	76.2	0	0.0
Hainan Airlines	1,717	292,840	230,403	78.7	387	0.0
Air Busan	1,714	310,736	257,741	82.9	0	0.0
Philippine Airlines	1,657	318,589	205,177	64.4	1,613	0.1

Name of Airline	2016					
	Passenger Operation				Cargo Operation	
	Number of Flights	Seat Capacity	Passenger Capacity	PLF (%)	Tons of Cargo	Percentage (%)
Shandong Airlines	1,638	274,848	169,451	61.7	459	0.0
Cebu Pacific Air	1,525	279,738	196,784	70.3	962	0.1
AirAsia X	1,490	561,730	438,800	78.1	6,607	0.4
Asiana Air	1,462	375,788	336,830	89.6	3,846	0.2
Singapore Airlines	1,461	416,385	324,410	77.9	13,397	0.8
Malaysia Airlines	1,459	234,370	179,443	76.6	3,579	0.2
HK Express	1,457	246,888	234,025	94.8	0	0.0
KLM	1,453	586,215	413,918	70.6	7,022	0.4
VietJet Air	1,374	247,320	174,982	70.8	0	0.0
Shanghai Airlines	1,350	263,832	222,810	84.5	36	0.0
Spring Airlines	1,226	220,260	206,407	93.7	31	0.0
Jeju Air	1,218	229,338	199,882	87.2	59	0.0
Sichuan Air	1,124	200,240	153,696	76.8	196	0.0
AirAsia Malaysia	1,044	187,740	148,490	79.1	0	0.0
Juneyao Airlines	913	150,334	123,562	82.2	189	0.0
Tigerair	892	159,516	142,085	89.1	464	0.0
Emirates	730	375,684	262,634	69.9	14,013	0.8
United Airlines	727	199,504	182,570	91.5	5,850	0.3
Delta Air Lines	726	165,885	135,835	81.9	4,039	0.2
Turkish Airlines	681	237,313	164,792	69.4	10,566	0.6
T’way Airline	664	125,484	103,144	82.2	0	0.0
Eastar Jet	638	115,145	101,798	88.4	0	0.0
Jin Air	568	117,748	94,206	80.0	395	0.0
Nok Scoot	406	168,490	123,406	73.2	632	0.0
Malindo Airways	226	40,680	30,402	74.7	0	0.0
Lucky Air	172	32,022	29,173	91.1	0	0.0
Tianjin Airlines	141	22,480	19,927	88.6	0	0.0
Philippines AirAsia	112	20,160	12,575	62.4	0	0.0
Palau Pacific Airways	28	5,292	1,006	19.0	0	0.0
Jetstar Pacific Airlines	26	4,680	2,026	43.3	0	0.0
Total	279,420	66,465,618	52,043,235	78.3	1,578,227	93.7

5.1.3. Research and Development

A. The amount invested and product successfully developed by the Company in recent year and by the printed date of annual report.

The Company has invested NT$ 91 million on the development of following research product.

Research Product	Explanation
Upgrading E-Commerce System Infrastructure	As the portion of revenue keeps increasing remarkably from E-Commerce channels such as global website and mobile App, the Company has strengthened its corporate image, market competitiveness and increased customer satisfaction. To enhance the service quality of global E-Commerce and satisfy the magnified market in the future, state-of-the-art platforms have been completed successfully in 2016. Hoping to bring up customer experience to higher level via stable and swift service provided by our E-Commerce platforms.
Customer Experience Management	As the rapid advances in internet technology, connections between customers and airline industry encounter dramatic changes. Main issue at present stage is how to gain insight into customers' mind such as behavior, experiences, preferences and so on by technology of Matching Algorithm, Big Data and Digital Behavior Analysis to improve the level of customer service. Customer Experience Management (CEM) Project will achieve the purpose of building single view of all EVA customers, creating consistent experience of EVA brand across all touch channels for each customer. Through data mining, tag information is provided to customers. The Company may differentiate marketing strategy and refine personalized service by further intensifying EVA customer management business model and improving satisfaction and loyalty of every customer.
Electronic Flight Log	EVA developed a new system utilizing our on-board mobile devices in the cockpit to help streamline the processes between pilots. Flight plan acceptance will be managed and tracked by this system whenever pilots sign off flight plan with electronic signature. Flight crew will be able to enquire actual previous flight records of each shift of crew with device mentioned above. This new system will reduce workload for our flight crew and this save lots of time spending during change of shift, not to mention the eliminated paperwork for environmental protection. The system has been on trial since December 2016. The function is still under adjustment status according to the opinions received from pilots and dispatchers. It is estimated to implement the system completely in April 2017.

Research Product	Explanation
Information System Privileged Account Security	To ensure and protect the digital assets of EVA Airways, we have invested resource setting up a secured system to manage privileged accounts. The purpose of this project was to centralize the control of logging activity from privileged accounts of our application servers, databases, and network equipment. With this solution, we will react effectively against malicious and intentional intrusion activities, and achieve our goal on protecting vital sensitivity data.
Data Center Firewall Architecture Redesign	To ensure the transaction security of our E-Commerce systems, we kept on improving the level of security architecture of our data center. We deployed next-generation firewalls based on layered defense concept to block all possible threats. This new architecture help us to increase the reliability, satiability and security level of the online transaction systems running in our data center.

B. Future Research Plan

The Company is estimated to invest NT$ 140 million on following research item.

Research Product	Explanation	Estimated Completion Time
Self Check-in Service System Re-engineering	EVA Air has implemented self check-in kiosk service at 10 major airports since 2009. In order to provide the best service quality and meet the demand of faster and exquisite check-in experience for our customers, a project of re-engineering check-in process is undergoing. Self-baggage-drop service will also be available on our kiosks to level up customer satisfaction. The Company could provide customers more complete and more stable check-in service by upgrading our service platform.	Dec, 2017 35% Completion
EVA Mobile App Revision	In light of the growing smartphone market and mobile commerce, EVA has launched its brand-new mobile App in March 2013, with booking features introduced later in 2014. EVA Mobile is currently available in Traditional Chinese, Simplified Chinese, English and Japanese on iOS, Android, Windows Phone and Mobile Web to serve broad range of customers. In order to provide a fresh visual and friendlier usage, we keep moving forward to proceed a project to enhance the user interface and add pre-order features, promotion information and Infinity MileageLands membership application services.	May, 2017 98% Completion

Research Product	Explanation	Estimated Completion Time
Cloud CTI Implementation of North America Call Center	EVA has introduced the CTI System (Computer Telephony Integration) at our call center in Taiwan since 2012, which could automatically pop up caller' s profile with detailed information on agent' s desktop upon the call dispatched to his/her phone. By leveraging CTI software, agents can process tasks at once and thus serve our customer effectively and efficiently. EVA plans to implement a new generation of CTI system with cloud-based technology at North America Call Center to provide more exquisite service to our valuable customers in US and Canada.	Sep, 2017 30% Completion
New Generation of Air-cargo System Project	EVA launched its Air-cargo System and provided services to business units worldwide in 2001. Yet air-cargo market has experienced rapid and dramatic changes in decades, both in business and information technology. EVA started a project developing a new generation system to optimize business processes, hoping to cope with upcoming challenges and requirements as well as to provide the best-of-breed services to our customers.	Dec, 2017 15% Completion
New Cabin Crew Scheduling Optimizer	With the rapid growth of flight routes, fleets and number of crews, EVA has to ameliorate the fairness of flight time and fatigue of each crew's schedule and adopt a new scheduling optimizer which can simplify the scheduling procedure and make cabin crew dispatch more efficient and aim to fulfill fast growing requirements of flight operation and flight safety shall be improved.	Jun, 2017 75% Completion
Data Warehouse Platform Upgrade Project	In order to respond to rapid changes in aviation industry and to make decision-making processes more efficient, EVA will deploy a new generation data warehouse platform. This new platform will provide us the consolidated data, such as number of passengers, cargo loading, flights and revenue information, with faster and more reliable data processing speed. The efficiency and availability will also be strengthening for data warehouse system and fulfill business requirements in the future.	Oct, 2017 15% Completion

Research Product	Explanation	Estimated Completion Time
Network Infrastructure Design Project of New Bonded Warehouse	In order to fulfil operational capacity of our fleets, a new bonded warehouse was constructed and will be available in the end of year 2017. It is equipped with an automatic warehouse and in-flight merchandise loading system. This project will design and implement a new generation network for high capacity with redundancy, which will ensure the system's reliability as it carry and transfer transactions between our data center and new bonded warehouse.	Dec, 2017 15% Completion
Improvement to Data Center Environment	EVA started a project to fulfill its IT requirements in pace with future business growth and also to achieve the goal of energy saving and carbon emission reduction, uninterruptible power supply, and environmental monitoring automation. This project aims to improve the overall operational environment of our data center including air conditioning, electricity, fire suppression, and surveillance systems. 6 sub-projects have been derived and phased plan has been adapted during 2016~2017 for efficiency. 3 sub-projects are still undergoing and will be completed in 2017 which including environmental monitoring system (EMS), uninterruptible power supply (UPS) and office improvement project.	Aug, 2017 95% Completion
Nankan Office Area Network Redundancy Enhancement Project	In order to provide higher level of IT operation services, we started a project to enhance the network architecture of our main campus in Nankan. This project focus on improving Headquarter office network redundancy by re-connecting two trunk links in each office's aggregation switch to different datacenter. The target is to set up and maintain a HA (high-availability) network architecture and keep our IT systems alive for global accessibility even when one of our data center failed due to any kind of disaster.	Sep, 2017 5% Completion

5.1.4 Long-term and Short-term Business Development Plan

A. Short-term plan

(1) Properly handle cross-strait passenger business

In response to the slowdown of Mainland China tourists, we adjusts aircraft types and flight frequencies to reduce the negative impact. Meanwhile, we flexibly adjust the sales proportion of groups and individuals departing from Taiwan and China to maintain both load factor and yield.

(2) Open new destinations or add flight frequencies

■ North America:

Taoyuan - Seattle: flights increased from 10 to 11 per week from May 15, 2016.
Taoyuan - Chicago: flights increased from 4 to 7 per week from May 29, 2016.
Taoyuan - Vancouver and Toronto: flights increased from 5 to 7 per week respectively from June 15, 2016.
Taoyuan - San Francisco: flights increased from 14 to 17 flights per week from August 3, 2016. It is planned to further increase to 21 flights per week by the end of 2017.

Total flights to North America will increase from 80 flights per week to 92 flights per week after adding flight frequencies.

■ Mainland China:

Owing to the dissolution of TransAsia Airways, we have obtained new cross-strait flight routes, including Taoyuan - Pudong, Songshan - Pudong, Songshan - Chongqing, and Songshan - Tianjin. We will announce the inauguration date of above routes after getting necessary approval.

(3) Improve the flexibility of the fleet and route adjustment

We will adjust passenger and freighter routes with flexibility according to market demand to improve the operational profit.

(4) Increase freight rates and profitability

In view of the overcapacity situation, we will continue to optimize our freighter fleet hoping to overturn the sluggish freight rates. Moreover, we will actively solicit high yield airmail, express cargo and cold chain freight to increase profit.

B. Long-term plan

(1) Fleet size adjustment

We continue to review our fleet size and aircraft types in coordination with business growth and market demand. We plan to introduce two Boeing 777-300ER, four Boeing 787-9 and twenty Boeing 787-10 passenger aircraft from the second half of 2017. Our Boeing 777-300ER fleet will reach 34 in 2017 and Boeing 787 passenger fleet will reach 24 in 2022.

In addition, in coordination with the continuous growth of the passenger market, four more A330-300 passenger aircraft will be introduced to our fleet to fill in the capacity gap in 2017 after returning of A330-200 aircraft.

To meet the future cargo demand and to improve operation profit, we will introduce five Boeing 777 freighters into our fleet between 2017 and 2019. The new freighter fleet is to replace MD-11 freighter and Boeing 747-400 freighter fleets.

(2) Service upgrade

To provide passengers with more comfortable and secured journey, besides continuously committing to replace and upgrade passenger cabin hardware and software facilities, we actively strengthen the cabin service quality. In the cargo field, we provide our clients to get access to the exclusive EVA Air Cargo website with useful tools and updated information simultaneously. Clients could enjoy using EVA Cargo App real-time freight information service to keep track of cargo movements at any time. In addition, the Company continues to encourage freight forwarders to use the electronic airway bills (e-AWB) to simplify the document flow of air cargo operation.

(3) Cross-industry alliances

We will continue to make strategic alliances with related industries, such as Sanrio Hello Kitty jets, Din Tai Fung and Michelin three-star chef Motokazu Nakamura in-flight meal services, RIMOWA in business class overnight bag and electronic tags luggage, Cathay United Banks co-branded credit card etc. By cross-industry alliances, we could share the resources, and provide better services.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Main sales (service) regions and key performance indicators (KPI)

Passenger Operations:

Item / Region	2015			2016		
	No. of Passenger	RPK (Million)	Revenue (NT$ Million)	No. of Passenger	RPK (Million)	Revenue (NT$ Million)
America	1,633,066	17,425	30,475	1,939,103	21,057	33,669
Europe	687,534	5,145	9,311	737,053	5,506	8,893
Asia	7,697,952	12,401	41,501	8,510,322	13,998	42,539
Oceania	46,303	313	585	57,027	385	651
Total	10,064,855	35,284	81,872	11,243,505	40,946	85,752

Note: RPK (Revenue Passenger Kilometers) = The number of revenue passengers carried multiplied by the distance travelled in kilometers.

Cargo Operations:

Item / Region	2015			2016		
	Cargo Carried (Tons)	FTK (Million)	Revenue (NT$ Million)	Cargo Carried (Tons)	FTK (Million)	Revenue (NT$ Million)
America	228,935	2,636	17,898	219,414	2,544	13,918
Europe	39,710	403	2,444	38,930	396	2,051
Asia	351,770	593	5,694	350,449	612	4,811
Oceania	1,735	12	57	2,200	15	61
Total	622,150	3,644	26,093	610,993	3,567	20,841

Note: FTK (Freight Tonnage Kilometers) = The weight of cargo in tonnage multiplied by the total distance traveled in kilometers.

B. Market Share (%) of Taiwan on International Routes in the Last Two Years

Item / Year		2015	2016
Number of Flights	EVA Air	48,165	53,476
	Taiwan	255,759	279,420
	Market Share (%)	18.83	19.14
Number of Passengers	EVA Air	9,990,339	11,177,470
	Taiwan	47,811,845	52,043,235
	Market Share (%)	20.90	21.48
Tons of Cargo	EVA Air	551,157	542,764
	Taiwan	2,100,672	2,184,737
	Market Share (%)	26.23	24.84

Data Source: Monthly Digest of Statistics, CAA

Passenger & Cargo Market Share of Taiwanese Airlines on International Routes in the Last Two Years

Unit: %

Year / Airline	2015		2016	
	Passenger	Cargo	Passenger	Cargo
China Airlines	26.74	37.89	25.04	38.12
EVA Airways	20.90	26.23	21.48	24.84
Mandarin Airlines	3.02	0.81	2.61	0.86
TransAsia Airways	3.45	0.51	3.18	0.56
UNI Airways	1.57	0.41	1.50	0.50
Far Eastern Air	0.66	0.00	0.45	0.00

Data Source: Monthly Digest of Statistics, December 2016, CAA.

C. Market supply & demand and growth in the future

Due to Asian economy is on the rise, which will boost the possibilities of travelling to and from Asia to other parts of the world as well as the demand for flight seats. It will benefit us towards the hub-and-spoke network expansion. The analysis of the future growth of the Company's main operating routes is as follows:

(1) Passenger routes

■ American Routes

We have 80 passenger flights flying non-stop to the United States and Canada per week including 21 flights weekly to Los Angeles, 14 flights weekly to New York, 14 flights weekly to San Francisco, 10 flights weekly to Seattle, 7 flights weekly to Houston, 4 flights weekly to Chicago, 5 flights weekly to Vancouver and Toronto respectively. We plan to increase our frequencies up to 11 flights to Seattle weekly, 21 to San Francisco weekly, 7 flights respectively to Chicago, Vancouver, and Toronto weekly. In addition, we will continue our code-share cooperation with United Airlines, Avianca and Air Canada to provide passengers with services to the United States and Canada and convenient transit services to Central and South America.

■ European Routes

We have 21 passenger flights flying to Europe per week including 3 flights weekly to Amsterdam, 4 flights weekly to Vienna, 7 flights to Paris and London respectively. We provide passengers with convenient flight services to Europe and will actively looking for other potential market.

■ Australian Route

We have 5 passenger flights flying from Taipei to Brisbane per week. We will continue to promote transit passenger between Australia and Europe and between Australia and Northeast Asia.

■ Intra-Asia Routes

We have 11 destinations and 127 flights to Southeast Asia weekly, 11 destinations and 152 flights to Northeast Asia weekly and 17 destinations and 176 flights to China, Hong Kong and Macao weekly. Owing to frequencies increasing in Southeast Asia and the two-way tourism boom of Taiwan-Japan and Taiwan-South Korea, we will actively expand the markets between Taiwan and Southeast Asia and transit passengers from and to Northeast Asia.

(2) Air cargo routes

The North American freights consists 60% of our cargo revenue. We provide weekly 13 freighter flights from Asia to Los Angeles, San Francisco, Chicago, Dallas and Atlanta in the United States, and over 80 of passenger flights belly hold to Los Angeles, San Francisco, Seattle, New York, Houston, Chicago, Vancouver and Toronto. It is planned to increase flight frequencies up to 21 flights to San Francisco weekly, 7 flights to Chicago weekly, 11 flights to Seattle weekly, and 7 flights respectively to Vancouver and Toronto weekly. Although the number of freighters decreased due to fleet renewal, the cargo capacity in 2017 is almost equal to that in 2016 owing to the increasing flight frequencies of passenger aircraft.

IATA forecasts that the volume of cargo transported in 2017 will grow to 55.7 million tons from 53.9 million tons in 2016, with an increase of 3.3%. It is forecasted that about 1,700 new aircraft will be delivered globally this year, half of which will be used for replacing old and poor fuel-efficient models. The total number of commercial aircraft will reach 28,700 in 2017, with an increase of 3.6% year-on-year. The overcapacity situation will continue in air cargo market. We have to monitor carefully and take proper measures.

D. Competitive niche

(1) Excellent flight safety record

Since the inauguration of its maiden flight, the Company has adhered to Evergreen Group's decades of experience in international transport and has provided passengers with most appropriate and comfortable transport services with the business philosophy of flight safety and convenience. To achieve the business objectives of "Safe and Punctual Flights, Friendly and Professional Service, Efficient and Innovative Operations", we committed to establish the flight safety standard operating procedures, implementing the work discipline, strengthen the organization functions, and shape the safety awareness to build the high-quality safety culture. It also ensures the safety of passengers and aircrafts by performing the organizational functions and implementing the safety management system.

By adhering to the philosophy of " We aim to assure your safety whenever you are airborne" and "We never compromise safety in the air or on the ground", EVA Air is ranked among the best by local and overseas civil aviation authorities and external certification companies in flight safety inspection with a perfect flight safety record, and has created a number of perfect records of "Zero Defect". The Company and UNI Air were awarded with "No. 1 in International & Cross-Strait Routes Group" and "No. 1 in Domestic Regular Lines Group" respectively of the "Golden Wing Award" 2016 issued by the Civil Aeronautics Administration, Ministry of Transportation and Communications. Since the inauguration of "Golden Wing Award", EVA Air and UNI Air have won such award for the fifth time and sixth time respectively. With excellent flight safety performance, EVA Air has ranked among the "World's Top 10 Safest Airlines" by German civil aviation magazine, AERO International for consecutive years.

In addition, EVA Air is listed among the "World's Top Safest Airlines" together with world renowned airlines, once again ranking among the World's Top Twenty by professional airline evaluation website AirlineRatings.com in its 2016 flight safety evaluation. This is the fourth time we have won such great honor.

(2) Expanding flight network, increasing the hub-and-spoke network efficiency

EVA has served destinations of more than 60 cities over four continents (Europe, America, Asia and Australia) to form a complete global passenger and cargo network. We provide perfect services to meet consumer demand with a new fleet of intensive schedule. It also create more business opportunities for the market. The North America Routes play an important role on our cargo revenue. Besides freighters, we operate Boeing 777 passenger aircraft with considerable belly hold capacity to and from North America which can maintain the competitiveness of our air cargo.

E. Favorable & unfavorable factors in prospects and the countermeasures

■ Favorable Factors

(1) According to the IMF's World Economic Outlook released in January 2017, the global economic growth forecast in 2017 can reach 3.4%. Wherein, the economic growth forecasts of the United States, Japan, Germany and some other countries in 2017 have all been adjusted upward, which will help promote the continuous growth of the needs for air passenger and cargo transport.

(2) Characterized by advantageous geographical location, Taiwan is one of important air transshipment hubs over the Pacific.

(3) The Taiwanese government's New Southbound Policy, such as visa-free for Thais and Bruneians coming to Taiwan, can improve the willingness of local people to visit Taiwan.

(4) The rise of the Otaku economy promotes the booming development of online shopping and e-commerce economy, which further drives the demand for air transport.

(5) Due to fleet replacement, loading cargo with highly efficient wide-bodied passenger aircraft belly hold will further improve profitability. Moreover, Boeing 777 freighter with high efficiency will starting to serve from the fourth quarter of 2017 and will gradually replace Boeing 747-400 freighters.

■ Unfavorable Factors

(1) After heading the administration, U.S. President Trump proposes local production. Such policy will create employment opportunities for the U.S. citizens while high-tariff protectionist measures will be implemented at foreign countries, which may have impact on the global supply chain.

(2) Geopolitical tensions, including civil wars and political unrest in the Middle East and Africa will cause fuel price fluctuations. The dispute over the South China Sea between the U.S. and China leads to rising regional tensions.

(3) The fluctuation in exchange rate has intensified. The Federal Reserve continues to raise interest rates, so that the RMB and emerging market currencies weaken. If international funds are withdrawn, sharp fluctuations in the exchange rate could be triggered, and central banks of various countries may force to take measures to raise interest rates or conduct capital controls.

(4) Downside risks exist in the economic development of China. The U.S. Trump Administration expands manufacturing backflow, which will have impact on the export of China. Moreover, the cross effect from the rise of interest rate of US dollars and depreciation of RMB, companies may expose to the risk of exchange rate fluctuation. The overall global trade will be affected due to slowdown of development of China's Market.

(5) Infrastructure such as airport terminal, runways, arrival/departure slots and air traffic control are unable to catch up with the airlines' development, posing a risk to the growth of the aviation industry.

(6) Airlines continue to expand their fleets and budget airlines are gaining market share with lower fares, which will continue to impact market competition and the balance of supply and demand.

■ Countermeasures

(1) With the growth of international travel and transportation, we will actively develop potential routes and increase flight frequencies. Meanwhile, strengthen competitiveness, reduce operating costs and expand the global network by alliance cooperation.

(2) To continue fleet replacement, providing high-quality in-flight equipment and cabin service, grabbing high-yield passengers and meeting customer demand.

(3) Flexibly adjust flights route and aircraft type to ease the impact of Mainland China traveler reduction, and to maximize the efficiency of the use of aircraft.

(4) Compete for the high-end passenger market by strengthening wide publicity and expanding enterprise member.

(5) In response to the change of international airfreight logistics, flexibly adjust freighter schedule, grab the opportunities of charter flights and actively develop potential destinations.

(6) To promote high-yield cargo such as airmail bag, cold chain and pharmaceuticals to improve freight revenue. Renewal of fleets and high-efficiency of wide belly hold would raise the revenue the profit of freight routes.

(7) Optimize the transport process control and emergency handling mechanism. Both market operation and mid and long-term route arrangements are given consideration for the overall fleet planning. To continue strengthening the operational efficiency and market competitiveness and improving business performance.

5.2.2 Production Procedures of Main Products

1. 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.

2. Major production of main products

The Company and its subsidiaries are air transport related industry instead of manufacturing industry. Therefore, there is no major production process.

5.2.3 Supply Status of Main Materials

The Company and its subsidiaries mainly focus on air transportation service and maintenance of airframe, engine and aircraft parts. Fuel is the main material for operation use. We not only have signed fuel contracts with world-renowned fuel suppliers to insure steady fuel supply, but also used appropriate hedging strategies corresponding to fuel price index. Our maintenance business mainly includes materials for airframes and engines.

5.2.4 Major Suppliers in the Last Two Calendar Years

1.Major customers：The Company and its subsidiaries provide air transport service to the public.

2.Major suppliers：Formosa Petrochemical Corp., CPC Corp., etc.

Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2015			2016			2017 (As of March 31)		
	Company Name	Amount	(%)	Company Name	Amount	(%)	Company Name	Amount	(%)
1	Formosa Petrochemical Corp.	7,608,756	6.51	Formosa Petrochemical Corp.	7,316,427	5.83	Formosa Petrochemical Corp.	2,303,969	6.65
2	CPC Corp.	6,870,184	5.88	CPC Corp.	5,514,178	4.39	CPC Corp.	1,613,332	4.66
	Others	102,450,162	87.61	Others	112,772,409	89.78	Others	30,722,914	88.69
	Net Total	116,929,102	100.00	Net Total	125,603,014	100.00	Net Total	34,640,215	100.00

Analysis of deviation：Fuel stands for our largest operating cost. Among our fuel suppliers, Formosa Petrochemical Corp. and CPC Corp. are our main domestic suppliers. Fuel price as a percentage of total operating cost decreased owning to the drop of fuel price in 2016. As a whole, our procurement remained stable.

5.2.5 Production in the Last Two Years

Year / Capacity and Traffic	2015	2016	Change rate
Passenger Capacity(Thousand)	43,644,951	51,165,815	+17.23%
Passenger Traffic(Thousand)	35,283,104	40,945,742	+16.05%
Passenger Load Factor (%)	80.84%	80.03%	-0.81ppt
Cargo Capacity(Thousand)	4,403,697	4,315,191	-2.01%
Cargo Traffic(Thousand)	3,644,451	3,566,532	-2.14%
Cargo Load Factor (%)	82.76%	82.65%	-0.11ppt
Overall Capacity(Thousand)	8,331,743	8,920,115	+7.06%
Overall Traffic(Thousand)	6,819,930	7,251,649	+6.33%
Overall Load Factor (%)	81.85%	81.30%	-0.55ppt

5.2.6 Sales in the Last Two Year

Unit: NT$ thousands

Year / Sales	2015		2016	
	Quantity	Amount	Quantity	Amount
Passenger	10,064,855	81,871,572	11,243,505	85,752,229
Cargo(Tons)	622,150	26,093,054	610,993	20,841,362
Others	-	29,203,918	-	38,086,074
Total	-	137,168,544	-	144,679,665

5.3 Human Resources

Year		2015	2016	As of APR 30, 2017
Number of Employees	Pilot	1,171	1,308	1,333
	Crew	3,292	4,187	4,477
	Others	11,092	12,135	12,430
	Total	15,555	17,630	18,240
Average Age		35.4	34.9	34.7
Average Years of Service		9.1	8.9	8.5
Education %	Ph.D.	0.1	0.1	0.1
	Masters	4.9	5.0	5.0
	Bachelor's Degree	77.0	77.8	78.3
	Senior High School	14.6	14.1	13.7
	Below Senior High School	3.4	3.0	2.9

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 printed date of this annual report: None.

5.4.2 The Expenditure on Environmental Protection of Year 2016 and 2017

Unit: NT$ thousands

Item / Year	2016	2017(Estimated)
Cleaning fee of litter	39,733	36,815
Aircraft noise prevention charge	143,673	154,176
EU carbon emissions fee	229	213
Expenses for development the environmental and energy management system program	4,625	8,578
Disposal fee of polluted water	11,875	10,945
Pollution prevention facility	2,144	216,676

5.5 Labor Relations

Please refer to page 103~106 of the Chinese annual report.

5.6 Important Contracts

A. Leasing Contracts

As of APR 30, 2017

Counterparty	Contract Period	Major Contents	Limited Clause
Gecas Aircraft Leasing Netherlands B.V.	2004.04~2017.06	747-400 (B-16401)	-
Aptree Aviation Trading 2 Co., Ltd.	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)	-
Panamera Aviation Leasing VIII Ltd.	2015.11~2027.11	A330-300 (B-16335)	-
A330 MSN 1690 Ltd.	2015.12~2027.12	A330-300 (B-16336)	-
Pembroke Aircraft Leasing(UK) Ltd.	2017.01~2029.01	A330-300 (B-16337)	-
Pembroke Aircraft Leasing(UK) Ltd.	2017.03~2029.03	A330-300 (B-16338)	-
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)	-
KV Aviation UK Ltd.	2016.11~2024.06	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)	-
Celestial Aviation Trading 3 Ltd.	2016.07~2028.07	777-300ER (B-16728)	-
ALC B773 61601, LLC	2016.09~2028.08	777-300ER (B-16729)	-
Celestial Aviation Trading 2 Ltd.	2016.09~2028.09	777-300ER (B-16730)	-
Celestial Aviation Trading 44 Ltd.	2016.09~2028.09	777-300ER (B-16731)	-
Celestial Aviation Trading 43 Ltd.	2016.10~2028.10	777-300ER (B-16732)	-
ALC B773 61600, LLC	2017.01~2029.01	777-300ER (B-16733)	-
BOC Aviation Ltd.	2017.03~2029.03	777-300ER (B-16735)	-
Celestial Aviation Trading 56 Ltd.	2017.03~2029.03	777-300ER (B-16736)	-
BOC Aviation Ltd.	2017.04~2029.04	777-300ER (B-16737)	-
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)	-
FGL Aircraft Ireland Ltd.	2016.09~2023.02	A321-200 (B-16205)	-
Panamera Aviation Leasing Ltd.	2013.10~2023.10	A321-200 (B-16206)	-
Jin Shan Ireland Co. Ltd.	2014.10~2023.11	A321-200 (B-16207)	-
Jin Shan Ireland Co. Ltd.	2014.10~2024.03	A321-200 (B-16208)	-

Counterparty	Contract Period	Major Contents	Limited Clause
Celestial Aviation Trading 54 Ltd.	2014.03~2024.03	A321-200 (B-16209)	-
Zhuoshui Aviation Leasing Ltd.	2016.06~2024.05	A321-200 (B-16210)	-
Jackson Square Aviation Ireland Ltd.	2016.09~2024.07	A321-200 (B-16211)	-
Jackson Square Aviation Ireland Ltd.	2016.09~2024.09	A321-200 (B-16212)	-
Celestial Aviation Trading 46 Ltd.	2014.10~2024.10	A321-200 (B-16213)	-
BOC Aviation Ltd.	2015.03~2025.03	A321-200 (B-16215)	-
BOC Aviation Ltd.	2015.04~2025.04	A321-200 (B-16216)	-
BOC Aviation Ltd.	2015.05~2025.05	A321-200 (B-16217)	-
BOC Aviation Ltd.	2015.06~2025.06	A321-200 (B-16218)	-
BOC Aviation Ltd.	2015.07~2025.07	A321-200 (B-16219)	-
BOC Aviation Ltd.	2015.08~2025.08	A321-200 (B-16220)	-
BOC Aviation Ltd.	2016.01~2026.01	A321-200 (B-16221)	-
BOC Aviation Ltd.	2016.02~2026.02	A321-200 (B-16222)	-
BOC Aviation Ltd.	2016.04~2026.04	A321-200 (B-16223)	-
BOC Aviation Ltd.	2016.05~2026.05	A321-200 (B-16225)	-
BOC Aviation Ltd.	2016.09~2026.09	A321-200 (B-16226)	-
BOC Aviation Ltd.	2016.10~2026.10	A321-200 (B-16227)	-
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	2017.01~2017.12	747-400 (B-16411)	-
UNI Airways Corporation	2017.01~2017.12	777-300ER (B-16707)	-
UNI Airways Corporation	2017.01~2017.12	A330-200 (B-16335)	-
UNI Airways Corporation	2017.01~2017.12	A321-200 (B-16201)	-
UNI Airways Corporation	2017.01~2017.12	A321-200 (B-16202)	-
UNI Airways Corporation	2017.01~2017.12	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	2017.01~2019.12	Land and House lease	-
Taoyuan Airport Corporation	2015.07~2025.07	Land and House lease	-
CAA Taipei Station	2017.01~2019.12	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, 2017

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		-
Bank of Taiwan	2016.08~2028.08		-
Bank of China	2016.10~2028.10	Secured Loans (Aircraft Type：ATR72-600)	-
Bank of China	2016.10~2028.10		-
KGI Bank	2015.12~2022.12	Secured Loans Land & Buildings	-
Bank of Taiwan	2016.01~2023.01		-
Cathay United Bank	2012.06~2017.06	Unsecured Loans	-
Bank of Taiwan	2012.09~2017.09		-
The Export-Import Bank of the R.O.C.	2016.10~2017.11		-
KGI Bank	2014.11~2017.11		-
KGI Bank	2015.05~2017.11		-
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		-

Institution	Loan period	Type of Loans	Limited Clause
Chang Hwa Commercial Bank	2014.04~2019.04	Unsecured Loans	-
Taiwan Cooperative Bank	2014.05~2019.05		-
China Construction Bank	2016.06~2019.06		-
Sunny Bank	2016.08~2019.08		-
Chang Hwa Commercial Bank	2014.09~2019.09		-
Chang Hwa Commercial Bank	2014.11~2019.11		-
Bank of China	2016.12~2019.12		-
First Commercial Bank	2016.12~2019.12		-
Jih Sun International Bank	2016.12~2019.12		-
Bank of Taiwan	2015.05~2020.05		-
O-Bank	2016.11~2021.11		-

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet – Based on IFRS (Consolidated)

Unit: NT$ thousands

Item		2012	2013	2014	2015	2016	2017.03.31
Current Assets		45,489,820	46,119,654	50,095,894	58,585,588	69,375,363	66,425,831
Property, Plant and Equipment		94,745,769	88,226,342	98,752,051	113,750,466	125,481,847	125,552,640
Intangible Assets		2,271,741	2,431,864	2,407,217	2,272,757	2,170,781	2,133,237
Other Assets		13,016,987	15,945,074	16,305,038	20,797,501	20,635,413	21,581,276
Total Assets		155,524,317	152,722,934	167,560,200	195,406,312	217,663,404	215,692,984
Current Liabilities	Before Distribution	38,861,449	38,740,228	51,352,783	58,580,061	62,284,933	61,137,970
	After Distribution	38,861,449	38,740,228	51,352,783	59,737,744	(Note 4)	-
Non-current Liabilities		77,278,067	73,725,345	76,530,416	82,098,729	96,042,190	95,892,435
Total Liabilities	Before Distribution	116,139,516	112,465,573	127,883,199	140,678,790	158,327,123	157,030,405
	After Distribution	116,139,516	112,465,573	127,883,199	141,836,473	(Note 4)	-
Equity Attributable to Owners of Parent		35,367,922	35,838,033	34,391,884	48,858,814	53,328,195	52,505,168
Common Stock		32,589,450	32,589,450	32,589,450	38,589,450	40,518,923	40,518,923
Capital Collected In Advance		-	-	186,567	-	-	-
Capital Surplus		1,723,602	1,723,602	2,047,602	6,237,027	6,237,027	6,237,027
Retained Earnings	Before Distribution	1,895,476	2,275,240	739,412	6,347,229	5,702,366	4,963,620
	After Distribution	1,895,476	2,275,240	739,412	3,260,073	(Note 4)	-
Other Equity		(840,606)	(750,259)	(1,171,147)	(2,314,892)	869,879	785,598
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		4,016,879	4,419,328	5,285,117	5,868,708	6,008,086	6,157,411
Total Equity	Before Distribution	39,384,801	40,257,361	39,677,001	54,727,522	59,336,281	58,662,579
	After Distribution	39,384,801	40,257,361	39,677,001	53,569,839	(Note 4)	-

Note1: The Company has compiled the consolidated financial statements based on IFRS since 2013. Until the printing date of annual report, the consolidated financial statements as of March 31, 2017 haven't been reviewed by independent auditors.

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.

Note4: Pending for shareholders resolution.

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

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

Item	2012	2013	2014	2015	2016	2017.03.31
Operating Revenue	120,158,467	124,164,451	133,090,008	137,168,544	144,679,665	38,064,697
Gross Profit	10,902,960	12,967,732	12,249,000	20,239,442	19,076,651	3,424,482
Operating Income (Loss)	2,409,150	3,470,319	2,634,889	9,205,241	7,129,934	290,475
Non-operating Income and Expenses	(713,983)	(1,629,981)	(2,585,944)	(1,840,037)	(1,833,011)	(585,182)
Profit (Loss) Before Tax	1,695,167	1,840,338	48,945	7,365,204	5,296,923	(294,707)
Profit (Loss)	1,195,687	1,279,725	(789,918)	6,859,210	3,953,667	(582,947)
Other Comprehensive Income (Loss), Net of Tax	(1,541,101)	(279,340)	(667,708)	(2,067,974)	2,084,356	(88,073)
Comprehensive Income (Loss)	(345,414)	1,000,385	(1,457,626)	4,791,236	6,038,023	(671,020)
Profit or Loss Attribute to :						
Owners of Parent	655,200	747,450	(1,306,724)	6,436,425	3,476,004	(738,746)
Non-controlling Interests	540,487	532,275	516,806	422,785	477,663	155,799
Comprehensive Income or Loss Attribute to:						
Owners of Parent	(826,131)	470,111	(1,956,716)	4,453,225	5,627,064	(823,027)
Non-controlling Interests	480,717	530,274	499,090	338,011	410,959	152,007
Basic Earnings (Loss) per Share	0.19	0.22	(0.38)	1.61	0.86	(0.18)

Note1: The Company has compiled the consolidated financial statements based on IFRS since 2013. Until the printing date of annual report, the consolidated financial statements as of March 31, 2017 haven't been reviewed by independent auditors.

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		2012	2013	2014	2015	2016
Current Assets		31,865,344	31,254,902	34,164,746	39,263,072	49,522,632
Property, Plant and Equipment		89,014,699	82,473,206	90,240,743	103,950,044	112,986,912
Intangible Assets		303,333	412,777	465,026	455,178	493,089
Other Assets		21,110,574	25,253,893	26,617,105	32,819,367	32,747,101
Total Assets		142,293,950	139,394,778	151,487,620	176,487,661	195,749,734
Current Liabilities	Before Distribution	36,603,179	36,240,883	48,369,147	53,762,220	56,772,787
	After Distribution	36,603,179	36,240,883	48,369,147	54,919,903	(Note 3)
Non-current Liabilities		70,322,849	67,315,862	68,726,589	73,866,627	85,648,752
Total Liabilities	Before Distribution	106,926,028	103,556,745	117,095,736	127,628,847	142,421,539
	After Distribution	106,926,028	103,556,745	117,095,736	128,786,530	(Note 3)
Common Stock		32,589,450	32,589,450	32,589,450	38,589,450	40,518,923
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	5,702,366
	After Distribution	1,895,476	2,275,240	739,412	3,260,073	(Note 3)
Other Equity		(840,606)	(750,259)	(1,171,147)	(2,314,892)	869,879
Treasury Stock		-	-	-	-	-
Total Equity	Before Distribution	35,367,922	35,838,033	34,391,884	48,858,814	53,328,195
	After Distribution	35,367,922	35,838,033	34,391,884	47,701,131	(Note 3)

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2016, 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	2012	2013	2014	2015	2016
Operating Revenue	107,147,807	110,747,462	116,921,858	115,892,656	115,495,819
Gross Profit	8,075,673	10,284,596	9,570,778	17,352,315	15,883,488
Operating Income (Loss)	196,107	1,588,253	636,236	7,372,937	4,961,439
Non-operating Income and Expenses	557,916	(686,542)	(1,514,317)	(833,408)	(593,405)
Profit (Loss) before Tax	754,023	901,711	(878,081)	6,539,529	4,368,034
Profit (Loss)	655,200	747,450	(1,306,724)	6,436,425	3,476,004
Other Comprehensive Income (Loss), Net of Tax	(1,481,331)	(277,339)	(649,992)	(1,983,200)	2,151,060
Comprehensive Income (Loss)	(826,131)	470,111	(1,956,716)	4,453,225	5,627,064
Basic Earnings (Loss) per Share	0.19	0.22	(0.38)	1.61	0.86

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2016, 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		2012	2013	2014	2015	2016
Current Assets		49,938,664	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)			
Funds and Investments		5,295,605				
Property, Plant and Equipment		87,779,979				
Intangible Assets		281,504				
Other Assets		5,970,823				
Total Assets		149,266,575				
Current Liabilities	Before Distribution	38,076,906				
	After Distribution	38,388,164				
Long-term Liabilities		67,892,564				
Other Liabilities		2,582,594				
Total Liabilities	Before Distribution	108,552,064				
	After Distribution	108,863,322				
Common Stock		32,589,450				
Capital Surplus		2,626,446				
Retained Earnings	Before Distribution	6,805,056				
	After Distribution	6,446,002				
Unrealized Gains or Losses on Financial Instruments		265,365				
Cumulative Translation Adjustments		(4,376,170)				
Net Loss not Recognized as Pension Cost		(1,356,686)				
Minority Interest		4,161,050				
Total Equity	Before Distribution	40,714,511				
	After Distribution	40,403,253				

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$)

<table>
<tr><th colspan="2">Item</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th></tr>
<tr><td colspan="2">Operating Revenue</td><td>120,121,016</td><td colspan="4" rowspan="7">Not Applicable
(The Company compiled its financial statement referred to IFRSs from 2013)</td></tr>
<tr><td colspan="2">Gross Profit</td><td>11,584,765</td></tr>
<tr><td colspan="2">Operating Income</td><td>2,995,372</td></tr>
<tr><td colspan="2">Non-operating Income and Gains</td><td>792,723</td></tr>
<tr><td colspan="2">Non-operating Expenses and Losses</td><td>2,317,222</td></tr>
<tr><td colspan="2">Income before Income Tax</td><td>1,470,873</td></tr>
<tr><td colspan="2">Net Income</td><td>1,041,083</td></tr>
<tr><td colspan="7">Income Attributable to:</td></tr>
<tr><td colspan="2">Parent Company</td><td>504,011</td><td colspan="4" rowspan="4">Not Applicable
(The Company compiled its financial statement referred to IFRSs from 2013)</td></tr>
<tr><td colspan="2">Minority Interest</td><td>537,072</td></tr>
<tr><td rowspan="2">Basic Earnings per Share</td><td>Before Retraced Adjustment</td><td>0.15</td></tr>
<tr><td>After Retraced Adjustment</td><td>0.15</td></tr>
</table>

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		2012	2013	2014	2015	2016
Current Assets		35,967,240	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)			
Funds and Investments		14,359,368				
Property, Plant and Equipment		80,598,176				
Intangible Assets		225,167				
Other Assets		5,900,614				
Total Assets		137,050,565				
Current Liabilities	Before Distribution	35,942,709				
	After Distribution	35,942,709				
Long-term Liabilities		61,609,082				
Other Liabilities		2,945,313				
Total Liabilities	Before Distribution	100,497,104				
	After Distribution	100,497,104				
Common Stock		32,589,450				
Capital Surplus		2,626,446				
Retained Earnings	Before Distribution	6,805,056				
	After Distribution	6,805,056				
Unrealized Gains or Losses on Financial Instruments		265,365				
Cumulative Translation Adjustments		(4,376,170)				
Net Loss not Recognized as Pension Cost		(1,356,686)				
Total Equity	Before Distribution	36,553,461				
	After Distribution	36,553,461				

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		2012	2013	2014	2015	2016
Operating Revenue		107,110,356	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)			
Gross Profit		8,783,242				
Operating Income		810,972				
Non-operating Income and Gains		1,543,329				
Non-operating Expenses and Losses		1,821,944				
Income Before Income Tax		532,357				
Net Income		504,011				
Basic Earnings per Share	Before Retraced Adjustment	0.15				
	After Retraced Adjustment	0.15				

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

6.1.9 Auditors' Opinions from 2012 to 2016

Year	CPA	Audit Opinion
2012	Chang, Chia-Hsin；Shih, Wei-Ming	An Unqualified Opinion with Explanatory Paragraph
2013	Chang, Chia-Hsin；Shih, Wei-Ming	An Unqualified Opinion
2014	Chen, Ya-Ling；Wang, Chin-Sun	
2015	Chen, Ya-Ling；Wang, Chin-Sun	
2016	Chen, Ya-Ling；Wang, Chin-Sun	

6.2 Five-Year Financial Analysis

A. Financial Analysis – Based on IFRS (Consolidated)

Item		2012	2013	2014	2015	2016	2017.03.31
Financial Structure (%)	Debts Ratio	74.68	73.64	76.32	71.99	72.74	72.80
	Long-term Fund to Property, Plant and Equipment	123.13	129.19	117.68	120.29	123.83	123.10
Solvency (%)	Current Ratio	117.06	119.05	97.55	100.01	111.38	108.65
	Quick Ratio	91.54	94.11	79.69	82.47	94.07	89.57
	Times Interest Earned (Times)	205.30	225.03	109.40	562.49	450.50	65.90
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.23	1.36	1.42	1.29	1.21	0.30
	Total Assets Turnover (Times)	0.77	0.81	0.83	0.76	0.70	0.18
Profitability	Return on Total Assets (%)	1.72	1.69	0.32	4.55	2.64	(0.07)
	Return on Total Equity (%)	3.02	3.21	(1.98)	14.53	6.93	(0.99)
	Pre-tax Income to Paid-in Capital Ratio (%)	5.20	5.65	0.15	19.09	13.07	(0.73)
	Net Margin (%)	1.00	1.03	(0.59)	5.00	2.73	(1.53)
	Earnings (Loss) Per Share (NT$)	0.19	0.22	(0.38)	1.61	0.86	(0.18)
Cash Flow (%)	Ratio of Cash Flows	38.29	44.53	29.55	44.43	33.97	(0.92)
	Cash Flow Adequacy Ratio	214.14	202.97	121.38	113.36	113.29	98.82
	Ratio of Reinvestment for Cash	8.70	10.16	8.33	12.45	8.61	(0.24)
Leverage	Operating Leverage	13.31	10.31	14.01	5.20	7.38	43.46
	Financial Leverage	3.86	1.86	2.46	1.23	1.34	(1.34)

Analysis of variation of 2016 vs. 2015 over 20%:

1. Profitability ratio: The profit after tax decreased in 2016 that result in the large variation of profitability ratio.
2. Cash flow ratio: The net cash flows from operating activities decreased and the current liabilities increased of year 2016 that result in cash flow ratio and ratio of reinvestment for cash reduced.
3. Operating leverage: The operating income of year 2016 decreased compared to that of year 2015, which lead to the ratio of operating leverage increased relatively.

Note1: Not applicable due to industry characteristics.

Note2: Above data are based on the consolidated financial statements as of December 31, 2016, 2015, 2014, 2013 and 2012, and the consolidated financial statements as of March 31, 2017 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 financial analysis of 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		2012	2013	2014	2015	2016
Financial Structure (%)	Debts Ratio	75.14	74.29	77.30	72.32	72.76
	Long-term Fund to Property, Plant and Equipment	118.73	125.08	114.27	118.06	123.00
Solvency (%)	Current Ratio	87.06	86.24	70.63	73.03	87.23
	Quick Ratio	77.73	78.77	65.23	67.85	81.83
	Times Interest Earned (Times)	153.56	170.15	41.29	555.41	427.73
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.16	1.29	1.35	1.19	1.06
	Total Assets Turnover (Times)	0.75	0.79	0.80	0.71	0.62
Profitability	Return on Total Assets (%)	1.42	1.39	(0.08)	4.70	2.60
	Return on Total Equity (%)	1.83	2.10	(3.72)	15.46	6.80
	Pre-tax Income to Paid-in Capital Ratio (%)	2.31	2.77	(2.69)	16.95	12.24
	Net Margin (%)	0.61	0.67	(1.12)	5.55	3.01
	Earnings (Loss) Per Share (NT$)	0.19	0.22	(0.38)	1.61	0.86
Cash Flow (%)	Ratio of Cash Flows	40.38	38.65	27.79	44.66	31.21
	Cash Flow Adequacy Ratio	242.12	203.30	118.49	113.68	114.52
	Ratio of Reinvestment for Cash	9.69	9.27	8.37	12.93	8.09
Leverage	Operating Leverage	127.85	17.96	47.22	5.36	8.69
	Financial Leverage	(0.13)	12.90	(0.80)	1.26	1.49

Analysis of variation of 2016 vs.2015 over 20%:

1. Quick ratio: Due to the increasing rate of current assets over that of current liabilities of year 2016.
2. Times interest earned and profitability ratio: The profit decreased in 2016 that result in the large variation of profitability ratio.
3. Cash flow ratio: The net cash flows from operating activities decreased and the current liabilities increased of year 2016 that result in cash flow ratio and ratio of reinvestment for cash reduced.
4. Operating leverage: The operating income of year 2016 decreased compared to that of year 2015, which lead to the ratio of operating leverage increased relatively.

Note1: Not applicable due to industry characteristics.

Note2: Above data are based on the parent-company-only financial statements as of December 31, 2016, 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			2012	2013	2014	2015	2016
Financial Structure (%)	Debts Ratio		72.72	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)			
	Long-term Fund to Property, Plant and Equipment		123.73				
Solvency (%)	Current Ratio		131.15				
	Quick Ratio		93.39				
	Times Interest Earned (Times)		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)		1.32				
	Total Assets Turnover (Times)		0.80				
Profitability	Return on Total Assets (%)		1.65				
	Return on Equity (%)		2.53				
	Income before Income Tax to Paid-in Capital Ratio (%)		4.51				
	Net Margin (%)		0.87				
	Earnings per Share (NT$)	Before Retraced Adjustment	0.15				
		After Retraced Adjustment	0.15				
Cash Flow (%)	Ratio of Cash Flows		31.74				
	Cash Flow Adequacy Ratio		90.48				
	Ratio of Reinvestment for Cash		7.42				
Leverage	Operating Leverage		10.47				
	Financial Leverage		2.39				

Note 1: Not applicable due to industry characteristics.
Note 2: The audited financial statements for each financial year are certified by independent auditors.

