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2017 ANNUAL REPORT

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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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EVA AIR | A STAR ALLIANCE MEMBER

EVA Airways Corporation
No.376, Sec.1, Hsin-Nan Rd., Luchu District, Taoyuan City, Taiwan
Tel: 886- 3-351-5151
Internet Address: http://www.evaair.com

Taipei Office
No.117, Sec.2, Chang An E. Rd., Taipei, Taiwan
Tel: 886-2-8500-2345

Spokesman
Kou, Jin-Cheng
Executive Vice President, Public Relations Div.
Tel: 886-2-2500-1122

Deputy Spokesman
Lin, Szu-Chung
Junior Vice President, Public Relations Div.
Tel: 886-2-2500-1122

Shareholder Services
Address: 2F, No.166, Sec. 2, Minsheng E. Rd. Taipei, Taiwan
Tel: 886-2-2500-1668
Internet Address: http://stock.evergreen.com.tw

Auditors
KPMG
68F, No.7, Sec. 5, Xinyi Rd., Taipei, Taiwan (Taipei 101 Tower)
Tel: 886-2-8101-6666
Internet Address: http://www.kpmg.com.tw

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Year Ended December 31, 2017

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I. Letter to Shareholders

Dear Shareholders,

2017 was once again a fruitful year for EVA Air. Though we have encountered the chaos of global political, economic situation and natural disasters, as well as the establishment of labor unions, the Company gained profits for the third consecutive year. The annual revenue reached NT$125.31 billion and 12.13 million passengers were carried, both have set new record highs.

Furthermore, the number of aircraft phased in and phased out were in a peak during 2017, which included the phase out of Boeing 747-400 passenger aircraft and MD-11 freighters, while 777-300ER, A330-300 passenger aircraft as well as the first 777 freighter had joined to our fleet. With regard to the route planning, we continue to increase passenger service to North America and Southeast Asia. As for cargo, the newly introduced 777 freighter has met our expectation and gained profit. Four brand new Hello Kitty Jets had introduced to customers and diverse new in-flight services were included in collaboration with third parties. Moreover, our 3rd generation uniform went into service and all of above have received hordes of accolades.

With the joint effort by all our employees, we once again won a wide variety of domestic and international awards. We were named as one of the "Top 5% Best Listed Companies" in the 3rd Corporate Governance Evaluation hosted by Taiwan Stock Exchange Corporation. The airline safety website JACDEC and AirlineRatings ranked EVA Air as one of "The World's 20 Safest Airlines". SKYTRAX, a United Kingdom-based airline service surveyed institute, selected EVA Air as one of "The World's 5-Star Airlines" and "The World's Top 10 Airlines". The American cable news channel CNN selected the Kitty Jet as one of "The Global Best Aircraft Liveries". Travel + Leisure, famous travel magazine of America, rated EVA Air as one of "The World's Best International Airlines."

2017 Results

EVA reported 2017 operating revenue of NT$125.31 billion, increase 8.5% compared to 2016, with NT$5.75 billion in net profit and NT$1.38 earnings per share. Consolidated operating revenues reached NT$163.56 billion, a 13.1% increase over 2016, and net profit for 2017 amounted to NT$6.31 billion.

■ **Passenger revenue grew 7.7% to NT$ 92.4 billion, a NT$ 6.6 billion increase compared to 2016.**

We continue to optimize trans-pacific network making transfer more convenient. Also, to adjust the capacity on cross-strait routes to ease the impact of the tightening policies on Chinese tourists travelling to Taiwan. Flexibly adjust the aircraft type and increase the frequencies of regional routes to accommodate seasonal market demands. Hence, the number of passengers we carried boosted by 7.9% with 78% load factor.

Cargo revenue grew 11.9% to NT$ 24.8 billion, a NT$2.6 billion increase compared to 2016.

Cargo capacity decreased by 2.7%. However, due to the recovery of air cargo market, as well as fully utilization of belly hold on passenger aircraft, cargo volume increased by 5.2% in 2017 and cargo load factor was 88%.

A total of 78 aircraft with ongoing fleet renewal

EVA operated 78 aircraft by the end of 2017, including 72 passenger aircraft and 6 freighters. Three 747-400s, two MD-11 freighters, one 747-400 freighter, two A330-200s and two 777-300ERs were retired from the fleet. Twelve new aircraft, including seven 777-300ERs, four A330-300s and one 777 freighter were delivered throughout the year to facilitate the renewal of the fleet.

Aircraft Type	Quantity
777-300ER	34
A330-300	9
A330-200	3
A321-200	24
ATR72-600	2
777F (Freighter)	1
747-400 (Freighter)	5
Total	78

Affiliated companies

EVA has invested in 12 affiliates, including Evergreen Aviation Technologies Corporation, Evergreen Aviation Precision Corporation, Evergreen Sky Catering Corporation, Evergreen Airline Services Corporation, Evergreen Air Cargo Services Corporation and EVA Flight Training Academy, etc. These companies construct a complete downstream aviation service network and upstream supply chain. The annual investment income was NT$ 1.51 billion in 2017.

Results vs. Projections

EVA budgeted NT$132.85 billion in total revenue for 2017 and achieved actual revenue of NT$125.31 billion, achievement 94.3%. Annual actual net profit before taxes was NT$6.89 billion, achieving 170% of the budget NT$4.04 billion.

EVA and subsidiaries estimated total consolidated operating revenue of NT$163.15 billion for 2017 and actually achieved NT$163.56 billion, surpassing our goal with 100.3%. Expected net profit before taxes was NT$5.44 billion and actual profit before taxes amounted to NT$7.98 billion.

Analysis of Financial Results and Profitability

Compared to 2016, EVA's 2017 operating revenue increased 8.5% to NT$125.31 billion. The operating expense rose 8% to NT$119.37 billion.

EVA and subsidiaries reported consolidated operating revenue of NT$163.56 billion for 2017, a 13.1% increase over the previous year. Consolidated operating expense was NT$154.87 billion, a 12.6% increase over the previous year.

Profitability analysis:

Return on assets: 3.7%
Return on equity: 10.3%
Profit margin: 4.6%
Earnings per share: NT$1.38

Profitability analysis (consolidated):

Return on assets: 3.6%
Return on equity: 10.2%
Profit margin: 3.9%
Earnings per share: NT$1.38

Research and Development

1. Self check-in service re-engineering

We've 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 passengers, we re-engineered check-in process and integrated self-baggage-drop service on our kiosks in February 2018 to level up customer satisfaction.

2. EVA mobile app revision

In the light of the growth of smartphone market and e-commerce, the Company has launched its mobile app in 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 its broad range of customers. In order to provide a fresh visual and friendly experience, we completed a project to enhance user interface and adjust using procedure in 2017.

3. New generation of air-cargo system project

Yet air-cargo market has experiencing rapid and dramatic changes these years, both in business and information technology. The Company has developed a new generation system in 2017 by adjusting and optimizing system and operating procedure. Our purpose is to cope with upcoming challenges and requirements as well as to provide the best-of-breed services to our customers.

4. New cabin crew scheduling optimizer

With the rapid growth of flight routes, fleets, and number of crews, the Company has ameliorated the fairness of flight time and fatigue of each crew's schedule. We adopted a new scheduling optimizer which can simplify the scheduling procedure and make cabin crew dispatch more efficient. Our goal is to fulfill fast growing requirements of flight operation and to improve flight safety.

5. Data warehouse platform upgrade project

In response to dynamic market trend and changing business requirements, our corporate data warehouse system plays a key role to improve marketing and corporate planning. The data warehouse system which has been upgraded associated with new application developed provides higher scalability and performance. This system could fulfill the business requirements in the coming years.

6. Network infrastructure design project of new bonded warehouse

In order to fulfil operational demand of our fleet, a new bonded warehouse was constructed. It is equipped with an automatic warehouse system and in-flight merchandise loading system. This project has completed a new generation network for high capacity with redundancy, which ensures the system's reliability as it may carry and transfer transactions between our data center and new bonded warehouse building.

7. Improvement to data center environment

The Company started a project to fulfill its IT requirements in pace with future business growth and 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.

In 2016, the Company completed 3 sub-projects that includes automatic energy-saving air-conditioning, monitored double-circuit load and electricity backup, fire suppression and very early smoke detection apparatus (VESDA) systems improvement. In 2017, we completed the rest of 3 sub-projects for UPS system replacement, environment monitor digitalization and operation- monitoring improvement.

8. Nankan campus office area network redundancy enhancement project

In order to provide higher level of IT operation services, the Company completed 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.

2018 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 as well as raise the quality of services, in the hope of becoming one of the world's best airlines.

2. Optimizing route network to strengthen hub-and-spoke advantages

We are adding frequencies to cities with strong growth potential. We are also maximize the benefits and conveniences of our network by incorporating resources with Star Alliance member airlines. Our goal is to become travelers' first choice.

3. Fleet renewal and cabin upgrades

We are enhancing our route competitiveness and load factor of passenger and cargo by continuously expanding our fleet. In 2018, we will add two 787-9 passenger aircraft and three 777 freighters so that our fleet will be consisted of 77 aircraft after retiring old aircraft. The new generation of Boeing 787-9 Dreamliner, which will be introduced into our fleet, is the first time in Taiwan. It enables us to open new routes and increase frequencies to Europe and East Asia.

Sales Estimate and Statistics

According to global aviation market prediction published by the International Air Transport Association (IATA) in December 2017, the demand of passenger was strong, which is benefited from steady economic growth in 2017, which led to continuous growth in the number of passengers. In 2018, the prospects of the aviation industry are bright and the increase in demand (6%) will be higher than that in supply (5.7%). Global cargo market is optimistic as well with a 4.5% growth in volume.

Passenger Business:

We forecast that EVA will carry 12.45 million passengers in 2018. This represents a 2.6% increase compared to 12.13 million passengers in 2017.

Basis:

1. To increase flight frequencies in North America and Europe and add seasonal flights in Northeast Asia according to market demand. Available Seat Kilometer (ASK) will increase by 3.3% y-o-y.
2. Passengers to and from Japan and South Korea have grown by 5% and 15%, respectively. We expect the volume will continue to grow.

3. Optimizing the destinations and frequencies in North American and East Asia to increase the profit of route network.
4. Convenient and concentrated Southeast Asian routes network make it easier for Taiwan's passengers to travel to Southeast Asia for business and tourism. At the same time, visa exemption policies for Southeast Asian countries will increase the number of tourists visiting Taiwan from those countries.
5. To continuously develop the potential transfer market between Japan, Korea and Southeast Asia.

Cargo Business:

We forecast carrying 637 thousand tons of air cargo in 2018, a 0.8% slightly decrease from 642 thousand tons in 2017.

Basis:

1. The introduction of Boeing 777 freighters will replace 747-400 freighters. Available Freight Tonnage Kilometer (AFTK) will remain the same.
2. As the air cargo market was rebounded in 2017, we forecast the cargo volume and yield will continue to increase.

Future Development Strategies

1. Investments in new generation aircraft and cabin upgrades

Our 747-400 passenger aircraft and MD-11 freighters have been completely retired. Starting from 2018, three A330-200s and five 747-400 freighters will be replaced. To provide a better service for mid and long-haul routes, twenty four Boeing 787 Dreamliners will be introduced from 2018 to 2022. As for the freighter, the first 777 freighter provided service at the end of 2017 and the remaining four will be delivered in 2018 and 2019.

Our 777-300ER and A330-300 fleet are equipped with onboard Wi-Fi, and the cell phone service for passengers has upgraded to 3G networks.

2. Enhancing Star Alliance partnership

Through Star Alliance network, mileage reward program, ticket product and global corporate customer sales mechanism, we are able to attract more premium members and elevate our advantage in developing the business travel market. In addition, by experience sharing, joint purchasing, system co-development and resource sharing with the alliance airlines, we continue 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, Air China Cargo, which included 11 star alliance members. In 2017, EVA Air and Thai Airways began codeshare partnership on Bangkok-Vienna service. Both airlines gradually extended codeshare to EVA-operated Northeast Asia flights, including Taoyuan to Tokyo, Osaka, Fukuoka, Sendai, Komatsu, Sapporo, Hakodate, Okinawa and Seoul. Following that, EVA Air is planning to initiate codeshare with Star Alliance member Copa Airlines and Star Alliance Connecting Partner Juneyao Airlines in 2018.

3. Optimizing transfer network between North America and Southeast Asia

North American routes will be adjusted from 87 flights per week to 82 flights per week in 2018, while Southeast Asian routes will remain 121 flights per week. We will add frequencies on San Francisco trans-pacific route to meet the demand from inland North America.

4. Cultivate Northeast Asia market

In 2018, besides weekly 31 flights between Taiwan and South Korea and 119-125 flights per week between Taiwan and Japan, extra or charter flights will be arranged according to seasonal or market demand. The New Boeing 787 Dreamliners will be planned to fly Northeast Asia routes to provide travelers with a new travel experience.

5. Reinforcing internet and app sales

We will expand internet sales and improve the convenience of app sales by adding more languages on official website, developing diverse payment channels and providing new additional services to increase the percentage of online sales revenue. Additionally, we will enhance our product message by using social media to interact with consumers.

6. Diversifying cargo sources

Soliciting more mobile devices, AI systems, car electronics, wearable devices and other consumer electronics and e-commerce related products to expand our cargo market.

7. Promoting e-freight cargo services:

In collaboration with IATA, we will continue to promote e-Air Waybill (e-AWB) service. To meet the goal of 68% e-AWB coverage set by the IATA, we will increase by 8% in 2018.

Impact of External Competition, Legal Issues and Operating Environment

External Competition

1. The development of leisure travel market surpasses that of business travel market. Airlines are increasing fleet sizes. Budget airlines are gaining market share by providing lower fares. These factors continue to impact the average ticket fares.

2. As global economic growth increases the demand for petroleum products, oil-producing countries enact the production reducing policies. Fuel cost will be affected by the rising price of crude oil in 2018, which will increase operating costs and decrease profit margin.
3. Fluctuations of currency exchange rate, US policies change, the economic status of China, trends of raw material prices, BREXIT geopolitical unrest, rising protectionism and other uncertain factors all pose risks to the global economy and influence demand in the aviation industry.

Legal Environment

1. Political and economic status and policy stability will impact the ups and downs in passenger and cargo markets.
2. The amendments to relevant laws and regulations of flight crew duty and management-labor relationship have direct impact on the operating costs of the aviation industry.

Overall Operating Environment

1. As the number of flights around the world continues to increase, it is difficult to get the airport slots. Infrastructure such as airport terminals, runways and air traffic control cannot catch up with the speed of airline industry growth. The lagged development has become a risk for airline industry expansion.
2. The amendment of the US tax code results in lower corporate taxes. This will facilitate more capital expenditure in various industries and drive the development of the export industry.
3. The revival of the cargo market will facilitate the growth in cargo volume as well as ease the imbalance of supply and demand of cargo capacity.
4. Extreme weather will affect flight operation, causing more flight delays and cancellations.

EVA Air continues insisting on flight safety and service quality to provide our customers "safe, reassuring, trustworthy and comfortable" flight experience. In 2018, we will introduce the new generation of Dreamliners, the eco-friendly Boeing 787. At the same time, we strive to keep on improving our service and uphold our enterprise spirit of "challenge, innovation, teamwork" to become a more competitive airline.

Chariman

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 five destinations in Asia -- Bangkok, Seoul, Jakarta, Kuala Lumpur and Singapore.

1992

The comprehensive EVA Training Center opened in July, and the carrier's first two all-passenger Boeing 747-400s were delivered in November. EVA used the first flights of the new aircraft to launch its Taipei-Los Angeles route and introduce its four classes of cabin service, including the debut of its trend-setting Evergreen Deluxe Class in-between Economy and Super Business.

1993

EVA 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 was 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 and EVA launched the regular flights from Taoyuan to Okinawa, Shijiazhuang and Taiyuan.

2015

The Company was recognized as one of "World's Top-10 Safest Airlines" and "World's Top-10 Long-Haul Airline in Asia Pacific" by AirlineRating.com. Also, the Company ranked 3rd among the world's safest airlines by Germany's AERO International Magazine, "The World's Top Ten Best Airlines" and "Best Airline Cabin Cleanliness" in SKYTRAX's 2015 World Airline Awards. To expand fleets, EVA signed agreements with the Boeing Company to introduce 24 Boeing 787 Dreamliners and 2 additional Boeing 777-300ERs. Besides, EVA Air launched the regular flights from Kaohsiung to Osaka and Fukuoka, from Taoyuan to Houston, from Taichung to Seoul.

2016

As usual, EVA was recognized as World's Safest Airlines by AirlineRating.com and 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). EVA received Global Traveler Magazine's "Best Airport Staff/Gate Agents" award, "Leisure Lifestyle Award for Outstanding Customized Service" (Hello Kitty Jets), and the 8th of 2016"The World's Best International Airlines" on the Travel + Leisure Magazine's.

SKYTRAX, the world's leading airline rating institution, ranked EVA as "5-Star Airline", the 8th of "World Best Airline", the "Best Transpacific Airline", the "Best Business Class Comfort Amenities" as well as the world's 3rd "Most Loved Airlines". In 2016, EVA also launched flights from Taoyuan to Cebu and Chicago.

2017

At the beginning of the year, EVA is awarded CAA's 2016 "Golden Flyer Award" for International and Cross-Strait Route Group. The famous magazine Business Traveller announced that EVA was awarded the Gold Medal of 2016 "Best Business Class Cellar" and "Best First Class Sparkling". Airline rating institution SKYTRAX announced EVA Air as the "5-Star Airline", 2017 "Best Airline Cabin Cleanliness ", "Best Business Class Comfort Amenities" and ranked 6th among "The World's Top Ten Best Airlines". Moreover, The Infinity Lounge in Taoyuan Airport was rewarded as 2016 "Top 10 First and Business Class Airline Lounges" by SKYTRAX. The Company also listed 10th of 2017 "The World's Best International Airlines" on the Travel + Leisure Magazine's. New flights were launched from Taipei to Tianjin and Chongqing in 2017.

2018

EVA Air wins the Gold Medal for 2017 "Best Business Class Sparkling" by leading magazine Business Traveller. In addition, the Company is the winner of "World's Safest Airlines" rated by AirlineRating.com for the five consecutive years.

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 e-voting. 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 three consecutive years, and has been awarded the Best Performance of Social Inclusion Awards in Service Category and Top 50 Corporate Sustainability Report Awards – Gold Medal No. 1 in Transportation Industry of 2017 Taiwan Corporate Sustainability Awards. This illustrates that the Company has excellent performance in corporate governance and executed corporate social responsibility well.

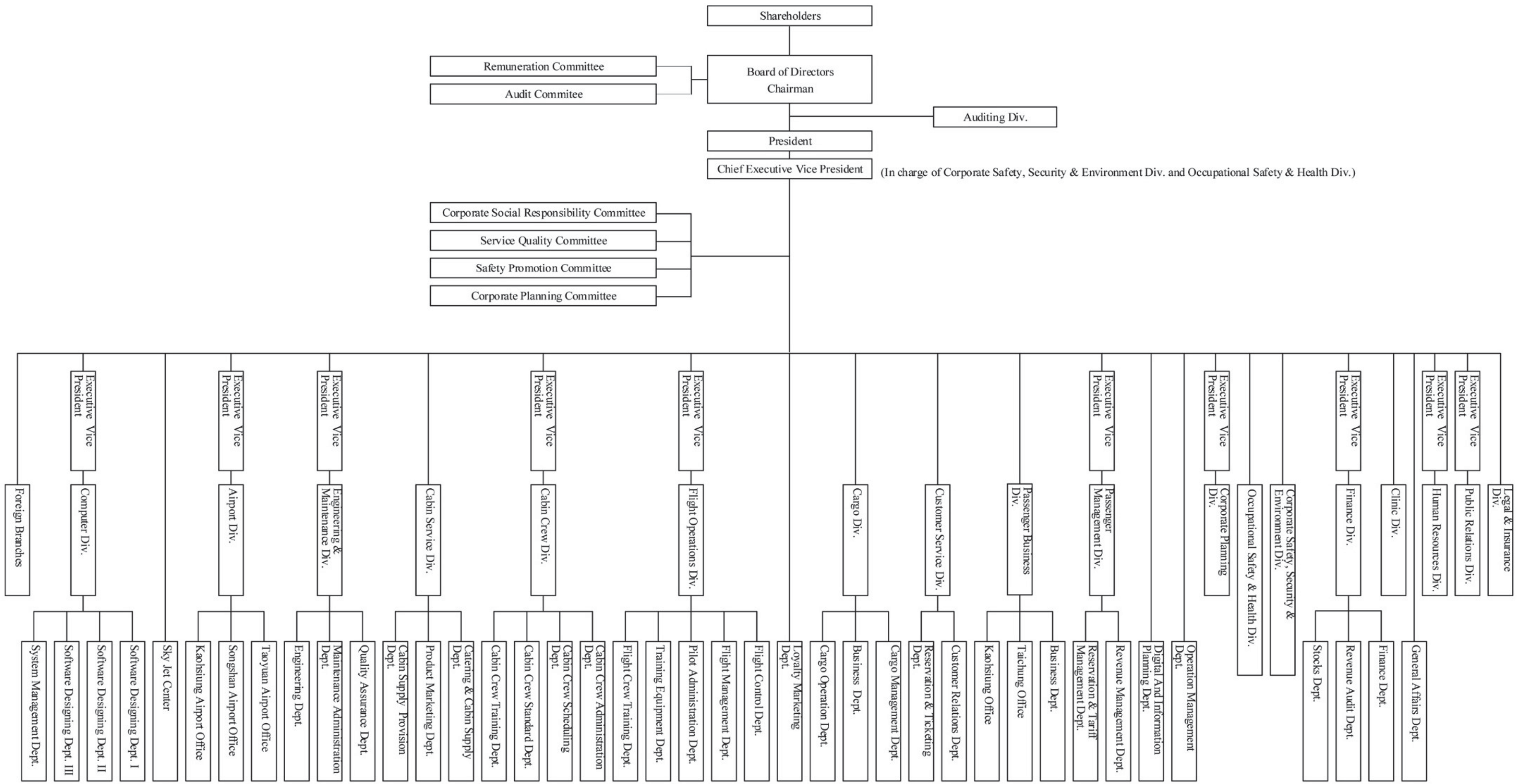
The Company's Board of Directors is composed of nine directors, including three independent directors. The tenure of independent directors is not over nine years in order to make sure the independence and transparency of the operation of Board of Directors. The members of Board of Directors have professional 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 composed of three independent directors and subordinated under Board of Directors. The Committee periodically reviews the remuneration policies of directors and managers and stipulates a reasonable remuneration for them according to their devotion on company operation. In addition, to completely carry out corporate governance policies to conform with the spirit of sustainable operation, the Company set up Audit Committee in 2017. The Committee is composed of the entire independent directors. The main function is to supervise fair presentation of the financial reports, the appointment, independence, and performance of CPAs, the effective implementation of the internal control system and the risks management of the Company.