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

Item			2012	2013	2014	2015	2016
Financial Structure (%)	Debts Ratio		73.33	Not Applicable (The Company compiled its financial statement referred to IFRSs from 2013)			
	Long-term Fund to Property, Plant and Equipment		121.79				
Solvency (%)	Current Ratio		100.07				
	Quick Ratio		79.19				
	Times Interest Earned (Times)		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)		1.27				
	Total Assets Turnover (Times)		0.78				
Profitability	Return on Total Assets(%)		1.33				
	Return on Equity (%)		1.35				
	Income (Loss) before Income Tax to Paid-in Capital Ratio (%)		1.63				
	Net Margin (%)		0.47				
	Earnings per Share (NT$)	Before Retraced Adjustment	0.15				
		After Retraced Adjustment	0.15				
Cash Flow (%)	Ratio of Cash Flows		34.41				
	Cash Flow Adequacy Ratio		98.52				
	Ratio of Reinvestment for Cash		8.57				
Leverage	Operating Leverage		30.46				
	Financial Leverage		(1.02)				

Note 1: Not applicable due to industry characteristics.
Note 2: 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 2016, 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
2017 Annual General Shareholders Meeting

Supervisors: Wu, Kuang-Hui

Ku Lai, Mei-Hsueh

Chen, Cheng-Pang

Date: March 30, 2017

6.4 Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

Please refer to page 151~228 Appendix 1.

6.5 The Parent-Company-Only Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

Please refer to page 229~294 Appendix 2.

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

7.1 Analysis of Financial Status (Consolidated)

Unit: NT$ thousands

Item \ Year	2016	2015	Difference	
			Amount	%
Current Assets	69,375,363	58,585,588	10,789,775	18.42
Property, Plant and Equipment	125,481,847	113,750,466	11,731,381	10.31
Intangible Assets	2,170,781	2,272,757	(101,976)	(4.49)
Other Assets	20,635,413	20,797,501	(162,088)	(0.78)
Total Assets	217,663,404	195,406,312	22,257,092	11.39
Current Liabilities	62,284,933	58,580,061	3,704,872	6.32
Non-current Liabilities	96,042,190	82,098,729	13,943,461	16.98
Total Liabilities	158,327,123	140,678,790	17,648,333	12.55
Equity Attributable to Owners of Parent	53,328,195	48,858,814	4,469,381	9.15
Capital Stock	40,518,923	38,589,450	1,929,473	5.00
Capital Surplus	6,237,027	6,237,027	-	-
Retained Earnings	5,702,366	6,347,229	(644,863)	(10.16)
Other Equity	869,879	(2,314,892)	3,184,771	(137.58)
Non-controlling Interests	6,008,086	5,868,708	139,378	2.37
Total Equity	59,336,281	54,727,522	4,608,759	8.42

Analysis of deviation:

Other equity: Mainly due to the unrealized gains on evaluation of cash flow hedges.

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

7.2 Analysis of Financial Performance (Consolidated)

Unit: NT$ thousands

Item \ Year	2016	2015	Increase (Decrease) Amount	Change (%)
Operating Revenue	144,679,665	137,168,544	7,511,121	5.48
Operating Cost	125,603,014	116,929,102	8,673,912	7.42
Gross Profit	19,076,651	20,239,442	(1,162,791)	(5.75)
Operating Expenses	11,946,717	11,034,201	912,516	8.27
Operating Income	7,129,934	9,205,241	(2,075,307)	(22.54)
Non-operating Income and Expenses	(1,833,011)	(1,840,037)	7,026	(0.38)
Profit(Loss) before Tax	5,296,923	7,365,204	(2,068,281)	(28.08)
Income Tax Expenses	(1,343,256)	(505,994)	(837,262)	165.47
Profit(Loss)	3,953,667	6,859,210	(2,905,543)	(42.36)

Analysis of deviation:

The decrease of operating income, profit before tax and profit: Mainly due to the growth of operation and fleet expansion lead to the increase of relevant costs and expenses which is over than the growth rate of operating revenue.

7.3 Analysis of Cash Flow (Consolidated)

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Item \ Year	2016	2015	Increase (Decrease) Amount	Change (%)
Cash and cash equivalents at the beginning of year	35,744,865	27,144,950	8,599,915	31.68
Net cash flows from (used in) operating activities	21,155,946	26,027,353	(4,871,407)	(18.72)
Net cash flows from (used in) investing activities	(16,551,202)	(26,004,227)	9,453,025	(36.35)
Net cash flows from (used in) financing activities	4,630,227	8,575,102	(3,944,875)	(46.00)
Exchange rate adjustments	(46,820)	1,687	(48,507)	(2,875.34)
Cash and cash equivalents at the end of year	44,933,016	35,744,865	9,188,151	25.70

Analysis of deviation:

A. Investing activities: Net cash used in investing activities primarily for the payment of aircraft and prepayments for equipment.

B. Financing activities: The decrease of net cash generated due to no cash subscription in 2016.

C. Exchange rate adjustments: Mainly due to the exchange rate fluctuation.

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 (3)	Cash Surplus (1)+(2)-(3)	Preparation for Liquidity Shortfall	
				Investment Plans	Financing Plans
44,933,016	17,127,225	31,861,574	30,198,667	-	-

Analysis of cash flow deviation of year 2017:

A. Operating activities: The estimated net cash generated by operating activities.

B. Investing activities: Primarily for purchase of aircraft and equipment.

C. 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)

A. 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, 2016, the five Boeing 777 freighters had not yet been delivered. The Company has partially paid the price of $5.17 billion.

B. In July 2015, the Company entered into engine purchase contracts amounting to US$31.56 million with General Electric Company for one Boeing 777 engine. As of December 31, 2016, the Boeing 777 engine had not yet been delivered. The Company has partially paid the price of $49.55 million.

C. 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, 2016, the two Boeing 777 aircraft and eighteen Boeing 787-10 aircraft had not yet been delivered. The Company has partially paid the price of $4.20 billion.

D. In November 2015, the Company entered into engine purchase contracts amounting to US$118.66 million with General Electric Company for five Boeing 787 engines. As of December 31, 2016, the five Boeing 787 engines had not yet been delivered. The Company has partially paid the price of $43.27 million.

E. 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. As of December 31, 2016, the Company has partially paid the price of $99.14 million.

F. In September 2016, the Company entered into flight simulator purchase contracts amounting to US$17.66 million with L-3 Company for one Boeing 787 flight simulator. As of December 31, 2016, the Boeing 787 flight simulator had not yet been delivered. The Company has partially paid the price of $70.42 million.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and the 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$1.26 billion in 2016.

In the recent fiscal year, the Company and its subsidiaries reinvest in aviation-related industries, including ground handling services, air cargo terminals, aircraft components manufacturing etc. For the year 2016, the Company and its subsidiaries reported investment income of NT$ 125 million.

7.6 Analysis of Risk Management

7.6.1 The Policies of Risk Management

A. Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

As for interest rate, the Company and its subsidiaries periodically and flexibility evaluate the account receivable and account payable of each foreign currency as well as financing interest rate. By issuing fixed coupon bond, acquiring fixed rate loan and buying fixed interest rate swap to make sure the interest rate will not fluctuate by time. If the interest rate increases (decreases) by 1% all other factors that remain constant, the profit of the Company and its subsidiaries of year 2016 will change NT$722.25 million.

As for exchange rate, the Company and its subsidiaries operating revenue are mainly from international transportation income. Those foreign income is sufficient to pay foreign liabilities that spontaneously avoid exchange rate risks. For the other short-term demand of USD resulted from time difference, the Company operates derivative products according to foreign exchange rate market trends to minimize the risks. As 1% depreciation (appreciation) of the TWD against USD, EUR, JPY and CNY as of December 31, 2016 with all other factors remaining constant, the Company and its subsidiaries' financial assets or liabilities affected by exchange rate fluctuation would have changed the profit by NT$39.84 million.

B. Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

(1) The Company does not engage in any high-risk or high-leveraged investments.

(2) The Company does not provide any lending or endorsement guarantees. The related procedures are based on the Company's policy "Procedure for Funds Lending, Endorsement and Guarantee".

(3) The Company chooses derivative products, such as fuel swap, option agreement and forward exchange contracts, to avoid market risks. Each transaction is followed the Company's "Procedures for Transaction of Derivative Products" to evaluate risks and performance so as to reach the goal of risk management control.

C. Future research & development projects and estimated budget:

(1) Self check-in service system re-engineering

(2) EVA mobile App revision

(3) Cloud CTI implementation of North America call center

(4) New generation of air-cargo system project

(5) New cabin crew scheduling optimizer

(6) Data warehouse platform upgrade project

(7) Network infrastructure design project of new bonded warehouse

(8) Improvement to data center environment

(9) Nankan office area network redundancy enhancement project

It is budgeted to spend NT$ 140 million for the projects.

D. Effects of and response to changes in policies and regulations relating to corporate finance and sales: None

E. Effects of and response to changes in technology and the industry relating to corporate finance and sales: None

F. The impact of changes in corporate image on corporate risk management, and the Company's response measures: None

G. Expected benefits from, risks relating to and response to merger and acquisition plans:

There is no merger plan of the Company.

H. Expected benefits from, risks relating to and response to factory expansion plans:

The Company is not manufacturing industry. Therefore, there is no related risks.

I. Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration: The Company has no related risks to excessive concentration of purchasing sources and excessive customer concentration.

J. Effects of risks relating to and response to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%: None

K. Effects of risks relating to and response to the changes in management rights: None

L. Litigation or non-litigation matters:

The Company is under investigation on the passenger and cargo fuel surcharge for alleged violation of antitrust law in the United States. The Company had reached a settlement agreement with the plaintiffs amounting to US$99 million. 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.

M. Other major risks and responses:

The evaluation of market risks and responses:

(1) The Company has joined Star Alliances to reduce operating costs and decentralize risks by mutual and alliance-strategy cooperation.

(2) The Company continuously enhance internal corporate management and employees' on-job training to strengthen the service quality. Also, the Company innovates its service contents to improve customers satisfaction and company's competiveness.

(3) The Company periodically hold Emergency Response Center exercise to improve the reactions to the exceptional situations.

(4) The slow recovery of global economy, the oversupply of air cargo capacity and the low fares are the main risks of air cargo market. With the trend of slight-oriented and small-oriented design of electronic product, the Company has adjusted its cargo fleet. It is estimated to introduce 777 freighters in 4^{th} quarter of year 2017 to replace 747-700 freighters. The 777 freighters will save more than 20% fuel than old freighters which will effectively control operating costs and strengthen the Company's competiveness in air cargo market.

(5) The evaluation of liquidity risks and responses:

With the principle of steady operation and healthy financial status, the Company periodically arranges short-term and long-term operating funds and evaluate to have cash subscription, issue domestic ordinary corporate bond and convertible bond for the major capital expenditure and return loans to improve the financial structure. Therefore, the Company's assets and operating funds is sufficient to execute all contracts.

(6) The evaluation of operating risks and responses:

To ensure flight safety, the Company has set up the "Safety Promotion Committee", which is subordinate to President, to formulate and implement the goal of "zero accident". The Company also introduces SMS (Safety Management System). The SMS teams are composed of the management from operation related divisions, which are mainly responsible for the collection of safety information, the management of operational risks, the development and implementation of corrective and preventive actions, and the implementation of improvement execution schemes. Relevant improvement action schemes and goals were provided for the issues exclusively monitored by the various teams, and the results were submitted periodically to the Safety Promotion Committee for approval to minimize the human and organization errors.

7.6.2 Risk Management Teams and Units-In-Charge

Under the policies mentioned above, the top management of related departments are in charge of supervising and controlling every risks. The auditing division formulates auditing plans to inspect and evaluate the results of risk control. Appropriate advices will provided to risk management teams to ensure the risk management control policies are implemented efficiently.

The Units-In-Charge are as follows:

Aspects of Risk Management	Responsible Unit	Risk Management Tasks
Strategic and operational risks	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.
	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.
	Engineering & Maintenance Div.	Responsible for the aircraft's maintenance program, the purchase and control of ground equipment and aircraft spare parts and so on.
Market Risks	Corporate Planning Div.	Responsible for planning the Company's flight routes and destinations, and conducting market survey/assessment.
Financial Risks	Finance Div.	Staying on the top of the Company's financial status, being responsible for managing and controlling capital allocation, and taking hedging measures for exchange/interest rates. Convene a Fuel Risk Management team to draw up hedging strategies and countermeasures.
Legal Risks	Legal & Insurance Div.	Responsible for insurance affairs, contract examinations, legal consultation and handling of lawsuits and non-contentious cases related to the Company.

7.7 Other Important Items: None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

■ Basic information of Affiliated Companies

As of DEC 31, 2016

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct 1990	NT$459.6 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$1.1 billion	49.80%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan 2001	NT$26.8 million	100.00%
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	100.00%
EVA Flight Training Academy	Flight training academy	The United States	Feb 2013	US$20 million	100.00%

The Directors, Supervisors and President of Affiliated Companies

As of DEC 31, 2016
Unit: Shares, %

Company	Title	Name and Representative	Shares Holding	
			Shares	%
Evergreen Airline Services Corp.	Chairman	EVA Airways Corp.	25,890,068	56.33%
		Representative：Chang, Ming-Yuh	--	--
	Director	EVA Airways Corp.	25,890,068	56.33%
		Representative：Lin, Bou-Shiu	109,907	0.24%
	Director	EVA Airways Corp.	25,890,068	56.33%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	25,890,068	56.33%
		Representative：Tsai, Zu-Ming	--	--
	Director	SATS Ltd.	9,191,965	20.00%
		Representative：Andrew Lim Cheng Yueh	--	--
	Supervisor	Evergreen International Corp.	9,191,965	20.00%
		Representative：Ko, Lee-Ching	--	--
	President	Tsai, Zu-Ming	--	--
Evergreen Aviation Technologies Corp.	Chairman	EVA Airways Corp.	508,928,512	80.00%
		Representative：Chang, Che-Cheng	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Tai, Jiin-Chyuan	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Wang, I-Kung	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Liu, Jen-Chih	--	--
	Director	EVA Airways Corp.	508,928,512	80.00%
		Representative：Huang, Nan-Horang	--	--
	Supervisor	UNI Airways Corp.	127,232,128	20.00%
		Representative：Ko, Lee-Ching	--	--
	Supervisor	UNI Airways Corp.	127,232,128	20.00%
		Representative：Tsai, Ta-Wei	--	--
	President	Huang, Nan-Horang	--	--

Company	Title	Name and Representative	Shares Holding	
			Shares	%
Evergreen Air Cargo Services Corp.	Chairman	EVA Airways Corp.	72,750,000	60.625%
		Representative：Lin, Chen-Tsai	--	--
	Director	EVA Airways Corp.	72,750,000	60.625%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	72,750,000	60.625%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	72,750,000	60.625%
		Representative：Chiu, Ke-Tai	--	--
	Director	SATS Ltd.	30,000,000	25.00%
		Representative：Andrew Lim Cheng Yueh	--	--
	Supervisor	Evergreen International Corp.	13,649,392	11.37%
		Representative：Ko, Lee-Ching	--	--
	President	Chiu, Ke-Tai	--	--
Evergreen Sky Catering Corp.	Chairman	EVA Airways Corp.	54,780,000	49.80%
		Representative：Yen, Ruoh-Chi	22,000	0.02%
	Director	EVA Airways Corp.	54,780,000	49.80%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	54,780,000	49.80%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	54,780,000	49.80%
		Representative：Tai, Jiin-Chyuan	--	--
	Director	EVA Airways Corp.	54,780,000	49.80%
		Representative：Lin, Hsaio-Hua	--	--
	Director	SATS Ltd.	16,500,000	15.00%
	Director	Malaysia Airlines Berhad	11,000,000	10.00%
		Representative：Yeow Tau Ling	--	--
	Supervisor	Evergreen International Corp.	27,500,000	25.00%
		Representative：Ku Lai, Mei-Hsueh	--	--
	Supervisor	Evergreen International Corp.	27,500,000	25.00%
		Representative：Tsai, Ta-Wei	--	--
	President	Lin, Hsaio-Hua	--	--

Company	Title	Name and Representative	Shares Holding	
			Shares	%
Hsiang-Li Investment Corp.	Chairman	EVA Airways Corp.	2,680,000	100%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	2,680,000	100%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	2,680,000	100%
		Representative：Tsai, Ta-Wei	--	--
	Supervisor	EVA Airways Corp.	2,680,000	100%
		Representative：Wu, Kuang-Hui	--	--
Evergreen Aviation Precision Corp.	Chairman	EVA Airways Corp.	120,000,000	40%
		Representative：Wang, I-Kung	--	--
	Deputy Chairman	Evergreen Aviation Technologies Corp.	90,000,000	30%
		Representative：Liu, Jen-Chih	--	--
	Director	EVA Airways Corp.	120,000,000	40%
		Representative：Lin, Bou-Shiu	--	--
	Supervisor	UNI Airways Corp.	90,000,000	30%
		Representative：Ko, Lee-Ching	--	--
	President	Lee, Wei-Chang	--	--
Evergreen Airways Service (Macau)Ltd.	Director	EVA Airways Corp.	--	99.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	Chen, Hsien-Hung	--	--
Green Siam Air Services Co., Ltd.(Note 1)	Chairman	Green Siam Co., Ltd.	73,020	36.51%
		Representative：Krirkkla Sonthimas	--	--
	Director	Green Siam Co., Ltd.	73,020	36.51%
		Representative：Nivat Changariyavong	--	--
	Director	Green Siam Co., Ltd.	73,020	36.51%
		Representative：Thira Kiatmongkolkul	15,020	7.51%
	Director	EVA Airways Corp.	98,000	49.00%
		Representative：Chang, Kuo-Wei	--	--
	Director	EVA Airways Corp.	98,000	49.00%
		Representative：Cheng, Chuan-Yi	--	--
	Director	EVA Airways Corp.	98,000	49.00%
		Representative：Tsai, Ta-Wei	--	--
	Director	EVA Airways Corp.	98,000	49.00%
		Representative：Yeh, Shih-Chung	--	--

Company	Title	Name and Representative	Shares Holding	
			Shares	%
RTW Air Services (S) Pte Ltd.	Chairman	RTW Shipping (S) Pte Ltd.	735,000	49.00%
		Representative：Ang Boon Yam	--	--
	Director	RTW Shipping (S) Pte Ltd.	735,000	49.00%
		Representative：Phoon Thin Choy	--	--
	Director	RTW Shipping (S) Pte Ltd.	735,000	49.00%
		Representative：Lim Tso Ghee	--	--
	Director	EVA Airways Corp.	735,000	49.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	735,000	49.00%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	735,000	49.00%
		Representative：Tsai, Ta-Wei	--	--
	Director	EVA Airways Corp.	735,000	49.00%
		Representative：Wang, Yun-Hsiang	--	--
PT Perdana Andalan Air Service	Chairman	Mohamad Feriansyah Permadi	6,272	7.84%
	Director	EVA Airways Corp.	40,800	51.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	40,800	51.00%
		Representative：Chen, Hsien-Hung	--	--
	Supervisor	EVA Airways Corp.	40,800	51.00%
		Representative：Tsai, Ta-Wei	--	--
	Supervisor	Gunadi Widjaja	32,928	41.16%
Sky Castle Investment Ltd.	Director	Lin, Bou-Shiu	--	--
	Director	Chen, Hsien-Hung	--	--
EVA Flight Training Academy	Chairman	EVA Airways Corp.	10,000,000	100.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	10,000,000	100.00%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	10,000,000	100.00%
		Representative：Tsai, Ta-Wei	--	--

Note 1: Green Siam Air Services Co., Ltd. is under liquidation process after the resolution of Board of Directors in November, 2015.

Note 2: Concord Pacific Ltd. has completed liquidation in October, 2016.

The Operating Overviews of Affiliated Companies

As of DEC 31, 2016
Unit: NT$ thousands

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
Evergreen Airline Services Corp.	459,598	3,237,831	1,782,731	1,455,100	2,521,562	113,862	90,617	1.97
Evergreen Aviation Technologies Corp.	6,361,606	23,007,950	12,800,198	10,207,752	32,940,188	1,666,155	1,128,966	1.77
Evergreen Air Cargo Services Corp.	1,200,000	2,531,065	246,731	2,284,334	1,331,787	161,428	138,082	1.15
Evergreen Sky Catering Corp.	1,100,000	4,097,722	709,046	3,388,676	2,997,947	678,118	558,976	5.08
Hsiang-Li Investment Corp.	26,800	41,151	247	40,904	1,836	1,491	1,491	0.56
Evergreen Aviation Precision Corp.	3,000,000	5,082,209	2,909,112	2,173,097	364,255	(503,549)	(434,437)	(1.45)
Evergreen Airways Service(Macau) Ltd.	327	182,124	34,051	148,073	62,203	61,546	56,916	-
Green Siam Air Services Co., Ltd.	21,350	21,530	1,409	20,121	-	-	-	-
RTW Air Services (S) Pte Ltd.	22,651	112,136	55,971	56,165	46,137	6,749	7,596	5.06
PT Perdana Andalan Air Service	5,280	117,341	39,370	77,971	30,323	4,806	6,550	81.87
Sky Castle Investment Ltd.	179,173	345,624	365	345,259	19,545	19,094	15,208	2.77
EVA Flight Training Academy	624,850	522,671	4,919	517,752	95,611	(8,984)	(7,918)	(0.79)

Appendix 1

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

Address: No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan
Telephone No.: 886-3-351-5151

Representation Letter

The entities that are required to be included in the combined financial statements of EVA Airways Corp. as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, “Consolidated and Separate Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVA Airways Corp. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: EVA Airways Corp.

Chairman: Bou-Shiu Lin

Date: March 29, 2017

KPMG

安侯建業聯合會計師事務所
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Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors
EVA Airways Corp. and its subsidiaries:

Opinion

We have audited the consolidated financial statements of EVA Airways Corp. and its subsidiaries ("the Group") which comprise the consolidated balance sheets position as of December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Unearned mileage redemption revenue

   Please refer to note 4(o) "Revenue", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements, and note 6(s) "Revenue".

   The member who joins the "Infinity Mileagelands" ("the Program") of EVA Airways Corp. ("the Company") can earn mileage by flying any of the Company's flights or through other consumption. Unearned revenues will be converted into revenues when the member actually redeems the mileage or it is expected that the right is probable not to be redeemed.

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The Group maintains information technology systems in order to calculate its mileage redemption revenue. And the Group also uses the systems to estimate the unit fair value of the mileage. Therefore, the cut off test of unearned mileage redemption revenue is one of the key judgment areas for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: testing the design and implementation of the relevant automatic and manual controls over the mileage redemption revenue systems related to the Program; engaging the internal specialist to assess the quantity of the mileage, fair value of the redemption of the Program and the historical redemption probability of the Program to examine the unit fair value of the mileage for verifying the accuracy of recognition of the unearned mileage redemption revenue.

2. The restoration obligation of leased aircraft

   Please refer to note 4(m) "Provision", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements, and note 6(l) "Provision".

   The estimated recovery costs are incurred through the lease of aircraft. The Group's restoration obligations are based on the 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 accuracy of restoration obligation is one of the key judgmental areas for our audit.

   How the matter was addressed in our audit

   Our principal audit procedures included: understanding the accounting policy of the restoration obligation; examining the methodology and key assumptions of the restoration obligation adopted by the Group's management, including lease terms and discount rates, as well as assessing the accuracy of recognition of restoration obligation by understanding the using condition of the leased aircraft; comparing past assumptions made by the Group's management with actual recovery costs and analyzing their significant differences.

3. Impairment of property, plant and equipment and intangible assets–operating concession

   Please refer to note 4 (l) "Impairment of non-financial assets", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements, and notes 6(h) and 6(i) for impairment of property, plant and equipment and intangible assets.

   The Group assesses for any indication of impairment on property, plant and equipment and performs the impairment test of intangible asset—operating concession periodically. If any indication thereof exists with property, plant and equipment while performing the impairment test for intangible assets–operating concession, the Group should estimate the recoverable amount for the assets' cash-generating unit. Because the calculation for the assets' cash-generating unit involved several assumptions and estimations, impairment of property, plant and equipment, and intangible assets—operating concession, therefore, it is one of the key judgmental areas for our audit.

   How the matter was addressed in our audit

   Our principal audit procedures included: obtaining the valuation form of assets impairment produced by the subsidiary for each impairment cash-generating unit; evaluating the appropriateness of assumptions and estimations of major parameters including the forecast of cash flows, discount rate, and gross profit rate to assess the assets impairment for property, plant and equipment which have indications of impairment, and intangible assets–operating concession; performing the sensitivity analysis regarding main assumption hypotheses.