The Auditing Div. is also subordinated under Board of Directors to build, implement and maintain the appropriateness and effectiveness of internal control system, improve operational efficiency and ensure that all the operation follows the related laws by auditing.

3.1 Organization

3.1.1 Organizational Chart



Issued Date：2018.04.30

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 Relations Div.	Responsible for advertising, planning PR activities and corporate image marketing.
Human Resources Div.	Responsible for human resources management, recruiting, execution of general training programs and union affairs.
General Affairs Dept.	Responsible for the building maintenance, dormitory operations, receptions for visiting, 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 corporate safety, security and environment related policy and its implementation, staff safety and security training preservation of aircraft 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.
Digital And Information Planning Dept.	Responsible for the planning and management of passenger and cargo service systems, data analysis, e-commerce, social media and Star Alliance digital services.
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 pilots' scheduling, management and training, flight dispatch, analyzing aircraft performances and fuel consumption of routes, formulating operating manual for aircraft.
Cabin Crew Div.	Responsible for the flight attendants' scheduling, management and training, formulating standard operating procedures, etc.
Cabin Service Div.	Responsible for 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

APR 30, 2018

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.	Evergreen International Corp.	-	2017.06.26	3 Years	1993.04.30	493,156,676	12.17	507,951,376	12.17	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Lin, Bou-Shiu	Male	2017.06.26	3 Years	1993.04.30	0	0.00	306,896	0.01	19,213	0.00	0	0.00	Chairman, Evergreen Steel Corp. Bachelor of Computer Science and Information Engineering, 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.	-	-	-
Director	R.O.C.	Evergreen International Corp.	-	2017.06.26	3 Years	1993.04.30	493,156,676	12.17	507,951,376	12.17	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Chang, Kuo-Cheng	Male	2017.06.26	3 Years	1989.03.31	0	0.00	81,066,264	1.94	0	0.00	0	0.00	Chairman, Evergreen Marine Corp. (Taiwan) Ltd. Bachelor of Science in Business Administration, Boston University (BSBA)	**Chairman**: Evergreen Insurance Co., Ltd. **Vice Chairman:** Central Reinsurance Corp. **Director:** Evergreen International Storage & Transport Corp., Qingdao Evergreen Container Storage & Transportation Co., Ltd., South Asia Gateway Terminals (Private) Ltd. **Supervisor:** Evergreen International 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
Director	R.O.C.	Evergreen Marine Corp. (Taiwan) Ltd.	-	2017.06.26	3 Years	1989.03.31	660,957,390	16.31	680,786,111	16.31	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Ko, Lee-Ching	Female	2017.06.26	3 Years	1992.05.02	0	0.00	97,975	0.00	0	0.00	0	0.00	Vice Group Chairman, Evergreen Group Keelung Girls' Senior High School	**Chairman:** Evergreen International Corp. **Director:** Evergreen Marine Corp. (Taiwan) Ltd., 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:** Ever Reward Logistics Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services 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: Wu, Kuang-Hui	Male	2017.06.26	3 Years	2010.12.01	0	0.00	41,172	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:** UNI Airways Corp., Evergreen Steel Corp., Evergreen Security Corp., Taiwan Terminal Services Corp., Charng Yang Development Corp., Hsiang-Li Investment Corp.	-	-	-
Director	R.O.C.	Chang Yung-Fa Charity Foundation	-	2017.06.26	3 Years	2009.06.16	12,056,209	0.30	12,417,895	0.30	-	-	0	0.00	-	-	-	-	-
	R.O.C.	Representative: Tai, Jiin-Chyuan	Male	2017.06.26	3 Years	2011.06.10	0	0.00	14,671	0.00	0	0.00	0	0.00	Executive Vice President, Legal Department of Evergreen International Corp. Master of the Law of the Sea, 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 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
Director	R.O.C.	Representative: Sun, Chia-Ming	Male	2018.01.01	2.48 Years	2018.01.01	0	0.00	63,013	0.00	0	0.00	0	0.00	Executive Vice President, Passenger Management Division of EVA Airways Corp. Bachelor of International Trade, Chinese Cultural University	**President:** EVA 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.	-	-	-
Independent Director	R.O.C.	Hsu , Shun-Hsiung	Male	2017.06.26	3 Years	2014.06.17	0	0.00	0	0.00	0	0.00	0	0.00	Managing Partner of YMH Company, CPAs Master of Accounting, National Taiwan University. Bachelor of Transportation & Communication Management Science, National Cheng Kung University.	Managing Partner of YMH Company, CPAs **Chairman:** Association of Certified Fraud Examiners Taiwan Chapter **Director:** Wellan System Corp., YMH International Co., Ltd., YMH Risk Management Consultant Ltd. **Supervisor:** Sagittarius Life Science Corp.	-	-	-
Independent Director	R.O.C.	Wu , Chung-Pao	Male	2017.06.26	3 Years	2017.06.26	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Protech Systems Co., Ltd. Master of International Business, National Taiwan University	**Chairman:** Protech Systems Co., Ltd. **Director:** Chenbro Micom Co., Ltd., CPC Corp. **Independent Director:** Trade-Van Information Services Co., Marketech International 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	2017.06.26	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), 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	**Director:** KD Holding Corp. **Independent Director:** Far Eastern Department Stores, Ltd. (FEDS)	-	-	-

Note: As of April 30, 2018, the Company has issued 4,173,449,024 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	Chang, Kuo-Cheng	Male	✓	✓						
Director	Ko, Lee-Ching	Female	✓	✓	✓					
Director	Tai, Jiin-Chyuan	Male	✓	✓		✓				
Director	Sun, Chia-Ming	Male	✓	✓						
Director	Wu, Kuang-Hui	Male	✓	✓	✓					
Independent Director	Chien, You-Hsin	Male	✓	✓			✓	✓		✓
Independent Director	Hsu, Shun-Hsiung	Male	✓	✓	✓				✓	
Independent Director	Wu, Chung-Pao	Male	✓				✓			

Major shareholders of the institutional shareholders

APR 30, 2018

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
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%)
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A. (Panama) (9.30%), Chang, Kuo-Hua (7.18%), Evergreen International Corp. (6.23%), Chang, Yung-Fa (5.25%), Chang, Kuo-Ming (2.77%), New Labor Pension Fund (2.03%), Chang, Kuo-Cheng (2.03%), Fu, Di-Chen (2.02%), Public Service Pension Fund (1.64%), Cathy Life Insurance Co., Ltd. (1.47%)
Chang Yung-Fa Charity Foundation	Non-profit Organization

Major shareholders of the Company's major institutional shareholders

APR 30, 2018

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

Professional qualifications and independence analysis of directors

APR 30, 2018

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
Chang, Kuo-Cheng			✓	✓	✓						✓	✓		0
Ko, Lee-Ching			✓	✓		✓	✓				✓	✓		0
Tai, Jiin-Chyuan			✓	✓		✓	✓				✓	✓		0
Sun, Chia-Ming			✓			✓	✓	✓	✓	✓	✓	✓		0
Wu, Kuang-Hui			✓	✓		✓	✓		✓		✓	✓		0
Chien, You-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsu, Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Chung-Pao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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, 2018

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.	Sun,Chia-Ming	Male	2018.01.01	63,013	0.002	0	0	0	0	Bachelor of International Trade, Chinese Cultural University	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	308,523	0.007	0	0	0	0	Master of Aviation Safety, University of Central Missouri Master of Business Administration, University of Central Missouri	-	-	-	-
Executive Vice President, Public Relations Div.	R.O.C.	Kou, Jin-Cheng	Male	2016.03.11	87,806	0.002	0	0	0	0	Bachelor of 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 of 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	59,129	0.001	806	0	0	0	Bachelor of 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	43,834	0.001	4,144	0	0	0	Master of 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.	Li, Shyh-Liang	Male	2008.01.01	21,630	0.001	13	0	0	0	Bachelor of Transportation and Communication Management, Feng Chia University	-	-	-	-
Executive Vice President, Flight Operations Div.	R.O.C.	Chen, Yeou-Yuh	Male	2011.01.01	49,527	0.001	0	0	0	0	Bachelor of Maritime Science, Tamkang University	-	-	-	-
Executive Vice President, Cabin Crew Div.	R.O.C.	Lu, Yu-Chuan	Female	2018.01.01	0	0.000	0	0	0	0	Bachelor of Business Administration, Fu Jen University Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Executive Vice President, Engineering & Maintenance Div.	R.O.C.	Fang, Tian-Hwai	Male	2017.01.01	50,653	0.001	0	0	0	0	Bachelor of 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	86,052	0.002	0	0	0	0	Bachelor of Industrial Management, National Taiwan Institute of Technology	-	-	-	-
Executive Vice President, Computer Div.	R.O.C.	Fang, Gwo-Shianng	Male	2007.01.01	171,507	0.004	0	0	0	0	Bachelor of 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	153,970	0.004	0	0	0	0	Bachelor of 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, Hsin-Pu Junior College of Industry	-	-	-	-
Senior Vice President, Legal & Insurance Div.	R.O.C.	Hsu, Hui-Sen	Male	2016.01.01	0	0.000	0	0	0	0	Master of the Law of the Sea, National Taiwan Ocean University. Legal Affairs (Senior Vice President), Group Management Head Office	-	-	-	-
Senior Vice President, Auditing Div.	R.O.C.	Lee, Yi-Chung	Male	2018.01.01	5	0.000	0	0	0	0	Bachelor of Accounting, Tunghai University Deputy Senior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Senior Vice President, Human Resources Div. Human Resources Team	R.O.C.	Hsiao, Chin-Lung	Male	2015.01.01	12,304	0.000	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	-
Senior Vice President, Human Resources Div. Union Affairs Team	R.O.C.	Chang, Tsu-Chun	Male	2016.10.01	15,923	0.000	0	0	0	0	Master of Graduate Institute of Human Resource Management, National Central University Senior Vice President, Evergreen Aviation Precision 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
Senior Vice President, General Affairs Dept.	R.O.C.	Soong, Allen	Male	2007.01.01	43,499	0.001	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-
Senior Vice President, , Finance Div. Finance Dept. (Accounting Officer)	R.O.C.	Chiang, Chin-Lan	Female	2015.01.01	48,812	0.001	0	0	0	0	Bachelor of Economics, National Taiwan University	-	-	-	-
Senior Vice President, Finance Div. Revenue Audit Dept.	R.O.C.	Ho, Li-Cheng	Female	2015.01.01	42,404	0.001	0	0	0	0	Bachelor of 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 of 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	24,359	0.001	9,523	0	0	0	Bachelor of Foreign Languages and Literature, National Tsing Hua University Deputy Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Senior Vice President, Corporate Planning Div.	R.O.C.	Su, Wei-Jen	Male	2018.01.01	35,575	0.001	19,057	0	0	0	Bachelor of International Trade, Fu Jen University	-	-	-	-
Senior Vice President, Passenger Management Div. Revenue Management Dept.	R.O.C.	Pan, Hsin-Hsiu	Male	2018.01.01	509	0.000	341	0	0	0	Bachelor of Western Language and Literature, National Chengchi University	-	-	-	-
Senior Vice President, Passenger Management Div. Revenue Management Dept.	R.O.C.	Chung, Kai-Cheng	Male	2018.01.01	12,978	0.000	0	0	0	0	Master of Transportation and Communication Management Science, National Cheng Kung University	-	-	-	-
Senior Vice President, Passenger Business Div.	R.O.C.	Wang, Chen-Hsing	Male	2016.01.01	37,914	0.001	9,463	0	0	0	Department of Marine Engineering, Kaohsiung Institute of Marine Technology	-	-	-	-
Senior Vice President, Customer Service Div.	R.O.C.	Yang, Hsiu-Huey	Female	2013.01.01	310	0.000	0	0	0	0	Department of Radio & Television, World College of Journalism	-	-	-	-
Senior Vice President, Cargo Div.	R.O.C.	Chuang, Shih-Hsiung	Male	2014.01.01	32,445	0.001	0	0	0	0	Bachelor of Animal Science and Biotechnology, Tunghai University	-	-	-	-
Senior Vice President, Flight Operations Div. Flight Control Dept.	R.O.C.	Lee, Cheng-Chieh	Male	2016.01.01	38,198	0.001	15,141	0	0	0	Bachelor of Mechanical Engineering, Tamkang 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
Senior Vice President, Cabin Crew Div. Cabin Crew Standard Dept.	R.O.C.	Hsu, Shu-Ching	Female	2018.01.01	33,001	0.001	0	0	0	0	Department of Banking and Insurance, Taipei College of Business Public Relations (Junior Vice President), Group Management Head Office	-	-	-	-
Senior Vice President, Cabin Service Div. Product Marketing Dept.	R.O.C.	Chen, Yao-Min	Male	2014.07.01	36,268	0.001	0	0	0	0	Department of Tourism, 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 of Business Administration, National Chung Hsing University	-	-	-	-
Senior Vice President, Engineering & Maintenance Div. Quality Assurance Dept.	R.O.C.	Yeh, Ching-Far	Male	2012.01.01	135	0.000	0	0	0	0	Master of Business Administrations, National Chengchi University Master of Mechanical Engineering, Tatung College of Technology	-	-	-	-
Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Liu, Ying	Female	2011.01.01	54,841	0.001	0	0	0	0	Master of 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	40,815	0.001	0	0	0	0	Bachelor of International Business, Soochow University	-	-	-	-
Senior Vice President, Computer Div.	R.O.C.	Chen, Chia-Chuan	Male	2018.01.01	27,258	0.001	87	0	0	0	Bachelor of Business Administration, National Chung Hsing University	-	-	-	-
Senior Vice President, Computer Div.	R.O.C.	Hou, Hsien-Yu	Male	2011.01.01	1,364	0.000	0	0	0	0	Master of 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	37,928	0.001	0	0	0	0	Bachelor of Business Administration, Feng Chia University Junior Vice President, UNI Airways Corp.	-	-	-	-
Secretary (Deputy Senior Vice President)	R.O.C.	Chou, Yu-Chuan	Female	2014.01.01	37,852	0.001	0	0	0	0	Bachelor of German Language and Literature, Fu Jen University Secretary (Junior Vice President), Group Management Head Office	-	-	-	-
Deputy Senior Vice President, Human Resources Div. Union Affairs Team	R.O.C.	Hsu, Ping	Male	2013.07.01	37,984	0.001	0	0	0	0	Bachelor of Psychology, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Corporate Planning Div	R.O.C	Lin, Shu-Fen	Female	2018.01.01	50,105	0.001	0	0	0	0	Bachelor of English Language and Literature, Soochow University	-	-	-	-
Deputy Senior Vice President, Corporate Planning Div.	R.O.C.	Chen, Shih-Ming	Male	2018.01.01	0	0.000	0	0	0	0	Bachelor of Forestry, 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
Deputy Senior Vice President, Operation Management Dept.	R.O.C.	Lin, Ta-Yuan	Male	2015.01.01	32,445	0.001	14,199	0	0	0	Bachelor of Economics, Feng Chia University	-	-	-	-
Deputy Senior Vice President, Digital and Information Planning Dept.	R.O.C.	Chiu, Chung-Yu	Male	2014.01.01	38,076	0.001	0	0	0	0	Bachelor of Mechanical Engineering, Feng Chia University	-	-	-	-
Deputy Senior Vice President, Passenger Management Div. Reservation & Tariff Management Dept.	R.O.C.	Wu, Shu-Ping	Female	2013.01.01	33,033	0.001	4,827	0	0	0	Department of Tourism, Hsing Wu College of Commerce	-	-	-	-
Deputy Senior Vice President, Passenger Business Div. Business Dept	R.O.C.	Lee, Chia-Fang	Female	2018.01.01	16,222	0.000	0	0	0	0	Bachelor of International Business, Tamkang University Secretary (Deputy Manager), Evergreen Sky Catering Corp.	-	-	-	-
Deputy Senior Vice President, Customer Service Div. Reservation & Ticketing Dept.	R.O.C.	Wu, Su-Shin	Female	2006.01.01	52,066	0.001	0	0	0	0	Bachelor of Sociology, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Cargo Div. Business Dept.	R.O.C.	Chen, Shui-Feng	Male	2017.08.01	26,886	0.001	0	0	0	0	Department of Electrical Engineering, Ming-Hsin Institute of Technology & Commerce	-	-	-	-
Deputy Senior Vice President, Loyalty Marketing Dept.	R.O.C.	Liu, Ying-Chun	Female	2017.01.01	784	0.000	5,762	0	0	0	Bachelor of Spanish, Tamkang University	-	-	-	-
Deputy Senior Vice President, Flight Operations Div. Training Equipment Dept.	R.O.C.	Kuo, Ming-Cheng	Male	2013.01.01	70,455	0.002	0	0	0	0	Bachelor of Economics, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Cabin Crew Div. Cabin Crew Administration Dept.	R.O.C.	Fung, Mei-Lie	Female	2018.01.01	59,093	0.001	0	0	0	0	Department of Tourism, Ming Chuan Junior Women's Commercial Colleage Junior Vice President, UNI Airways Corp.	-	-	-	-
Deputy Senior Vice President, Engineering & Maintenance Div. Engineering Dept.	R.O.C.	Liu, Wen-Jang	Male	2015.01.01	36,064	0.001	0	0	0	0	Bachelor of Electrical Engineering , National Taiwan Institute of Technology Manager, Evergreen Aviation Technologies Corp.	-	-	-	-
Deputy Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Wang, Hwa-Tsai	Male	2018.01.01	59,277	0.001	0	0	0	0	Bachelor of Banking, Feng Chia University	-	-	-	-
Deputy Senior Vice President, Airport Div. Taoyuan Airport Office	R.O.C.	Chang, Yu-Heng	Male	2017.01.01	273	0.000	382	0	0	0	Bachelor of Physics, Tunghai 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, Airport Div. Songshan Airport Office	R.O.C.	Huang, Chun-Hsiung	Male	2018.01.01	260	0.000	0	0	0	0	Bachelor of Electrical Engineering, Tamkang University	-	-	-	-
Deputy Senior Vice President, Airport Div. Kaohsiung Airport Office	R.O.C.	Chen, Shen-Chi	Male	2007.01.01	37,852	0.001	0	0	0	0	Department of Tourism, World College of Journalism Station Manager (Senior Vice President), UNI Airways Corp.	-	-	-	-
General Manager (Deputy Senior Vice President), Europe Head Office U.K. Branch	R.O.C.	Wang, Yuan-Shyang	Male	2014.01.01	119	0.000	0	0	0	0	Bachelor of Business Administration, National Taiwan University	-	-	-	-
General Manager (Deputy Senior Vice President), Hong Kong Branch	R.O.C.	Chang, Ming-Hung	Male	2014.01.01	5,000	0.000	0	0	0	0	Bachelor of International Trade, Tunghai University	-	-	-	-
General Manager (Deputy Senior Vice President), Japan Branch	R.O.C.	Tseng, Wen-Chiang	Male	2015.09.01	5,410	0.000	0	0	0	0	Bachelor of Journalism, Chinese Cultural University	-	-	-	-
General Manager (Deputy Senior Vice President), Thailand Branch	R.O.C.	Chen, Yu-Hou	Male	2016.01.01	0	0.000	0	0	0	0	Master of Civil Engineering, National Chiao Tung 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 of 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	49,282	0.001	850	0	0	0	Bachelor of 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	Bachelor of Foreign Languages, Christ's College Taipei	-	-	-	-

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

3.3.1 Remuneration of Directors

As of December 31, 2017
Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from an Invested Company Other than the Company's Subsidiaries
		Base Compensation (A)		Severance Pay (B)		Remuneration to Directors (C)		Allowances (D)				Salary, Bonuses, Allowances (E)		Severance Pay (F)		Employees' Compensation (G)						
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA	
																Cash	Stock	Cash	Stock			
Chairman	Evergreen International Corp. Representative：Lin, Bou-Shiu	6,840	6,840	-	-	2,000	4,500	36	36	0.15%	0.20%	-	-	-	-	-	-	-	-	0.15%	0.20%	881
Director	Evergreen International Corp. Representative：Chang, Kuo-Cheng	-	-	-	-	777	777	24	24	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	5,271
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative：Ko, Lee-Ching	-	-	-	-	1,500	2,699	36	36	0.03%	0.05%	-	-	-	-	-	-	-	-	0.03%	0.05%	4,149
Director	Chang Yung-Fa Charity Foundation Representative：Tai, Jiin-Chyuan	-	-	-	-	1,500	3,000	36	36	0.03%	0.05%	-	-	-	-	-	-	-	-	0.03%	0.05%	1,220
Director	Chang Yung-Fa Charity Foundation Representative：Chen, Hsien-Hung	-	-	-	-	777	3,277	24	24	0.01%	0.05%	4,768	4,768	988	988	-	-	-	-	0.11%	0.15%	500
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative：Wu, Kuang-Hui	-	-	-	-	777	777	24	24	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	311
Former Director	Chang Yung-Fa Charity Foundation Representative：Lee, Wen-Chung	-	-	-	-	723	723	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Former Director	Falcon Investment Services Ltd. Representative：Song, Yaw-Ming	-	-	-	-	723	723	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Former Director	Falcon Investment Services Ltd. Representative：Liang, Hwai-Hsin	-	-	-	-	723	723	12	12	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Independent Director	Chien, You-Hsin	860	860	-	-	-	-	30	30	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	-
Independent Director	Hsu, Shun-Hsiung	860	860	-	-	-	-	36	36	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	-
Independent Director	Wu, Chung-Pao	560	560	-	-	-	-	30	30	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	430
Former Independent Director	Lo, Tzu-Chiang	360	360	-	-	-	-	6	6	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-

Note: Except for the disclosed information above, the directors received remuneration due to providing service (ex. being consultant) for the Company's subsidiaries: None.

3.3.2 Remuneration of Supervisors

As of December 31, 2017
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	
Former Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	-	-	723	723	12	12	0.01%	0.01%	289
Former Supervisor	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	-	-	723	923	12	12	0.01%	0.02%	400
Former Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	-	-	723	723	12	12	0.01%	0.01%	-

3.3.3 Remuneration of the President and Executive Vice President

As of December 31, 2017
Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employees' Compensation (D)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income(%)</th><th rowspan="3">Compensation from an Invested Company Other than the Company's Subsidiaries</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 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>President</td><td>Chen, Hsien-Hung</td><td rowspan="16">42,958</td><td rowspan="16">42,958</td><td rowspan="16">14,357</td><td rowspan="16">14,357</td><td rowspan="16">18,606</td><td rowspan="16">21,806</td><td rowspan="16">280</td><td rowspan="16">-</td><td rowspan="16">280</td><td rowspan="16">-</td><td rowspan="16">1.32%</td><td rowspan="16">1.38%</td><td rowspan="16">500</td></tr>
<tr><td>Chief Executive Vice President</td><td>Ho, Ching-Sheng</td></tr>
<tr><td>Executive Vice President</td><td>Kou, Jin-Cheng</td></tr>
<tr><td>Executive Vice President</td><td>Pu, Wei-Ping</td></tr>
<tr><td>Executive Vice President</td><td>Tsai, Ta-Wei</td></tr>
<tr><td>Executive Vice President</td><td>Liao, Chi-Wei</td></tr>
<tr><td>Executive Vice President</td><td>Sun, Chia-Ming</td></tr>
<tr><td>Executive Vice President</td><td>Li, Shyh-Liang</td></tr>
<tr><td>Executive Vice President</td><td>Chen, Yeou-Yuh</td></tr>
<tr><td>Executive Vice President</td><td>Yang, Yung-Heng</td></tr>
<tr><td>Executive Vice President</td><td>Fang, Tian-Hwai</td></tr>
<tr><td>Executive Vice President</td><td>Yeh, Shih-Chung</td></tr>
<tr><td>Executive Vice President</td><td>Fang, Gwo-Shianng</td></tr>
<tr><td>Executive Vice President</td><td>Chang, Jang-Tsang</td></tr>
<tr><td>Executive Vice President</td><td>Chen, Chi-Hung</td></tr>
<tr><td>Former Executive Vice President</td><td>Yuen, Ping-Yu</td></tr>
</table>

Range of Remuneration	Name of President and Executive Vice President	
	EVA	Consolidated Subsidiaries of EVA
Under NT$ 2,000,000	-	-
NT$2,000,000 ~ NT$4,999,999	Ho, Ching- Sheng Kou, Jin-Cheng Pu, Wei-Ping Tsai, Ta-Wei Liao, Chi-Wei Sun, Chia-Ming Li, Shyh-Liang Chen, Yeou-Yuh Yang, Yung-Heng Fang, Tian-Hwai Yeh, Shih-Chung Fang, Gwo-Shianng Chang, Jang-Tsang Chen, Chi-Hung	Ho, Ching- Sheng Kou, Jin-Cheng Pu, Wei-Ping Tsai, Ta-Wei Liao, Chi-Wei Sun, Chia-Ming Li, Shyh-Liang Chen, Yeou-Yuh Yang, Yung-Heng Fang, Tian-Hwai Yeh, Shih-Chung Fang, Gwo-Shianng Chang, Jang-Tsang Chen, Chi-Hung
NT$5,000,000 ~ NT$9,999,999	Chen, Hsien-Hung	Chen, Hsien-Hung
NT$10,000,000 ~ NT$14,999,999	Yuen, Ping-Yu	Yuen, Ping-Yu
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
NT$100,000,000 or above	-	-
Total	16	16

Employees' Compensation of the Management Team

As of December 31, 2017
Unit: NT$ thousands

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chief Executive Vice President	Ho, Ching-Sheng	0	1,200	1,200	0.021%
	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	Sun, Chia-Ming				
	Executive Vice President	Li, Shyh-Liang				
	Executive Vice President	Chen, Yeou-Yuh				
	Executive Vice President	Yang, Yung-Heng				
	Executive Vice President	Fang, Tian-Hwai				
	Executive Vice President	Yeh, Shih-Chung				
	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	Hsiao, Chin-Lung				
	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	Chiang, Wei-Du				
	Senior Vice President	Wang, Chen-Hsing				
	Senior Vice President	Lu, Yu-Chuan				
	Senior Vice President	Chuang, Shih-Hsiung				
	Senior Vice President	Lee, Cheng-Chieh				
	Senior Vice President	Yang, Hsiu-Huey				
	Senior Vice President	Chen, Yao-Min				
	Senior Vice President	Tao, Shin-Chien				

	Title	Name	Employees' Compensation - in Stock	Employees' Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Senior Vice President	Yeh, Ching-Far	0	1,200	1,200	0.021%
	Senior Vice President	Chang, Lih-Lih				
	Senior Vice President	Liu, Ying				
	Senior Vice President	Yu, Chia-Chieh				
	Senior Vice President	Hou, Hsien-Yu				
	Senior Vice President	Liu, Tung-I				
	Deputy Senior Vice President	Chou, Yu-Chuan				
	Deputy Senior Vice President	Lee, Yi-Chung				
	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	Chen, Shui-Feng				
	Deputy Senior Vice President	Liu, Ying-Chun				
	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	Chang, Yu-Heng				
	Deputy Senior Vice President	Chen, Shen-Chi				
	Deputy Senior Vice President	Chen, Chia-Chuan				
	Deputy Senior Vice President	Wang, Yuan-Shyang				
	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	Chen, Yu-Hou				
	Deputy Senior Vice President	Chang, Yu-Tang				
	Deputy Senior Vice President	Liu, Hsin-Cheng				
	Deputy Senior Vice President	Wang, Pei-Chi				

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 last two 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	
	2016	2017	2016	2017
Directors	0.85%	0.43%	1.02%	0.56%
Supervisors	0.04%	0.03%	0.06%	0.04%
President and Executive Vice Presidents	2.25%	1.32%	2.25%	1.38%

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 2 (A) meetings of the Board of Directors were held from Jan 01, 2017 to the date before Jun 26, 2017 (the reelection date of Shareholders' Meeting). A total 4 (A) meetings of the Board of Directors were held from Jun 26, 2017 to Dec 31, 2017. The attendance of directors and supervisors was as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Directors elected by the Shareholders' Meeting on Jun 26, 2017					
Chairman	Evergreen International Corp. Representative: Lin, Bou-Shiu	4	0	100%	Reelected on Jun 26, 2017
Director	Evergreen International Corp. Representative: Chang, Kuo-Cheng	4	0	100%	Newly elected on Jun 26, 2017
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Ko, Lee-Ching	4	0	100%	Reelected on Jun 26, 2017
Director	Chang Yung-Fa Charity Foundation Representative: Tai, Jiin-Chyuan	4	0	100%	
Director	Chang Yung-Fa Charity Foundation Representative: Chen, Hsien-Hung	4	0	100%	Newly elected on Jun 26, 2017
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Wu, Kuang-Hui	4	0	100%	
Independent Director	Chien, You-Hsin	3	1	75%	Reelected on Jun 26, 2017
Independent Director	Hsu, Shun-Hsiung	4	0	100%	
Independent Director	Wu, Chung-Pao	4	0	100%	Newly elected on Jun 26, 2017

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Former Director (Before the reelection of the Shareholders' meeting on Jun 26, 2017)					
Chairman	Chang Yung-Fa Charity Foundation Representative: Lin, Bou-Shiu	2	0	100%	Required numbers of attendance: 2
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Ko, Lee-Ching	2	0	100%	
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Tai, Jiin-Chyuan	2	0	100%	
Director	Chang Yung-Fa Charity Foundation Representative: Lee, Wen-Chung	2	0	100%	Term ceased on Jun 26, 2017 Required numbers of attendance: 2
Director	Falcon Investment Services Ltd. Representative: Song, Yaw-Ming	1	1	50%	
Director	Falcon Investment Services Ltd. Representative: Liang, Hwai-Hsin	2	0	100%	
Independent Director	Chien, You-Hsin	2	0	100%	Required numbers of attendance: 2
Independent Director	Hsu, Shun-Hsiung	2	0	100%	
Independent Director	Lo, Tzu-Chiang	2	0	100%	Term ceased on Jun 26, 2017 Required numbers of attendance: 2
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	2	0	100%	Term ceased on Jun 26, 2017 Required numbers of attendance: 2
Supervisor	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	2	0	100%	
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	2	0	100%	

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 29, 2017.

Period: 2017 1st Board Meeting.

Proposals:

a. To issue newly stocks via capitalization of retained earnings.
b. To amend "Internal Control System" and "Internal Audit Implementation Rules".
c. To amend "Procedures for Acquiring and Disposing of Assets".
d. To amend "Procedures for Transaction of Derivative Products".
e. To amend "Procedures for Funds Lending, Endorsement and Guarantee".

Opinions of independent directors: None.

The Company's response to the opinions: None.

B. Date: May 10, 2017.

Period: 2017 2nd Board Meeting.

Proposals:

a. To sell one CF6-80C2 engine.
   Directors being required for recusal: Chairman Lin, Bou-Shiu and Director Tai, Jiin-Chyuan
   Reason: Chairman Lin, Bou-Shiu and Director Tai, Jiin-Chyuan are also directors of Evergreen Aviation Technologies Corp..
   Voting situation: Except for directors who recused themselves from the discussion and resolution, all 7 attendance agreed and approved the proposal.
b. To dispose THSRC stocks.
c. To enter into the contract with "DPR Construction" for the construction work on the own land in Los Angeles.

Opinions of independent directors: None.

The Company's response to the opinions: None.

C. Date: Aug 10, 2017.

Period: 2017 4th Board Meeting.

Proposal:

a. To sell one CF6-80C2 spare engine.
b. To approve continuous leasing of two A321-211 passenger aircraft to UNI Airways Corp., and rent part of time of aircraft from UNI Airways Corp..
   Directors being required for recusal: Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Chen, Hsien-Hung

Reason: Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Chen, Hsien-Hung are also directors of UNI Airways Corp..

Voting situation: Except for directors who recused themselves from the discussion and resolution, all 6 attendance agreed and approved the proposal.

c. To issue the 3rd domestic unsecured convertible bond.

d. To amend "Internal Control System".

e. To approve 2017 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 discussion and resolution, all 8 attendance agreed and approved the proposal.

f. To approve compensation and travel allowance of the Independent Directors.

Directors being required for recusal: Independent Directors Chien, You-Hsin, Hsu, Shun-Hsiung and Wu, Chung-Pao.

Reason: The Independent Directors have direct personal interest conflicts to the proposal.

Voting situation: Except for the Independent Directors who recused themselves from discussion and resolution, all 6 attendance agreed and approved the proposal.

g. To stipulate the dividend record date.

Opinions of independent directors: None.

The Company's response to the opinions: None.

D. Date: Nov 10, 2017.

Period: 2017 5th Board Meeting.

Proposal:

a. To sell three Boeing 747-400 Freighter.

b. To donate cash to Chang Yung-Fa Foundation for holding a concert.

Directors being required for recusal: Chairman Lin, Bou-Shiu, Director Ko, Lee-Ching and Tai, Jiin-Chyuan.

Reason: Chairman Lin, Bou-Shiu, 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 6 attendance agreed and approved the proposal.

Opinions of independent directors: None.

The Company's response to the opinions: None.

E. Date: Dec 20, 2017.

Period: 2017 6th Board Meeting.

Proposals:

a. To approve the bonus of management of 2017.

Directors being required for recusal: Director Chen, Hsien-Hung.

Reason: Director Chen, Hsien-Hung has direct personal interest conflicts to the proposal.

Voting situation: Except for director who recused himself from the discussion and resolution, all 8 attendance agreed and approved the proposal.

b. To approve the bonus of Chairman of 2017.

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, all 8 attendance agreed and approved the proposal.

c. To approve 2018 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, all 8 attendance agreed and approved the proposal.

d. To approve continuous leasing of five passenger aircraft to UNI Airways Corp..

Directors being required for recusal: Chairman Lin, Bou-Shiu, Directors Tai, Jiin-Chyuan and Chen, Hsien-Hung.

Reason: Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Chen, Hsien-Hung are also directors of UNI Airways Corp..

Voting situation: Except for directors who recused themselves from the discussion and resolution, all 6 attendance agreed and approved the proposal.

e. 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 2017 and 2018.

(3) The Company listed the top 5% of the 4th corporate governance evaluation, which illustrated the Company had well performance during operation.

(4) The Board of Directors of the Company established "Regulations Governing the Board Performance Evaluation", the 2017 evaluation results of the performance of Directors were "Good".

(5) 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.
(6) The Company has 3 independent directors and has stipulated the "Obligation of Independent Directors' Duties". To enhance the functionality of Board of Directors, the Company established the Audit Committee on Jun 26, 2017.

3.4.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

A. Audit Committee:

The Company has established Audit Committee since Jun 26, 2017. A total of 3 (A) meetings of the Audit Committee were held from Jun 26, 2017 to Dec 31, 2017. The attendance of Independent directors was as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Chien, You-Hsin	2	1	66.67%	-
Independent director	Hsu, Shun-Hsiung	3	0	100%	-
Independent director	Wu, Chung-Pao	3	0	100%	-

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) The items listed in Article 14-5 of Securities and Exchange Act.
      A. Date: Aug 10, 2017.
         Period: 2017 1st Audit Committee Meeting.
         Proposals:
         a. To approve 2017 Q2 Consolidated Financial Statement.
         b. To approve continuous leasing of two A321-211 passenger aircraft to UNI Airways Corp. and rent part of time of aircraft from UNI Airways Corp..
         c. To issue the 3rd domestic unsecured convertible bond.
         d. To amend "Internal Control System".
         Resolutions of the Audit Committee: Approved unanimously.
         The Company's response to the Audit Committee's opinion: None.

B. Date: Nov 10, 2017.

Period: 2017 2nd Audit Committee Meeting.

Proposals:

a. To sell three Boeing 747-400 Freighter.

b. To donate cash to Chang Yung-Fa Foundation for holding a concert.

Resolutions of the Audit Committee: Approved unanimously.

The Company's response to the Audit Committee's opinion: None.

C. Date: Dec 20, 2017.

Period: 2017 3rd Audit Committee Meeting.

Proposals:

a. To approve continuous leasing of five passenger aircraft to UNI Airways Corp..

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

Resolutions of the Audit Committee: Approved unanimously.

The Company's response to the Audit Committee's opinion: None.

(2) Except for the proposal mentioned above, the other resolutions which are not approved by Audit Committee but are approved by two-third of directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1) The Communications between the independent directors and the Company's chief internal auditor.

A. Communication method

The independent directors and the chief internal auditor have at least two closed-door meetings every year, to report the results of execution of internal audit and operation of internal control. In the case of emergency, the meeting may be convened at any time. In addition, the audit and follow-up reports shall be submit for review to the independent directors by the end of the next month following the completion of the audit items.

B. The summaries of communication in 2017:

Date	Communication Content	The Company's Response
Aug 10, 2017	Amendment of "Internal Control System".	Submit to Board of Directors meeting after approval.

Date	Communication Content	The Company's Response
Nov 10, 2017	1. The Audit reports from Jul to Sep 2017. 2. The project evaluation report of Flight Training Academy and its aircraft spare parts.	1. Submit to Board of Directors meeting. 2. The following status of the project will be submitted to Audit Committee.
Dec 20, 2017	The Audit reports from Oct to Nov 2017.	Submit to Board of Directors meeting.

(2) The Communications between the Independent Directors and CPAs.

A. Communication method

The independent directors and CPAs have at least two closed-door meetings every year, to report the financial situation and the audit results of the Company and its subsidiaries, and to explain about materially adjusting journal entries and the influence of legislation amendment on accounts. In the case of emergency, the meeting may be convened at any time.

B. The summaries of communication in 2017:

Date	Communication Content	The Company's Response
Aug 10, 2017	1. CPAs review 2017 Q2 financial statement, explain Key Audit Matters (KAMs) and the important legislation amendment. 2. CPAs begin the discussion based on the problems that raised by the attendee.	None
Nov 10, 2017	1. CPAs review 2017 Q3 financial statement, explain Key Audit Matters (KAMs) and the important legislation amendment. 2. CPAs begin the discussion based on the problems that raised by the attendee.	None

B. Attendance of Supervisors at Board Meetings

A total of 2 (A) meetings of Board of Directors were held from Jan 1, 2017 to the date before Jun 26, 2017 (the reelection date of Shareholders' Meeting and set up Audit Committee)

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	2	100%	-
Supervisor	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	2	100%	-
Supervisor	Evergreen International Corp. Representative: Chen, Cheng-Pang	2	100%	-

Other mentionable items:

1. Composition and responsibilities of supervisors:
   (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): Employees and shareholders could directly or indirectly make suggestions to supervisors by paper, oral or Email.
   (2) Communications between supervisors and the Company's Chief Internal Auditor and CPAs (e.g. items, methods and results of the audits of corporate finance or operations, etc.): The Chief Internal Auditor submit audit reports 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"

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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors:				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		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 23 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 doesn't voluntarily establish other functional committees.	The Company has established Remuneration Committee and Audit 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		1. The Company established the "Regulations Governing the Board Performance Evaluation", and disclosed it through the Company's official website and the Market Observation Post System (MOPS). 2. The Company shall conduct an internal board performance evaluation at least once a year. In addition, the Company's board performance evaluation may be conducted by an external	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			independent professional institution or a panel of external experts and scholars at least once every three years. 3. Please refer to Table 1 for the 2017 evaluation results of the performance of the Board of Directors. The details please refer to the Company's official website.	
(4) Does the Company regularly evaluate the independence of CPAs?	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 2 for the CPAs independence evaluation.) The Company annually evaluate the specialization and independence of CPAs. Also, the CPAs have completed independent report for the appointed auditing affair. The assignment and remuneration for CPAs of 2018 financial and tax certification have been approved by Board of Directors on Dec 20, 2017 and Mar 20, 2018 separately.	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	V		1.The Stocks Department officer, who has been conducted stock affairs, shareholders' meeting and Board meeting affairs for at least 3 years, is responsible for corporate governance affairs, and is supervised by the top management of Finance Division. The main duties are as follows: (1)To provide information and	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Meeting or Annual General Meeting, company registration and change registration of company and Minutes of Board of Directors meeting and Annual General Meeting preparation) ?			regulations for Directors to assist Directors to perform their duty. (2) To set up the meeting agenda and minutes of Shareholders' meeting, Board meeting and functional committees' meeting, prepare meeting affairs and file the company registrations application with MOEA according to laws. (3) To hold Directors training course according to industrial characteristics and Directors' needs. (4) To contact with shareholders and service. 2. The business development in 2017 are as follows, and were reported to the Board of Directors on Dec 20, 2017. (1) The 2017 evaluation results of the performance of the Board of Directors. (2) Renewed the directors' & officers' liability insurance of 2018.	
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		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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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.
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

<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>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, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</td><td>V</td><td></td><td>1. The training hours of directors are as follows and the more information please refer to the Market Observation Post System (MOPS):
(1) Chairman Lin, Bou-Shiu, Director Chang, Kuo-Cheng, Director Ko, Lee-Ching, Director Tai, Jiin-Chyuan, Director Wu, Kuang-Hui and Independent Director Hsu, Shun-Hsiung participated in the six-hour training course in 2017 and three-hour training course in 2018.
(2) Independent Director Chien, You-Hsin participated in the nine-hour training course in 2017 and three-hour training course in 2018.
(3) Independent Director Wu, Chung-Pao participated in the twelve-hour training course in 2017 and three-hour training course in 2018.
(4) Director Sun, Chia-Ming participated in the nine-hour training course in 2018.
2. Since 2015, the Company has purchased liability insurance for directors and supervisors annually.</td><td>None</td></tr>
<tr><td colspan="5">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 has established Audit Committee on Jun 26, 2017.
(2) The Company established the “Regulations Governing the Board Performance Evaluation” on Nov 10, 2017, and disclosed it through the Company’s official website and the Market Observation Post System (MOPS). The 2017 evaluation results of the performance of Board of directors were “Good”, the details</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	
please refer to the Company's official website. (3) The directors of the Company have completed training courses in 2017 according to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" and the Company will continually encourage directors to attend training courses. (4) The Company has been invited to attend Investor Conference held by KGI Securities Co., Ltd. on Mar 30, 2018 to communicate with investors instantly.				