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Other Matter

EVA Airways Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

KPMG

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Chin-Sun Wang.

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Taipei, Taiwan (Republic of China)
March 29, 2017

Notes 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.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016.12.31		2015.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 44,933,016	21	35,744,865	18
1110	Financial assets at fair value through profit or loss－current (note 6(b))	2,329	-	3,420	-
1125	Available-for-sale financial assets－current (note 6(b))	1,916,316	1	1,796,287	1
1135	Derivative financial assets for hedge purposes－current (note 6(c))	62,936	-	-	-
1150	Notes receivable, net (note 6(d))	545,549	-	412,641	-
1170	Accounts receivable, net (note 6(d))	7,152,963	3	6,515,138	4
1180	Accounts receivable－related parties (notes 6(d) and 7)	3,644,373	2	3,606,179	2
130x	Inventories (notes 6(e) and 7)	8,816,238	4	8,489,127	4
1470	Other current assets (notes 6(d), 6(j) and 7)	2,301,643	1	2,017,931	1
	Total current assets	69,375,363	32	58,585,588	30
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (notes 6(b) and 8)	3,013,540	1	2,564,168	2
1550	Investments accounted for using equity method (note 6(f))	621,586	-	624,026	-
1600	Property, plant and equipment (notes 6(h), 6(l), 7, 8 and 9)	125,481,847	58	113,750,466	58
1780	Intangible assets (note 6(i))	2,170,781	1	2,272,757	1
1840	Deferred tax assets (note 6(o))	4,649,327	2	5,745,667	3
1900	Other non-current assets (notes 6(j), 7, 8 and 9)	12,350,960	6	11,863,640	6
	Total non-current assets	148,288,041	68	136,820,724	70
	Total assets	$ 217,663,404	100	195,406,312	100

		2016.12.31		2015.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ 50,000	-	739,836	1
2125	Derivative financial liabilities for hedge purposes－current (note 6(c))	213,266	-	2,493,413	1
2170	Notes and accounts payable	5,273,493	3	2,793,892	2
2180	Accounts payable－related parties (note 7)	155,959	-	95,341	-
2200	Other payables (notes 6(t), 7and 9)	12,273,634	6	12,202,582	6
2230	Current tax liabilities	300,960	-	247,292	-
2310	Unearned revenue (note 6(s))	14,917,497	7	13,373,984	7
2320	Current portion of long-term liabilities (notes 6(k) and 8)	20,628,946	9	18,113,629	9
2300	Other current liabilities (notes 6(h), 6(k) and 6(l))	8,471,178	4	8,520,092	4
	Total current liabilities	62,284,933	29	58,580,061	30
	Non-current liabilities:				
2510	Derivative financial liabilities for hedge purposes－non-current (note 6(c))	49,712	-	1,054,338	-
2530	Bonds payable (note 6(k))	13,000,000	6	11,000,000	6
2540	Long-term borrowings (notes 6(k) and 8)	57,385,036	26	51,912,104	27
2570	Deferred tax liabilities (note 6(o))	100,233	-	111,640	-
2613	Lease liabilities－non-current (note 6(k))	3,575,432	2	5,152,193	3
2640	Net defined benefit liabilities－non-current (note 6(n))	4,849,692	2	4,010,247	2
2600	Other non-current liabilities (notes 6(h), 6(l) and 6(s))	17,082,085	8	8,858,207	4
	Total non-current liabilities	96,042,190	44	82,098,729	42
	Total liabilities	158,327,123	73	140,678,790	72
	Equity (notes 6(c), 6(o), 6(p) and 6(q)):				
3110	Common stock	40,518,923	19	38,589,450	20
3200	Capital surplus	6,237,027	3	6,237,027	3
3300	Retained earnings	5,702,366	2	6,347,229	3
3400	Other equity	869,879	-	(2,314,892)	(1)
	Total equity attributable to owners of parent	53,328,195	24	48,858,814	25
36XX	Non-controlling interests (notes 6(g) and 6(p))	6,008,086	3	5,868,708	3
	Total equity	59,336,281	27	54,727,522	28
	Total liabilities and equity	$ 217,663,404	100	195,406,312	100

See accompanying notes to financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(s) and 7)**	$ 144,679,665	100	137,168,544	100
5000	**Operating cost (notes 6(c), 6(e), 6(h), 6(i), 6(l), 6(m), 6(n), 6(t), 7 and 9)**	(125,603,014)	(87)	(116,929,102)	(85)
	Gross profit from operations	19,076,651	13	20,239,442	15
6000	**Operating expenses (notes 6(d), 6(h), 6(i), 6(m), 6(n), 6(t) and 7)**	(11,946,717)	(8)	(11,034,201)	(8)
	Net operating income	7,129,934	5	9,205,241	7
	Non-operating income and expenses:				
7010	Other income (note 6(u))	416,747	-	791,403	-
7020	Other gains and losses (notes 6(b), 6(l), 6(p), 6(u) and 6(v))	(566,937)	-	(1,069,254)	(1)
7050	Finance costs (notes 6(h), 6(l) and 6(u))	(1,807,997)	(1)	(1,693,378)	(1)
7060	Share of profit of associates accounted for using equity method (note 6(f))	125,176	-	131,192	-
	Total non-operating income and expenses	(1,833,011)	(1)	(1,840,037)	(2)
7900	**Profit before tax**	5,296,923	4	7,365,204	5
7950	**Income tax expenses (note 6(o))**	(1,343,256)	(1)	(505,994)	-
8200	**Profit**	3,953,667	3	6,859,210	5
8300	**Other comprehensive income (notes 6(c), 6(f), 6(n), 6(o), 6(p) and 6(v)):**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of the net defined benefit plans	(1,334,982)	(1)	(1,104,328)	(1)
8320	Share of other comprehensive income of associates accounted for using equity method	(4,967)	-	(5,862)	-
8349	Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	236,196	-	187,735	-
	Total items that will not be reclassified subsequently to profit or loss	(1,103,753)	(1)	(922,455)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(85,912)	-	10,246	-
8362	Unrealized gains (losses) on available-for-sale financial assets	500,125	-	(139,453)	-
8363	Cash flow hedges	3,347,709	2	(1,215,368)	(1)
8370	Share of other comprehensive income of associates accounted for using equity method	(1,324)	-	-	-
8399	Income tax benefit (losses) relating to items that may be reclassified subsequently to profit or loss	(572,489)	-	199,056	-
	Total items that may be reclassified subsequently to profit or loss	3,188,109	2	(1,145,519)	(1)
8300	**Other comprehensive income, net of tax**	2,084,356	1	(2,067,974)	(2)
8500	**Comprehensive income**	**$ 6,038,023**	**4**	**4,791,236**	**3**
	Profit, attributable to:				
8610	Owners of parent	$ 3,476,004	3	6,436,425	5
8620	Non-controlling interests	477,663	-	422,785	-
		$ 3,953,667	**3**	**6,859,210**	**5**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 5,627,064	4	4,453,225	3
8720	Non-controlling interests	410,959	-	338,011	-
		$ 6,038,023	**4**	**4,791,236**	**3**
	Earnings per common share (note 6(r))				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$ 0.86**		**1.61**	
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$ 0.86**		**1.61**	

See accompanying notes to financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent													
				Retained earnings				Other equity						
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	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, 2015	$ 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	-	-	-	-	-	-	-
Adjustments to share of changes in equity of subsidiaries	-	-	272	-	-	-	-	-	-	-	-	272	-	272
Profit in 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)
Comprehensive income in 2015	-	-	-	-	-	5,596,970	5,596,970	10,210	(145,200)	(1,008,755)	(1,143,745)	4,453,225	338,011	4,791,236
Issuance of common stock	6,000,000	(186,567)	4,200,000	-	-	-	-	-	-	-	-	10,013,433	-	10,013,433
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	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	5,868,708	54,727,522
Appropriations of prior year's earnings:														
Legal reserve	-	-	-	643,643	-	(643,643)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,564,633	(1,564,633)	-	-	-	-	-	-	-	-
Cash dividends to common shareholders	-	-	-	-	-	(1,157,683)	(1,157,683)	-	-	-	-	(1,157,683)	-	(1,157,683)
Stock dividends to common shareholders	1,929,473	-	-	-	-	(1,929,473)	(1,929,473)	-	-	-	-	-	-	-
Profit in 2016	-	-	-	-	-	3,476,004	3,476,004	-	-	-	-	3,476,004	477,663	3,953,667
Other comprehensive income in 2016	-	-	-	-	-	(1,033,711)	(1,033,711)	(91,128)	497,301	2,778,598	3,184,771	2,151,060	(66,704)	2,084,356
Comprehensive income in 2016	-	-	-	-	-	2,442,293	2,442,293	(91,128)	497,301	2,778,598	3,184,771	5,627,064	410,959	6,038,023
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(271,581)	(271,581)
Balance on December 31, 2016	**$ 40,518,923**	**-**	**6,237,027**	**643,643**	**2,314,892**	**2,743,831**	**5,702,366**	**46,069**	**989,845**	**(166,035)**	**869,879**	**53,328,195**	**6,008,086**	**59,336,281**

See accompanying notes to financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	$ 5,296,923	7,365,204
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	15,051,372	12,774,438
Amortization expense	357,654	344,037
Net profit or loss of financial assets and liabilities at fair value through profit or loss	1,091	(368)
Impairment loss	5,345	241,124
Interest expense	1,807,997	1,693,378
Interest income	(278,831)	(329,138)
Dividend income	(139,433)	(461,979)
Share of profit of associates accounted for using equity method	(125,176)	(131,192)
Losses (gains) on disposal of property, plant and equipment	459,172	(33,725)
Gains on disposal of investments	(49,465)	(8,834)
Unrealized foreign exchange loss (gain)	(386,960)	716,045
Others	(175,712)	(151,863)
Total adjustments to reconcile profit	16,527,054	14,651,923
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(132,908)	7,377
Accounts receivable, net	(637,931)	1,777,100
Accounts receivable－related parties	(38,326)	(770,711)
Inventories	(331,812)	(800,763)
Other current assets	(273,068)	597,429
Total changes in operating assets	(1,414,045)	810,432
Changes in operating liabilities:		
Notes and accounts payable	2,484,572	(198,169)
Accounts payable－related parties	62,807	(76,300)
Other payables	304,552	344,321
Unearned revenue	1,544,354	2,766,854
Other current liabilities	(3,122,997)	(241,398)
Net defined benefit liabilities－non-current	(495,367)	(354,142)
Other non-current liabilities	504,616	1,491,212
Total changes in operating liabilities	1,282,537	3,732,378
Total changes in operating assets and liabilities	(131,508)	4,542,810
Total adjustments	16,395,546	19,194,733
Cash inflow generated from operations	21,692,469	26,559,937
Income taxes paid	(536,523)	(532,584)
Net cash flows from operating activities	21,155,946	26,027,353

See accompanying notes to financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) investing activities:		
Available-for-sale financial assets－current	$ (114,836)	(688,200)
Acquisition of available-for-sale financial assets－non-current	(484)	(43,276)
Proceeds from disposal of available-for-sale financial assets－non-current	44,937	67,362
Proceeds from disposal of investments accounted for using equity method	12,353	-
Acquisition of property, plant and equipment	(8,146,659)	(15,200,600)
Proceeds from disposal of property, plant and equipment	195,367	872,023
Acquisition of intangible assets	(255,678)	(209,577)
Increase (decrease) in other non-current assets	22,955	(175,033)
Increase in prepayments for equipment	(8,826,289)	(11,549,390)
Interest received	280,605	345,510
Dividends received	236,527	576,954
Net cash flows used in investing activities	(16,551,202)	(26,004,227)
Cash flows from (used in) financing activities:		
Increase in short-term loans	10,720,000	12,150,000
Decrease in short-term loans	(11,410,000)	(12,360,000)
Proceeds from issuance of bonds payable	8,500,000	-
Redemption of bonds payable	(5,100,000)	(5,100,000)
Proceeds from long-term borrowings	22,296,300	18,618,500
Redemption of long-term borrowings	(15,587,774)	(11,382,079)
Increase in deposits received	76,025	28,184
Redemption of lease liabilities	(1,877,310)	(2,028,562)
Cash dividends paid	(1,157,683)	-
Issuance of common stock	-	10,013,433
Interest paid	(1,577,124)	(1,610,439)
Change in non-controlling interests	(252,207)	246,065
Net cash flows from financing activities	4,630,227	8,575,102
Effect of exchange rate changes on cash and cash equivalents	(46,820)	1,687
Net increase in cash and cash equivalents	9,188,151	8,599,915
Cash and cash equivalents at beginning of year	35,744,865	27,144,950
Cash and cash equivalents at end of year	**$ 44,933,016**	**35,744,865**

See accompanying notes to financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(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

(a) civil aviation transportation and general aviation business;

(b) maintenance of aircraft, engine and parts;

(c) ground service at airports;

(d) catering service;

(e) air cargo entrepot;

(f) manufacture of aircraft parts;

(g) 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 consolidated financial statements

The consolidated financial statements were authorized for issuance by the Company's Board of Directors as of March 29, 2017.

(3) New standards, amendments and interpretations not yet adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

(Continued)

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments 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

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated financial statements:

- Amendments to IAS 36 “Recoverable Amount Disclosures for Non Financial Assets”

  The amendment to IAS 36 requires the recoverable amount of assets for which an impairment loss has been recognized or revesed is calculated by using the fair value, less, cost of disposal. The standard is required to disclose the fair value hierarchy and key assumptions (Level 2/Level 3). The Group will increase the relevant disclosures in accordance with this new standard.

(Continued)

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

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were authorized for issue, the FSC has not announced the effective dates of the other new IFRSs:

New, Revised or Amended Standards and Interpretations	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"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
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 IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

(Continued)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance upon initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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

(i) 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:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments);

2) Available-for-sale financial assets are measured at fair value;

3) Hedging derivative financial instruments are measured at fair value; and

(Continued)

4) The net defined benefit liabilities are recognized as the present value of the defind benefit obligation, less, the fair value of plan assets.

(ii) 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

(i) Principle of preparation of the consolidated financial statements

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

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

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interest and the fair value of the consideration paid or received shall be recognized directly in the interest and attributable to the owners of the Company.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Principal activity	Shareholding 2016.12.31	Shareholding 2015.12.31	Note
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 %	60.625 %	-
The Company	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	40.00 %	40.00 %	-
Evergreen Aviation Technologies Corp.	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	30.00 %	30.00 %	-
The Company	Hsiang Li Investment Corp.	Investing business	100.00 %	100.00 %	-
The Company	Sky Castle Investment Ltd.	Investing business	100.00 %	100.00 %	-
The Company	Concord Pacific Ltd.	Investing business	-	100.00 %	Note 3
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 %	Note 1、Note 2
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 %	-

(Continued)

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: 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.

Note 3: Concord Pacific Ltd. has been liquidation in October, 2016.

(iii) Subsidiaries excluded the consolidated financial statements: None.

(d) Foreign currency

(i) 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:

1) available-for-sale equity investment;

2) financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars (which was expressed in reporting currency) at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars (which was expressed in reporting currency) at average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)

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:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) 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:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) 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.

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(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) 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.

1) 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 though 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.

2) 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)

3) 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.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, shall be measured at cost less the impairment loss, and included in financial assets carried at cost.

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.

4) 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)

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 accounts receivable are recognized in operating expenses; impairment losses and recoveries of other financial assets are recognized in other gains and losses under non-operating income and expenses.

5) 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.

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.

(Continued)

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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in finance cost under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) 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.

3) 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.

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4) 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.

5) 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.

(iii) 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:

1) 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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2) 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 or joint control, over their financial and operating policies.

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. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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.

(Continued)

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(Continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Land has unlimited useful life and therefore is not depreciated.

2) Buildings and structures: 5 to 55 years

3) Machinery and equipment: 1 to 18 years

4) Aircraft: 3 to 18 years

5) 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.

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.

(Continued)

(l) Impairment of non-financial assets

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

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

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

Intangible assets－operating concession is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(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.

(Continued)

(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 Contacts and IAS 18 Revenue. The fair value of the services is determined as intangible assets or financial assets, by the nature of the consideration given by the grantor to the operator and by reference to the contract terms.

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

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

(i) Operating concession: 30 years

(ii) Computer software: 2 to 5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(o) Revenue recognition

(i) 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.

(ii) Unearned mileage redemption revenue

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.

(Continued)

(iii) 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.

(iv) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(p) Employee benefits

(i) 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.

(ii) 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.

(Continued)

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 recognizes the amounts 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.

(iii) 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.

(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:

(i) 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.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

(Continued)

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:

(i) The Group has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) 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) 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.

(t) Operating segment

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

(5) Significant accounting assumptions and judgments, and major sources of 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.

(Continued)

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 consolidated financial statements is as follows:

Please refer to note 6(h), for the Group entered into numbers of aircraft lease contracts, and the Group assumes substantially all of the risks and rewards of ownership according to the article of lease contracts. Therefore, the Group classified these lease contracts as financial leases.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is as follow:

(a) Unearned Mileage Redemption Revenue

Please refer to note 4(o), for the rights of accumulated mileages that are estimated by using the fair value of the redeemable part of the customer loyalty program and, the reference to past experience of probability of redemption. Changes in fair value per mileage or redemption rate may have a material impact on the unearned mileage redemption revenue. Also, unearned revenues will be converted into revenues when the member actually redeems the mileage or it is expected that the rights are probable not to be redeemed.

(b) Provisions

Please refer to note 4(m), for the estimated recovery costs that were incurred through the lease of aircrafts. 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. The Group is also continuing to monitor its accounting assumption and verify its appropriateness. Changes in judgment or estimations may have a material impact on the amounts of recovery costs.

(c) Impairment assessment of property, plant and equipment and Intangible assets－operation concession

Please refer to note 4(l), in the process of impairment assessment, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets, useful lives and estimates future gain and loss according to the usage of assets and business characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to impairment loss in the future.

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.

(Continued)

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(v).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	2016.12.31	2015.12.31
Cash on hand	$ 190,891	171,346
Cash in bank	44,508,051	34,520,115
Short-term notes	234,074	1,053,404
	$ 44,933,016	**35,744,865**

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

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss－current:

	2016.12.31	2015.12.31
Money market funds	**$ 2,329**	**3,420**

(ii) Available-for-sale financial assets－current:

	2016.12.31	2015.12.31
Publicly traded stocks	$ 7,037	8,173
Money market funds	1,909,279	1,788,114
	$ 1,916,316	**1,796,287**

(Continued)

(iii) Available-for-sale financial assets－non-current:

	2016.12.31	2015.12.31
Non-publicly traded stocks	$ 1,328,629	1,762,037
Publicly traded stocks	1,684,911	758,968
U.S. Treasury notes	-	43,163
	$ 3,013,540	**2,564,168**

In 2016 and 2015, the Group recognized the impairment losses of $5,345 and $241,124, 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(v).

As of December 31, 2016 and 2015, the pledge for Group's financial assets is disclosed in note 8.

(iv) 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:

	2016		2015	
Price of the equity securities at the reporting date	**Other Comprehensive Income, net of tax**	**Profit (losses)**	**Other Comprehensive Income, net of tax**	**Profit (losses)**
increase 5%	**$ 246,305**	**97**	**218,007**	**142**
decrease 5%	**$ (246,305)**	**(97)**	**(218,007)**	**(142)**

(c) Hedging derivative financial instruments

	2016.12.31	2015.12.31
Derivative financial assets for hedge purposes:		
Fuel swap and option agreements	$ 61,792	-
Forward exchange contracts	1,144	-
Total	**$ 62,936**	**-**
Current	$ 62,936	-
Non-current	-	-
	$ 62,936	**-**

(Continued)

		2016.12.31	2015.12.31
Derivative financial liabilities for hedge purposes:			
Fuel swap and option agreements	$	262,939	3,547,751
Forward exchange contracts		39	-
Total	**$**	**262,978**	**3,547,751**
Current	$	213,266	2,493,413
Non-current		49,712	1,054,338
	$	**262,978**	**3,547,751**

(i) Fuel swap and option agreements

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

As of December 31, 2016 and 2015, the cash flow hedged items and derivative financial hedging instruments were as follows:

		Fair value of assigned hedging instrument			Period when cash flows are expected to occur	Period when profit or loss is affected
Hedged item	**Hedging instrument**		**2016.12.31**	**2015.12.31**		
Floating price of fuel	Fuel swap agreement	$	(40,695)	(1,886,605)	2015~2017	2015~2017
Floating price of fuel	Option agreements		(160,452)	(1,661,146)	2015~2018	2015~2018
		$	**(201,147)**	**(3,547,751)**		

(ii) Forward exchange contracts

The Group’s strategy is to use the forward exchange contracts to hedge its estimated foreign currency exposure in respect of forecasted purchases transactions. When actual purchase occurs, the amount accumulated in gains (losses) on the effective portion of cash flow hedge under other equity interest will be reclassified to property, plant and equipment in the same period. The unexpired forward exchange contracts held by the Company were as follows:

	2016.12.31		
	Amount (in thousand)	**Currency**	**Maturity dates**
Forward exchange purchased	**USD$ 15,000**	TWD to USD	2017/5/2

There was no such transaction as of December 31, 2015.

(Continued)

(iii) The Group's gains and losses arising from cash flow hedges in 2016 and 2015, were as follows:

Account	2016	2015
Recognized in other comprehensive income during the period	$ 3,347,709	(1,215,368)
Reclassification from equity to operating cost (income) for the period	$ 2,006,911	3,658,493

(d) Notes and accounts receivable, and other receivables

	2016.12.31	2015.12.31
Notes receivable	$ 545,549	412,641
Accounts receivable (including related parties)	10,959,515	10,286,598
Other receivables (including related parties)(included in other current assets)	396,415	233,978
Less: allowance for doubtful accounts	(162,181)	(165,283)
	$ 11,739,298	10,767,934

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

	2016.12.31	2015.12.31
Past due within 30 days	$ 298,183	279,167
Past due 31~60 days	85,112	63,735
Past due over 60 days but less than one year	57,950	94,275
Past due more than one year	-	-
	$ 441,245	437,177

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

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2016	$ 127,910	37,373	165,283
Impairment loss recognized	13,162	38,838	52,000
Amounts written off	(52,557)	(2,545)	(55,102)
Balance as of December 31, 2016	$ 88,515	73,666	162,181

(Continued)

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2015	$ 53,206	46,027	99,233
Impairment loss recognized	74,704	37	74,741
Amounts written off	-	(8,691)	(8,691)
Balance as of December 31, 2015	**$ 127,910**	**37,373**	**165,283**

As of December 31, 2016 and 2015, 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 circumstances and historic collection to determine the recognition of impairment.

As of December 31, 2016 and 2015, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

(e) Inventories

The components were as follows:

	2016.12.31	2015.12.31
Work in progress	$ 3,350,863	2,794,853
Aircraft spare parts	3,619,008	4,169,026
Consumables for use and merchandise for in-flight sales	1,306,006	1,153,336
Fuel for aircraft and others	540,361	371,912
	$ 8,816,238	**8,489,127**

For the years ended December 31, 2016 and 2015, except for cost of goods sold and inventories recognized as expense the gains or losses which were recognized as operating cost were as follows:

	2016	2015
Losses on valuation of inventories and obsolescence	**$ 932,307**	**521,943**

As of December 31, 2016 and 2015, these inventories were not pledged.

(Continued)

(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.

	2016.12.31	2015.12.31
Associates	$ **621,586**	**624,026**

	2016	2015
Attributable to the Group:		
Profit	$ 125,176	131,192
Other comprehensive income	(6,291)	(5,862)
Comprehensive income	$ **118,885**	**125,330**

As of December 31, 2016 and 2015, the investments accounted for using equity method were not pledged.

(g) 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 2016.12.31	2015.12.31
Evergreen Sky Catering Corp.	Taiwan	50.2 %	50.2 %
Evergreen Aviation Technologies Corp.	Taiwan	20 %	20 %

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.