Table 1: The Evaluation Results of Board of Directors of 2017

	the Board evaluation	the Board members (self) evaluation
Average score (Full score: 3)	2.93	2.93
Evaluation Results	Good	Good

Table 2: CPA Independence Evaluation

No.	Item	The Company's Evaluation	Statement of CPA Chen, Ya-Ling	Statement of CPA Su, Yen-Ta
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

No.	Item	The Company's Evaluation	Statement of CPA Chen, Ya-Ling	Statement of CPA Su, Yen-Ta
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	
Current (3rd) Committee													
Independent Director	Chien, You-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Hsu, Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Wu, Chung-Pao			✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Former (2nd) Committee													
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

1. The Remuneration Committee is composed of three independent directors.
2. Due to the directors reelection at 2017 Shareholders' Meeting, the Board of Directors appointed the members of the 3rd Committee, whose term of office is from Jun 26, 2017 to Jun 25, 2020.
3. A total of 2 (A) meetings of current (3rd) Committee were held as of Dec 31, 2017; A total of 1 (A) meeting of former (2nd) Committee was held from Jan 1, 2017 to Jun 26, 2017. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Current (3rd) Committee					
Convener	Chien, You-Hsin	2	0	100%	-
Committee Member	Hsu, Shun-Hsiung	2	0	100%	-
Committee Member	Wu, Chung-Pao	2	0	100%	-
Former (2nd) Committee					
Convener	Hsu, Shun-Hsiung	1	0	100%	-
Committee Member	Chien, You-Hsin	1	0	100%	-
Committee Member	Lo, Tzu-Chiang	1	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 to hold corporate social responsibility training and assign employees to attend "CEO Lectures" quarterly hosted 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 Company has set up "Corporate Social Responsibility Committee", which is a specialized unit responsible for formulating policies, regulations, management and executing corporate social responsibility. The Company's President is assigned as Committee Chairman. The execution of related operation should be reported to Board of Directors meeting at least twice a year.	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 adoption of remuneration policies based on characteristics of each position, living costs, company management performance, and remuneration provided by competitors. The Company takes reasonable factors such as fulfilling social responsibility into consideration. Meanwhile, the employee performance assessment combined with the Company's policies for corporate social responsibility, including aspects such as management integrity, service innovation, and unity and harmony. Besides, the Article of Incorporation of the Company formulated that if the Company makes profit in a fiscal year, employees' compensation no less than 1% of the profit shall be set aside.	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 Company's enhancement of all resources more efficiently and use of renewable materials are described as follows: 1. Continually introduces latest environmental friendly aircraft and promotes paperless work: (1) According to the characteristics of the aviation industry, greenhouse gas emissions from aircraft are one of the main facts affecting the environment. Therefore, the Company has continued to implement the fleet modernization program and signed a contract with	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	
			Boeing Company in 2015 to purchase 26 passenger aircraft, including 24 globally latest- generation wide-body passenger aircraft, Boeing 787 Dreamliner, which uses a large quantity of lightweight carbon fiber composite materials, whose application proportion exceeds 50% of the total body structure. Meanwhile, LED lighting equipment is replaced fluorescent tubes, which can reduce the half of electricity consumption. The aircraft are also equipped with the latest model of GEnx engines from GE, which can save fuel consumption and greenhouse gas emissions by 20% compared with the old model wide-body aircraft. The Company will gradually eliminate the old models to reduce the impact of the aviation industry on the environment with the latest environmental protection and energy-saving technology. The new model aircraft will be delivered successively from 2018. (2) Each fleet is equipped with an electronic flight bag (EFB). All documents of flight operations are digitalized. Pilots can read the manuals through their allocated iPad. This helps discard the inconvenience and waste from traditional administrative operations and improve efficiency. (3) Electronic tickets are fully adopted.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Freight operations are conducted in accordance with the paperless operation standard for import/export freight transport of the International Air Transportation Association (IATA). (4) The Company launched the e-tag baggage check-in service, the first in Asia and the second around the world. Baggage check-in and operations can be done through smart devices. This largely reduces the use of papers and waste. 2. Purchase environmental friendly raw materials: The inflight magazines provided by the Company and the office papers are all products made from papers of sustainable forestry certified by FSC™. The Company purchases products with green labels according to the environmental and energy management system for supplies used in the office building, reducing the environmental impact from the Company's operations. 3. Improvement of entire environment and energy efficiency: (1) The office area has adopted power-saving LED light in place of conventional lighting. (2) Infrared sensors are installed in rarely used areas with lighting to reduce energy consumption.	

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 conditioning energy center was launched in 2014, intelligently monitoring and moderating air conditioning to avoid waste of energy. (4) Properly adjust the water flow from the faucets in the public restrooms. Products labeled with water efficiency are the priority products to be used. Also, the equipment for recycling rain and water from air-conditioner condensation water is also installed to wisely use of the precious water resources.	
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		To strengthen the corporate environment and energy management mechanism, comply with domestic and foreign laws and regulations, and faithfully and effectively manage the Company's environment and energy system and benefits, the Company obtained ISO 14001 (environment management system) and ISO 50001 (energy management system) international certification in 2015. With systematic management thinking and organizational functioning, the Company is promoting management programs and actions related to environmental protection, and striding forward towards a sustainable green enterprise.	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. The Company check its greenhouse gas emission data followed ISO 140641-1 international standard and verified the data by third party in 2016 and 2017. The main areas of quantification are aircraft fuel, vehicle gasoline and diesel, and total electricity consumption of offices at various places so as to understand the situation and trends of greenhouse gas emissions, and make early responses. 2. In addition to continuous introduction of brand-new, fuel-efficient and environmental-friendly models of aircraft, 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. By executing various actions and aircraft fuel saving policies to reduce CO2 emission and noise pollution during airport operations.	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. 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, International Bill of Human Rights and articles to formulate working regulations and human-resource regulations as the Company's management basis.	None
(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		The Company offers the occupational safety and health education and training, firefighting and safety seminars and practical training for all newly arrived employees. The Company also supervises the inspection of occupational hazards and conducts the survey on occupational hazards. In March 2015, Taiwan Occupational Safety and Health Management System(TOSHMS) and Occupational Health and Safety Management System(OHSAS) 18001 were introduced into the Company. It was the first company which achieved TOSHMS verification in Taiwan airline industry. Recently, the Company immensely improved the work environment of employees, guaranteeing employees' safety and health.	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 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 2016 (page 55-58).	None
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		Customer Service Division is in charge of 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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	V		Products and services provided by the Company all follow local law 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
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		The Company has published “Major Suppliers and Partners Corporate Social Responsibility Policy” on Dec 15, 2015. Meanwhile, There are termination clauses in the contracts between the Company and major suppliers. If the suppliers violate corporate social responsibility policy and have obvious impact on the environment and society, the Company may terminate or dissolve the contracts refer to contract clauses.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
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 principles.

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 three consecutive years. In 2017, the Company are the winner of two rewards which are Taiwan Top 50 Corporate Sustainability Report-Gold Medal No.1 in the Transportation Category and Best Performance for Social Inclusion Awards in the Service Category.

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

The 2016 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. In 2017, 332 new employees (total 443 man hours) participated in the education and training courses related to ethical management, including Morals and the Corporate Spirit, Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles, and Antitrust Law Compliance Guidelines.	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 according to “ECM Best-Practice Principles” 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

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 provide proper whistleblower protection?	V		Following "ECM Best-Practice Principles", the Company protects whistleblower from any improper treatment due to the impeachment case.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company discloses its "ECM Best-Practice Principles" on its corporate website. The results of our implementation are disclosed in Market Observation Post System and Corporate Social Responsibility Report.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None				

3.4.7 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

Date of Meeting	Summary of Important Proposals	Execution
June 26, 2017	1. To approve the issuance of new shares for capital increase by earnings re-capitalization. a. Cash dividends to common shareholders: NTD 0.2 per share, with total NTD 810,378,452. Stock dividends to common shareholders: 30 shares per thousand shares. Total 121,556,768 shares are distributed and par value is NTD 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.	a. The Board Meeting held on August 10, 2017 resolved September 4, 2017 as dividend record date. b. The cash dividend was distributed on September 26. The change of the Company registration was approved by Commerce Department, Ministry of Economic Affairs (no. 10601131380) on September 13, 2017. Stock dividend was distributed by the certificate of new stock on September 26. The new stocks were available in stock market on September 30.
	2. To amend Articles of Incorporation.	The amended Articles of Incorporation has been approved by Commerce Department, Ministry of Economic Affairs (no. 10601098040) and the related actions on behalf of the Company have been conducted in accordance with revised Article of Incorporation.
	3. To amend "Regulations for Electing Directors and Supervisors" and revise the name to "Regulations for Electing Directors".	The related actions on behalf of the Company have been conducted in accordance with revised "Regulations for Electing Directors".
	4. To amend "Procedures for Acquiring and Disposing of Assets".	The related actions on behalf of the Company have been conducted in accordance with revised "Procedures for Acquiring and Disposing of Assets".
	5. To amend "Procedures for Transaction of Derivative Products".	The related actions on behalf of the Company have been conducted in accordance with revised "Procedures for Transaction of Derivative Products".

Date of Meeting	Summary of Important Proposals	Execution
June 26, 2017	6. To amend “Procedures for Fund Lending, Endorsement and Guarantee”.	The related actions on behalf of the Company have been conducted in accordance with revised “Procedures for Fund Lending, Endorsement and Guarantee”.
	7. To elect 9 Directors (including 3 Independent Directors) according to the “Articles of Incorporation”.	The Directors election has been approved by Commerce Department, Ministry of Economic Affairs (no. 10601098040). The new Directors have executed authority in accordance with “Articles of Incorporation” and relevant laws.
	8. To approve the release of restrictions of competitive activities of Directors.	The related actions have been executed in accordance with the resolution.

Major Board of Director Meeting’s Resolutions

Date of Meeting	Major Proposals
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. 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” and revised the name to “Regulations for Electing Directors”. 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 make proposal on 2017 Annual General Shareholders Meeting 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 convene 2017 Annual General Shareholders’ Meeting.

Date of Meeting	Major Proposals
May 10, 2017	1. To sell one CF6-80C2 engine. 2. To enter into the contract with "DPR Construction" for the construction work on the own land in Los Angeles. 3. To change the representative of Macau Branch. 4. To examine the list of Director candidates.
June 26, 2017	1. To elect Chairman of the Company. 2. To appoint the 3rd members of Remuneration Committee. 3. To establish the "Audit Committee Chapter".
August 10, 2017	1. To sell one CF6-80C2 spare engine. 2. To approve continuous leasing of two A321-211 passenger aircraft to UNI Airways Corp., and rent part of time of aircraft from UNI Airways Corp.. 3. To change the representative of Panama General Sales Agency. 4. To change bank authorized person of the Company's Thailand Branch. 5. To change the authorized person in financial institution and the authorized transaction persons of derivative products. 6. To issue the 3rd domestic unsecured convertible bond. 7. To amend "Internal Control System". 8. To amend "Remuneration Committee Chapter". 9. To amend "Payment Regulation of Directors and Supervisors Compensation for" and revise the name to "Payment Regulation of Directors". 10.To approve 2017 compensation of the Chairman. 11.To approve the travel allowance of the Directors (except Independent Directors). 12.To approve compensation and travel allowance of the Independent Directors. 13.To amend "Regulations for Board of Directors Meeting Procedures". 14.To amend "Rules Governing the Scope of Powers of Independent Directors". 15.To amend "Audit Committee Chapter". 16.To amend "Corporate Governance Best-Practice Principles". 17.To amend "Codes of Ethical Conduct". 18.To amend "Ethical Corporate Management Best Practice Principles". 19.To amend "Procedures for Ethical Management and Guidelines for Conduct". 20.To amend "Procedures for Handling Material Inside Information". 21.To amend "Procedures for Halt and Resumption Applications". 22.To resolve September 4, 2017 as dividend record date and September 20, 2017 as cash dividend distribution date.
November 10, 2017	1. To ratify the change of owner of leasing three A321-211 passenger aircraft and the transferring contact. 2. To ratify the dissolution of subsidiary company "RTW Air Services (S) Pte. Ltd.". 3. To sell three Boeing 747-400 Freighter.

Date of Meeting	Major Proposals
	4. To donate cash to Chang Yung-Fa Foundation for holding a concert. 5. To establish “Regulations Governing the Board Performance Evaluation”. 6. To reassign the President of the Company and Taipei Branch.
December 20, 2017	1. To amend the “Payment Regulation of Managers Compensation”. 2. To approve the bonus of management of 2017. 3. To approve 2018 compensation for management. 4. To amend “Payment Regulation of Directors”. 5. To approve the bonus of Chairman of 2017. 6. To approve 2018 compensation of Chairman. 7. To approve continuous leasing of five passenger aircraft to UNI Airways Corp.. 8. To formulate the Company’s “2018 Internal Audit Plan”. 9. To appoint the Company’s certified public accountants and determine their remuneration. 10.To approve 2018 budget.
February 7, 2018	To approve reaching a settlement agreement with the Plaintiffs in the MDL class action In re Transpacific Passenger Air Transportation Antitrust Litigation.
March 20, 2018	1. To ratify the change of owner of leasing three A321-211 passenger aircraft and the transferring contact. 2. To ratify selling one Boeing 737 Business Jet. 3. To ratify disposing the shares of “Pan-Pacific Venture Capital Co., Ltd.”. 4. To approve 2017 employees’ compensation. 5. To approve 2017 remuneration for directors and supervisors. 6. To approve 2017 Business Report. 7. To approve 2017 Parent-company-only Financial Statement and Consolidated Financial Statement. 8. To approve the earnings distribution of 2017. 9. To approve the issuance of new shares for capital increase by earnings re-capitalization of 2017. 10.To accept the 2017 Declaration of Internal Control. 11.To amend “Internal Control System” and “Internal Audit Implementation Rules”. 12.To accept 2018 Operation Plan. 13.To amend accounting system. 14.To approve changing the Company’s certified public accountants from first quarter of 2018. 15.To release restrictions of competitive activities of the President. 16.To make proposal on 2018 Annual General Shareholders Meeting to release restrictions of competitive activities of director. 17.To convene 2018 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

Date of Board Meeting: May 10, 2017

Period: 2017 2^{nd} Board Meeting

Agenda: To examine the list of Director candidates.

Name of Directors: Song, Yaw-Ming

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, 2018

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chief Internal Auditor	Li, Ping-Yin	1996.02.01	2017.01.01	Job Rotation
President	Chen, Hsien-Hung	2016.03.28	2018.01.01	Retirement

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 Wang, Chin-Sun	6,980	0	0	0	2,383	2,383	01 Jan~ 31 Dec, 2017	revenue audit for sky jet center, tax consult, transfer pricing report, BEPS Country-by-Country Report, America airport tax filing, certification of dual-status business entities direct deduction method , declaration of capitalization of retained earnings, corporate bond issusing

3.6 Replacement of CPA:

A. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="5">March 20, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="5">Job rotation within the accounting firm.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="3">Parties / Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="3">Termination of appointment</td><td colspan="2" rowspan="2">None</td></tr>
<tr><td colspan="3">No longer accepted (continued) appointment</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td>-</td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td>-</td><td colspan="3">Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td colspan="3">Audit scope or steps</td></tr>
<tr><td>-</td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Remarks/specify details:</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="5">None</td></tr>
</table>

B. Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Chen, Ya-Ling、Su, Yen-Ta
Date of appointment	March 20, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None

3.7 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 2017.

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2017		As of APR 30, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Evergreen International Corp.	14,794,700	0	0	0
	Representative: Lin, Bou-Shiu	8,938	0	0	0
Director	Evergreen International Corp.	14,794,700	0	0	0
	Representative: Chang, Kuo-Cheng	2,361,153	0	0	0
Director	Evergreen Marine Corp. (Taiwan) Ltd.	19,828,721	0	0	0
	Representative: Ko, Lee-Ching	2,853	0	0	0
	Representative: Wu, Kuaug-Hui	1,199	0	0	0
Director	Chang Yung- Fa Charity Foundation	361,686	0	0	0
	Representative: Tai, Jiin-Chyuan	427	0	0	0
	Representative: Sun, Chia-Ming	1,835	0	0	0
Independent Director	Chien, You-Hsin	0	0	0	0
	Hsu, Shun-Hsiung	0	0	0	0
	Wu, Chung-Pao	0	0	0	0
Major Shareholder	Evergreen Marine Corp. (Taiwan) Ltd.	19,828,721	0	0	0
Major Shareholder	Evergreen International Corp.	14,794,700	0	0	0
Major Shareholder	Falcon Investment Services Ltd.	13,919,675	0	0	0
President	Sun, Chia-Ming	1,835	0	0	0
Chief Executive Vice President	Ho, Ching-Sheng	8,986	0	0	0
Executive Vice President	Kou, Jin-Cheng	2,557	0	0	0
Executive Vice President	Pu, Wei-Ping	0	0	0	0
Executive Vice President (Finance Officer)	Tsai, Ta-Wei	1,722	0	0	0
Executive Vice President	Liao, Chi-Wei	1,276	0	0	0
Executive Vice President	Li, Shyh-Liang	630	0	0	0
Executive Vice President	Chen, Yeou-Yuh	1,704 (9,000)	0	0	0

Title	Name	2017		As of APR 30, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President	Lu, Yu-Chuan	0 (229)	0	0	0
Executive Vice President	Fang, Tian-Hwai	1,475	0	0	0
Executive Vice President	Yeh, Shih-Chung	2,506	0	0	0
Executive Vice President	Fang, Gwo-Shianng	4,995	0	0	0
Executive Vice President	Chang, Jang-Tsang	4,484	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	Lee, Yi-Chung	0	0	0	0
Senior Vice President	Hsiao, Chin-Lung	504 (5,000)	0	0	0
Senior Vice President	Chang, Tsu-Chun	463	0	0	0
Senior Vice President	Soong, Allen	1,266	0	0	0
Senior Vice President (Accounting Officer)	Chiang, Chin-Lan	1,421	0	0	0
Senior Vice President	Ho, Li-Cheng	1,235	0	0	0
Senior Vice President	Hsieh, Shu-Hui	0	0	0	0
Senior Vice President	Chiang, Wei-Du	709	0	0	0
Senior Vice President	Su, Wei-Jen	1,036	0	0	0
Senior Vice President	Pan, Hsin-Hsiu	14	0	0	0
Senior Vice President	Chung, Kai-Cheng	378	0	0	0
Senior Vice President	Wang, Chen-Hsing	1,104	0	0	0
Senior Vice President	Yang, Hsiu-Huey	9	0	0	0
Senior Vice President	Chuang, Shih-Hsiung	945	0	0	0
Senior Vice President	Lee, Cheng-Chieh	1,112	0	0	0
Senior Vice President	Hsu, Shu-Ching	961	0	0	0

Title	Name	2017		As of APR 30, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Chen, Yao-Min	1,056	0	0	0
Senior Vice President	Tao, Shin-Chien	0	0	0	0
Senior Vice President	Yeh, Ching-Far	3	0	0	0
Senior Vice President	Liu, Ying	1,597	0	0	0
Senior Vice President	Yu, Chia-Chieh	1,247	0	0 (2,000)	0
Senior Vice President	Chen, Chia-Chuan	793	0	0	0
Senior Vice President	Hou, Hsien-Yu	39	0	0	0
Senior Vice President	Liu, Tung-I	1,104	0	0	0
Deputy Senior Vice President	Chou, Yu-Chuan	1,102	0	0	0
Deputy Senior Vice President	Hsu, Ping	1,106	0	0	0
Deputy Senior Vice President	Lin, Shu-Fen	0	0	0	0
Deputy Senior Vice President	Chen, Shih-Ming	0	0	0	0
Deputy Senior Vice President	Lin, Ta-Yuan	945	0	0	0
Deputy Senior Vice President	Chiu, Chung-Yu	1,109	0	0	0
Deputy Senior Vice President	Wu, Shu-Ping	962	0	0	0
Deputy Senior Vice President	Lee, Chia-Fang	0	0	0	0
Deputy Senior Vice President	Wu, Su-Shin	1,516	0	0	0
Deputy Senior Vice President	Chen, Shui-Feng	783	0	0	0
Deputy Senior Vice President	Liu, Ying-Chun	22	0	0	0
Deputy Senior Vice President	Kuo, Ming-Cheng	2,052	0	0	0
Deputy Senior Vice President	Fung, Mei-Lie	0	0	0	0

Title	Name	2017		As of APR 30, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Deputy Senior Vice President	Liu, Wen-Jang	1,050	0	0	0
Deputy Senior Vice President	Wang, Hwa-Tsai	0	0	0	0
Deputy Senior Vice President	Chang, Yu-Heng	7	0	0	0
Deputy Senior Vice President	Huang, Chun-Hsiung	0	0	0	0
Deputy Senior Vice President	Chen, Shen-Chi	1,102	0	0	0
Deputy Senior Vice President	Wang, Yuan-Shyang	3	0	0	0
Deputy Senior Vice President	Chang, Ming-Hung	0	0	5,000	0
Deputy Senior Vice President	Tseng, Wen-Chiang	157	0	0	0
Deputy Senior Vice President	Chen, Yu-Hou	0	0	0	0
Deputy Senior Vice President	Chang, Yu-Tang	0 (34,650)	0	0	0
Deputy Senior Vice President	Liu, Hsin-Cheng	1,435	0	0	0
Deputy Senior Vice President	Wang, Pei-Chi	0	0	0	0