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

	2016.12.31	2015.12.31
Current assets	$ 1,490,830	2,021,063
Non-current assets	2,606,892	1,398,497
Current liabilities	587,902	360,037
Non-current liabilities	121,144	104,093
Net assets	$ **3,388,676**	**2,955,430**
Carrying amounts of non-controlling interests	$ **1,701,115**	**1,483,625**

(Continued)

	2016	2015
Operating revenue	$ **2,996,635**	**2,763,003**
Profit	$ 558,976	485,933
Other comprehensive income	$ (25,730)	(28,609)
Comprehensive income	$ **533,246**	**457,324**
Profit attributable to non-controlling interests	$ **280,606**	**243,938**
Comprehensive income attributable to non-controlling interests	$ **267,690**	**229,576**

	2016	2015
Cash flows from operating activities	$ 608,801	552,598
Cash flows used in investing activities	(1,084,660)	(123,757)
Cash flows used in financing activities	(100,097)	(100,024)
Net increase (decrease) in cash and cash equivalents	$ **(575,956)**	**328,817**
Dividend paid for non-controlling interests	$ **50,200**	**50,200**

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

	2016.12.31	2015.12.31
Current assets	$ 16,781,136	16,000,008
Non-current assets	6,226,814	5,668,723
Current liabilities	6,392,210	6,306,863
Non-current liabilities	6,407,988	5,488,869
Net assets	$ **10,207,752**	**9,872,999**
Carrying amounts of non-controlling interests	$ **2,041,550**	**1,974,600**

	2016	2015
Operating revenue	$ **32,838,095**	**24,399,641**
Profit	$ 1,128,966	902,058
Other comprehensive income	(158,052)	(57,306)
Comprehensive income	$ **970,914**	**844,752**
Profit attributable to non-controlling interests	$ **225,793**	**180,412**
Comprehensive income attributable to non-controlling interests	$ **194,182**	**168,950**

(Continued)

	2016	2015
Cash flows from operating activities	$ 2,633,112	1,935,207
Cash flows used in investing activities	(1,033,002)	(770,088)
Cash flows used in financing activities	(838,290)	(27,548)
Net increase in cash and cash equivalents	**$ 761,820**	**1,137,571**
Dividend paid for non-controlling interests	**$ 127,232**	**115,666**

(h) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2016 and 2015, were as follows:

	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Cost:							
Beginning balance as of January 1, 2016	$ 4,520,405	14,025,619	24,627,433	25,076,654	121,819,689	639,117	190,708,917
Additions	13,017	5,695	1,900,364	11,234,634	3,676,213	2,383,959	19,213,882
Disposals	-	-	(983,089)	(6,049,682)	(5,685,995)	-	(12,718,766)
Reclassification (Note)	1,001,652	20,272	1,580,153	757,161	3,933,176	98,297	7,390,711
Effect of exchange rate changes	-	-	(2,488)	-	-	(1,707)	(4,195)
Balance as of December 31, 2016	**$ 5,535,074**	**14,051,586**	**27,122,373**	**31,018,767**	**123,743,083**	**3,119,666**	**204,590,549**
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	**$ 4,520,405**	**14,025,619**	**24,627,433**	**25,076,654**	**121,819,689**	**639,117**	**190,708,917**
Accumulated depreciation:							
Beginning balance as of January 1, 2016	$ -	6,359,848	13,308,422	10,009,564	47,280,617	-	76,958,451
Depreciation expense	-	442,505	1,969,044	4,689,196	7,950,627	-	15,051,372
Disposals	-	-	(805,205)	(6,006,929)	(5,252,093)	-	(12,064,227)
Reclassification (Note)	-	(420)	(580,141)	(26,587)	(229,000)	-	(836,148)
Effect of exchange rate changes	-	-	(746)	-	-	-	(746)
Balance as of December 31, 2016	**$ -**	**6,801,933**	**13,891,374**	**8,665,244**	**49,750,151**	**-**	**79,108,702**
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	**$ -**	**6,359,848**	**13,308,422**	**10,009,564**	**47,280,617**	**-**	**76,958,451**
Carrying amounts:							
Balance as of December 31, 2016	**$ 5,535,074**	**7,249,653**	**13,230,999**	**22,353,523**	**73,992,932**	**3,119,666**	**125,481,847**
Balance as of December 31, 2015	**$ 4,520,405**	**7,665,771**	**11,319,011**	**15,067,090**	**74,539,072**	**639,117**	**113,750,466**
Beginning balance as of January 1, 2015	**$ 4,033,181**	**7,019,258**	**9,051,324**	**11,356,688**	**65,614,102**	**1,677,498**	**98,752,051**

(Continued)

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

(i) 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, 2016 and 2015, the restoration obligations were $17,351,555 and $9,130,299, respectively. Refer to note 6(l) for the movements of restoration obligations.

(ii) 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, 2016 and 2015, the unrealized gains from the sale and leaseback were $204,485 and $291,524, respectively and were recognized as other non-current liabilities.

(iii) Impairment test

According to IAS 36 “Impairment of assets”, the carrying amounts of the Group’s property, plant and equipment are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. When evaluating the recoverable amount of cash-generating unit (the “CGU”), the pre-tax discount rate is used to estimated the future cash flow. After performing the impairment test, the recoverable amount for the CGU turned out to be higher than its carry amounts. Therefore, there is no impairment loss to be recognized at December 31, 2016.

The recoverable amounts of the CGU were evaluated, and the critical assumptions used for this evaluation were as follows:

1) The cash flow period is ten years, which was estimated on the basis of previous experience, actual operating result and management-approved financial budget.

2) Estimated operating revenue, operating cost, and operating expenses are estimated based on future operating plan, which takes into consideration the changes and growth of business in industry.

3) Estimated discount rate:

The assessment of discount rate was estimated at 7% in 2016.

(iv) Pledge

As of December 31, 2016 and 2015, 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.

(Continued)

(v) For the years ended December 31, 2016 and 2015, the Group capitalized the interest expenses on purchase of assets amounted to $141,119 and $60,938, respectively. The ranges of the monthly interest rates used for capitalization calculation were 0.11%~0.13% and 0.13%~0.14%, respectively.

(i) Intangible assets

The movements of intangible assets for the years ended December 31, 2016 and 2015, were as follows:

	Operating concession	Computer software	Total
Cost：			
Beginning balance as of January 1, 2016	$ 2,271,505	956,907	3,228,412
Additions	-	255,678	255,678
Reclassification	1,152,287	-	1,152,287
Disposals	-	(105,688)	(105,688)
Balance as of December 31, 2016	**$ 3,423,792**	**1,106,897**	**4,530,689**
Beginning balance as of January 1, 2015	$ 2,271,505	879,672	3,151,177
Additions	-	209,577	209,577
Reclassification	1,152,287	-	1,152,287
Disposals	-	(132,342)	(132,342)
Balance as of December 31, 2015	**$ 3,423,792**	**956,907**	**4,380,699**
Accumulated amortization:			
Beginning balance as of January 1, 2016	$ 514,610	441,045	955,655
Amortization expense	134,296	223,358	357,654
Reclassification	1,152,287	-	1,152,287
Disposals	-	(105,688)	(105,688)
Balance as of December 31, 2016	**$ 1,801,193**	**558,715**	**2,359,908**
Beginning balance as of January 1, 2015	$ 380,313	363,647	743,960
Amortization expense	134,297	209,740	344,037
Reclassification	1,152,287	-	1,152,287
Disposals	-	(132,342)	(132,342)
Balance as of December 31, 2015	**$ 1,666,897**	**441,045**	**2,107,942**
Carrying amounts:			
Balance as of December 31, 2016	**$ 1,622,599**	**548,182**	**2,170,781**
Balance as of December 31, 2015	**$ 1,756,895**	**515,862**	**2,272,757**
Beginning balance as of January 1, 2015	**$ 1,891,192**	**516,025**	**2,407,217**

(Continued)

(i) Amortization

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

(ii) Impairment test

According to IAS 36 "Impairment of assets", the Group periodically performs impairment test on the carrying amounts of intangible asset－operating concession. When evaluating the recoverable amount of the CGU, the pre-tax discount rate is used to estimated the future cash flow. After performing the impairment test, the recoverable amount for the CGU turned out to be higher than its carry amounts. Therefore, there is no impairment loss to be recognized at December 31, 2016 and 2015.

The recoverable amounts of the CGU were evaluated, and the critical assumptions used for this evaluation were as follows:

1) The cash flow period is fifteen years, which was estimated on the basis of previous experience, actual operating result and management-approved financial budget.

2) Estimated operating revenue, operating cost, and operating expenses are estimated based on future operating plan, which takes into consideration the changes and growth of business in industry.

3) Estimated discount rate:

The assessment of discount rate was estimated at 9% in 2016 and 2015, respectively.

(iii) Pledge

As of December 31, 2016 and 2015, the Group's intangible assets were not pledged.

(j) Other current assets and other non-current assets

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

		2016.12.31	**2015.12.31**
Prepaid expenses	$	1,492,449	1,380,347
Other receivables (including related parties)		396,413	233,976
Others		412,781	403,608
Total	**$**	**2,301,643**	**2,017,931**

(Continued)

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

	2016.12.31	2015.12.31
Prepayments for equipment	$ 10,624,775	10,200,098
Refundable deposits	1,451,178	1,545,025
Pledged time deposits	126,386	113,657
Others	148,621	4,860
Total	$ **12,350,960**	**11,863,640**

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

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

	2016.12.31			
	Currency	**Interest rate**	**Year due**	**Amount**
Unsecured short-term	TWD	1.20%	2017/06/29	$ **50,000**
Secured bonds payable	TWD	1.07%~1.22%	2017/05/31~2021/12/29	$ 19,500,000
Less: Current portion (included in current portion of long-term liabilities)				6,500,000
Total				$ **13,000,000**
Unsecured loans	TWD	1.12%~2.01%	2017/02/24~2021/11/10	$ 18,130,550
Secured loans	TWD, USD	1.11%~4.59%	2017/01/30~2031/08/29	53,383,432
Subtotal				71,513,982
Less: Current portion				14,128,946
Total				$ **57,385,036**
Lease liabilities	TWD, USD	2.03%~6.89%	2017/01/20~2024/06/21	$ 5,109,504
Less: Current portion (included in other current liabilities)				1,534,072
Total				$ **3,575,432**

	2015.12.31			
	Currency	**Interest rate**	**Year due**	**Amount**
Unsecured short-term	TWD	1.10%~1.50%	2016/01/08~2016/02/17	$ **739,836**
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)				5,100,000
Total				$ **11,000,000**
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	50,819,700
Subtotal				64,925,733
Less: Current portion				13,013,629
Total				$ **51,912,104**
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)				1,915,044
Total				$ **5,152,193**

(Continued)

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

	2016.12.31	2015.12.31
USD (in thousands)	$ **272,443**	**350,222**
Convert to TWD	$ **8,786,299**	**11,496,033**

As of December 31, 2016, the details of the future repayment periods and amounts of the Group's long-term borrowings, bonds payable, and lease liabilities were as follows:

Year due	Amount
2017.1.1~2017.12.31	$ 22,163,018
2018.1.1~2021.12.31	55,171,783
2022.1.1 and thereafter	18,788,685
	$ **96,123,486**

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2016 and 2015 the unused credit lines for short-term and long-term borrowings amounted to $16,966,927 and $14,236,067 respectively.

(iii) Lease liabilities

The Group's lease liabilities were as follows:

	2016.12.31			2015.12.31		
	Future minimum rental payment	**Interest**	**Present value of minimum rental payment**	**Future minimum rental payment**	**Interest**	**Present value of minimum rental payment**
Within 1 year	$ 1,667,119	133,047	1,534,072	2,116,239	201,195	1,915,044
1 to 5 years	3,022,192	176,346	2,845,846	4,408,516	295,733	4,112,783
More than 5 years	748,200	18,614	729,586	1,076,660	37,250	1,039,410
	$ **5,437,511**	**328,007**	**5,109,504**	**7,601,415**	**534,178**	**7,067,237**

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2016 and 2015 are disclosed in note 6(u).

(Continued)

(l) Provisions

The movements of the restoration obligations for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Beginning balance as of January 1	$ 9,130,299	5,019,507
Additions	11,769,429	4,555,023
Decreases	(3,387,619)	(747,537)
Effect of exchange rate changes	(160,554)	303,306
Balance as of December 31	**$ 17,351,555**	**9,130,299**

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. The Group's restoration obligations are included in other current liabilities and other non-current liabilities.

(m) Operating leases

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

	2016.12.31	2015.12.31
Within 1 year	$ 10,908,450	8,005,273
1 to 5 years	39,314,686	24,050,774
More than 5 years	41,815,184	21,834,832
	$ 92,038,320	**53,890,879**

For the years ended December 31, 2016 and 2015, rental expenses included in operating cost and operating expenses were $10,329,368 and $7,654,452, 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)

(n) Employee benefits

(i) Defined benefit plans

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

	2016.12.31	2015.12.31
Total present value of defined benefit obligations	$ 11,232,559	10,111,592
Fair value of plan assets	(6,382,867)	(6,101,345)
Recognized liabilities of net defined benefit obligation	**$ 4,849,692**	**4,010,247**

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.

1) 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 $6,280,051 as of December 31, 2016. 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.

2) Movements in present value of the defined benefit obligations

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

	2016	2015
Defined benefit obligations as of January 1	$ 10,111,592	9,065,847
Benefits paid by the plan	(576,134)	(521,791)
Current service costs and interest	432,335	433,214
Net remeasurements of defined benefit liabilities		
－Experience adjustments	557,113	400,091
－Actuarial losses (gains) arising from changes in demographic assumptions	47,157	46,252
－Actuarial losses (gains) arising from changes in financial assumptions	660,412	687,979
Effect of movement in exchange rates	84	-
Defined benefit obligations as of December 31	**$ 11,232,559**	**10,111,592**

(Continued)

3) 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:

	2016	2015
Fair value of plan assets as of January 1	$ 6,101,345	5,794,326
Contributions from plan participants	691,417	636,864
Benefits paid by the plan	(454,326)	(478,621)
Expected return on plan assets	114,731	118,782
Net remeasurements of defined benefit liabilities		
—Return on plan assets (excluding the amounts included in net interest expense)	(70,300)	29,994
Fair value of plan assets as of December 31	**$ 6,382,867**	**6,101,345**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	2016	2015
Current services costs	$ 249,533	258,875
Net interest on the net defined benefit liabilities	68,071	58,371
	$ 317,604	**317,246**
Operating cost	$ 247,461	230,328
Operating expenses	70,143	86,918
	$ 317,604	**317,246**

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

As of December 31, 2016 and 2015, the Group's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	2016	2015
Balance as of January 1	$ (2,444,519)	(1,340,191)
Loss recognized during the period	(1,334,982)	(1,104,328)
Balance as of December 31	**$ (3,779,501)**	**(2,444,519)**

(Continued)

6) 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

	2016.12.31	**2015.12.31**
Discount rate	1.125%~8.5%	1.50%~9.16%
Future salary increases	1.51%~8%	1.58%~13.92%

b) the rate applied in calculating the defined benefit plan cost

	2016	**2015**
Discount rate	1.5%~8.5%	1.50%~9.16%
Future salary increases	1.58%~13.92%	1.60%~6.12%

The Group expects to make contributions of $711,426 to the defined benefit plans in the next year starting from December 31, 2016. The weighted average of the defined benefit plans is 14.45 years.

7) Sensitivity analysis

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

	Effects to the defined benefit obligation			
	Favorable		**Unfavorable**	
	2016.12.31	**2015.12.31**	**2016.12.31**	**2015.12.31**
Discount rate (0.25%)	299,911	279,127	313,116	290,438
Future salary increases (0.25%)	288,743	269,133	299,526	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.

(ii) 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 $521,076 and $470,872 as pension costs under the defined contribution plans in 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

(o) Income tax

(i) Income tax expenses

The components of estimated income tax expenses were as follows:

		2016	2015
Current tax expenses	$	594,381	486,424
Deferred tax expenses		748,875	19,570
Income tax expenses	**$**	**1,343,256**	**505,994**

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

		2016	2015
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit plans	**$**	**236,196**	**187,735**
Items that may be reclassified subsequently to profit or loss:			
Unrealized gains on available-for-sale financial assets		(3,378)	(7,557)
Cash flow hedges		(569,111)	206,613
Share of other comprehensive income of associates accounted for using equity method		272	-
	$	**(572,217)**	**199,056**

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

		2016	2015
Profit before tax	**$**	**5,296,923**	**7,365,204**
Income tax using the Company’s domestic tax rate	$	900,477	1,252,085
Exempt income		(245,764)	(210,965)
10% taxation on undistributed earnings		66,713	64,270
Changes in unrecognized deductible temporary differences		192,793	(975,258)
Loss carryforwards		145,333	189,057
Others		283,704	186,805
Total	**$**	**1,343,256**	**505,994**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

		2016.12.31	2015.12.31
Unrecognized deferred tax assets:			
Tax losses	$	474,946	311,693
Investment loss of foreign operations accounted for using equity method		21,036	25,687
Others		34,989	110
	$	**530,971**	**337,490**

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, 2016, the Group's loss carry-forwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

Filing year	Recognized un-deducted operating loss	Unrecognized un-deducted operating loss	Total	Expiry year
2009	$ 1,860,273	2,188,302	4,048,575	2019
2010	-	839	839	2020
2011	1,285,537	-	1,285,537	2021
2012	-	248	248	2022
2013	2,591,563	16,656	2,608,219	2023
2014	-	59,585	59,585	2024
2015	-	217,930	217,930	2025
2016	-	310,243	310,243	2026
	$ 5,737,373	**2,793,803**	**8,531,176**	

The Group has no unrecognized deferred tax liabilities as of December 31, 2016 and 2015.

(Continued)

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

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, 2016	$	1,413,587	637,772	204,745	689,127	431,755	397,189	285,940	-	1,685,552	5,745,667
Recognized in profit or loss		(438,234)	137,438	(67,922)	(93,223)	242,228	37,625	(122,439)	-	(459,098)	(763,625)
Recognized in other comprehensive income		-	-	-	236,124	-	-	-	-	(568,839)	(332,715)
Balance at December 31, 2016	**$**	**975,353**	**775,210**	**136,823**	**832,028**	**673,983**	**434,814**	**163,501**	**-**	**657,615**	**4,649,327**
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	**$**	**1,413,587**	**637,772**	**204,745**	**689,127**	**431,755**	**397,189**	**285,940**	**-**	**1,685,552**	**5,745,667**

Deferred tax liabilities:

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, 2016	$	7,869	65,343	35	38,393	111,640
Recognized in profit or loss		1,701	(8,492)	-	(7,959)	(14,750)
Recognized in other comprehensive income		-	-	(35)	3,378	3,343
Balance at December 31, 2016	**$**	**9,570**	**56,851**	**-**	**33,812**	**100,233**
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	**$**	**7,869**	**65,343**	**35**	**38,393**	**111,640**

(ii) The Company's income tax returns for the years through 2014 were examined and approved by the local tax authorities.

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

		2016.12.31	**2015.12.31**
Unappropriated earnings before 1997	$	-	-
Unappropriated earnings after 1998		2,743,831	5,596,970
	$	**2,743,831**	**5,596,970**
Balance of ICA	**$**	**595,049**	**1,189,661**

	2016 (estimated)	**2015 (actual)**
Tax creditable ratio for earnings distribution to R.O.C. residents	**21.69 %**	**20.48 %**

(Continued)

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 form 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.

(p) Capital and other equity

As of December 31, 2016 and 2015, the Company's authorized share capital consisted of 4,500,000 and 4,000,000 thousand shares of common stock respectively, with par value of $10 (dollars) per share, of which the issued and outstanding share capital were $40,518,923 and $38,589,450, respectively.

(i) Common stock

The appropriation of 2015 earnings that was approved at the shareholders meeting on June 24, 2016, in which the Company will issue 192,947 thousand shares, with a face value of $1,929,473. The date of capital increase was set on August 30, 2016, and all related registration procedure had been completed.

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.

(ii) Capital surplus

The details of capital surplus were as follows:

		2016.12.31	2015.12.31
Cash subscription in excess of par value of shares	$	4,218,825	4,218,825
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		272	272
	$	**6,237,027**	**6,237,027**

(Continued)

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.

(iii) 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.

1) Legal reserve

In accordance with R.O.C. Company Act, 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.

2) 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.

3) Earnings distribution

The appropriation of 2015 earnings was approved at the shareholders' meeting on June 24, 2016. The cash dividends and stock dividends were amounting to 1,157,683 and 1,929,473, respectively.

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.

(Continued)

There was no difference between the aforementioned earnings distribution, offsetting accumulated deficit and the resolution approved in the board meeting. The related information can be found on the Market Observation Post System website.

(iv) 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	Non-controlling interests	Total
Beginning balance at January 1, 2016	$ 137,197	492,544	(2,944,633)	11,594	(2,303,298)
Exchange differences on translation of foreign financial statements	(90,069)	-	-	4,157	(85,912)
Exchange differences on subsidiaries accounted for using equity method	(1,059)	-	-	(265)	(1,324)
Impairment of available-for-sale financial assets reclassified to profit or loss	-	5,345	-	-	5,345
Unrealized gains (losses) on available-for-sale financial assets	-	491,956	-	(554)	491,402
Cash flow hedges, effective portion	-	-	2,778,598	-	2,778,598
Balance at December 31, 2016	**$ 46,069**	**989,845**	**(166,035)**	**14,932**	**884,811**
Beginning balance at January 1, 2015	$ 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)
Balance at December 31, 2015	**$ 137,197**	**492,544**	**(2,944,633)**	**11,594**	**(2,303,298)**

(q) Share-based payment

(i) The Group's share-based payment transaction was as follow:

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

(Continued)

(ii) The information related to the employee stock option plan was as follows:

Unit: Thousand shares /dollars

Cash-settled share-based payment plan (reserved for employees to subscribe)	**2016**	**2015**	**Exercise price (NT$)**
Number of shares outstanding as of January 1	-	60,000	$ -
Number of shares granted during the period	-	-	17
Number of shares exercised during the period	-	(47,851)	17
Number of shares abandoned during the period	-	(12,149)	17
Number of shares outstanding as of December 31	-	-	
Fair value per share at grant date	$ -	5.40	

(iii) The Group adopted the Black-Scholes 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 %

(r) Earnings per share ("EPS")

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

	2016	**2015**
Basic earnings per share:		
Profit attributable to ordinary equity holders	$ **3,476,004**	**6,436,425**
Weighted-average number of shares outstanding during the period (thousand shares)	**4,051,892**	**3,994,933**
Basic earnings per share (in dollars)	$ **0.86**	**1.61**
Diluted earnings per share:		
Profit attributable to ordinary equity holders	$ **3,476,004**	**6,436,425**
Weighted-average number of shares outstanding during the period (thousand shares)	4,051,892	3,994,933
Effect of the potentially dilutive common stock		
Employee bonuses (thousand shares)	11,192	4,872
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	**4,063,084**	**3,999,805**
Diluted earnings per share (in dollars)	$ **0.86**	**1.61**

(Continued)

(s) Revenue

For the years ended December 31, 2016 and 2015, the components of revenue were as follows:

	2016	2015
Aviation transportation revenue	$ 106,593,591	107,964,626
Services revenue	28,066,322	18,442,998
Others	10,019,752	10,760,920
	$ 144,679,665	**137,168,544**

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, 2016 and 2015, the above-mentioned deferred revenue amounted to $2,557,729 and $2,212,631, 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, once the Company has an annual earnings, 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.

The definition of annual earnings, as described in the above-mentioned paragraph, is the Company's profit before tax, excluding the amount of the employee compensation, and the directors' and supervisors' remuneration.

For the years ended December 31, 2016 and 2015, the Company's accrued and recognized employee compensation amounted to $145,590 and $90,623 respectively, the directors' and supervisors' remuneration amounted to $9,500 and $10,000, respectively. The employee compensation, and the directors' and supervisors' remuneration were included in the operating costs and operating expenses.

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.

For the year ended December 31, 2015, the amounts of employee compensation and directors' and supervisors' remuneration approved in the shareholders' meeting and those recognized in the financial statements are the same. The related information can be found on Market Observation Post System website.