Information of Stock Transfer: NIL

Information of Stock Pledged: NIL

3.9 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.	680,786,111	16.31	-		0	0	Evergreen International Storage & Transport Corp.	Director of Evergreen International Storage & Transport Corp.
							Evergreen International Corp.	Major shareholders of Evergreen Marine Corp. (Taiwan) Ltd. reinvest the company
							Evergreen Steel Corp.	Director of Evergreen Marine Corp. (Taiwan) Ltd.
							Chang, Kuo-Ming	Director of Evergreen Marine Corp. (Taiwan) Ltd.
							Ko, Lee-Ching	Director of Evergreen Marine Corp. (Taiwan) Ltd.
Representative: Chang, Cheng-Yung	0	0.00	0	0.00	0	0	-	-
Evergreen International Corp.	507,951,376	12.17	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Major shareholders of Evergreen International Corp. reinvest the company
							Evergreen International Storage & Transport Corp.	Director of Evergreen International Storage & Transport Corp.
							Evergreen Steel Corp.	Director of Evergreen Steel Corp.
							Chang, Kuo-Ming	Director and major shareholder of Evergreen International Corp.
							Chang, Kuo-Cheng	Supervisor and major shareholder of Evergreen International Corp.
Representative: Ko, Lee-Ching	97,975	0.00	0	0.00	0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Director
							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.	477,908,866	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.	210,578,944	5.05	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Director of Evergreen Marine Corp. (Taiwan) Ltd.
							Evergreen International Corp.	Director of Evergreen Steel Corp.
							Ko, Lee-Ching	Director of Evergreen Steel Corp.
Representative: Li, Kuan-Liang	0	0.00	0	0.00	0	0	-	-
Chang, Yung-Fa	122,044,431	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	81,066,264	1.94	0	0.00	0	0	Evergreen International Storage & Transport Corp.	Director
							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
Chang, Kuo-Ming	51,758,908	1.24	23,466,596	0.56	0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Director
							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
New Labor Pension Fund	51,106,992	1.22	-		0	0	-	-
Evergreen International Storage & Transport Corp.	41,146,146	0.99	-		0	0	Evergreen Marine Corp. (Taiwan) Ltd.	Director of Evergreen International Storage & Transport Corp.
							Evergreen International Corp.	Director of Evergreen International Storage & Transport Corp.
							Chang, Kuo-Cheng	Director of Evergreen International Storage & Transport Corp.
							Ko, Lee-Ching	Director of Evergreen International Storage & Transport Corp.
Representative: Chen, Yih-Jong	0	0.00	0	0.00	0	0	-	-
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	38,369,609	0.92	-		0	0	-	-

3.10 Ownership of Shares in Affiliated Enterprises

As of Dec 31, 2017

Unit: Shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Sky Castle Investment Ltd.	5,500,000	100.00	0	0	5,500,000	100.00
Evergreen Airways Service (Macau) Ltd.	-	99.00	-	0	-	99.00
RTW Air Services (S) Pte. Ltd.	735,000	49.00	0	0	735,000	49.00
PT Perdana Andalan Air Service	40,800	51.00	0	0	40,800	51.00
EVA Flight Training Academy	10,000,000	100.00	0	0	10,000,000	100.00
Evergreen Aviation Technologies Corp.	508,928,512	80.00	0	0	508,928,512	80.00
Evergreen Airline Services Corp.	28,479,187	56.33	10,233,058	20.24	38,712,245	76.57
Evergreen Sky Catering Corp.	60,258,000	49.80	30,250,000	25.00	90,508,000	74.80
Evergreen Air Cargo Services Corp.	72,750,000	60.625	13,649,392	11.374	86,399,392	71.999
Evergreen Precision Aviation Corp.	120,000,000	40.00	90,000,000	30.00	210,000,000	70.00
Hsiang-Li Investment Corp.	2,680,000	100.00	0	0	2,680,000	100.00
Evergreen Security Corp.	6,336,000	31.25	13,929,200	68.70	20,265,200	99.95

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
Aug, 2017	10	4,500,000	45,000,000	4,173,449	41,734,490	Capitalization of Retained Earnings 1,215,567	-	Sep 13, 2017 Jing-Shou-Shang Zi No. 10601131380

B. Type of Stock

Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	4,173,449	326,551	4,500,000	Shares of TWSE Listed Companies

4.1.2 Status of Shareholders

As of APR 24, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	22	189	118,411	1,071	119,697
Shareholding (shares)	64,677,071	38,857,589	1,540,144,462	1,289,829,053	1,239,940,849	4,173,449,024
Percentage (%)	1.55	0.93	36.90	30.91	29.71	100.00

4.1.3 Shareholding Distribution Status

Common Shares

As of APR 24, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	42,394	12,653,238	0.30
1,000 ~ 5,000	45,688	102,315,396	2.45
5,001 ~ 10,000	13,168	92,586,021	2.22
10,001 ~ 15,000	6,778	80,927,893	1.94
15,001 ~ 20,000	2,683	46,716,199	1.12
20,001 ~ 30,000	3,292	78,667,091	1.88
30,001 ~ 50,000	2,406	92,429,733	2.22
50,001 ~ 100,000	1,662	113,354,118	2.72
100,001 ~ 200,000	774	104,270,047	2.50
200,001 ~ 400,000	372	103,234,537	2.47
400,001 ~ 600,000	161	78,594,183	1.88
600,001 ~ 800,000	60	42,846,653	1.03
800,001 ~ 1,000,000	57	51,295,576	1.23
1,000,001 or over	202	3,173,558,339	76.04
Total	119,697	4,173,449,024	100.00

4.1.4 List of Major Shareholders

As of APR 24, 2018

Shareholding / Entity	Number of Shares	Percentage (%)
Evergreen Marine Corp. (Taiwan) Ltd.	680,786,111	16.31
Evergreen International Corp.	507,951,376	12.17
Falcon Investment Services Ltd.	477,908,866	11.45
Evergreen Steel Corp.	210,578,944	5.05
Chang, Yung-Fa	122,044,431	2.92
Chang, Kuo-Cheng	81,066,264	1.94
Chang, Kuo-Ming	51,758,908	1.24
New Labor Pension Fund	51,106,992	1.22
Evergreen International Storage & Transport Corp.	41,146,146	0.99
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	38,369,609	0.92

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

Unit: NT$

Items	2016 (Distributed in 2017)	2017 (Distributed in 2018)	2018 (As of APR 30)
Market Price per Share			
Highest Market Price	18.90	16.95	16.40
Lowest Market Price	13.65	14.15	14.40
Average Market Price	16.14	15.32	15.43
Net Worth per Share			
Before Distribution	13.16	13.90	(Note 5)
After Distribution	12.96	(Note 4)	-
Earnings per Share			
Weighted Average Shares (thousands)	4,051,892	4,173,449	4,173,449
Earnings per Share	0.86	1.38	(Note 5)
Adjusted Earnings per Share	0.83	(Note 4)	-
Dividends per Share			
Cash Dividends	0.20	(Note 4)	-
Stock Dividends			
Dividends from Retained Earnings	0.30	(Note 4)	-
Dividends from Capital Surplus	-	(Note 4)	-
Accumulated Undistributed Dividends	-	(Note 4)	-
Return on Investment			
Price / Earnings Ratio (Note 1)	18.27	10.98	-
Adjusted Price / Earnings Ratio (Note 1)	18.93	(Note 4)	-
Price / Dividend Ratio (Note 2)	78.55	(Note 4)	-
Cash Dividend Yield Rate (Note 3)	1.27%	(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, 2018 haven’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 2017 profits was passed at the meeting of the Board of Directors on March 20, 2018 and will be distributed after the resolution at the Annual General Shareholders Meeting on June 22, 2018.

Cash Dividends to Common Shareholders	NT$0.2/ per share	NT$ 834,689,805
Stock Dividends to Common Shareholders	NT$0.5/ per share	208,672,452 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 2018 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, no more than 2% 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 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 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.

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

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

Item	Resolution of Board of Directors (Mar 20, 2018)
Remuneration of Directors and Supervisors (Cash)	NT$11,669,863
Employees' Compensation (Cash)	NT$221,020,000

The above mentioned distribution amount was in line with that estimated by the Company in 2017.

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$9,500,000 and employees' compensation NT$145,590,000 of year 2016. The amount distributed are not varied from the amount recognized.

4.1.9 Buyback of Treasury Stock: None

4.2 Corporate Bond

4.2.1 Outstanding Corporate Bond

<table>
<tr><td colspan="2">Corporate bond type</td><td>18th Domestic Secured Corporate Bond</td></tr>
<tr><td colspan="2">Issue date</td><td>June 14, 2013</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>Republic of China</td></tr>
<tr><td colspan="2">Issue price</td><td>Par</td></tr>
<tr><td colspan="2">Total price</td><td>NT$4,500,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>1.15% p.a.</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years
Maturity: June 14, 2018</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>Bank of Taiwan
Hua Nan Commercial Bank
The Shanghai Commercial & Savings Bank, Ltd.
Yuanta Commercial Bank
Mega International Commercial Bank Co., Ltd.</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>Chang, Chia-Hsin
(KPMG)</td></tr>
<tr><td colspan="2">Repayment method</td><td>Repayment all upon maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$4,500,000,000</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		19th Domestic Secured Corporate Bond
Issue date		December 29, 2016
Denomination		NT$1,000,000
Issuing and transaction location		Republic of China
Issue price		Par
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
	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

<table>
<tr><td colspan="2">Corporate bond type</td><td>3rd Domestic Unsecured Convertible Bond</td></tr>
<tr><td colspan="2">Issue date</td><td>October 27, 2017</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuing and transaction location</td><td>Republic of China</td></tr>
<tr><td colspan="2">Issue price</td><td>Issue by 100.2% of par value</td></tr>
<tr><td colspan="2">Total price</td><td>NT$7,000,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>0% p.a.</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years. Maturity: October 27, 2022</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Consignee</td><td>Mega International Commercial Bank</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified lawyer</td><td>Peng, Yi-Chen
(Handsome Attorneys-at-Law)</td></tr>
<tr><td colspan="2">CPA</td><td>Chen, Ya-Ling
Wang, Chin-Sun
(KPMG)</td></tr>
<tr><td colspan="2">Repayment method</td><td>According to the offering of EVA 3rd Domestic Unsecured Convertible Bond Article 10, 18 and 19.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$7,000,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>Please refer to the Procedures for Issuance and Conversion of 3rd Domestic Unsecured Convertible Bond</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>None</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Please refer to the Procedures for Issuance and Conversion of 3rd Domestic Unsecured Convertible Bond</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 material impact on existing shareholders’ equity if all bonds are converted into common shares at NT$15.50 per share, with a maximum EPS dilution of 9.76%</td></tr>
<tr><td colspan="2">Transfer agent</td><td>Not applicable</td></tr>
</table>

4.2.2 Corporate Bond Under Processing: None

4.2.3 Convertible Bond

Corporate bond type		3rd Domestic Unsecured Convertible Bond	
Item / Year		2017	As of Apr 30, 2018
Market price of the convertible bond	Highest	107.20	108.20
	Lowest	102.55	103.80
	Average	104.23	105.75
Convertible price		NT$15.50	NT$15.50
Issue date and conversion price at issuance		Issue Date: 2017/10/27 Conversion price at issuance: NT$15.50/share	
Conversion methods		Issuing of new stocks	

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 2018, the financing plan of Company's 18th Domestic Secured Corporate Bond and 19th Domestic Secured Corporate Bond has been executed accordingly. The 3rd Domestic Unsecured Convertible Bond has been executed as planned and is in line with the expected effectiveness. The expected time of completion on Jun 2018. 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	2018	
				Q4	Q1	Q2
3rd Domestic Unsecured Convertible Bond	Bank Loan Repayment	June, 2018	7,035,000	3,384,123	1,655,290	1,995,587

(2) The execution status is as follows:

Unit: NT$ thousands

Corporate Bond Type	Expected Repaying Schedule	Fund Used		Percentage	
		Scheduled	Actual	Scheduled	Actual
3rd Domestic Unsecured Convertible Bond	2017 Q4	3,384,123	3,384,123	48.10%	48.10%
	2018 Q1	1,655,290	1,655,290	23.53%	23.53%

(3) Evaluation

a. Decrease the Company's interest expenses and financial burden

The Company has issued 3rd Domestic Unsecured Convertible Bond as its financing plan in Oct 2017. Until the printing date of annual report, the Company has repaid bank loan on schedule in 4th quarter of 2017 and in 1st quarter of 2018. The actual interest expenses before and after financing plan is as follows.

Units: NT$ thousands

Item \ Year	Before Financing Plan	After Financing Plan	
	3rd Quarter of 2017	4th Quarter of 2017	1st Quarter of 2018
Interest Expenses	187,978	178,651	170,409

b. Financial structure Analysis

Units: NT$ thousands

Item \ Year		Before Financing Plan	After Financing Plan	
		As of Sep 30, 2017	As of Dec 31,2017	As of Mar 31, 2018
Financial Data	Current Assets	63,303,882	69,002,340	76,654,215
	Total Assets	219,049,458	228,207,228	234,639,269
	Current Liabilities	60,153,544	60,428,208	61,778,175
	Total Liabilities	154,937,615	163,997,720	168,687,497
	Operating Revenue	121,431,700	163,561,731	42,878,322
	EPS (NT$)	1.29	1.38	0.34
Financial Structure	Debts Ratio	70.73%	71.86%	71.89%
Solvency	Current Ratio	105.24%	114.19%	124.08%
	Quick Ratio	86.80%	95.81%	113.63%

Note: The consolidated financial statements as of Sep 30, 2017 and Dec 31, 2017 have been reviewed (audited) by independent auditors. Until the printing date of annual report, the consolidated financial statements as of Mar 31, 2018 haven't been reviewed by independent auditors.

The debts ratio of the Company increases due to issuance of 3rd domestic unsecured convertible bond. Meanwhile, the ability of loan repayment improves, which results in current ratio and quick ratio increase as well.

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	%
2017	92,437,502	57%	24,841,078	15%	46,283,151	28%	163,561,731	100%
2016	85,862,878	59%	22,207,130	15%	36,609,657	26%	144,679,665	100%

C. The business activities provided by EVA's subsidiaries

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

D. New services planned to be developed

(1) Upgrade cabin services to enhance the satisfaction of passengers:

On January 1, 2018, the former “Elite Class” was formally renamed as “Premium Economy Class”. In-flight supplies are fully upgraded, including the co-branded overnight kits launched in collaboration with ERNO LASZLO, the New York-based premium skincare brand, and new style blankets with fine texture and good function. In terms of value-added services, it is expected to introduce a chargeable service for seat selection, offering more flexible extra-price options. In view of the trend of e-tourism, the following innovative designs have been planned to be developed for the online and APP ticketing system to enhance the satisfaction of passengers:

-The newly added function of ticket purchase by using partial mileage on the official website and via mobile phones.
-The responsive web design is introduced to online ticketing products used in current mobile devices to ensure that web pages are properly presented on various devices and at different resolutions, and to enhance the user consumption experience of mobile devices.
-Develop mobile phone APP for Infinity MileageLands-related member function, checked baggage tracking function, member personalization push notification, and prepaid Wi-Fi/baggage/chargeable seat option service.

(2) Promoting the air cold chain market:

In April 2015, the Company started cold-chain temperature-controlled product service (EVA Pharmacare).The service network has extended to 28 stations from initial 6 stations. Destinations cover the main markets with import and export demands of temperature-controlled products including Europe, Asia, and America. In recent years, EVA Air has successfully carried seasonal influenza vaccines, biologicals, pharmaceuticals, high-end food ingredients and related products with special needs for precise temperature control. Cold-chain temperature-controlled product is a potential market. EVA Air will continue to promote cold chain sales and participate in IATA’s CEIV (Center of Excellence for Independent Validators) – Pharma Certification to provide customers with more secure, convenient and reliable temperature-controlled delivery quality and services.

5.1.2 Industry Overview

A. Current status and development of the industry

According to the forecast of the International Air Transport Association (IATA), the revenue passenger kilometers (RPK) will grow by 6% in 2018, from 4.1 billion passengers in 2017 to 4.3 billion passengers in 2018. The available seat kilometers (ASK) is expected to increase by 5.7%. The increase in passenger demand will exceed the capacity, which provides strong supporting evidence for the strong performance of passenger transport. The main momentum will come from Asia Pacific, Latin America and Middle East.

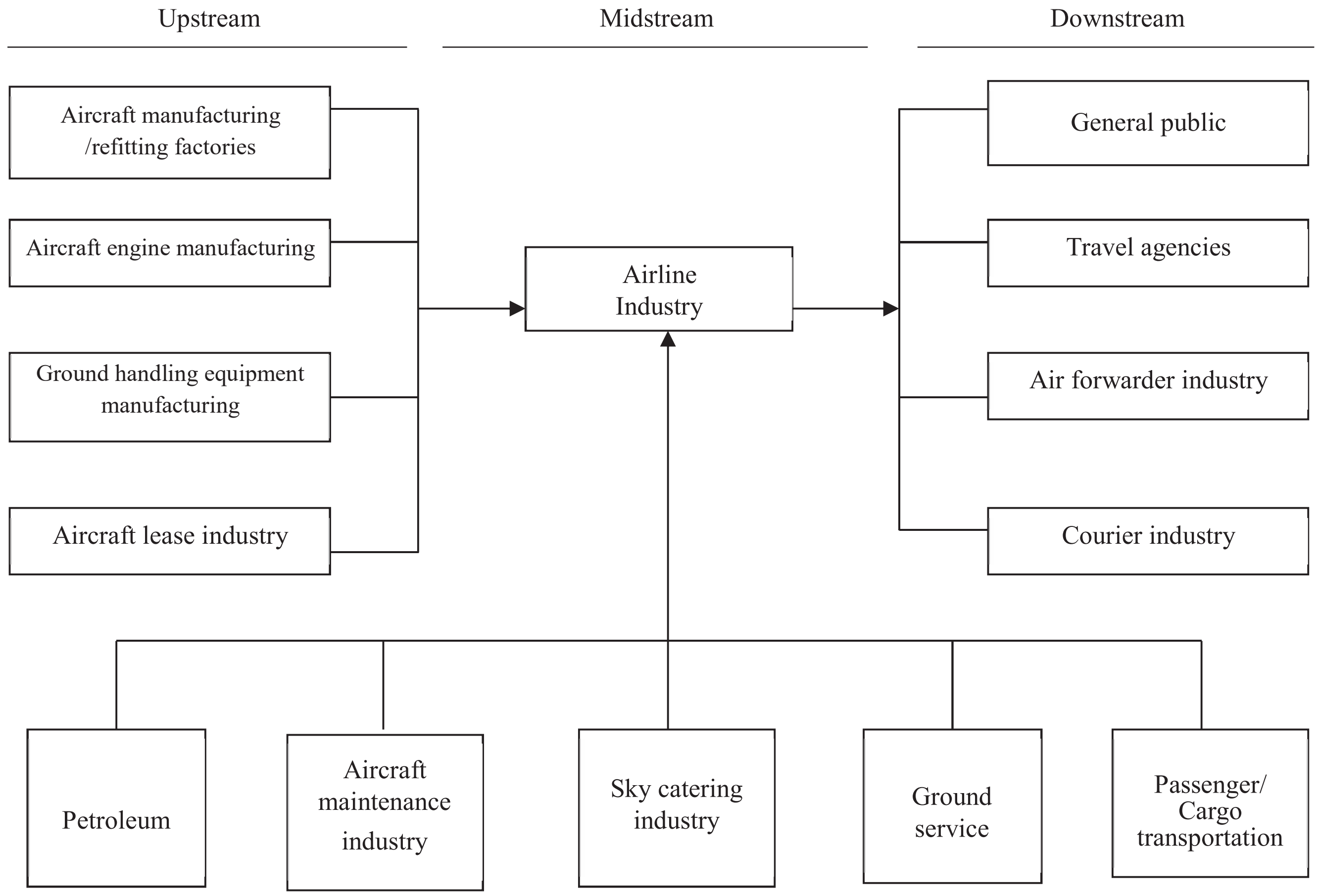
The International Monetary Fund (IMF) points out in the report of World Economic Outlook recently released, that due to the multiple influences of US tax reform, as well as Europe and Asia's economic growth, global economic activities will continue to grow over the next two years. It is predicted that the global economic growth rate will be 3.9% in 2018, higher than the 3.7% in 2017. In addition, the World Bank points out in its report the World Economic Outlook, under the impetus of good financial conditions, easing monetary policies and improved confidence, the growth of investment and manufacturing activities will promote the cyclical recovery of the global economy; it is forecasted that the global economy in 2018 will continue to maintain last year's momentum and growth trend; the growth rate is expected to reach 3.1%.

In the short term, the global economy seems to have come out of the trough after the financial crisis, and is developing towards a boom in cyclical growth, but there are still a lot of downside risks, such as the rise of trade protectionism in the United States and the deterioration of the financial condition, which may affect regional and global economic growth. The structural slowdown in China's economy will offset the moderate growth of other countries in the region. The rise of global protectionism and the geopolitical tensions on the Korean Peninsula may lead to regional financial instability, which may cause uncertainty in global economic activities and the airline industry.

Looking ahead to 2018, although rising pressure of fuel, labor and other costs remain the biggest profit challenge to airlines, strong market demand and improved operating efficiency help to improve airline profits. IATA’s forecast of the profits made by the global airline industry is US$ 38.4 billion, an increase of 11.3% from US$ 34.5 billion in 2017. Forecast of the profits made by Asia-Pacific airlines is US$ 9 billion, higher than US$ 8.3 billion in 2017. In the aspect of the air cargo market, IATA forecasts Freight Tonne Kilometers (FTK) in 2018 will increase by 4.5%, lower than 9.3% in 2017. The main reason for the sharp increase in FTK in 2017 is the need in many industries quickly recover inventories to meet strong market demand. Cargo yield will grow by 4.0% in 2018, slightly lower than 5.0% in 2017. Cargo revenue will grow by 8.6%, with an increase from US$ 54.5 billion in 2017 to US$ 59.2 billion in 2018.

B. Relevance of the Upstream, Midstream and Downstream Industry

The major services provided by the air transport service industry are mainly passenger and cargo transportation, which rely on the support of, and cooperation between, the upstream, midstream, and downstream industries to realize the provision of complete, integrated services and to satisfy customers’ needs. The correlations among the up-, mid-, and down-stream industries of EVA Air are shown below:



Upstream Industries:

Aircraft Manufacturing Industry and Refitting Factories: EVA Air purchases its fleets from internationally renowned commercial aircraft manufacturers, including Boeing in United States and Airbus in France.

Aircraft Engine Manufacturing Industry: Aircraft engines are critically important aircraft components, which affect the flight range and flight efficiency. Currently, the world's major aircraft engine manufacturers are GE, Pratt & Whitney, Rolls-Royce, and so on. The aviation transport operators select their engine suppliers mainly according to factors such as aircraft model requirements, maintenance costs, standardization of maintenance operation and maintenance technology availability.

Ground Handling Equipment Manufacturing Industry: Tractors and related equipment required for the apron operation are all classified as ground handling equipment.

Aircraft Lease Industry: Arrangement of aircraft procurement or leasing is in accordance with our financial planning. Aircraft lease operators are upstream industry of the aviation transport industry.

Midstream Industries:

Oil Industry: Aircraft fuel accounts for quite a large proportion of the operating costs of airlines, and the international oil price is easily affected by the international situation, policies of oil producers, exchange rate fluctuations, etc., which make the fuel cost controlling more difficult. To stabilize fuel costs, EVA Air not only signs long-term contracts with major fuel suppliers throughout the world for greater discounts, but also utilizes futures as derivative financial instruments for hedging.

Aircraft Maintenance Industry: Aircrafts' periodic/non-periodic (emergency or special condition) checks, maintenance and repairs are inextricably associated with flight quality and safety. In its initial launch, EVA Air has already heavily invested in building a modern jumbo wide-body aircraft maintenance center, followed by establishing Evergreen Aviation Technologies Corp., which has already acquired numerous maintenance accreditations from 14 countries, including those of FAA, EASA and ISO-AS9100 QA. Besides, the alliance cooperation with GE is beneficial to build the capability and higher level technology for aircraft maintenance and engine overhaul, which can provide a greater guarantee for the flight safety of EVA Air.

Sky Catering Industry: In-flight food services are a crucial aspect affecting aviation service quality. To ensure the quality of the in-flight foods, EVA Air commissions its consolidated subsidiary Evergreen Sky Catering Corporation to manage the catering operation for the Taipei Station. As for other stations, EVA Air prudently selects qualified local sky catering suppliers to provide in-flight foods.

Ground Service Industry: The ground services at airports include flight check-in, the apron operation for guiding aircraft in/out of the airport, baggage/cargo/mail services, building-up freight into containers and onto pallets, as well as aircraft loading/unloading operations. Currently, for domestic stations in Taiwan, EVA Air mostly commissions its subsidiary Evergreen Airline Services Corp. (EGAS) for the ground handling services to ensure the operation quality. As for foreign stations, EVA Air consigns varying ground handling services to its international industry partners or foreign airports' professional ground agencies.

Passenger/Cargo Transport Industry: Taking quality into account, EVA Air commissions Evergreen International Storage & Transport Corp. to handle the shuttle transport operation for its crew members to commute between our office and airport.

Downstream Industries:

General public: Due to the development of the economy and trade as well as the increase in personal income, the opportunity for the general public to go abroad for business or sightseeing has greatly increased, and with the convenience of the Internet, the general public comprises direct customers that EVA Air actively strives to serve.

Travel agencies: EVA Air continues to work with travel agencies for co-marketing, promotes and popularizes products through travel agencies to the general public and companies. Charter flights are formed according to market demand.

Forwarder industry: The scope of the business includes import freight transport, export freight transport, transit freight transport, air container inland transport and customs declaration business, which is the transshipment operator of air cargo on the land side. Recently EVA Air has also directly undertaken chartered transport services of international exhibition goods, which not only benefits revenue growth, but also enhances international popularity and market competitiveness.

Courier industry: Mutual combination of courier service companies and air transportation services can provide more convenient services.

C. 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 kilometers (ASK).

Three Major Alliances

Star Alliance	One World	Sky Team
Adria Airways	American Airlines	Aeroflot
Aegean Airlines	British Airways	Aerolíneas Argentinas
Air Canada	Cathay Pacific	Aeromexico
Air China	Finnair	Air Europa
Air India	Iberia	Air France
Air New Zealand	Japan Airlines	Alitalia
ANA	LATAM	China Airlines
Asiana Airlines	Malaysia Airlines	China Eastern
Austrian Airlines	Qantas	China Southern
Avianca	Qatar Airways	Czech Airlines
Avianca Brazil	Royal Jordanian	Delta Air Lines
Brussels Airlines	S7 Airlines	Garuda Indonesia
Copa Airlines	SriLankan Airlines	Kenya Airways
Croatia Airlines		KLM Royal Dutch Airlines
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 Air Portugal		
THAI		
Turkish Airlines		
United		

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

(2) Open sky policy of airline industry

Open sky policy is the long-term trend of the international airline market. So far, the United States has carried out the open sky policy thoroughly while there still have a certain control to ensure a free competition market and protect consumer’s interests. Due to the spillover effect of U.S. policy and effects from cross demand, EU and other countries follow this trend and open their sky. At present, Taiwan sky is not fully open, but will gradually alleviate the operators’ restrictions along with the global trend. In recent years, budget and foreign airlines continue to expand its capacity to Taiwan market. It becomes an evidence that competition intensifies while airline market tends to be free and open.

(3) Change of air cargo structure

With the change of the industrial structure, the demand for large machinery equipment declines year by year. The electronic product design is moving towards light in weight and small 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, online shopping and e-commerce cargo increases year by year. High-yield products such as cold chain and medical biotech shipping service can all be uplifted with passenger aircraft belly hold. The dependence on and demand for cargo aircraft space in the air cargo industry reduce, passenger aircraft belly hold space gradually becomes the mainstream in the air cargo transportation. In recent years, the demand on freighters decreased. New order or delivery on freighters is to replace the aging aircraft. In contrast, capacity of belly hold on passenger aircraft continue to grow year by year. We will continue to adjust the passenger and freighter fleet, including the introduction of the high performance 777 freighters and the enhancement of the sales of passenger aircraft belly hold in order to optimize the fleet operation synergy.

D. 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	2017					
	Passenger Operation				Cargo Operation	
	Number of Flights	Seat Capacity	Passenger Capacity	PLF (%)	Tons of Cargo	Percentage (%)
China Airlines	60,376	16,903,111	13,654,945	80.8	900,745	70.6
EVA Air	56,619	14,695,356	12,124,140	82.5	585,627	87.9
Tigerair Taiwan	14,477	2,604,226	2,139,446	82.2	1,245	75.8
Mandarin Airlines	9,385	1,700,131	1,365,925	80.3	17,967	33.0
UNI Air	4,942	1,015,141	828,746	81.6	10,970	69.4
Far Eastern Air	1,529	253,335	178,594	70.5	0	0.0
Other Foreign Carriers	129,236	29,706,411	24,141,140	81.3	852,021	N/A
Total	276,564	66,877,711	54,432,936	81.4	2,368,575	N/A

Note: Passenger operation data source: CAA, Monthly Digest of Statistics, December 2017, CAA. The number of passengers including transit passengers.

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$160 million on the development of following research product.

Research Product	Explanation
Self Check-In Service Re-Engineering	We've 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 passengers, we re-engineered check-in process and integrated self-baggage-drop service on our kiosks in February 2018 to level up customer satisfaction.
EVA Mobile APP Revision	In the light of the growth of smartphone market and E-commerce, the Company has launched its mobile APP in 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 its broad range of customers. In order to provide a fresh visual and friendly experience, we completed a project to enhance user interface and adjust using procedure in 2017.
New Generation of Air-Cargo System Project	Yet air-cargo market has experiencing rapid and dramatic changes these years, both in business and information technology. The Company has developed a new generation system in 2017 by adjusting and optimizing system and operating procedure. Our purpose is to cope with upcoming challenges and requirements as well as to provide the best-of-breed services to our customers.
New Cabin Crew Scheduling Optimizer	With the rapid growth of flight routes, fleets, and number of crews, the Company has ameliorated the fairness of flight time and fatigue of each crew's schedule. We adopted a new scheduling optimizer which can simplify the scheduling procedure and make cabin crew dispatch more efficient. Our goal is to fulfill fast growing requirements of flight operation and to improve flight safety.

Research Product	Explanation
Data Warehouse Platform Upgrade Project	In response to dynamic market trend and changing business requirements, our corporate data warehouse system plays a key role to improve marketing and corporate planning. The data warehouse system which has been upgraded associated with new application developed provides higher scalability and performance. This system could fulfill the business requirements in the coming years.
Network Infrastructure Design Project of New Bonded Warehouse	In order to fulfil operational demand of our fleet, a new bonded warehouse was constructed. It is equipped with an automatic warehouse system and in-flight merchandise loading system. This project has completed a new generation network for high capacity with redundancy, which ensures the system's reliability as it may carry and transfer transactions between our data center and new bonded warehouse building.
Improvement to Data Center Environment	The Company started a project to fulfill its IT requirements in pace with future business growth and 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. In 2016, the Company completed 3 sub-projects that includes automatic energy-saving air-conditioning, monitored double-circuit load and electricity backup, fire suppression and very early smoke detection apparatus (VESDA) systems improvement. In 2017, we completed UPS system replacement, environment monitor digitalization and operation-monitoring improvement.
Nankan Campus Office Area Network Redundancy Enhancement Project	In order to provide higher level of IT operation services, the Company completed 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.

B. Future Research Plan

The Company is estimated to invest NT$ 192 million on following research item.

Research Product	Explanation	Estimated Completion Time
Website Re-Engineering Project	In light of the diversity requirement in each micro-moment and mobility trends has become the cornerstone to the modern customer journey, the Company will initiate a project to re-engineer our website. By researching on user interface and usability testing with site traffic statistics and analytics, we will be able to build accurate customer journey maps as the basis to deliver a website that meets all requirements for seamless user experiences across all our digital service channels.	Dec, 2019 5% Completion
Evolving Cyber Defense Against Trending Cyber Attacks	In order to cope with complex and volatile security threats such as business email compromise, malware/ransomware, attacks on mobile APP or DNS services, the Company continuously invest our cyber defense infrastructure in the form of technology, people and process. In 2018, we will focus on building up on-line screening gateway to detect and stop advanced email threats accurately on a near real-time basis, enhancing the protection mechanism of our passenger mobile services, and elevating the capability of monitoring and defensing against network threats. We will keep enhancing our robust protection/resilience framework to ensure adequate business continuity, as well as focusing on these state-of-the-art technologies to safeguard our IT infrastructure against various types of cyber threat.	Dec, 2018 20% Completion
New-Generation Customer Management Platform	The Company endeavors to improve customer experiences, service quality, and pursue customer satisfaction throughout whole customer journey. We will introduce our next-generation customer management platform to optimize all customer service channels with online chat service through social media, web, and mobile APP. They will help customer reach our services anytime, anywhere at their convenience with seamless experiences.	Dec, 2018 20% Completion

Research Product	Explanation	Estimated Completion Time
Air-Cargo Pricing Management System Project	The Company's next-generation cargo system has been launched in 2017 to provide stable and rapid system services for our cargo business. It helps to manage market changes and meet the needs of customer service. The next phase will be the revision of air-cargo pricing management system to provide cargo management department to administer the real-time air-cargo market freight rates, volume changes, and to maximize the revenue of each individual flight.	Dec, 2018 50% Completion
Customer Experience Management Project	In order to improve service quality and increase revenue, the Company has launched Customer Experience Management (CEM) project based on customer needs to provide on-demand and quality services to its customers throughout his/her journey lifecycle. The goal of CEM is to optimize interactions from the customer's perspective and foster customer loyalty.	Nov, 2018 65% Completion
New Revenue Accounting Project	The Company is developing next generation of revenue accounting(RA) system with innovative IT technologies and infrastructure to re-engineer all interface and working flows to make RA operations more efficiently and effectively. New RA System will be beneficial to both total cost of ownership(TCO) reduction and agile software development since these are among the targets of this project.	Dec, 2018 70% Completion
New UPS System Implementation for 2nd Computer Data Center	The Company's secondary data center acts as a redundant one when the primary fails. In this project, the Company plans to implement a new design of UPS to replace the current one running for over a decade and it will deliver much higher power-efficiency and availability. Furthermore, our environment control system will integrate operational data from this new UPS for real-time monitoring to keep it running at high safety standards.	Dec, 2018 5% Completion

Research Product	Explanation	Estimated Completion Time
Intelligent Data Flow Infrastructure Design Project of Computer Data Center	The Company constantly upgrades its hardware and software systems to provide high quality E-commerce services to its customers. In order to provide accurate analytics and monitor the entire data center, the Company will launch a project to research and develop a new generation of intelligent data flow monitoring infrastructure. This advanced infrastructure will fine-tune network efficiency and serve as the cornerstone for upcoming on-demand business requirements, thus we will be able to deliver excellent and reliable services to our global customers with great digital experiences.	Oct, 2018 10% Completion
New Computer Assets Management System Implementation	The Company plans to implement a new IT Asset Management System to manage its thousands of users globally. This system would help IT engineers not only to manage hardware and software via a single platform but also to monitor those users daily operations more efficiently and effectively.	Sep, 2018 20% Completion

5.1.4 Long-term and Short-term Business Development Plan

A. Short-term plan

(1) Newly added potential China routes

With newly added Songshan-Chongqing and Songshan-Tianjin routes, direct flights across the Taiwan Straits are properly planned which result in profits increased.

(2) Continuously strengthen joint operation cooperation with members of Star Alliance

Newly added partner Copa Airlines, and the expanded joint flight routes with Thai Airways could further strengthen the global marketing network

(3) Tourism in Japan continues to flourish, strengthening the transport capacity to/from Japan

Due to the depreciation of the Japanese currency, there is a strong demand for Taiwanese people to go to Japan for sightseeing. Adjusting flight frequency to Japan will meet seasonal demand, and winter flights to Aomori, Fukuoka and Osaka will increase.

(4) The Southbound Asia policy will benefit the growth of passenger volume.

Preferential measures for entry visas from Southeast Asian countries can effectively stimulate Taiwan's tourism boom.

(5) Transfer capacity to optimize long haul flights network

Cancel early flights to Seattle and transfer the capacity to Vienna. Cancel early flights to New York, transfer the capacity to San Francisco. Since North America routes and flight network have been established solidly, flight numbers will be adjusted seasonally in the future. For example, the Company operates 4 flights to Chicago per week during the off seasons and 5 flights per week during the peak seasons. 6 flights to Houston per week during the off seasons and 7 flights per week during the peak seasons. 4 flights to Brisbane per week during the off seasons and 5 flights per week during the peak seasons.

(6) Flexibly adjust cargo operation routes

In line with the characteristics of various routes and market demand during the off seasons and peak seasons, the Company flexibly adjust cargo transport operation destinations, flight numbers and aircraft types, increase or decrease flight numbers, and make full use of the fleet transport capacity to enhance the overall operating benefits.

B. Long-term plan

(1) Fleet size adjustment

The Company continues to expand its fleet size and its horizon in coordination with business growth and market demand. Starting from the second half of 2018, the Company will gradually introduce the high performance 787 passenger aircraft. The total fleet size will reach 24 aircraft in 2022.

In view of the freight market demand and to improve the operating benefit of the freighter fleet, EVA Air has begun the replacement of 747-400 freighters, and introduced the first 777 freighter in Taiwan at the end of 2017. We plan to build a fleet of five 777 freighters within the next two years.

(2) Guarantee flight safety

EVA Air is dedicated to improving flight safety. The Company invests a considerable amount to acquire resources including equipment and safety training classes to train our staffs and make sure the quality of flight safety.

(3) Strengthen cabin service

To provide passengers with more comfortable and secure service during the flight, EVA Air continues to be committed to upgrading the cabin software and hardware facilities to actively strengthen the cabin service quality, improve service efficiency and increase revenues of Business Class and Premium Economy Class.

5.2 Market and Sales Overview

5.2.1 Market Analysis

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

Passenger Operations:

Region \ Item	2016			2017		
	No. of Passenger	RPK (Million)	Revenue (NT$ Million)	No. of Passenger	RPK (Million)	Revenue (NT$ Million)
America	1,939,103	21,057	33,681	2,154,801	23,783	35,853
Europe	737,053	5,506	8,912	797,710	6,199	9,930
Asia	8,510,322	13,998	42,619	9,078,549	15,197	45,676
Oceania	57,027	385	651	97,999	662	979
Total	11,243,505	40,946	85,863	12,129,059	45,841	92,438

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

Cargo Operations:

Region \ Item	2016			2017		
	Cargo Carried (Tons)	FTK (Million)	Revenue (NT$ Million)	Cargo Carried (Tons)	FTK (Million)	Revenue (NT$ Million)
America	219,414	2,544	14,732	223,413	2,581	16,048
Europe	38,930	396	2,200	42,294	442	2,530
Asia	350,449	612	5,209	373,577	647	6,171
Oceania	2,200	15	66	3,425	23	92
Total	610,993	3,567	22,207	642,709	3,693	24,841

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

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

Item		2016	2017
Number of Flights	EVA Air	53,476	56,619
	Taiwan	279,420	276,564
	Market Share (%)	19.14	20.47
Number of Passengers	EVA Air	11,177,470	12,124,140
	Taiwan	52,043,235	54,432,936
	Market Share (%)	21.48	22.27
Tons of Cargo	EVA Air	542,764	585,627
	Taiwan	2,184,737	2,368,575
	Market Share (%)	24.84	24.72

Data Source: Monthly Digest of Statistics, December 2017,CAA.

Passenger & Cargo Market Share of Taiwanese Airlines on International Routes in the last two years

Unit: %

Airline \ Year	2016		2017	
	Passenger	Cargo	Passenger	Cargo
China Airlines	25.04	38.12	25.09	38.03
EVA Airways	21.48	24.84	22.27	24.72
Mandarin Airlines	2.61	0.86	2.51	0.76
Tigerair Taiwan	2.72	0.04	3.93	0.05
UNI Airways	1.50	0.50	1.52	0.46
Far Eastern Air	0.45	0.00	0.33	0.00

Data Source: Monthly Digest of Statistics, December 2017, CAA.

C. Market supply & demand and growth in the future

In view of the steady growth of global economy, the continued growth of emerging market in Asia Pacific and the recovery of developed economies in Europe and the United States will drive the global economic and trade activities among Asia Pacific, Europe and the United States. It is beneficial to the development strategy of the Company toward 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

EVA Air has 82 direct flights flying non-stop to the United States and Canada per week. It includes 21 flights to Los Angeles weekly, 7 flights to New York weekly, 21 flights to San Francisco weekly, 7 flights to Seattle weekly, 7 flights to Houston weekly, 5 flights to Chicago weekly, 7 flights to Vancouver weekly, and 7 flights to Toronto weekly. Flights will be adjusted and capacity will be maneuvered in line with off and peak seasons in the future. Co-share with United Airlines, Avianca Airlines, and Air Canada will be maintained to provide convenient transfer services for the US and Canada inland as well as Central and South America.

■ European Routes

The Company has 24 passenger flights to Europe per week, including 3 flights to Amsterdam weekly, 7 flights to Vienna weekly, 7 flights to Paris weekly, and 7 flights to London weekly, and the expanded co-share cooperation with Thai Airways, providing Taiwanese passengers with convenient flight services to Europe, and actively strives for other destinations with marketability.

■ Australian Route

The Company has 5 passenger flights to Brisbane per week during peak seasons and 4 passenger flights per week during off seasons. We will continuously promote the tourism market and develop transit passenger sources between Australia and Europe, and between Australia and Northeast Asia.

■ Asian Routes

The Company has 10 destinations and 121 flights to Southeast Asia weekly, 11 destinations and 156 flights to Northeast Asia weekly, and 18 destinations and 179 flights to China, Hong Kong and Macao weekly. The Company will coordinate with government of new southbound preferential policies and the two-way tourism boom of Taiwan-Japan and Taiwan-South Korea, to actively expand Southeast Asia market between Taiwan and transit passengers to and from Northeast Asia.

(2) Air cargo routes

The North American Routes are the main source of cargo revenues of the Company, accounting for more than 60%. Freighters offer 13 flights per week to 5 destinations in Los Angeles, San Francisco, Chicago, Dallas and Atlanta in the United States while wide-bodied passenger aircraft provide over 80 flights per week with belly hold to 8 destinations in Los Angeles, San Francisco, Seattle, New York, Houston, Chicago, Vancouver and

Toronto. Although the number of freighter reduced in coordination with the fleet replacement plan, the frequencies of passenger flights are increased. It estimated that the cargo capacity in 2018 to be maintained at the same level as that in 2017.

Thanks to the economic upturn, the volume of goods transported by air cargo are increased. Goods with high yield and time sensitive such as auto parts, biologicals and pharmaceuticals are gradually shifting to transport by air cargo. The global cross-border e-commerce continues to grow, which also increase the market demand. The capacity demand was greater than supply in 2017, which assist the cargo yield maintained at high levels. It is predicted the cargo yield will be at the same level in 2018.

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, etc. To achieve the business objectives of "Safe, Punctual Flights, Friendly Professional Services, and Efficient, Innovative Operations", we committed to establishing the flight safety standard operating procedures, implementing the work discipline, strengthening the organizational functions, and shaping the safety awareness to build the high-quality safety culture. It also ensures the safety of passengers and aircraft 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". With excellent flight safety performance, EVA Air has ranked among one of the "World's Safest Airlines" by German civil aviation magazine, AERO International, for consecutive years.

In addition, EVA Air once again stood out above 425 global airlines, listed as among the "World's Safest Airlines", together with world renowned airlines, ranking among the World's Top Twenty, by professional airline evaluation website, AirlineRatings.com, in its 2017 flight safety evaluation.

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

EVA Air has served destinations of more than 60 cities over four continents (Europe, America, Asia and Australia), to form a complete global passenger and cargo transport network. We provide perfect services to meet consumer demands with a new fleet of intensive schedule. It also create more business opportunities for the market.