(Continued)

(u) Non-operating income and expenses

(i) Other income

	2016	2015
Dividend income	$ 137,606	461,979
Interest income	278,831	329,138
Others	310	286
	$ 416,747	**791,403**

(ii) Other gains and losses

	2016	2015
Foreign exchange losses, net	$ (267,623)	(785,605)
Gains (losses) on disposal of property, plant and equipment	(459,172)	33,725
Impairment losses resulting from permanent decrease in value of financial assets	(5,345)	(241,124)
Others	165,203	(76,250)
	$ (566,937)	**(1,069,254)**

(iii) Finance costs

	2016	2015
Interest expense		
Bank borrowings	$ 1,211,628	1,199,294
Lease liabilities	168,213	247,000
Others	569,275	308,022
Less: capitalized interest	(141,119)	(60,938)
	$ 1,807,997	**1,693,378**

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

2) 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.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
As of December 31, 2016					
Non-derivative financial liabilities					
Short-term and long-term borrowings	$ 71,563,982	75,641,311	15,189,846	41,567,215	18,884,250
Secured bonds payable	19,500,000	20,092,075	6,722,000	13,370,075	-
Lease liabilities	5,109,504	5,437,511	1,667,119	3,022,192	748,200
Notes and accounts payable (including related parties)	5,429,452	5,429,452	5,429,452	-	-
Other payables (including related parties)	10,211,977	10,211,977	10,211,977	-	-
Subtotal	111,814,915	116,812,326	39,220,394	57,959,482	19,632,450
Derivative financial liabilities					
Fuel swap and option agreement for hedge purposes	262,939	262,939	213,227	49,712	-
Forward exchange contracts for hedge purposes:					
Outflow	39	32,099	32,099	-	-
Inflow	-	(32,060)	(32,060)	-	-
Subtotal	39	39	39	-	-
Total	**$ 112,077,893**	**117,075,304**	**39,433,660**	**58,009,194**	**19,632,450**
As of December 31, 2015					
Non-derivative financial liabilities					
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
Derivative financial liabilities					
Fuel swap and option agreement for hedge purposes	3,547,751	3,547,751	2,493,413	1,054,338	-
Total	**$ 105,940,846**	**110,660,290**	**38,167,763**	**53,779,854**	**18,712,673**

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

(Continued)

(iii) Currency risk

1) Exposure to currency risk

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

	2016.12.31				2015.12.31			
	Foreign Currency	Exchange rate		TWD	Foreign Currency	Exchange rate		TWD
Financial assets								
Monetary items								
USD	$ 793,466	USD//TWD=	32.25	25,589,293	644,327	USD//TWD=	32.825	21,150,043
EUR	6,740	EUR/TWD=	33.90	228,493	6,461	EUR/TWD=	35.88	231,822
JPY	1,186,684	JPY/TWD=	0.2756	327,050	843,212	JPY/TWD=	0.2727	229,944
HKD	116,863	HKD/TWD=	4.16	485,917	212,273	HKD/TWD=	4.24	898,977
CNY	239,709	CNY/TWD=	4.62	1,106,738	344,357	CNY/TWD=	5.00	1,720,063
				$ 27,737,491				24,230,849
Non-monetary items								
USD	$ 36,298	USD//TWD=	32.25	1,170,602	35,063	USD//TWD=	32.825	1,150,956
CNY	62,092	USD/CNY=	6.9851	341,858	58,061	USD/CNY=	6.5716	346,178
SGD	1,235	SGD/TWD=	22.29	27,521	1,156	SGD/TWD=	23.25	26,865
THB	10,780	THB/TWD=	0.905	9,756	24,498	THB/TWD=	0.9146	22,405
MOP	21,051	USD/MOP=	8.1777	83,016	22,544	USD/MOP=	8.16920	90,586
				$ 1,632,753				1,636,990
Financial liabilities								
Monetary items								
USD	$ 690,075	USD//TWD=	32.25	22,254,931	667,086	USD//TWD=	32.825	21,897,104
EUR	6,591	EUR/TWD=	33.90	223,431	5,739	EUR/TWD=	35.88	205,909
JPY	1,582,920	JPY/TWD=	0.2756	436,253	1,637,238	JPY/TWD=	0.2727	446,475
HKD	17,759	HKD/TWD=	4.16	73,841	23,744	HKD/TWD=	4.24	100,558
CNY	165,805	CNY/TWD=	4.62	765,520	241,993	CNY/TWD=	5.00	1,208,756
				$ 23,753,976				23,858,802

2) Sensitivity analysis

The Group's monetary items 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, 2016 and 2015, would have changed the profit by $39,835 and $3,720, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016 and 2015.

(Continued)

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, 2016 and 2015, the Group's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to $267,623 and $785,605, respectively.

(iv) Interest rate risk

The liquidity risk and interest rate exposure of the Group's financial liabilities are illustrated in note 6(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 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 $722,245 and $662,020 for the years ended December 31, 2016 and 2015, respectively due to the Group's floating-interest borrowings.

(v) Fair value

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets is measured on a recurring basis. 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.

	2016.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Money market funds	$ 2,329	2,329	-	-	2,329
Derivative financial assets for hedging	62,936	-	62,936	-	62,936
Available-for-sale financial assets					
Money market funds	1,909,279	1,909,279	-	-	1,909,279
Publicly traded stock	1,691,948	1,691,948	-	-	1,691,948
Non-publicly traded stock	1,328,629	-	-	1,328,629	1,328,629
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,930,876	3,601,227	-	1,328,629	4,929,856

(Continued)

	2016.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 44,933,016	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	11,739,298	-	-	-	-
Subtotal	56,672,314	-	-	-	-
Other non-current assets	1,577,564	-	-	-	-
Total	**$ 63,246,019**	**3,603,556**	**62,936**	**1,328,629**	**4,995,121**
Derivative financial assets for hedging	$ 262,978	-	262,978	-	262,978
Amortized cost of financial liabilities					
Short-term and long-term borrowings	71,563,982	-	71,578,643	-	71,578,643
Secured bonds payable	19,500,000	-	19,304,011	-	19,304,011
Lease liabilities	5,109,504	-	5,142,947	-	5,142,947
Note and accounts payable (including related parties)	5,429,452	-	-	-	-
Other payables (including related parties)	10,211,977	-	-	-	-
Subtotal	111,814,915	-	96,025,601	-	96,025,601
Total	**$ 112,077,893**	**-**	**96,288,579**	**-**	**96,288,579**

	2015.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 2	Total
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	**$ 52,536,376**	**2,601,838**	**419,598**	**1,342,439**	**4,363,875**
Derivative financial liabilities for hedge purposes	$ 3,547,751	-	3,547,751	-	3,547,751
Amortized cost of financial liabilities					
Short-term and long-term borrowings	$ 65,665,569	-	64,933,544	-	64,933,544
Secured bonds payable	16,100,000	-	16,064,342	-	16,064,342
Lease liabilities	7,067,237	-	7,110,534	-	7,110,534
Note and accounts payable (including related parties)	2,889,233	-	-	-	-
Other payables (including related parties)	10,671,056	-	-	-	-
Subtotal	102,393,095	-	88,108,420	-	88,108,420
Total	**$ 105,940,846**	**-**	**91,656,171**	**-**	**91,656,171**

2) 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:

	2016	**2015**
Secured bonds payable	1.47%	1.52%
Long-term borrowings	1.44%~1.47%	1.52%~1.57%
Lease liabilities	1.47%	1.52%

3) In October 2016, Taiwan High Speed Rail Corporation listed its equity shares on an exchange and they are currently actively traded in the market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 2 to Level 1 of the fair value hierarchy at December 31, 2016.

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.

4) 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:

	Unquoted equity instruments
Beginning balance as of January 1, 2016	$ 1,342,439
Total gains or losses:	
Recognized in profit and loss	(5,345)
Recognized in other comprehensive income	(8,465)
Balance as of December 31, 2016	**$ 1,328,629**
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	**$ 1,342,439**

(Continued)

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, 2016 and 2015, the assets which were still held by the Group were as follows:

		2016	2015
Gains or losses (including in other gains (losses))	$	(5,345)	(107,914)
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)		(8,465)	(130,566)

5) 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.

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	• Price-book ratio (as of December 31, 2016 and 2015 were 0.40~2.64 and 0.40~4.29, respectively) • Market liquidity discount rate (as of December 31, 2016 and 2015 were 80%)	• The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value

6) Sensitivity analysis for fair value measurements categorized within Level 3 of the fair value hierarchy

(Continued)

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:

		Effects of changes in fair value on other comprehensive income			
	Increase	Favorable		Unfavorable	
Inputs	**(decrease)**	**2016.12.31**	**2015.12.31**	**2016.12.31**	**2015.12.31**
Price-book ratio	5%	65,557	68,549	(65,447)	(63,716)
Market liquidity discount rate	5%	76,253	71,577	(65,447)	(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

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) 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.

(Continued)

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.

(iii) 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.

1) 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.

2) 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.

3) Guarantees

As of December 31, 2016, the Group did not provide endorsements and guarantees.

(iv) 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.

(Continued)

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.

(v) 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.

1) 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.

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.

2) 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.

3) 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.

(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.

(Continued)

The capital structure of the Group consists of net debt and equity. The net debt from the balance sheet is derived from the total borrowings less cash and cash equivalents. The total capital includes equity (common stock, capital surplus, retained earnings and other equity) and net debt.

As of December 31, 2016, there were no changes in the Group's approach to capital management.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

(i) Operating revenue

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

		2016	2015
Associates	$	19,478,681	11,403,088
Others		2,363,052	2,396,210
	$	**21,841,733**	**13,799,298**

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.

(ii) Operating cost

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

		2016	2015
Associates	$	91,330	83,455
Others		762,355	1,126,358
	$	**853,685**	**1,209,813**

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)

(iii) Operating expenses

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

	2016	2015
Associates	$ 61,457	60,713
Others	332,009	230,368
	$ 393,466	**291,081**

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.

(iv) Property transaction

For the year ended December 31, 2016, the Group purchased equipment from its related parties amounting to $372,514.

For the year ended December 31, 2016, proceed from disposal of equipment and gains on disposal of equipment amounted to $57 and $49 respectively, due to the equipment disposed by the Group to its related parties.

(v) Construction commitment

In October 2014, the consolidated subsidiary, Evergreen Aviation Technologies Corp., (hereinafter refer to as EGAT) 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, 2016, EGAT has partially paid the price of 650,628.

The consolidated subsidiary, Evergreen Airline Services Corp., (hereinafter refer to as EGAS), entered into a contract with other related parties amounting to $712,381 for the purpose of the construction of its plants and employee dormitories. As of December 31, 2016, EGAS has partially paid the price of 279,253.

(vi) Others

EGAT, the consolidated subsidiary, purchased a piece of agricultural land on Puxin, Dayuan Dist., Taoyuan City, to be used as parking lot, in 2015. The purchase was in the name of the Company’s director. The contract price amounted to $60,558.

(Continued)

(vii) Receivables from related parties

Receivables from related parties of the Group were as follows:

Account	Class of related parties	2016.12.31	2015.12.31
Accounts receivable	Associates	$ 3,217,103	3,165,657
Accounts receivable	Others	427,270	440,522
Other receivables	Associates	39	39
Other receivables	Others	238,438	195,505
		$ 3,882,850	**3,801,723**

(viii) Payables to related parties

Payables to related parties of the Group were as follows:

Account	Class of related parties	2016.12.31	2015.12.31
Accounts payable	Associates	$ 7,447	8,669
Accounts payable	Others	148,512	86,672
Other payables	Associates	11,224	23,283
Other payables	Others	174,455	147,403
		$ 341,638	**266,027**

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2016	2015
Short-term employee benefits	$ 177,065	175,055
Post-employment benefits	26,352	7,231
Other long-term employee benefits	14	-
	$ 203,431	**182,286**

(Continued)

(8) Pledged assets:

The carrying amounts of the pledged assets were as follows:

Pledged assets	Object	2016.12.31	2015.12.31
Property, plant, and equipment	Short-term and long-term borrowings	$ 80,766,317	74,322,928
Available-for-sale financial assets－non-current	Contract performance guarantees	-	43,163
Time deposit－included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	126,386	113,657
		$ 80,892,703	**74,479,748**

(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. The Company had reached a settlement agreement with the plaintiffs amounting to US$99,000. 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:

(i) In July 2015, the Company entered into aircraft purchase contracts amounting to US$1,620,000 with Boeing Company for five Boeing 777 freighters. As of December 31, 2016, the five Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of $5,165,809, which was included in other non-current assets.

(ii) In July 2015, the Company entered into engine purchase contracts amounting to US$31,560 with General Electric Company for one Boeing 777 engine. As of December 31, 2016, the Boeing 777 engine had not yet been delivered by General Electric Company. The Company has partially paid the price of $49,549, which was included in other non-current assets.

(iii) In November 2015, the Company entered into aircraft purchase contracts amounting to US$7,324,000 with Boeing Company for two Boeing 777 aircraft and eighteen Boeing 787-10 aircraft. As of December 31, 2016, 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 $4,204,606, which was included in other non-current assets.

(Continued)

(iv) In November 2015, the Company entered into engine purchase contracts amounting to US$118,660 with General Electric Company for five Boeing 787 engines. As of December 31, 2016, the five Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $43,267, which was included in other non-current assets.

(v) 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. As of December 31, 2016, the Company has partially paid the price of $99,144, which was included in property, plant and equipment.

(vi) In September 2016, the Company entered into flight simulator purchase contracts amounting to US$17,660 with L-3 Company for one Boeing 787 flight simulator. As of December 31, 2016, the Boeing 787 flight simulator had not yet been delivered by L-3 Company. The Company has partially paid the price of $70,416, which was included in other non-current assets.

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

	2016.12.31	2015.12.31
Unused letters of credit	$ 2,682,819	2,322,913

(viii) 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:

1) Concession period

a) Building period is less than 3 years starting from the date (i.e. April 1, 2000) when CAA delivered the terminal land to EGAC.

b) Operating period is 30 years starting from the initial date of operation (i.e. February 26, 2002) approved by CAA.

2) 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.

(Continued)

3) 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.

4) 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.

5) 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, 2016, the estimated royalty amounted to $77,012, which was recorded as operating cost. Besides, as of December 31, 2016, the promissory notes for the performance of the concession contract issued by EGAC amounted to $695,563.

(ix) The consolidated subsidiary, Evergreen Airline Services Corp., (hereinafter refer to as EGAS), signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to $1,182,190. No payment was settled as of December 31, 2016.

(x) EGAS, the consolidated subsidiary, entered into equipment purchase contracts amounting to $578,364. As of December 31, 2016, EGAS has partially paid the price of $116,200.

(Continued)

(xi) EGAT, the consolidated subsidiary, had entered into a contract 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. The controversy is hand over to the court for decision. EGAT takes a positive stand and will disclose the developments of the litigation based on the procedure during court trial.

(xii) The consolidated subsidiary, Evergreen Aviation Precision Corp. (hereinafter refer to as EGAP), entered into equipment purchase contracts amounting to $140,266. As of December 31, 2016, EGAP has partially paid the price of $98,967, which was included in other non-current assets.

(xiii) The consolidated subsidiary, Evergreen Sky Catering Corp., (hereinafter refer to as EGSC), entered into a construction commitment of a factory with Best-Giving Construction Corp. amounting to $2,569,697. As of December 31, 2016, EGSC has partially paid the price of the construction amounting to $959,782. Moreover, EGSC entered into a construction supervision proposal with H.C. Chen Architects and Associates, with a contract price of 2.5% of the abovementioned construction commitment. As of December 31, 2016, EGSC has partially paid the price of the construction supervision proposal of $15,188.

(xiv) EGSC, the consolidated subsidiary, entered into a construction commitment of a factory with Toppal Engineering Co., Ltd. amounting to $271,800. As of December 31, 2016, EGSC has not paid the price of the construction.

(xv) EGSC, the consolidated subsidiary, entered into equipment purchase contracts amounting to $619,254. As of December 31, 2016, EGSC has partially paid the price of $62,004.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

In February, 2017, EGAT, the consolidated subsidiary, entered into a contract with other related party amounting to $835,675 for the purpose of the construction of its engine plant.

(12) Others:

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

	2016			2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	11,983,829	5,548,405	17,532,234	10,235,856	5,015,436	15,251,292
Labor and health Insurance	771,601	294,481	1,066,082	708,843	290,938	999,781
Pension	626,156	212,524	838,680	569,416	218,702	788,118
Others	3,488,580	551,228	4,039,808	2,655,794	556,562	3,212,356
Depreciation (Note)	14,292,129	632,282	14,924,411	12,105,298	533,709	12,639,007
Amortization	156,297	201,357	357,654	154,177	189,860	344,037

Note: For the years ended December 31, 2016 and 2015, the depreciation expenses recognized were $15,051,372 and $12,774,438 respectively, less deferred gains of $126,961 and $135,431, respectively.

(Continued)

(13) Segment information:

(a) General information

The Group has two reportable segments: aviation transportation segment and maintenance 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.

Other operating segments are mainly involved in catering service segment, ground handling services, travel agency, distribution of cargo, investment, manufacture of aircraft parts, and flight training. For the years ended December 31, 2016 and 2015, 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.

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:

	2016				
	Aviation transportation segment	**Maintenance segment**	**Other segments**	**Reconciliation and elimination**	**Total**
Revenue:					
Revenue from external customers	$ 115,311,245	27,086,403	2,282,017	-	144,679,665
Intersegment revenue	184,574	5,751,692	5,087,928	(11,024,194)	-
Interest income	228,814	28,927	21,090	-	278,831
Net revenues	**$ 115,724,633**	**32,867,022**	**7,391,035**	**(11,024,194)**	**144,958,496**
Interest expense	$ (1,641,912)	(120,473)	(45,612)	-	(1,807,997)
Depreciation and amortization	(14,227,725)	(508,216)	(557,484)	11,360	(15,282,065)
Share of profit (loss) of associates accounted for using equity method	1,261,888	(100,038)	81,747	(1,118,421)	125,176
Other significant non-cash items:					
Impairment loss	-	-	(5,345)	-	(5,345)
Reportable segment profit or loss	**$ 4,368,034**	**1,388,558**	**624,716**	**(1,084,385)**	**5,296,923**
Assets:					
Investment accounted for using equity method	$ 13,905,359	759,105	424,874	(14,467,752)	621,586
Capital expenditures of non-current assets	13,846,016	1,100,366	2,282,244	-	17,228,626
Reportable segment assets	**$ 195,749,734**	**23,007,950**	**16,291,406**	**(17,385,686)**	**217,663,404**
Reportable segment liabilities	**$ 142,421,539**	**12,800,198**	**5,783,951**	**(2,678,565)**	**158,327,123**

(Continued)

	2015				
	Aviation transportation segment	**Maintenance segment**	**Other segments**	**Reconciliation and elimination**	**Total**
Revenue:					
Revenue from external customers	$ 115,670,066	19,486,041	2,012,437	-	137,168,544
Intersegment revenue	222,590	4,913,600	4,726,581	(9,862,771)	-
Interest income	281,736	27,943	19,459	-	329,138
Net revenues	**$ 116,174,392**	**24,427,584**	**6,758,477**	**(9,862,771)**	**137,497,682**
Interest expense	$ (1,538,519)	(127,813)	(27,046)	-	(1,693,378)
Depreciation and amortization	(12,028,343)	(490,683)	(475,815)	11,797	(12,983,044)
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)
Reportable segment profit or loss	**$ 6,539,529**	**1,117,341**	**611,423**	**(903,089)**	**7,365,204**
Assets:					
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	1,427,442	-	26,959,567
Reportable segment assets	**$ 176,487,661**	**21,668,731**	**14,486,546**	**(17,236,626)**	**195,406,312**
Reportable segment liabilities	**$ 127,628,847**	**11,795,732**	**3,863,545**	**(2,609,334)**	**140,678,790**

(c) Entity-wide information

(i) 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.

(ii) 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:

Geography	**2016**	**2015**
Taiwan	$ 78,058,475	69,748,029
Asia	32,835,461	35,628,765
Europe	4,654,482	4,937,027
North America	28,773,210	26,518,634
Others	358,037	336,089
	$ 144,679,665	**137,168,544**

(Continued)

Non-current assets:

Geography	2016.12.31	2015.12.31
Taiwan	$ 137,785,672	125,821,760
Asia	246,459	201,995
Others	392,873	199,566
	$ 138,425,004	**126,223,321**

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

(iii) 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, 2016 and 2015
(With Independent Auditors' Report Thereon)

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Independent Auditor's Report

To the Board of Directors
EVA Airways Corp.:

Opinion

We have audited the parent-company-only financial statements of EVA Airways Corp.("the Company"), which comprise the statement of financial position as of December 31, 2016 and 2015, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Unearned mileage redemption revenue

   Please refer to note 4(o) "Revenue", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements, and note 6(r) "Revenue".

   The member who joins the "Infinity Mileagelands" ("the Program") can earn mileage by flying any of the Company's flights or through other consumption. Unearned revenues will be converted into revenues when the member actually redeems the mileage or it is expected that the right is probable not to be redeemed.

   The Company maintains information technology systems in order to calculate its mileage redemption revenue. And the Company also uses the systems to estimate the unit fair value of the mileage. Therefore, the cut off test of unearned mileage redemption revenue is one of the key judgment areas for our audit.

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How the matter was addressed in our audit

Our principal audit procedures included: testing the design and implementation of the relevant automatic and manual controls over the mileage redemption revenue systems related to the Program; engaging the internal specialist to assess the quantity of the mileage, fair value of the redemption of the Pragram and the historical redemption probability of the Program to examine the unit fair value of the mileage for verifying the accuracy of recognition of the unearned mileage redemption revenue.

2. The restoration obligation of leased aircraft

   Please refer to note 4(m) “Provision”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements, and note 6(k) “Provision”.

   The estimated recovery costs are incurred through the lease of aircraft. The Company’s restoration obligations are based on the 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 accuracy of restoration obligation is one of the key judgmental areas for our audit.

   How the matter was addressed in our audit

   Our principal audit procedures included: understanding the accounting policy of the restoration obligation; examining the methodology and key assumptions of the restoration obligation adopted by the Company’s management, including lease terms and discount rates, as well as assessing the accuracy of recognition of restoration obligation by understanding the using condition of the leased aircraft; comparing past assumptions made by the Company’s management with actual recovery costs and analyzing their significant differences.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Chin-Sun Wang.

KPMG

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Taipei, Taiwan (Republic of China)
March 29, 2017

Notes 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.

EVA AIRWAYS CORP.

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	2016.12.31 Amount	%	2015.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 37,874,856	19	28,890,633	16
1125	Available-for-sale financial assets－current (note 6(b))	1,522,021	1	1,517,801	1
1135	Derivative financial assets for hedge purposes－current (note 6(c))	62,936	-	-	-
1150	Notes receivable, net (note 6(d))	544,584	-	410,415	-
1170	Accounts receivable, net (note 6(d))	5,788,388	3	5,118,146	3
1180	Accounts receivable－related parties (notes 6(d) and 7)	395,991	-	311,057	-
130x	Inventories (notes 6(e) and 7)	1,661,856	1	1,619,953	1
1470	Other current assets (notes 6(d),6(i) and 7)	1,672,000	1	1,395,067	1
	Total current assets	49,522,632	25	39,263,072	22
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (notes 6(b) and 8)	2,974,781	2	2,520,463	1
1550	Investments accounted for using equity method (note 6(f))	13,905,359	7	13,638,065	8
1600	Property, plant and equipment (notes 6(g),7 ,8 and 9)	112,986,912	58	103,950,044	59
1780	Intangible assets (note 6(h))	493,089	-	455,178	-
1840	Deferred tax assets (note 6(n))	4,037,265	2	5,249,243	3
1900	Other non-current assets (notes 6(i), 8 and 9)	11,829,696	6	11,411,596	7
	Total non-current assets	146,227,102	75	137,224,589	78
	Total assets	$ 195,749,734	100	176,487,661	100

	Liabilities and Equity	2016.12.31 Amount	%	2015.12.31 Amount	%
	Current liabilities:				
2125	Derivative financial liabilities for hedge purposes－current (note 6(c))	$ 213,266	-	2,493,413	1
2170	Accounts payable	2,830,454	1	1,217,432	1
2180	Accounts payable－related parties (note 7)	2,462,819	1	2,444,097	1
2200	Other payables (notes 6(s), 7 and 9)	10,887,586	6	10,999,723	6
2310	Unearned revenue (note 6(r))	14,608,324	8	13,241,354	8
2320	Current portion of long-term liabilities (notes 6(j) and 8)	17,379,084	9	14,936,936	8
2300	Other current liabilities (notes 6(g), 6(j) and 6(k))	8,391,254	4	8,429,265	5
	Total current liabilities	56,772,787	29	53,762,220	30
	Non-current liabilities:				
2510	Derivative financial liabilities for hedge purposes－non- current (note 6(c))	49,712	-	1,054,338	1
2530	Bonds payable (note 6(j))	13,000,000	7	11,000,000	6
2540	Long-term borrowings (notes 6(j) and 8)	47,806,493	24	44,367,854	25
2570	Deferred tax liabilities (note 6(n))	60,294	-	65,343	-
2613	Lease liabilities－non-current (note 6(j))	3,575,432	2	5,152,193	3
2640	Net defined benefit liabilities－non-current (note 6(m))	4,118,751	2	3,409,432	2
2600	Other non-current liabilities (notes 6(g), 6(k) and 6(r))	17,038,070	9	8,817,467	5
	Total non-current liabilities	85,648,752	44	73,866,627	42
	Total liabilities	142,421,539	73	127,628,847	72
	Equity (notes 6(c), 6(m), 6(n), 6(o) and 6(p)):				
3110	Common stock	40,518,923	21	38,589,450	21
3200	Capital surplus	6,237,027	3	6,237,027	4
3300	Retained earnings	5,702,366	3	6,347,229	4
3400	Other equity	869,879	-	(2,314,892)	(1)
	Total equity	53,328,195	27	48,858,814	28
	Total liabilities and equity	$ 195,749,734	100	176,487,661	100