(3) The new generation of a brand new fleet

The new generation of the main aircraft model Boeing 787 Dreamliner will be introduced in the second half of 2018. 787 passenger aircraft adopt the world's top aerospace science and technology, and are equipped with the latest generation of GEnx engines of GE. Compared with the old type wide-body aircraft, 20% of fuel consumption and pollution emissions are saved through the extensive use of lightweight composite materials and the latest technology. The operating efficiency is thus effectively improved. The brand new cabin design has also greatly improved the comfort of passengers.

E. Favorable & unfavorable factors in prospects and the countermeasures

■ Favorable Factors

(1) According to the IMF’s World Economic Outlook released in January 2018, the global economic growth forecast in 2018 will reach 3.9%. In addition to the continuous upward adjustment in growth forecasts for countries such as Germany and Japan this year, changes in US tax policies will also stimulate economic activity. Investments are boosted about by reducing corporate income tax, 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 government’s New Southbound Policy, such as visa-free for Thais, Bruneians, and Filipinos coming to Taiwan, can improve the willingness of local people to visit Taiwan, and increase the airline revenue as well as the number of passengers.
(4) Relatively low exchange rates of the Euro and Pound Sterling as well as a weakening fear of terrorist attack and refugee have driven the growth of tourism to Europe.
(5) The rise of the Otaku economy promotes the booming development of online shopping and e-commerce, which further drives the demand for air cargo transport.
(6) The transport demand for temperature-controlled products with high timeliness continuously grows.

■ Unfavorable Factors

(1) Rising trade protectionism in the United States may impact regional and global economic growth, and bring variable factors to global trade and investment.
(2) A probable slowdown of China's economy, excessively high domestic debts, big external financing demand, and economic policies will all affect global economic activities.

(3) Geopolitical tensions on the Korean Peninsula may have trigger regional financial instability.
(4) The development speed of global airport infrastructure such as terminal, runway, departure/arrival slots and air traffic control are unable to catch up with airlines development, posing a risk to the growth of the aviation industry.
(5) The uncertainty of fuel price fluctuations and the rising of airport-related expenses increase the operating costs of the airline industry.
(6) Airlines continue to expand their fleets, and budget airlines seize the air passenger transport market at a low fare, which continuously influences the competition situation and the balance between supply and demand of the air passenger and cargo market.

■ Countermeasures

(1) With the growth of international leisure travel market, the Company actively develops potential routes and continues to increase flights to existing destinations. Meanwhile, the Company strengthen competitiveness, reduce operating costs, and expand the global network by code-share and alliance cooperation between airlines.
(2) Continually fleet replacement, provide high-quality equipment and service in the cabin, consolidate the source of high-yield passengers, and meet the diversified demand of passengers for air transport service.
(3) Flexibly adjust flights and aircraft types according to market demand, and continually adjust the frequencies during the off and peak seasons to maximize the efficiency of aircraft use.
(4) Through diversified advertising channels, strengthen the advertising, reshape the Company's image and the Premium Economy Class advertisement, combined with sports marketing and promote international brand recognition.
(5) Expand the acceptance scale for high-yield cargos, such as air mailbags, cold chain logistics, and medical & biotech products to improve freight revenue.
(6) Cooperate by operating code-share flights and exchanging capacity etc. to enhance competitiveness.

5.2.2 Production Procedures of Main Products

1. Major products and their main uses

Major Products	Main Uses
Passenger Services	International Air Transport and scheduled, non-scheduled and charter flights.
Cargo Services	International cargo, express, mail and parcel transportation.
Others Services	In-flight duty free sales and aircraft maintenance services.

2. Major production of main products

The Company and its subsidiaries mainly focus on air transport related industries. 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 sign fuel contracts with world-renowned fuel suppliers to insure steady fuel supply, but also use 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	2016			2017			2018 (As of March 31)		
	Company Name	Amount	(%)	Company Name	Amount	(%)	Company Name	Amount	(%)
1	Formosa Petrochemical Corp.	7,316,427	5.83	Formosa Petrochemical Corp.	9,162,545	6.44	Formosa Petrochemical Corp.	2,410,949	6.34
2	CPC Corp.	5,514,178	4.39	CPC Corp.	6,407,858	4.50	CPC Corp.	1,886,880	4.96
	Others	112,772,409	89.78	Others	126,797,400	89.06	Others	33,751,147	88.70
	Net Total	125,603,014	100.00	Net Total	142,367,803	100.00	Net Total	38,048,976	100.00

Analysis of deviation：Fuel stands for our largest operating cost. Among our fuel suppliers, Formosa Petrochemical Corp. and CPC Corp. are main domestic suppliers. Fuel cost as a percentage of total operating cost increased owning to the rise of fuel price in 2017. As a whole, our procurement remained stable.

5.2.5 Production in the Last Two Years

Capacity and Traffic \ Year	2016	2017	Change rate
Available Seat Kilometers (ASK)	51,165,815	58,570,452	14.47%
Revenue Passenger Kilometers (RPK)	40,945,742	45,841,059	11.96%
Passenger Load Factor (%)	80.03%	78.27%	-1.76ppt
Available Freight Tonne Kilometers (AFTK)	4,315,191	4,199,948	-2.67%
Freight Tonne Kilometers (FTK)	3,566,532	3,693,435	3.56%
Cargo Load Factor (%)	82.65%	87.94%	5.29ppt
Available Tonne Kilometers (ATK)	8,920,115	9,471,289	6.18%
Revenue Tonne Kilometers (RTK)	7,251,649	7,819,130	7.83%
Overall Load Factor (%)	81.30%	82.56%	1.26ppt

5.2.6 Sales in the Last Two Year

Unit: NT$ thousands

Sales \ Year	2016		2017	
	Quantity	Amount	Quantity	Amount
Passenger	11,243,505	85,862,878	12,129,059	92,437,502
Cargo(Tons)	610,993	22,207,130	642,709	24,841,078
Others	-	36,609,657	-	46,283,151
Total	-	144,679,665	-	163,561,731

5.3 Human Resources

Year		2016	2017	As of APR 30, 2018
Number of Employees	Pilot	1,308	1,405	1,412
	Crew	4,187	4,617	4,505
	Others	12,135	12,914	12,942
	Total	17,630	18,936	18,859
Average Age		34.9	34.9	35.0
Average Years of Service		8.9	8.8	8.7
Education %	Ph.D.	0.1	0.1	0.1
	Masters	5.0	4.8	4.8
	Bachelor’s Degree	77.8	78.7	78.9
	Senior High School	14.1	13.6	13.5
	Below Senior High School	3.0	2.8	2.7

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 2017 and 2018

Unit: NT$ thousands

Item / Year	2017	2018(Estimated)
Cleaning fee of litter	57,430	64,525
Aircraft noise prevention charge	150,136	151,646
EU carbon emissions fee	207	122
Expenses for development the environmental and energy management system program	1,995	11,298
Disposal fee of polluted water	10,408	15,965
Pollution prevention facility	1,850	216,833

5.5 Labor Relations

Please refer to page 104 ~ 107 of the Chinese annual report.

5.6 Important Contracts

A. Leasing Contracts

As of APR 30, 2018

Counterparty	Contract Period	Major Contents	Limited Clause
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)	-
Avation Taiwan Leasing III Pte. Ltd.	2017.12~2027.11	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)	-
BOC Aviation Ltd.	2017.06~2029.06	A330-300 (B-16339)	-
BOC Aviation Ltd.	2017.10~2029.10	A330-300 (B-16340)	-
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)	-
Celestial Aviation Trading 68 Ltd.	2017.06~2029.06	777-300ER (B-16738)	-
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
Laf Leasing Ireland 2 Ltd.	2017.08~2024.03	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 Corp.	2018.01~2019.05	777-300ER (B-16707)	-
UNI Airways Corp.	2018.01~2022.09	A330-300 (B-16340)	-
UNI Airways Corp.	2018.01~2022.09	A321-200 (B-16201)	-
UNI Airways Corp.	2018.01~2022.09	A321-200 (B-16202)	-
UNI Airways Corp.	2018.01~2022.09	A321-200 (B-16203)	-
UNI Airways Corp.	2017.09~2024.03	A321-200 (B-16209)	-
UNI Airways Corp.	2017.09~2024.05	A321-200 (B-16210)	-
Taoyuan Airport Corp.	2017.01~2019.12	Land and House lease	-
Taoyuan Airport Corp.	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, 2018

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		-
Cathy United Bank	2017.09~2029.09		-
Mega International Commercial Bank	2017.12~2029.12		-
Bank of China	2016.10~2028.10	Secured Loans (Aircraft Type：ATR72-600)	-
Bank of China	2016.10~2028.10		-
E.SUN Bank	2018.02~2030.02	Secured Loans (Aircraft Type：777F)	-
KGI Bank	2015.12~2022.12	Secured Loans Land & Buildings	-
Bank of Taiwan	2016.01~2023.01		-
CTBC Bank	2015.09~2018.09	Unsecured Loans	-
Bank of Taiwan	2013.12~2018.12		-
Hua Nan Commercial Bank	2014.02~2019.02		-
Bank of Communications	2016.02~2019.02		-
Bank of Communications	2016.03~2019.03		-
Chang Hwa Commercial Bank	2014.04~2019.04		-
Taiwan Cooperative Bank	2014.05~2019.05		-

Institution	Loan period	Type of Loans	Limited Clause
China Construction Bank	2016.06~2019.06	Unsecured Loans	-
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		-
First Commercial Bank	2017.06~2020.06		-
E.SUN Bank	2017.07~2020.07		-
Taishin International Bank	2018.01~2021.01		-
O-Bank	2016.11~2021.11		-
Land Bank of Taiwan	2018.01~2022.01		-
Chang Hwa Commercial Bank	2017.05~2022.05		-
Taiwan Business Bank	2017.06~2022.06		-
Bank SinoPac	2017.06~2022.06		-
Mega International Commercial Bank	2017.08~2022.08		-
Cathay United Bank	2017.09~2022.09		-

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet – Based on IFRS (Consolidated)

Unit: NT$ thousands

Item		2013	2014	2015	2016	2017	2018.03.31
Current Assets		46,119,654	50,095,894	58,585,588	69,375,363	69,002,340	76,654,215
Property, Plant and Equipment		88,226,342	98,752,051	113,750,466	125,481,847	135,017,379	133,049,371
Intangible Assets		2,431,864	2,407,217	2,272,757	2,170,781	2,078,673	2,038,566
Other Assets		15,945,074	16,305,038	20,797,501	20,635,413	22,108,836	22,897,117
Total Assets		152,722,934	167,560,200	195,406,312	217,663,404	228,207,228	234,639,269
Current Liabilities	Before Distribution	38,740,228	51,352,783	58,580,061	62,284,933	60,428,208	61,778,175
	After Distribution	38,740,228	51,352,783	59,737,744	63,095,312	(Note 3)	-
Non-current Liabilities		73,725,345	76,530,416	82,098,729	96,042,190	103,569,512	106,909,322
Total Liabilities	Before Distribution	112,465,573	127,883,199	140,678,790	158,327,123	163,997,720	168,687,497
	After Distribution	112,465,573	127,883,199	141,836,473	159,137,502	(Note 3)	-
Equity Attributable to Owners of Parent		35,838,033	34,391,884	48,858,814	53,328,195	58,007,723	59,564,956
Common Stock		32,589,450	32,589,450	38,589,450	40,518,923	41,734,490	41,734,490
Capital Collected In Advance		-	186,567	-	-	-	-
Capital Surplus		1,723,602	2,047,602	6,237,027	6,237,027	6,639,940	6,639,940
Retained Earnings	Before Distribution	2,275,240	739,412	6,347,229	5,702,366	8,672,249	10,542,040
	After Distribution	2,275,240	739,412	3,260,073	3,676,420	(Note 3)	-
Other Equity		(750,259)	(1,171,147)	(2,314,892)	869,879	961,044	648,486
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		4,419,328	5,285,117	5,868,708	6,008,086	6,201,785	6,386,816
Total Equity	Before Distribution	40,257,361	39,677,001	54,727,522	59,336,281	64,209,508	65,951,772
	After Distribution	40,257,361	39,677,001	53,569,839	58,525,902	(Note 3)	-

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, 2018 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: Pending for shareholders resolution.

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

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

Item	2013	2014	2015	2016	2017	2018.03.31
Operating Revenue	124,164,451	133,090,008	137,168,544	144,679,665	163,561,731	42,878,322
Gross Profit	12,967,732	12,249,000	20,239,442	19,076,651	21,193,928	4,829,346
Operating Income (Loss)	3,470,319	2,634,889	9,205,241	7,129,934	8,694,914	1,608,403
Non-operating Income and Expenses	(1,629,981)	(2,585,944)	(1,840,037)	(1,833,011)	(718,794)	332,085
Profit (Loss) Before Tax	1,840,338	48,945	7,365,204	5,296,923	7,976,120	1,940,488
Profit (Loss)	1,279,725	(789,918)	6,859,210	3,953,667	6,310,934	1,621,679
Other Comprehensive Income (Loss), Net of Tax	(279,340)	(667,708)	(2,067,974)	2,084,356	(769,683)	121,676
Comprehensive Income (Loss)	1,000,385	(1,457,626)	4,791,236	6,038,023	5,541,251	1,743,355
Profit or Loss Attribute to :						
Owners of Parent	747,450	(1,306,724)	6,436,425	3,476,004	5,752,067	1,425,255
Non-controlling Interests	532,275	516,806	422,785	477,663	558,867	196,424
Comprehensive Income or Loss Attribute to:						
Owners of Parent	470,111	(1,956,716)	4,453,225	5,627,064	5,086,994	1,549,905
Non-controlling Interests	530,274	499,090	338,011	410,959	454,257	193,450
Basic Earnings (Loss) per Share (Note 3)	0.21	(0.37)	1.56	0.83	1.38	0.34

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, 2018 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: The earnings (losses) per share have been trace-back adjusted by stock dividends.

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

Unit: NT$ thousands

Item		2013	2014	2015	2016	2017
Current Assets		31,254,902	34,164,746	39,263,072	49,522,632	47,038,484
Property, Plant and Equipment		82,473,206	90,240,743	103,950,044	112,986,912	119,481,891
Intangible Assets		412,777	465,026	455,178	493,089	493,403
Other Assets		25,253,893	26,617,105	32,819,367	32,747,101	34,132,290
Total Assets		139,394,778	151,487,620	176,487,661	195,749,734	201,146,068
Current Liabilities	Before Distribution	36,240,883	48,369,147	53,762,220	56,772,787	53,213,768
	After Distribution	36,240,883	48,369,147	54,919,903	57,583,166	(Note 2)
Non-current Liabilities		67,315,862	68,726,589	73,866,627	85,648,752	89,924,577
Total Liabilities	Before Distribution	103,556,745	117,095,736	127,628,847	142,421,539	143,138,345
	After Distribution	103,556,745	117,095,736	128,786,530	143,231,981	(Note 2)
Common Stock		32,589,450	32,589,450	38,589,450	40,518,923	41,734,490
Capital Collected In Advance		-	186,567	-	-	-
Capital Surplus		1,723,602	2,047,602	6,237,027	6,237,027	6,639,940
Retained Earnings	Before Distribution	2,275,240	739,412	6,347,229	5,702,366	8,672,249
	After Distribution	2,275,240	739,412	3,260,073	3,676,420	(Note 2)
Other Equity		(750,259)	(1,171,147)	(2,314,892)	869,879	961,044
Treasury Stock		-	-	-	-	-
Total Equity	Before Distribution	35,838,033	34,391,884	48,858,814	53,328,195	58,007,723
	After Distribution	35,838,033	34,391,884	47,701,131	52,517,816	(Note 2)

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2017, 2016, 2015, 2014 and 2013.

Note2: Pending for shareholders resolution.

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

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

Item	2013	2014	2015	2016	2017
Operating Revenue	110,747,462	116,921,858	115,892,656	115,495,819	125,314,160
Gross Profit	10,284,596	9,570,778	17,352,315	15,883,488	17,451,228
Operating Income (Loss)	1,588,253	636,236	7,372,937	4,961,439	5,942,518
Non-operating Income and Expenses	(686,542)	(1,514,317)	(833,408)	(593,405)	943,415
Profit (Loss) before Tax	901,711	(878,081)	6,539,529	4,368,034	6,885,933
Profit (Loss)	747,450	(1,306,724)	6,436,425	3,476,004	5,752,067
Other Comprehensive Income (Loss), Net of Tax	(277,339)	(649,992)	(1,983,200)	2,151,060	(665,073)
Comprehensive Income (Loss)	470,111	(1,956,716)	4,453,225	5,627,064	5,086,994
Basic Earnings (Loss) per Share (Note 2)	0.21	(0.37)	1.56	0.83	1.38

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2017, 2016, 2015, 2014 and 2013.

Note2: The earnings (losses) per share have been trace-back adjusted by stock dividends.

6.1.5 Auditors' Opinions from 2013 to 2017

Year	CPA	Audit Opinion
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	
2017	Chen, Ya-Ling；Wang, Chin-Sun	

6.2 Five-Year Financial Analysis

A. Financial Analysis – Based on IFRS (Consolidated)

Item		2013	2014	2015	2016	2017	2018.03.31
Financial Structure (%)	Debts Ratio	73.64	76.32	71.99	72.74	71.86	71.89
	Long-term Fund to Property, Plant and Equipment	129.19	117.68	120.29	123.83	124.26	129.92
Solvency (%)	Current Ratio	119.05	97.55	100.01	111.38	114.19	124.08
	Quick Ratio	94.11	79.69	82.47	94.07	95.81	113.63
	Times Interest Earned (Times)	225.03	109.40	562.49	450.50	682.78	774.60
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)	1.36	1.42	1.29	1.21	1.26	0.32
	Total Assets Turnover (Times)	0.81	0.83	0.76	0.70	0.73	0.19
Profitability	Return on Total Assets (%)	1.69	0.32	4.55	2.64	3.58	0.87
	Return on Total Equity (%)	3.21	(1.98)	14.53	6.93	10.22	2.49
	Pre-tax Income to Paid-in Capital Ratio (%)	5.65	0.15	19.09	13.07	19.11	4.65
	Net Margin (%)	1.03	(0.59)	5.00	2.73	3.86	3.78
	Earnings (Loss) Per Share (NT$) (Note 4)	0.21	(0.37)	1.56	0.83	1.38	0.34
Cash Flow (%)	Ratio of Cash Flows	44.53	29.55	44.43	33.97	29.21	4.12
	Cash Flow Adequacy Ratio	202.97	121.38	113.36	113.29	95.77	86.57
	Ratio of Reinvestment for Cash	10.16	8.33	12.45	8.61	7.09	1.06
Leverage	Operating Leverage	10.31	14.01	5.20	7.38	6.66	7.99
	Financial Leverage	1.86	2.46	1.23	1.34	1.30	1.44
Analysis of variation of 2017 vs. 2016 over 20%: Times interest earned and profitability ratio: The profit increased in 2017 that result in the large variation.							

Note1: Not applicable due to industry characteristics.

Note2: Above data are based on the consolidated financial statements as of December 31, 2017, 2016, 2015, 2014 and 2013, and the consolidated financial statements as of March 31, 2018 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: The earnings (losses) per share have been trace-back adjusted by stock dividends.

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

Item		2013	2014	2015	2016	2017
Financial Structure (%)	Debts Ratio	74.29	77.30	72.32	72.76	71.16
	Long-term Fund to Property, Plant and Equipment	125.08	114.27	118.06	123.00	123.81
Solvency (%)	Current Ratio	86.24	70.63	73.03	87.23	88.40
	Quick Ratio	78.77	65.23	67.85	81.83	83.38
	Times Interest Earned (Times)	170.15	41.29	555.41	427.73	675.11
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)	1.29	1.35	1.19	1.06	1.08
	Total Assets Turnover (Times)	0.79	0.80	0.71	0.62	0.63
Profitability	Return on Total Assets (%)	1.39	(0.08)	4.70	2.60	3.67
	Return on Total Equity (%)	2.10	(3.72)	15.46	6.80	10.33
	Pre-tax Income to Paid-in Capital Ratio (%)	2.77	(2.69)	16.95	10.78	16.50
	Net Margin (%)	0.67	(1.12)	5.55	3.01	4.59
	Earnings (Loss) Per Share (NT$) (Note 3)	0.21	(0.37)	1.56	0.83	1.38
Cash Flow (%)	Ratio of Cash Flows	38.65	27.79	44.66	31.21	29.96
	Cash Flow Adequacy Ratio	203.30	118.49	113.68	114.52	98.00
	Ratio of Reinvestment for Cash	9.27	8.37	12.93	8.09	7.37
Leverage	Operating Leverage	17.96	47.22	5.36	8.69	7.99
	Financial Leverage	12.90	(0.80)	1.26	1.49	1.45
Analysis of variation of 2017 vs.2016 over 20%: Times interest earned and profitability ratio: The profit increased in 2017 that result in the large variation of profitability ratio.						

Note1: Not applicable due to industry characteristics.

Note2: Above data are based on the parent-company-only financial statements as of December 31, 2017, 2016, 2015, 2014 and 2013.

Note3: The earnings (losses) per share have been trace-back adjusted by stock dividends.

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6.3 Audit Committees' Report for the Most Recent Year

To: 2018 Annual General Shareholders' Meeting
EVA Airways Corporation (EVA)

The Board of Directors has prepared the Company's 2017 business report, financial report and proposal for distribution of earnings. The CPA firm of KPMG, Taiwan has audited the financial report and issued the audit report. The above business report, financial report, and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of EVA. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

EVA Airways Corporation

Convener of the Audit Committee: Hsu, Shun-Hsiung

March 20, 2018

6.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Please refer to page 145 ~ 226 Appendix 1.

6.5 The Parent-Company-Only Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Please refer to page 227~ 297 Appendix 2.