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(r) and 7)**	$115,495,819	100	115,892,656	100
5000	**Operating cost (notes 6(c), 6(e), 6(g), 6(h), 6(k), 6(l), 6(m), 6(s) and 7)**	(99,612,331)	(86)	(98,540,341)	(85)
	Gross profit from operations	15,883,488	14	17,352,315	15
6000	**Operating expenses (notes 6(d), 6(g), 6(h), 6(l), 6(m), 6(s) and 7)**	(10,922,049)	(9)	(9,979,378)	(9)
	Net operating income	4,961,439	5	7,372,937	6
	Non-operating income and expenses:				
7010	Other income (note 6(t))	366,343	-	743,615	1
7020	Other gains and losses (notes 6(b), 6(k), 6(o), 6(t) and 7)	(579,724)	(1)	(1,082,644)	(1)
7050	Finance costs (notes 6(g), 6(k) and 6(t))	(1,641,912)	(1)	(1,538,519)	(1)
7375	Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	1,261,888	1	1,044,140	1
	Total non-operating income and expenses	(593,405)	(1)	(833,408)	-
7900	**Profit before tax**	4,368,034	4	6,539,529	6
7950	**Income tax expenses (note 6(n))**	(892,030)	(1)	(103,104)	-
8200	**Profit**	3,476,004	3	6,436,425	6
8300	**Other comprehensive income (notes 6(c), 6(f), 6(m), 6(n), 6(o) and 6(u)):**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of the net defined benefit plans	(1,032,186)	(1)	(839,731)	(1)
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(176,997)	-	(142,478)	-
8349	Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	175,472	-	142,754	-
	Total items that will not be reclassified subsequently to profit or loss	(1,033,711)	(1)	(839,455)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(90,069)	-	10,210	-
8362	Unrealized gains (losses) on available-for-sale financial assets	501,358	-	(132,110)	-
8363	Cash flow hedges	3,347,709	3	(1,215,368)	(1)
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(1,673)	-	(5,533)	-
8399	Income tax benefit (losses) relating to items that may be reclassified subsequently to profit or loss	(572,554)	-	199,056	-
	Total items that may be reclassified subsequently to profit or loss	3,184,771	3	(1,143,745)	(1)
8300	**Other comprehensive income, net of tax**	2,151,060	2	(1,983,200)	(2)
8500	**Comprehensive income**	**$ 5,627,064**	**5**	**4,453,225**	**4**
	Earnings per common share (note 6(q))				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$ 0.86**		**1.61**	
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$ 0.86**		**1.61**	

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

				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
Balance on January 1, 2015	$ 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
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	-	-	-	-	-
Adjustments to share of changes in equity of subsidiaries	-	-	272	-	-	-	-	-	-	-	-	272
Profit in 2015	-	-	-	-	-	6,436,425	6,436,425	-	-	-	-	6,436,425
Other comprehensive income in 2015	-	-	-	-	-	(839,455)	(839,455)	10,210	(145,200)	(1,008,755)	(1,143,745)	(1,983,200)
Comprehensive income in 2015	-	-	-	-	-	5,596,970	5,596,970	10,210	(145,200)	(1,008,755)	(1,143,745)	4,453,225
Issuance of common stock	6,000,000	(186,567)	4,200,000	-	-	-	-	-	-	-	-	10,013,433
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
Appropriations of prior year's earnings:												
Legal reserve	-	-	-	643,643	-	(643,643)	-	-	-	-	-	-
Special reserve	-	-	-	-	1,564,633	(1,564,633)	-	-	-	-	-	-
Cash dividends to common shareholders	-	-	-	-	-	(1,157,683)	(1,157,683)	-	-	-	-	(1,157,683)
Stock dividends to common shareholders	1,929,473	-	-	-	-	(1,929,473)	(1,929,473)	-	-	-	-	-
Profit in 2016	-	-	-	-	-	3,476,004	3,476,004	-	-	-	-	3,476,004
Other comprehensive income in 2016	-	-	-	-	-	(1,033,711)	(1,033,711)	(91,128)	497,301	2,778,598	3,184,771	2,151,060
Comprehensive income in 2016	-	-	-	-	-	2,442,293	2,442,293	(91,128)	497,301	2,778,598	3,184,771	5,627,064
Balance on December 31, 2016	**$ 40,518,923**	**-**	**6,237,027**	**643,643**	**2,314,892**	**2,743,831**	**5,702,366**	**46,069**	**989,845**	**(166,035)**	**869,879**	**53,328,195**

Note: For the years ended December 31, 2016 and 2015, the Company's recognized the directors' and supervisors' remuneration were $9,500 and $10,000, respectively, employee compensation were $145,590 and $90,623, respectively, and the abovementioned amounts have been deducted in the comprehensive income statements for each period.

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	$ 4,368,034	6,539,529
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	14,169,004	11,988,133
Amortization expense	185,682	175,641
Impairment loss	-	241,124
Interest expense	1,641,912	1,538,519
Interest income	(228,814)	(281,736)
Dividend income	(137,529)	(461,879)
Share of profit of subsidiaries and associates accounted for using equity method	(1,261,888)	(1,044,140)
Losses on disposal of property, plant and equipment	460,596	45,226
Gains on disposal of investments	(48,693)	(7,299)
Unrealized foreign exchange loss (gain)	(386,960)	716,045
Others	(155,828)	(156,232)
Total adjustments to reconcile profit	14,237,482	12,753,402
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(134,169)	8,882
Accounts receivable, net	(670,242)	942,757
Accounts receivable－related parties	(84,934)	282,334
Inventories	(46,672)	180,998
Other current assets	(263,610)	325,465
Total changes in operating assets	(1,199,627)	1,740,436
Changes in operating liabilities:		
Accounts payable	1,613,022	(394,027)
Accounts payable－related parties	18,722	(624,827)
Other payables	360,129	21,479
Unearned revenue	1,366,970	3,018,645
Other current liabilities	(3,127,721)	(276,204)
Net defined benefit liabilities－non-current	(322,867)	(193,261)
Other non-current liabilities	501,766	1,486,438
Total changes in operating liabilities	410,021	3,038,243
Total changes in operating assets and liabilities	(789,606)	4,778,679
Total adjustments	13,447,876	17,532,081
Cash inflow generated from operations	17,815,910	24,071,610
Income taxes paid	(97,159)	(59,120)
Net cash flows from operating activities	17,718,751	24,012,490

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) investing activities:		
Available-for-sale financial assets－current	$ 781	(550,649)
Acquisition of available-for-sale financial assets－non-current	-	(43,276)
Proceeds from disposal of available-for-sale financial assets－non-current	44,937	67,362
Acquisition of investments accounted for using equity method	(1)	(820,302)
Proceeds from disposal of investments accounted for using equity method	12,353	-
Acquisition of property, plant and equipment	(5,500,378)	(14,268,966)
Proceeds from disposal of property, plant and equipment	183,453	764,592
Acquisition of intangible assets	(223,593)	(165,793)
(Increase) decrease in other non-current assets	91,210	(233,340)
Increase in prepayments for equipment	(8,122,044)	(10,548,270)
Interest received	230,356	298,361
Dividends received	911,991	651,466
Net cash flows used in investing activities	(12,370,935)	(24,848,815)
Cash flows from (used in) financing activities:		
Proceeds from issuance of bonds payable	8,500,000	-
Redemption of bonds payable	(5,100,000)	(5,100,000)
Proceeds from long-term borrowings	14,921,000	15,223,000
Redemption of long-term borrowings	(10,320,121)	(9,569,105)
Increase in deposits received	75,601	27,251
Redemption of lease liabilities	(1,877,310)	(2,028,562)
Cash dividends paid	(1,157,683)	-
Issuance of common stock	-	10,013,433
Interest paid	(1,405,080)	(1,454,426)
Net cash flows from financing activities	3,636,407	7,111,591
Net increase in cash and cash equivalents	8,984,223	6,275,266
Cash and cash equivalents at the beginning of year	28,890,633	22,615,367
Cash and cash equivalents at the end of year	**$ 37,874,856**	**28,890,633**

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2016 and 2015

(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

(a) civil aviation transportation and general aviation business;

(b) 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 29, 2017.

(3) New standards and interpretations not yet adopted

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments 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

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on the Company's financial statements:

The amendment to IAS 36 requires the recoverable amount of assets for which an impairment loss has been recognized or revesed is calculated by using the fair value, less, cost of disposal. The standard is required to disclose the fair value hierarchy and key assumptions (Level 2/Level 3). The Group will increase the relevant disclosures in accordance with this new standard.

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

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were authorized for issue, the FSC has not announced the effective dates of the other new IFRSs:

New, Revised or Amended Standards and Interpretations	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"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 “Financial Instruments”	The standard will replace IAS 39 “Financial Instruments: Recognition and Measurement”, and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that “own credit risk” adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 “Leases”	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance upon initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

(4) Summary of significant accounting policies

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 (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) 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:

1) Available-for-sale financial assets are measured at fair value;

2) Hedging derivative financial instruments are measured at fair value; and

3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, less, the fair value of plan assets.

(ii) 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

(i) 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.

(Continued)

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：

1) available-for-sale equity investment;

2) financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars (which was expressed in reporting currency) at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars (which was expressed in reporting 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:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) 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.

(Continued)

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) 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.

(i) 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.

1) 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)

2) 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.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, shall be measured at cost less the impairment loss, and included in financial assets carried at cost.

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.

3) Impairment of financial assets

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

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

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

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

(Continued)

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 accounts receivable are recognized in operating expense; impairment losses and recoveries of other financial assets are recognized in other gains and losses under non-operating income and expenses.

4) 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.

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.

(Continued)

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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) 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.

3) Derecognition of financial liabilities

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

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

(Continued)

4) 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.

(ii) 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:

1) 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.

2) 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.

(Continued)

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 or joint control, over their financial and operating policies.

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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.

(Continued)

(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

(i) 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.

(ii) 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.

(iii) 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.

(Continued)

(iv) 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 for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Land has unlimited useful life and therefore is not depreciated.

2) Buildings and structures: 5 to 55 years

3) Machinery and equipment: 1 to 18 years

4) Aircraft: 3 to 18 years

5) Leased assets are depreciated over the shorter of the lease term or the estimated useful live.

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

(k) Leases

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

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.

(Continued)

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.

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.

(m) Provision

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.

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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.

(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

(i) 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.

(ii) Unearned mileage redemption revenue

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.

(Continued)

(iii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(p) Employee benefits

(i) 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.

(ii) 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 recognizes the amounts in retained earnings.

(Continued)

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.

(iii) 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:

(i) 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.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

(Continued)

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:

(i) The Company has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) 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) 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.

(t) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

(Continued)

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 parent-company-only financial statements is as follows:

Please refer to note 6(g), for the Company entered into numbers of aircraft lease contracts, and the Company assumes substantially all of the risks and rewards of ownership according to the article of lease contracts. Therefore, the Company classified these lease contracts as finance leases.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is as follow:

(a) Unearned Mileage Redemption Revenue

Please refer to note 4(o), for the rights of accumulated mileages that are estimated by using the fair value of the redeemable part of the customer loyalty program and, the reference to past experience of probability of redemption. Changes in fair value per mileage or redemption rate may have a material impact on the unearned mileage redemption revenue. Also, unearned revenues will be converted into revenues when the member actually redeems the mileage or it is expected that the rights are probable not to be redeemed.

(b) Provision

Please refer to note 4(m), for the estimated recovery costs that were incurred through the lease of aircrafts. 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. The Company is also continuing to monitor its accounting assumption and to verify its appropriateness. Changes in judgment or estimations may have a material impact on the amounts of recovery costs.

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.

(Continued)

– 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(u).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	2016.12.31	2015.12.31
Cash on hand	$ 89,488	89,032
Cash in bank	37,785,368	28,801,601
	$ 37,874,856	**28,890,633**

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

(b) Financial assets

(i) Available-for-sale financial assets-current:

	2016.12.31	2015.12.31
Money market funds	**$ 1,522,021**	**1,517,801**

(ii) Available-for-sale financial assets－non-current:

	2016.12.31	2015.12.31
Non-publicly traded stocks	$ 1,328,629	1,757,091
Publicly traded stocks	1,646,152	720,209
U.S. Treasure notes	-	43,163
	$ 2,974,781	**2,520,463**

In 2016 and 2015, the Company recognized the impairment losses of $ 0 and $241,124, 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(u).

As of December 31, 2016 and 2015, the pledge for Company’s financial assets is disclosed in note 8.

(Continued)

(iii) 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:

	2016		**2015**	
Price of the equity securities at the reporting date	**Other Comprehensive Income, net of tax**	**Profit (losses)**	**Other Comprehensive Income, net of tax**	**Profit (losses)**
increase 5%	**$ 224,652**	**-**	**201,898**	**-**
decrease 5%	**$ (224,652)**	**-**	**(201,898)**	**-**

(c) Hedging derivative financial instruments

	2016.12.31	**2015.12.31**
Derivative financial assets for hedge purposes:		
Fuel swap and option agreements	$ 61,792	-
Forward exchange contracts	1,144	-
Total	**$ 62,936**	**-**
Current	$ 62,936	-
Non-current	-	-
	$ 62,936	**-**

	2016.12.31	**2015.12.31**
Derivative financial liabilities for hedge purposes:		
Fuel swap and option agreements	$ 262,939	3,547,751
Forward exchange contracts	39	-
Total	**$ 262,978**	**3,547,751**
Current	$ 213,266	2,493,413
Non-current	49,712	1,054,338
	$ 262,978	**3,547,751**

(i) Fuel swap and option agreements

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.

(Continued)

As of December 31, 2016 and 2015, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument 2016.12.31	Fair value of assigned hedging instrument 2015.12.31	Period when cash flows are expected to occur	Period when profit or loss is affected
Floating price of fuel	Fuel swap agreement	$ (40,695)	(1,886,605)	2015~2017	2015~2017
Floating price of fuel	Option agreements	(160,452)	(1,661,146)	2015~2018	2015~2018
		$ (201,147)	**(3,547,751)**		

(ii) Forward exchange contracts

The Company's strategy is to use the forward exchange contracts to hedge its estimated foreign currency exposure in respect of the forecasted purchases transactions. When actual purchase occurs, the amount accumulated in gains (losses) on the effective portion of cash flow hedge under other equity interest will be reclassified to property, plant and equipment in the same period. The unexpired forward exchange contracts held by the Company were as follows:

	2016.12.31		
	Amount (in thousand)	**Currency**	**Maturity dates**
Forward exchange purchased	**USD$ 15,000**	TWD to USD	2017/5/2

There was no such transaction as of December 31, 2015.

(iii) The Company's gains and losses arising from cash flow hedges in 2016 and 2015, were as follows:

Account	2016	2015
Recognized in other comprehensive income during the period	**$ 3,347,709**	**(1,215,368)**
Reclassification from equity to operating cost (income) for the period	**$ 2,006,911**	**3,658,493**

(d) Notes and accounts receivable, and other receivables

	2016.12.31	2015.12.31
Notes receivable	$ 544,584	410,415
Accounts receivable (including related parties)	6,219,207	5,466,576
Other receivables (including related parties) (included in other current assets)	333,487	231,008
Less: allowance for doubtful accounts	(34,828)	(37,373)
	$ 7,062,450	**6,070,626**

(Continued)

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

	2016.12.31	2015.12.31
Past due within 30 days	$ 17,198	38,487
Past due 31~60 days	-	24,053
Past due over 60 days but less than one year	-	-
Past due more than one year	-	-
	$ 17,198	**62,540**

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

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2016	$ -	37,373	37,373
Amounts written off	-	(2,545)	(2,545)
Balance as of December 31, 2016	**$ -**	**34,828**	**34,828**

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2015	$ -	43,493	43,493
Impairment loss recognized	-	37	37
Amounts written off	-	(6,157)	(6,157)
Balance as of December 31, 2015	**$ -**	**37,373**	**37,373**

As of December 31, 2016 and 2015, 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, 2016 and 2015, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

(Continued)

(e) Inventories

The components were as follows:

	2016.12.31	2015.12.31
Aircraft spare parts	$ 286,109	425,297
Consumables for use and merchandise for in-flight sales	1,306,006	1,153,336
Fuel for aircraft and others	69,741	41,320
	$ 1,661,856	**1,619,953**

For the years ended December 31, 2016 and 2015, except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	2016	2015
Losses on valuation of inventories and obsolescence	**$ 390,145**	**363,881**

As of December 31, 2016 and 2015, these inventories were not pledged.

(f) Investments accounted for using equity method

The components were as follows:

	2016.12.31	2015.12.31
Subsidiaries	$ 13,815,823	13,556,698
Associates	89,536	81,367
	$ 13,905,359	**13,638,065**

(i) Subsidiaries

Please see the consolidated financial statements for the years ended December 31, 2016.

(ii) 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.

	2016	2015
Attributable to the Company:		
Profit	$ 13,136	14,217
Other comprehensive income	(4,967)	(5,862)
Comprehensive income	**$ 8,169**	**8,355**

(Continued)

(iii) Pledged

As of December 31, 2016 and 2015, the investments accounted for using equity method were not pledged.

(g) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2016 and 2015, were as follows:

	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Cost:							
Beginning balance as of January 1, 2016	$ 2,133,730	5,767,899	16,835,995	25,020,312	121,854,274	245,651	171,857,861
Additions	-	-	1,441,656	11,226,760	3,676,213	24,971	16,369,600
Disposals	-	-	(885,948)	(6,049,682)	(5,685,995)	-	(12,621,625)
Reclassification (Note)	932,510	8,816	911,957	757,161	3,919,884	110,175	6,640,503
Balance as of December 31, 2016	**$ 3,066,240**	**5,776,715**	**18,303,660**	**30,954,551**	**123,764,376**	**380,797**	**182,246,339**
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)	252,236	(295,063)	2,141,297	314,931	3,833,063	(367,046)	5,879,418
Balance as of December 31, 2015	**$ 2,133,730**	**5,767,899**	**16,835,995**	**25,020,312**	**121,854,274**	**245,651**	**171,857,861**
Accumulated depreciation：							
Beginning balance as of January 1, 2016	$ -	2,504,441	8,140,984	9,960,299	47,302,093	-	67,907,817
Depreciation expense	-	143,852	1,389,744	4,684,781	7,950,627	-	14,169,004
Disposals	-	-	(718,554)	(6,006,929)	(5,252,093)	-	(11,977,576)
Reclassification (Note)	-	-	(579,847)	(26,587)	(233,384)	-	(839,818)
Balance as of December 31, 2016	**$ -**	**2,648,293**	**8,232,327**	**8,611,564**	**49,767,243**	**-**	**69,259,427**
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)	-	(90,057)	(37,530)	-	(59,583)	-	(187,170)
Balance as of December 31, 2015	**$ -**	**2,504,441**	**8,140,984**	**9,960,299**	**47,302,093**	**-**	**67,907,817**
Carrying amounts:							
Balance as of December 31, 2016	**$ 3,066,240**	**3,128,422**	**10,071,333**	**22,342,987**	**73,997,133**	**380,797**	**112,986,912**
Balance as of December 31, 2015	**$ 2,133,730**	**3,263,458**	**8,695,011**	**15,060,013**	**74,552,181**	**245,651**	**103,950,044**
Beginning balance as of January 1, 2015	**$ 1,873,333**	**3,569,429**	**7,286,515**	**11,346,788**	**65,635,807**	**528,871**	**90,240,743**

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

(i) 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, 2016 and 2015, the restoration obligations were $17,351,555 and $9,130,299, respectively. Refer to note 6(k) for the movements of restoration obligations.

(Continued)

(ii) 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, 2016 and 2015, the unrealized gains from the sale and leaseback were $204,485 and $291,524, respectively, and were recognized as other non-current liabilities.

(iii) Pledge

As of December 31, 2016 and 2015, 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.

(iv) For the years ended December 31, 2016 and 2015, the Company capitalized the interest expenses on purchase of assets amounted to $133,939 and $58,904, respectively. The monthly interest rates used for capitalization calculation were 0.12%~0.13% and 0.13%.

(h) Intangible assets

The movements of intangible assets for the years ended December 31, 2016 and 2015, were as follows:

	Computer software
Cost:	
Beginning balance as of January 1, 2016	$ 808,440
Additions	223,593
Disposals	(105,501)
Balance as of December 31, 2016	**$ 926,532**
Beginning balance as of January 1, 2015	$ 774,344
Additions	165,793
Disposals	(131,697)
Balance as of December 31, 2015	**$ 808,440**
Accumulated amortization:	
Beginning balance as of January 1, 2016	$ 353,262
Amortization expense	185,682
Disposals	(105,501)
Balance as of December 31, 2016	**$ 433,443**
Beginning balance as of January 1, 2015	$ 309,318
Amortization expense	175,641
Disposals	(131,697)
Balance as of December 31, 2015	**$ 353,262**
Carrying amounts:	
Balance as of December 31, 2016	**$ 493,089**
Balance as of December 31, 2015	**$ 455,178**
Beginning balance as of January 1, 2015	**$ 465,026**

(Continued)

	Computer software

(i) Amortization

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

(ii) Pledge

As of December 31, 2016 and 2015, the Company's intangible assets were not pledged.

(i) Other current assets and other non-current assets

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

	2016.12.31	2015.12.31
Prepaid expenses	$ 1,074,992	936,901
Other receivables (including related parties)	333,487	231,008
Others	263,521	227,158
Total	**$ 1,672,000**	**1,395,067**

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

	2016.12.31	2015.12.31
Prepayments for equipment	$ 10,305,369	9,796,059
Refundable deposits	1,443,134	1,536,239
Pledged time deposits	80,173	78,278
Others	1,020	1,020
Total	**$ 11,829,696**	**11,411,596**

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

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

	2016.12.31			
	Currency	**Interest rate**	**Year Due**	**Amount**
Secured bonds payable	TWD	1.07%~1.22%	2017/05/31~2021/12/29	$ 19,500,000
Less: Current portion (included in current portion of long-term liabilities)				6,500,000
Total				**$ 13,000,000**
Unsecured loans	TWD	1.16%~2.01%	2017/02/24~2021/11/10	$ 9,313,333
Secured loans	TWD, USD	1.11%~4.59%	2017/07/22~2028/10/28	49,372,244
Subtotal				58,685,577
Less: Current portion				10,879,084
Total				**$ 47,806,493**
Lease liabilities	TWD, USD	2.03%~6.89%	2017/01/20~2024/06/21	$ 5,109,504

(Continued)

Less: Current portion (included in other current liabilities)	1,534,072
Total	$ **3,575,432**

	2015.12.31			
	Currency	**Interest rate**	**Year Due**	**Amount**
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)				5,100,000
Total				$ **11,000,000**
Unsecured loans	TWD	1.3%~2.01%	2016/02/24~2020/05/28	$ 6,891,666
Secured loans	TWD, USD	1.1%~4.59%	2016/07/10~2027/10/27	47,313,124
Subtotal				54,204,790
Less: Current portion				9,836,936
Total				$ **44,367,854**
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)				1,915,044
Total				$ **5,152,193**

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

	2016.12.31	**2015.12.31**
USD (in thousands)	$ **272,443**	**350,222**
Convert to TWD	$ **8,786,299**	**11,496,033**

As of December 31, 2016, the details of the future repayment periods and amounts of the Company's long-term borrowings, bonds payable, and lease liabilities were as follows:

Year due	**Amount**
2017.1.1~2017.12.31	$ 18,913,156
2018.1.1~2021.12.31	47,016,256
2022.1.1and thereafter	17,365,669
	$ **83,295,081**

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2016 and 2015 the unused credit lines for short-term and long-term borrowings amounted to $5,893,367 and $7,955,439, respectively.

(Continued)

(iii) Lease liabilities

The Company's lease liabilities were as follows:

	2016.12.31			2015.12.31		
	Future minimum rental payment	**Interest**	**Present value of minimum rental payment**	**Future minimum rental payment**	**Interest**	**Present value of minimum rental payment**
Within 1 year	$ 1,667,119	133,047	1,534,072	2,116,239	201,195	1,915,044
1 to 5 years	3,022,192	176,346	2,845,846	4,408,516	295,733	4,112,783
More than 5 years	748,200	18,614	729,586	1,076,660	37,250	1,039,410
	$ 5,437,511	**328,007**	**5,109,504**	**7,601,415**	**534,178**	**7,067,237**

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2016 and 2015 are disclosed in note 6(t).

(k) Provisions

The movements of the restoration obligations for the years ended December 31, 2016 and 2015 were as follows:

	2016	**2015**
Beginning balance as of January 1	$ 9,130,299	5,019,507
Additions	11,769,429	4,555,023
Decreases	(3,387,619)	(747,537)
Effect of exchange rate changes	(160,554)	303,306
Balance as of December 31	**$ 17,351,555**	**9,130,299**

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. The Company’s restoration obligations are included in other current liabilities and other non-current liabilities.

(l) Operating leases

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

	2016.12.31	**2015.12.31**
Within 1 year	$ 10,578,527	7,709,127
1 to 5 years	38,516,924	23,224,767
More than 5 years	41,441,868	21,519,444
	$ 90,537,319	**52,453,338**

(Continued)

For the years ended December 31, 2016 and 2015, rental expenses included in operating cost and operating expenses were $9,966,919 and $7,315,364, 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.

(m) Employee benefits

(i) Defined benefit plans

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

	2016.12.31	2015.12.31
Total present value of defined benefit obligations	$ 7,977,365	7,164,435
Fair value of plan assets	(3,858,614)	(3,755,003)
Recognized liabilities of net defined benefit obligations	**$ 4,118,751**	**3,409,432**

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.

1) 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 $3,812,017 as of December 31, 2016. 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)

2) Movements in present value of the defined benefit obligations

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

		2016	2015
Defined benefit obligations as of January 1	$	7,164,435	6,424,388
Benefits paid by the plan		(485,476)	(432,211)
Current service costs and interest		310,960	313,355
Net remeasurements of defined benefit liabilities			
－Experience adjustments		485,444	262,567
－Actuarial losses (gains) arising from changes in financial assumptions		502,002	596,336
Defined benefit obligations as of December 31	**$**	**7,977,365**	**7,164,435**

3) 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:

		2016	2015
Fair value of plan assets as of January 1	$	3,755,003	3,661,426
Contributions from plan participants		443,118	400,442
Benefits paid by the plan		(366,999)	(401,154)
Expected return on plan assets		72,232	75,117
Net remeasurements of defined benefit liabilities			
－Return on plan assets (excluding the amounts included in net interest expense)		(44,740)	19,172
Fair value of plan assets as of December 31	**$**	**3,858,614**	**3,755,003**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

		2016	2015
Current services costs	$	178,431	186,653
Net interest on the net defined benefit liabilities		60,297	51,585
	$	**238,728**	**238,238**
Operating cost	$	178,938	165,263
Operating expenses		59,790	72,975
	$	**238,728**	**238,238**

(Continued)

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

As of December 31, 2016 and 2015, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

		2016	2015
Balance as of January 1	$	(1,784,773)	(945,042)
Loss recognized during the period		(1,032,186)	(839,731)
Balance as of December 31	**$**	**(2,816,959)**	**(1,784,773)**

6) 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

	2016.12.31	2015.12.31
Discount rate	1.375%	1.875%
Future salary increases	1.51%~3.31%	1.58%~13.92%

b) the rate applied in calculating the defined benefit plan cost

	2016	2015
Discount rate	1.875%	2.00%
Future salary increases	1.58%~13.92%	1.60%~6.12%

The Company expects to make contributions of $464,564 to the defined benefit plans in the next year starting from December 31, 2016. The weighted average of the defined benefit plans is 15 years.

7) Sensitivity analysis

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

	Effects to the defined benefit obligation			
	Favorable		Unfavorable	
	2016.12.31	2015.12.31	2016.12.31	2015.12.31
Discount rate (0.25%)	201,091	186,647	208,663	193,828
Future salary increases (0.25%)	192,232	178,787	198,382	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.

(Continued)

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

(ii) 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 $307,384 and $272,255 as pension costs under the defined contribution plans in 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

(n) Income tax

(i) Income tax expenses

The components of estimated income tax expenses were as follows:

	2016	**2015**
Current tax expenses	$ 82,183	33,104
Deferred tax expenses	809,847	70,000
Income tax expenses	**$ 892,030**	**103,104**

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

	2016	**2015**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit plans	**$ 175,472**	**142,754**
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains on available-for-sale financial assets	(3,443)	(7,557)
Cash flow hedges	(569,111)	206,613
	$ (572,554)	**199,056**

(Continued)

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

	2016	2015
Profit before tax	**$ 4,368,034**	**6,539,529**
Income tax using the Company's domestic tax rate	$ 742,566	1,111,720
Exempt income	(224,703)	(194,244)
Changes in unrecognized deductible temporary differences	130,599	(1,026,494)
Loss carryforwards	135,566	189,057
Undistributed earnings additional tax at 10%	30,154	-
Others	77,848	23,065
Total	**$ 892,030**	**103,104**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

	2016.12.31	2015.12.31
Unrecognized deferred tax assets:		
Tax losses	$ 372,008	236,758
Investment loss of foreign operations accounted for using equity method	21,036	25,687
	$ 393,044	**262,445**

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, 2016, the Company's loss carry-forwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

Filing year	Recognized un-deducted operating loss	Unrecognized un-deducted operating loss	Total	Expiry year
2009	$ 1,860,273	2,188,284	4,048,557	2019
2011	1,285,537	-	1,285,537	2021
2013	2,591,563	-	2,591,563	2023
	$ 5,737,373	**2,188,284**	**7,925,657**	

The Company has no unrecognized deferred tax liabilities as of December 31, 2016 and 2015.

(Continued)

2) 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
Deferred tax assets:											
Beginning balance at January 1, 2016	$ 1,413,587	355,938	204,745	585,486	431,755	397,189	424,587	285,940	-	1,150,016	5,249,243
Recognized in profit or loss	(438,234)	52,685	(67,922)	(52,849)	242,228	37,625	(112,939)	(122,439)	-	(356,494)	(818,339)
Recognized in other comprehensive income	-	-	-	175,472	-	-	-	-	-	(569,111)	(393,639)
Balance at December 31, 2016	**$ 975,353**	**408,623**	**136,823**	**708,109**	**673,983**	**434,814**	**311,648**	**163,501**	**-**	**224,411**	**4,037,265**
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	**$ 1,413,587**	**355,938**	**204,745**	**585,486**	**431,755**	**397,189**	**424,587**	**285,940**	**-**	**1,150,016**	**5,249,243**

Deferred tax liabilities:

	Investment gains of foreign operations accounted for using equity method	Others	Total
Deferred tax liabilities:			
Beginning balance at January 1, 2016	$ 65,343	-	65,343
Recognized in profit or loss	(8,492)	-	(8,492)
Recognized in other comprehensive income	-	3,443	3,443
Balance at December 31, 2016	**$ 56,851**	**3,443**	**60,294**
Beginning balance at January 1, 2015	$ -	-	-
Recognized in profit or loss	65,343	-	65,343
Balance at December 31, 2015	**$ 65,343**	**-**	**65,343**

(ii) The Company’s income tax returns for the years through 2014 were examined and approved by the local tax authorities.

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

	2016.12.31	**2015.12.31**
Unappropriated earnings before 1997	$ -	-
Unappropriated earnings after 1998	2,743,831	5,596,970
	$ 2,743,831	**5,596,970**
Balance of ICA	**$ 595,049**	**1,189,661**

(Continued)

	2016	**2015**
Tax creditable ratio for earnings distribution to R.O.C. residents	**21.69%(estimated)**	**20.48%(actual)**

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 form 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.

(o) Capital and other equity

As of December 31, 2016 and 2015, the Company's authorized share capital consisted of 4,500,000 and 4,000,000 thousand shares of common stock respectively, with par value of $10 (dollars) per share, of which the issued and outstanding share capital were $40,518,923 and $38,589,450, respectively.

(i) Common stock

The appropriation of 2015 earnings that was approved at the shareholders meeting on June 24, 2016, in which the Company will issue 192,947 thousand shares, with a face value of $1,929,473. The date of capital increase was set on August 30, 2016, and all related registration procedure had been completed.

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.

(ii) Capital surplus

The details of capital surplus were as follows:

	2016.12.31	**2015.12.31**
Cash subscription in excess of par value of shares	$ 4,218,825	4,218,825
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	272	272
	$ 6,237,027	**6,237,027**

(Continued)

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.

(iii) 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.

1) Legal reserve

In accordance with R.O.C. Company Act, 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.

2) 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.

3) Earnings distribution

The appropriation of 2015 earnings was approved at the shareholders' meeting on June 24, 2016. The cash dividends and stock dividends were amounting to 1,157,683 and 1,929,473, respectively.

(Continued)

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 earnings distribution, offsetting accumulated deficit and the resolution approved in the board meeting. The related information can be found on the Market Observation Post System website.

(iv) 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
Beginning balance as of January 1, 2016	$ 137,197	492,544	(2,944,633)	(2,314,892)
Exchange differences on translation of foreign financial statements	(90,069)	-	-	(90,069)
Exchange differences on subsidiaries accounted for using equity method	(1,059)	-	-	(1,059)
Unrealized gains on available-for-sale financial assets	-	497,915	-	497,915
Unrealized losses on available-for-sale financial assets of subsidiary	-	(614)	-	(614)
Cash flow hedges, effective portion	-	-	2,778,598	2,778,598
Balance as of December 31, 2016	**$ 46,069**	**989,845**	**(166,035)**	**869,879**
Beginning balance as of January 1, 2015	$ 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)
Balance as of December 31, 2015	**$ 137,197**	**492,544**	**(2,944,633)**	**(2,314,892)**

(Continued)

(p) Share-based payment

(i) The Company's share-based payment transaction was as follow:

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

(ii) The information related to the employee stock option plan was as follows:

Unit: Thousand shares /dollars

Cash-settled share-based payment plan (reserved for employees to subscribe)	2016	2015	Exercise price (NT$)
Number of shares outstanding as of January 1	$ -	60,000	$ -
Number of shares granted during the period	-	-	17
Number of shares exercised during the period	-	(47,851)	17
Number of shares abandoned during the period	-	(12,149)	17
Number of shares outstanding as of December 31	-	-	
Fair value per share at grant date	**$ -**	**5.40**	

(iii) The Company adopted the Black-Scholes 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 %

(Continued)

(q) Earnings per share ("EPS")

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

	2016	2015
Basic earnings per share:		
Profit attributable to ordinary equity holders	$ **3,476,004**	**6,436,425**
Weighted-average number of shares outstanding during the period (thousand shares)	**4,051,892**	**3,994,933**
Basic earnings per share (in dollars)	$ **0.86**	**1.61**
Diluted earnings per share:		
Profit attributable to ordinary equity holders	$ **3,476,004**	**6,436,425**
Weighted-average number of shares outstanding during the period (thousand shares)	4,051,892	3,994,933
Effect of the potentially dilutive common stock		
Employee bonuses (thousand shares)	11,192	4,872
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	**4,063,084**	**3,999,805**
Diluted earnings per share (in dollars)	$ **0.86**	**1.61**

(r) Revenue

For the years ended December 31, 2016 and 2015, the components of revenue were as follows:

	2016	2015
Aviation transportation revenue	$ 106,593,591	107,964,626
Others	8,902,228	7,928,030
	$ **115,495,819**	**115,892,656**

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, 2016 and 2015, the above-mentioned deferred revenue amounted to $2,557,729 and $2,212,631, respectively, were recorded as unearned revenue and other non-current liabilities.

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

According to the Company's Articles of Incorporation, once the Company has an annual earnings, 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.

(Continued)

The definition of annual earnings, as described in the above-mentioned paragraph, is the Company's profit before tax, excluding the amount of the employee compensation, and the directors' and supervisors' remuneration.

For the years ended December 31, 2016 and 2015, the Company's accrued and recognized employee compensation amounted to $145,590 and $90,623 respectively, the directors' and supervisors' remuneration amounted to $9,500 and $10,000, respectively. The employee compensation and the directors' and supervisors' remuneration were included in the operating costs and operating expenses.

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.

For the year ended December 31, 2015, the amounts of employee compensation and directors' and supervisors' remuneration approved in the shareholders' meeting and those recognized in the financial statements are the same. The related information can be found on Market Observation Post System website.

(t) Non-operating income and expenses

(i) Other income

	2016	2015
Dividend income	$ 137,529	461,879
Interest income	228,814	281,736
	$ 366,343	**743,615**

(ii) Other gains and losses

	2016	2015
Foreign exchange losses, net	$ (170,877)	(832,244)
Gains (losses) on disposal of property, plant and equipment	(460,596)	(45,226)
Impairment losses resulting from permanent decrease in value of financial assets	-	(241,124)
Others	51,749	35,950
	$ (579,724)	**(1,082,644)**

(iii) Finance costs

	2016	2015
Interest expense		
Bank borrowings	$ 1,038,625	1,042,594
Lease liabilities	168,213	247,000
Others	569,013	307,829
Less: capitalized interest	(133,939)	(58,904)
	$ 1,641,912	**1,538,519**

(Continued)

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) 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.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
As of December 31, 2016					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	$ 58,685,577	62,213,478	11,735,573	33,146,574	17,331,331
Secured bonds payable	19,500,000	20,092,075	6,722,000	13,370,075	-
Lease liabilities	5,109,504	5,437,511	1,667,119	3,022,192	748,200
Accounts payable (including related parties)	5,293,273	5,293,273	5,293,273	-	-
Other payables (including related parties)	9,236,398	9,236,398	9,236,398	-	-
Subtotal	97,824,752	102,272,735	34,654,363	49,538,841	18,079,531
Derivative financial liabilities					
Fuel swap and option agreement for hedge purposes	262,939	262,939	213,227	49,712	-
Forward exchange contracts for hedge purposes					
Outflow	39	32,099	32,099	-	-
Inflow	-	(32,060)	(32,060)	-	-
Subtotal	39	39	39	-	-
Total	**$ 98,087,730**	**102,535,713**	**34,867,629**	**49,588,553**	**18,079,531**
As of December 31, 2015					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	$ 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	-	-
Subtotal	90,813,548	95,153,115	31,507,909	45,759,871	17,885,335
Derivative financial liabilities					
Fuel swap and option agreement for hedge purposes	3,547,751	3,547,751	2,493,413	1,054,338	-
Total	**$ 94,361,299**	**98,700,866**	**34,001,322**	**46,814,209**	**17,885,335**

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

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

	2016.12.31			2015.12.31		
	Foreign Currency	**Exchange rate**	**TWD**	**Foreign Currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 605,633	32.25	19,531,665	488,768	32.825	16,043,815
EUR	4,289	33.90	145,383	5,096	35.88	182,836
JPY	1,186,514	0.2756	327,003	820,461	0.2727	223,740
HKD	116,844	4.16	485,839	212,254	4.24	898,898
CNY	239,709	4.62	1,106,738	344,357	5.00	1,720,063
			$ 21,596,628			19,069,352
Non-monetary items						
USD	$ 32,539	32.25	1,049,370	35,063	32.825	1,150,956
SGD	1,235	22.29	27,521	1,156	23.25	26,865
THB	10,780	0.9050	9,756	24,498	0.9146	22,405
			$ 1,086,647			1,200,226
Financial liabilities						
Monetary items						
USD	$ 656,124	32.25	21,160,014	642,230	32.825	21,081,214
EUR	6,591	33.90	223,418	5,730	35.88	205,591
JPY	1,582,920	0.2756	436,253	1,637,238	0.2727	446,475
HKD	17,759	4.16	73,841	23,744	4.24	100,558
CNY	165,805	4.62	765,520	241,993	5.00	1,208,756
			$ 22,659,046			23,042,594

2) Sensitivity analysis

The Company's monetary items 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, 2016 and 2015, would have changed the profit by $10,624 and $39,732, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016 and 2015.

(Continued)

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, 2016 and 2015, the Company's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to $170,877 and $832,244, respectively.

(iv) Interest rate risk

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

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 change $600,081 and $555,784 for the years ended December 31, 2016 and 2015, respectively due to the Company's floating-interest borrowings.

(v) Fair value

1) Categories and fair values of financial instruments

The fair value of derivative financial instruments used for hedging, and available for sale financial assets is measured on a recurring basis. The carrying amounts and fair values of the Company 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.

	2016.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Derivative financial assets for hedge purposes	$ 62,936	-	62,936	-	62,936
Available-for-sale financial assets					
Money market funds	$ 1,522,021	1,522,021	-	-	1,522,021
Publicly traded stock	1,646,152	1,646,152	-	-	1,646,152
Non-publicly traded stock	1,328,629	-	-	1,328,629	1,328,629
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,497,822	3,168,173	-	1,328,629	4,496,802
Loans and receivables					
Cash and cash equivalents	37,874,856	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	7,062,450	-	-	-	-
Subtotal	44,937,306	-	-	-	-
Other non-current assets	1,523,307	-	-	-	-
Total	**$ 51,021,371**	**3,168,173**	**62,936**	**1,328,629**	**4,559,738**

(Continued)

	2016.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedge purposes	$ 262,978	-	262,978	-	262,978
Amortized cost of financial liabilities					
Long-term borrowings (including current portion)	58,685,577	-	58,698,158	-	58,698,158
Secured bonds payable	19,500,000	-	19,304,011	-	19,304,011
Lease liabilities	5,109,504	-	5,142,947	-	5,142,947
Accounts payable (including related parties)	5,293,273	-	-	-	-
Other payables (including related parties)	9,236,398	-	-	-	-
Subtotal	97,824,752	-	83,145,116	-	83,145,116
Total	**$ 98,087,730**	**-**	**83,408,094**	**-**	**83,408,094**

	2015.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
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	4,039,284	2,281,173	419,598	1,337,493	4,038,264
Loans and receivables					
Cash and cash equivalents	28,890,633	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	6,070,626	-	-	-	-
Subtotal	34,961,259	-	-	-	-
Other non-current assets	1,614,517	-	-	-	-
Total	**$ 40,615,060**	**2,281,173**	**419,598**	**1,337,493**	**4,038,264**
Derivative financial liabilities for hedge purposes	$ 3,547,751	-	3,547,751	-	3,547,751
Amortized cost of financial liabilities					
Long-term borrowings (including current portion)	$ 54,204,790	-	54,215,465	-	54,215,465
Secured bonds payable	16,100,000	-	16,064,342	-	16,064,342
Lease liabilities	7,067,237	-	7,110,534	-	7,110,534
Accounts payable (including related parties)	3,661,529	-	-	-	-
Other payables (including related parties)	9,779,992	-	-	-	-
Subtotal	90,813,548	-	77,390,341	-	77,390,341
Total	**$ 94,361,299**	**-**	**80,938,092**	**-**	**80,938,092**

2) Valuation techniques and assumptions used in fair value determination

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

a) The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.

b) The fair value of derivative instruments is based on quoted prices.

(Continued)

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:

	2016	**2015**
Secured bonds payable	1.47%	1.52%
Long-term borrowings	1.47%	1.52%
Lease liabilities	1.47%	1.52%

3) In October 2016, Taiwan High Speed Rail Corporation listed its equity shares on an exchange and they are currently actively traded in the market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 2 to Level 1 of the fair value hierarchy at December 31, 2016.

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.

4) 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:

	Unquoted equity instruments
Beginning balance as of January 1, 2016	$ 1,337,493
Total gains or losses:	
Recognized in profit and loss	-
Recognized in other comprehensive income	(8,864)
Balance as of December 31, 2016	**$ 1,328,629**
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	**$ 1,337,493**

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)

As of December 31, 2016 and 2015, the assets which were still held by the Company were as follows:

	2016	2015
Gains or losses (including in other gains (losses))	$ -	(107,914)
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)	(8,864)	(130,743)

5) 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	• Price-book ratio (as of December 31, 2016 and 2015 were 0.40~2.64 and 0.40~4.29) • Market liquidity discount rate (as of December 31, 2016 and 2015 were 80%)	• The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value

6) 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:

		Effects of changes in fair value on other comprehensive income			
		Favorable		Unfavorable	
Inputs	Increase (decrease)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Price-book ratio	5%	65,557	68,549	(65,447)	(63,716)
Market liquidity discount rate	5%	76,253	71,577	(65,447)	(60,693)

(Continued)

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.

(v) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) 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.

(ii) 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.

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.

(iii) 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.

(Continued)

1) 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.

2) 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.

3) Guarantees

As of December 31, 2016, the Company did not provide endorsements and guarantees.

(iv) 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 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.

(Continued)

(v) 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.

1) 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.

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.

2) 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.

3) 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.

(w) 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.

The capital structure of the Company consists of net debt and equity. The net debt from the balance sheet is derived from the total borrowings less cash and cash equivalents. The total capital includes equity (common stock, capital surplus, retained earnings and other equity) and net debt.

As of December 31, 2016, there were no changes in the Company's approach to capital management.

(Continued)

(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%) 2016.12.31	2015.12.31	Note
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 %	60.625 %	
Evergreen Aviation Precision Corp.	Taiwan	40.00 %	40.00 %	
Hsiang-Li Investment Corp.	Taiwan	100.00 %	100.00 %	
Sky Castle Investment Ltd.	Samoa	100.00 %	100.00 %	
Concord Pacific Ltd.	Samoa	-	100.00 %	Note 1
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: Concord Pacific Ltd. has been liquidated on October 2016.

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.

(c) Significant transactions with related parties

(i) Operating revenue

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

	2016	2015
Subsidiaries	$ 184,574	222,590
Associates	140	-
Others	1,639,704	1,316,047
	$ 1,824,418	1,538,637

(Continued)

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.

(ii) Operating cost

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

	2016	2015
Subsidiaries	$ 10,159,718	9,363,823
Associates	4,786	4,118
Others	589,447	955,136
	$ 10,753,951	**10,323,077**

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.

(iii) Operating expenses

Operating expenses from transactions with related parties were as follows:

	2016	2015
Subsidiaries	$ 217,391	200,716
Associates	48,533	41,053
Others	273,056	216,906
	$ 538,980	**458,675**

The prices for 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.

(iv) One subsidiary provides maintenance services for aircraft and engines for the Company. For the years ended December 31, 2016 and 2015, the amounts were $955,032 and $1,943,693, respectively, recorded under aircraft and machinery and equipment.

(Continued)

(v) Property transaction

For the year ended December 31, 2016, the Company purchased equipment from its related parties amounting to $373,958.

For the year ended December 31, 2016, proceed from disposal of equipment and gains on disposal of equipment amounted to $6,136 and $690 respectively, due to the equipment disposed by the Company to its related parties.

(vi) Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	2016.12.31	2015.12.31
Accounts receivable	Subsidiaries	$ 127,157	156,858
Accounts receivable	Associates	54	-
Accounts receivable	Others	268,780	154,199
Other receivables	Subsidiaries	43,054	33,874
Other receivables	Associates	-	-
Other receivables	Others	236,632	191,710
		$ 675,677	**536,641**

(vii) Payables to related parties

Payables to related parties of the Company were as follows:

Account	Class of related parties	2016.12.31	2015.12.31
Accounts payable	Subsidiaries	$ 2,325,018	2,368,204
Accounts payable	Associates	807	590
Accounts payable	Others	136,994	75,303
Other payables	Subsidiaries	205,227	101,603
Other payables	Associates	8,759	9,332
Other payables	Others	92,637	97,468
		$ 2,769,442	**2,652,500**

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	2016	2015
Short-term employee benefits	$ 73,385	56,746
Post-employment benefits	22,310	3,236
	$ 95,695	**59,982**

(Continued)

(8) Pledged assets:

The carrying amounts of the pledged assets were as follows:

Pledged assets	Object	2016.12.31	2015.12.31
Property, plant, and equipment	Long-term borrowings	$ 73,359,582	69,877,512
Available-for-sale financial assets－non-current	Contract performance guarantees	-	43,163
Time deposit－included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	80,173	78,278
		$ 73,439,755	69,998,953

(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. The Company had reached a settlement agreement with the plaintiffs amounting to US$99,000. 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:

(i) In July 2015, the Company entered into aircraft purchase contracts amounting to US$1,620,000 with Boeing Company for five Boeing 777 freighters. As of December 31, 2016, the five Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of $5,165,809, which was included in other non-current assets.

(ii) In July 2015, the Company entered into engine purchase contracts amounting to US$31,560 with General Electric Company for one Boeing 777 engine. As of December 31, 2016, the Boeing 777 engine had not yet been delivered by General Electric Company. The Company has partially paid the price of $49,549, which was included in other non-current assets.

(iii) In November 2015, the Company entered into aircraft purchase contracts amounting to US$7,324,000 with Boeing Company for two Boeing 777 aircraft and eighteen Boeing 787-10 aircraft. As of December 31, 2016, 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 $4,204,606, which was included in other non-current assets.

(iv) In November 2015, the Company entered into engine purchase contracts amounting to US$118,660 with General Electric Company for five Boeing 787 engines. As of December 31, 2016, the five Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $43,267, which was included in other non-current assets.

(Continued)

(v) 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. As of December 31, 2016, the Company has partially paid the price of $99,144, which was included in property, plant and equipment.

(vi) In September 2016, the Company entered into flight simulator purchase contracts amounting to US$17,660 with L-3 Company for one Boeing 787 flight simulator. As of December 31, 2016, the Boeing 787 flight simulator had not yet been delivered by L-3 company. The Company has partially paid the price of $70,416, which was included in other non-current assets.

(vii) Unused letters of credit for the Company were as follows:

	2016.12.31	**2015.12.31**
Unused letters of credit	$ **2,642,819**	**2,322,913**

(10) Significant disaster losses:None.

(11) Significant subsequent events:None

(12) Others:

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

	2016			**2015**		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Personnel expenses						
Salaries	6,974,725	5,018,444	11,993,169	5,669,291	4,464,639	10,133,930
Labor and health Insurance	347,490	255,588	603,078	303,539	249,132	552,671
Pension	362,188	183,924	546,112	324,342	186,151	510,493
Others	2,991,030	488,989	3,480,019	2,207,949	495,754	2,703,703
Depreciation (Note)	13,505,208	536,835	14,042,043	11,413,811	438,891	11,852,702
Amortization	954	184,728	185,682	836	174,805	175,641

As of December 31, 2016 and 2015, the Company had 10,543 and 8,944 employees, respectively.

Note: For the years ended December 31, 2016 and 2015, the depreciation expenses recognized were $14,169,004 and $11,988,133, respectively, less deferred gains of $126,961 and $135,431, respectively.

(13) Other disclosures:None

(14) Operating segments:

Please see the consolidated financial statements for the year ended December 31, 2016.

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