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

7.1 Analysis of Financial Status (Consolidated)

Unit: NT$ thousands

Item \ Year	2017	2016	Difference	
			Amount	%
Current Assets	69,002,340	69,375,363	(373,023)	(0.54)
Property, Plant and Equipment	135,017,379	125,481,847	9,535,532	7.60
Intangible Assets	2,078,673	2,170,781	(92,108)	(4.24)
Other Assets	22,108,836	20,635,413	1,473,423	7.14
Total Assets	228,207,228	217,663,404	10,543,824	4.84
Current Liabilities	60,428,208	62,284,933	(1,856,725)	(2.98)
Non-current Liabilities	103,569,512	96,042,190	7,527,322	7.84
Total Liabilities	163,997,720	158,327,123	5,670,597	3.58
Equity Attributable to Owners of Parent	58,007,723	53,328,195	4,679,528	8.77
Capital Stock	41,734,490	40,518,923	1,215,567	3.00
Capital Surplus	6,639,940	6,237,027	402,913	6.46
Retained Earnings	8,672,249	5,702,366	2,969,883	52.08
Other Equity	961,044	869,879	91,165	10.48
Non-controlling Interests	6,201,785	6,008,086	193,699	3.22
Total Equity	64,209,508	59,336,281	4,873,227	8.21

Analysis of deviation:

Retained Earnings: Mainly due to the profit increased in 2017.

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

7.2 Analysis of Financial Performance (Consolidated)

Unit: NT$ thousands

Item \ Year	2017	2016	Increase (Decrease) Amount	Change (%)
Operating Revenue	163,561,731	144,679,665	18,882,066	13.05
Operating Cost	142,367,803	125,603,014	16,764,789	13.35
Gross Profit	21,193,928	19,076,651	2,117,277	11.10
Operating Expenses	12,499,014	11,946,717	552,297	4.62
Operating Income	8,694,914	7,129,934	1,564,980	21.95
Non-operating Income and Expenses	(718,794)	(1,833,011)	1,114,217	(60.79)
Profit(Loss) before Tax	7,976,120	5,296,923	2,679,197	50.58
Income Tax Expenses	1,665,186	1,343,256	321,930	23.97
Profit(Loss)	6,310,934	3,953,667	2,357,267	59.62

Analysis of deviation:

The increase of operating income, profit before tax and profit: Mainly due to the expansion of operation scale, the recovery of air cargo markets and the improved operating efficiency from fleet renewal lead to the increase of operating revenue which is more than the growth of relevant costs and expenses.

The decrease of non-operating expenses: Mainly due to the gains from disposal of investment as well as the decreased losses from disposal of property, plant and equipment.

7.3 Analysis of Cash Flow (Consolidated)

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Item \ Year	2017	2016	Increase (Decrease) Amount	Change (%)
Cash and cash equivalents at the beginning of year	44,933,016	35,744,865	9,188,151	25.70
Net cash flows from (used in) operating activities	17,651,466	21,155,946	(3,504,480)	(16.56)
Net cash flows from (used in) investing activities	(21,402,355)	(16,551,202)	(4,851,153)	29.31
Net cash flows from (used in) financing activities	525,447	4,630,227	(4,104,780)	(88.65)
Exchange rate adjustments	(21,794)	(46,820)	25,026	53.45
Cash and cash equivalents at the end of year	41,685,780	44,933,016	(3,247,236)	(7.23)

Analysis of deviation:

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

B. Financing activities: The decrease of net cash generated from financing activities due to the issuance of long-term debt and the corporate bond in 2017 were less than that 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
41,685,780	14,910,499	14,991,630	41,604,649	-	-

Analysis of cash flow deviation of year 2018:

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, 2017, the four Boeing 777 freighters had not yet been delivered. The Company has partially paid the price of $6.37 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, 2017, the Boeing 777 engine had not yet been delivered. The Company has partially paid the price of $206.84 million.

C. In November 2015, the Company entered into aircraft purchase contracts amounting to US$6.59 billion with Boeing Company for eighteen Boeing 787-10 aircraft. As of December 31, 2017, the eighteen Boeing 787-10 aircraft had not yet been delivered. The Company has partially paid the price of $4.57 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, 2017, the five Boeing 787 engines had not yet been delivered. The Company has partially paid the price of $137.28 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, 2017, the Company has partially paid the price of $1.09 billion.

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, 2017, the Boeing 787 flight simulator had not yet been delivered. The Company has partially paid the price of $151.14 million.

G. The Company entered into a contract with DPR Construction, A General Partnership, for its Los Angeles land development case, with the approximate amount of US$49 million, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2017, the Company has partially paid the price of $36.04 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$1.52 billion in 2017.

In the recent fiscal year, the Company and its subsidiaries invest in aviation-related industries, including ground handling services, air cargo terminals, aircraft components manufacturing etc. For the year 2017, the Company and its subsidiaries reported investment income of NT$ 165.90 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 corporate 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% with all other factors that remain constant, the profit of the Company and its subsidiaries of year 2017 will change NT$762.97 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, CNY and HKD as of December 31, 2017 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$89.34 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) Website re-engineering project

(2) Evolving cyber defense against trending cyber attacks

(3) New-generation customer management platform

(4) Air-cargo pricing management system project

(5) Customer experience management project

(6) New revenue accounting project

(7) New UPS system implementation for 2nd computer data center

(8) Intelligent data flow infrastructure design project of computer data center

(9) New computer assets management system implementation

It is budgeted to spend NT$ 192 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:
On February 7, 2018, the Board of Directors resolved to reach a settlement with the plaintiffs amounting to US$21 million, which was arisen from the passenger fuel surcharge for alleged violation of antitrust law in the United States. As of December 31, 2017, the settlement amount had

been accrued accordingly and will be paid in four installments within three years to minimize the impact on the operation.

M. Other major risks and responses:

(1) The evaluation of market risks and responses:

a. After joining the Star Alliance, actively reduce operating costs and diversify risks through bilateral alliance strategies.

b. Regularly conduct simulation exercises in the Emergency Response Center to strengthen the response capability to deal with abnormal operations.

c. Regularly conduct information security drills and course trainings to avoid cyber-attacks, data fraud or data theft.

(2) 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 redeem loans to improve the financial structure. Therefore, the Company’s assets and operating funds are sufficient to execute all contracts.

(3) 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 risk. The auditing division formulates auditing plans to inspect and evaluate the results of risk control. Appropriate advices will be 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 corporate safety, security, environment and energy related policy and its implementation, staff safety and security training, preservation of aircraft and at airport stations, and 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, 2017

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Aviation Technologies Corp.	Aircraft repair and maintenance	Taiwan	Nov 1997	NT$6.4 billion	80.00%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct 1990	NT$505.6 million	56.33%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct 1993	NT$1.2 billion	49.80%
Evergreen Air Cargo Services Corp.	Cargo terminal operation	Taiwan	Mar 2000	NT$1.2 billion	60.625%
Evergreen Aviation Precision Corp.	Aircraft component manufacture	Taiwan	Nov 2012	NT$3 billion	40.00%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan 2001	NT$26.8 million	100.00%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb 2005	US$5.5 million	100.00%
Evergreen Airways Service (Macau) Ltd.	Investment business	Macau	Dec 1994	US$12,488	99.00%
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%
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, 2017
Unit: Shares, %

Company	Title	Name and Representative	Shares Holding	
			Shares	%
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：Huang, Nan-Horang	--	--
	Supervisor	UNI Airways Corp.	127,232,128	20.00%
		Representative：Tsai, Ta-Wei	--	--
	President	Huang, Nan-Horang	--	--
Evergreen Airline Services Corp.	Chairman	EVA Airways Corp.	28,479,187	56.33%
		Representative：Chang, Ming-Yuh	--	--
	Director	EVA Airways Corp.	28,479,187	56.33%
		Representative：Lin, Bou-Shiu	120,897	0.24%
	Director	EVA Airways Corp.	28,479,187	56.33%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	28,479,187	56.33%
		Representative：Tsai, Zu-Ming	--	--
	Director	SATS Ltd.	10,111,161	20.00%
		Representative：Andrew Lim Cheng Yueh	--	--
	Supervisor	Evergreen International Corp.	10,111,161	20.00%
		Representative：Ko, Lee-Ching	--	--
	President	Tsai, Zu-Ming	--	--

Company	Title	Name and Representative	Shares Holding	
			Shares	%
Evergreen Sky Catering Corp.	Chairman	EVA Airways Corp.	60,258,000	49.80%
		Representative：Yen, Ruoh-Chi	24,200	0.02%
	Director	EVA Airways Corp.	60,258,000	49.80%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	60,258,000	49.80%
		Representative：Chen, Hsien-Hung	--	--
	Director	EVA Airways Corp.	60,258,000	49.80%
		Representative：Tai, Jiin-Chyuan	--	--
	Director	EVA Airways Corp.	60,258,000	49.80%
		Representative：Tsai, Ming-Fang	--	--
	Director	SATS Ltd.	30,250,000	25.00%
		Representative：Tan Chuan Lye		
	Director	SATS Ltd.	30,250,000	25.00%
		Representative：Foh Chi Dong	--	--
	Supervisor	Evergreen International Corp.	30,250,000	25.00%
		Representative：Ku Lai, Mei-Hsueh	--	--
	Supervisor	Evergreen International Corp.	30,250,000	25.00%
		Representative：Tsai, Ta-Wei	--	--
	President	Tsai, Ming-Fang	--	--
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：Lin, Tsung-Yen	--	--
	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	Lin, Tsung-Yen	--	--

Company	Title	Name and Representative	Shares Holding	
			Shares	%
Evergreen Aviation Precision Corp.	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	--	--
	Director	EVA Airways Corp.	120,000,000	40%
		Representative：Lee, Wei-Chang	--	--
	Supervisor	UNI Airways Corp.	90,000,000	30%
		Representative：Ko, Lee-Ching	--	--
	President	Lee, Wei-Chang	--	--
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	--	--
Sky Castle Investment Ltd.	Director	EVA Airways Corp.	5,500,000	100%
		Representative：Lin, Bou-Shiu	--	--
	Director	EVA Airways Corp.	5,500,000	100%
		Representative：Chen, Hsien-Hung	--	--
Evergreen Airways Service (Macau)Ltd.	Director	EVA Airways Corp.	--	99.00%
		Representative：Lin, Bou-Shiu	--	--
	Director	Chen, Hsien-Hung	--	--

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%
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: Green Siam Air Services Co., Ltd. has completed liquidation in August, 2017.

■ The Operating Overviews of Affiliated Companies

As of DEC 31, 2017
Unit: NT$ thousands

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
Evergreen Aviation Technologies Corp.	6,361,606	25,561,207	14,832,700	10,728,507	40,268,007	2,088,557	1,353,062	2.13
Evergreen Airline Services Corp.	505,558	4,606,495	3,136,039	1,470,456	2,855,319	121,966	91,850	1.82
Evergreen Sky Catering Corp.	1,210,000	5,374,875	1,534,058	3,840,817	3,303,584	768,314	616,565	5.10
Evergreen Air Cargo Services Corp.	1,200,000	2,607,734	259,974	2,347,760	1,430,788	235,955	200,932	1.67
Evergreen Aviation Precision Corp.	3,000,000	4,764,802	3,113,856	1,650,946	598,673	(549,886)	(521,614)	(1.74)
Hsiang-Li Investment Corp.	26,800	99,725	217	99,508	53,091	52,792	53,029	19.79
Sky Castle Investment Ltd.	179,173	362,926	340	362,586	25,141	24,710	24,745	4.50
Evergreen Airways Service (Macau) Ltd.	327	143,270	7,544	135,726	63,828	63,192	64,290	-
RTW Air Services (S) Pte. Ltd.	22,651	123,811	68,739	55,072	62,325	19,804	20,184	13.46
PT Perdana Andalan Air Service	5,280	105,167	30,292	74,875	30,610	5,081	10,326	129.07
EVA Flight Training Academy	624,850	471,915	10,181	461,734	114,691	(17,169)	(16,403)	(1.64)

Appendix 1

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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

Representation Letter

The entities that are required to be included in the combined financial statements of EVA Airways Corp. and its subsidiaries as of and for the year ended December 31, 2017 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 20, 2018

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
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 as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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 at December 31, 2017 and 2016, 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 consolidated financial statements, and note 6(r) "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 are probable not to be redeemed.

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 consolidated 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 the 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. The 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 consolidated financial statements, and note 6(h) and note 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' s partial subsidiaries 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 Group' s partial subsidiaries for each impairment cash-generating unit; evaluating the appropriateness of assumptions and estimation 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, 2017 and 2016, 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 (including the Audit Committee) 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.

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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KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

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

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	2017.12.31 Amount	%	2016.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 41,685,780	18	44,933,016	21
1110	Financial assets at fair value through profit or loss－current (note 6(b))	-	-	2,329	-
1125	Available-for-sale financial assets－current (note 6(b))	1,855,681	1	1,916,316	1
1135	Derivative financial assets for hedge purposes－current (note 6(c))	184,458	-	62,936	-
1150	Notes receivable, net (note 6(d))	752,584	-	545,549	-
1170	Accounts receivable, net (note 6(d))	8,107,788	4	7,152,963	3
1180	Accounts receivable－related parties (notes 6(d) and 7)	5,018,412	2	3,644,373	2
130x	Inventories (notes 6(e) and 7)	9,424,190	4	8,816,238	4
1470	Other current assets (notes 6(d), 6(j) and 7)	1,973,447	1	2,301,643	1
	Total current assets	69,002,340	30	69,375,363	32
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(b))	2,549,212	1	3,013,540	1
1550	Investments accounted for using equity method (note 6(f))	681,192	-	621,586	-
1600	Property, plant and equipment (notes 6(c), 6(h), 6(l), 7, 8 and 9)	135,017,379	59	125,481,847	58
1780	Intangible assets (note 6(i))	2,078,673	1	2,170,781	1
1840	Deferred tax assets (note 6(o))	4,093,167	2	4,649,327	2
1900	Other non-current assets (notes 6 (c), 6(j), 7, 8 and 9)	14,785,265	7	12,350,960	6
	Total non-current assets	159,204,888	70	148,288,041	68
	Total assets	$ 228,207,228	100	217,663,404	100

	Liabilities and Equity	2017.12.31 Amount	%	2016.12.31 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ 100,000	-	50,000	-
2125	Derivative financial liabilities for hedge purposes－current (note 6(c))	558	-	213,266	-
2170	Notes and accounts payable	8,996,556	4	5,273,493	3
2180	Accounts payable－related parties (note 7)	195,049	-	155,959	-
2200	Other payables (notes 6(s), 7 and 11)	8,878,362	4	12,273,634	6
2230	Current tax liabilities	480,646	-	300,960	-
2310	Unearned revenue (note 6(r))	16,811,771	7	14,917,497	7
2320	Current portion of long-term liabilities (notes 6(k) and 8)	19,314,836	9	20,628,946	9
2300	Other current liabilities (notes 6(h), 6(k) and 6(l))	5,650,430	3	8,471,178	4
	Total current liabilities	60,428,208	27	62,284,933	29
	Non-current liabilities:				
2500	Financial liabilities at fair value through profit or loss－non-current (notes 6(b) and 6(k))	16,800	-	-	-
2510	Derivative financial liabilities for hedge purposes－non-current (note 6(c))	-	-	49,712	-
2530	Bonds payable (note 6(k))	15,096,232	7	13,000,000	6
2540	Long-term borrowings (notes 6(k) and 8)	60,248,858	26	57,385,036	26
2570	Deferred tax liabilities (note 6(o))	155,686	-	100,233	-
2613	Lease liabilities－non-current (note 6(k))	2,152,643	1	3,575,432	2
2640	Net defined benefit liabilities－non-current (note 6(n))	5,300,094	2	4,849,692	2
2600	Other non-current liabilities (notes 6(h), 6(l) and 6(r))	20,599,199	9	17,082,085	8
	Total non-current liabilities	103,569,512	45	96,042,190	44
	Total liabilities	163,997,720	72	158,327,123	73
	Equity (notes 6(c), 6(k), 6(n), 6(o) and 6(p)):				
3110	Common stock	41,734,490	18	40,518,923	19
3200	Capital surplus	6,639,940	3	6,237,027	3
3300	Retained earnings	8,672,249	4	5,702,366	2
3400	Other equity	961,044	-	869,879	-
	Total equity attributable to owners of parent	58,007,723	25	53,328,195	24
36XX	**Non-controlling interests (notes 6(g) and 6(p))**	6,201,785	3	6,008,086	3
	Total equity	64,209,508	28	59,336,281	27
	Total liabilities and equity	$ 228,207,228	100	217,663,404	100

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(r) and 7)**	$ 163,561,731	100	144,679,665	100
5000	**Operating costs (notes 6(c), 6(e), 6(h), 6(i), 6(m), 6(n), 6(s), 7 and 9)**	(142,367,803)	(87)	(125,603,014)	(87)
	Gross profit from operations	21,193,928	13	19,076,651	13
6000	**Operating expenses (notes 6(d), 6(h), 6(i), 6(m), 6(n), 6(s) and 7)**	(12,499,014)	(8)	(11,946,717)	(8)
	Net operating income	8,694,914	5	7,129,934	5
	Non-operating income and expenses:				
7010	Other income (note 6(t))	543,099	-	416,747	-
7020	Other gains and losses (notes 6(b), 6(l), 6(p) and 6(t))	574,647	1	(566,937)	-
7050	Finance costs (notes 6(h), 6(l) and 6(t))	(2,002,438)	(1)	(1,807,997)	(1)
7060	Shares of profit of associates accounted for using equity method (note 6(f))	165,898	-	125,176	-
	Total non-operating income and expenses	(718,794)	-	(1,833,011)	(1)
7900	**Profit before tax**	7,976,120	5	5,296,923	4
7950	**Income tax expenses (note 6(o))**	(1,665,186)	(1)	(1,343,256)	(1)
8200	**Profit**	6,310,934	4	3,953,667	3
8300	**Other comprehensive income (notes 6(c), 6(f), 6(n), 6(o) and 6(p)):**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of the net defined benefit plans	(1,030,637)	(1)	(1,334,982)	(1)
8320	Share of other comprehensive income of associates accounted for using equity method	(1,349)	-	(4,967)	-
8349	Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	175,223	-	236,196	-
	Total items that will not be reclassified subsequently to profit or loss	(856,763)	(1)	(1,103,753)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(51,434)	-	(85,912)	-
8362	Unrealized gains (losses) on available-for-sale financial assets	(171,305)	-	500,125	-
8363	Cash flow hedges	383,942	-	3,347,709	2
8370	Share of other comprehensive income of associates accounted for using equity method	(11,012)	-	(1,324)	-
8399	Income tax losses relating to items that may be reclassified subsequently to profit or loss	(63,111)	-	(572,489)	-
	Total items that may be reclassified subsequently to profit or loss	87,080	-	3,188,109	2
8300	**Other comprehensive income, net of tax**	(769,683)	(1)	2,084,356	1
8500	**Comprehensive income**	**$ 5,541,251**	**3**	**6,038,023**	**4**
	Profit, attributable to:				
8610	Owners of parent	$ 5,752,067	4	3,476,004	3
8620	Non-controlling interests	558,867	-	477,663	-
		$ 6,310,934	**4**	**3,953,667**	**3**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 5,086,994	3	5,627,064	4
8720	Non-controlling interests	454,257	-	410,959	-
		$ 5,541,251	**3**	**6,038,023**	**4**
	Earnings per share (note 6(q))				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$ 1.38**		**0.83**	
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$ 1.24**		**0.83**	

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent												
			Retained earnings				Other equity						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	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, 2016	$ 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
Appropriation 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	-	-	-	-	3,476,004	3,476,004	-	-	-	-	3,476,004	477,663	3,953,667
Other comprehensive income	-	-	-	-	(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	-	-	-	-	2,442,293	2,442,293	(91,128)	497,301	2,778,598	3,184,771	5,627,064	410,959	6,038,023
Change 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
Appropriation of prior year's earnings:													
Legal reserve	-	-	347,600	-	(347,600)	-	-	-	-	-	-	-	-
Special reserve reversal	-	-	-	(2,314,892)	2,314,892	-	-	-	-	-	-	-	-
Cash dividends to common shareholders	-	-	-	-	(810,379)	(810,379)	-	-	-	-	(810,379)	-	(810,379)
Stock dividends to common shareholders	1,215,567	-	-	-	(1,215,567)	(1,215,567)	-	-	-	-	-	-	-
Issuance of convertible bonds recognized in capital surplus-share options	-	402,913	-	-	-	-	-	-	-	-	402,913	-	402,913
Profit	-	-	-	-	5,752,067	5,752,067	-	-	-	-	5,752,067	558,867	6,310,934
Other comprehensive income	-	-	-	-	(756,238)	(756,238)	(56,920)	(170,587)	318,672	91,165	(665,073)	(104,610)	(769,683)
Comprehensive income	-	-	-	-	4,995,829	4,995,829	(56,920)	(170,587)	318,672	91,165	5,086,994	454,257	5,541,251
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(260,558)	(260,558)
Balance on December 31, 2017	$ 41,734,490	6,639,940	991,243	-	7,681,006	8,672,249	(10,851)	819,258	152,637	961,044	58,007,723	6,201,785	64,209,508

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 7,976,120	5,296,923
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	13,936,758	15,051,372
Amortization expense	383,555	357,654
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(7,700)	1,091
Impairment loss	-	5,345
Interest expense	2,002,438	1,807,997
Interest income	(411,330)	(278,831)
Dividend income	(131,461)	(139,433)
Shares of profit of associates accounted for using equity method	(165,898)	(125,176)
Losses on disposal of property, plant and equipment	70,311	459,172
Gains on disposal of investments	(625,974)	(49,465)
Unrealized foreign exchange gains	(1,468,529)	(386,960)
Others	(260,184)	(175,712)
Total adjustments to reconcile profit	13,321,986	16,527,054
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss－current	2,329	-
Notes receivable, net	(207,035)	(132,908)
Accounts receivable, net	(956,588)	(637,931)
Accounts receivable－related parties	(1,375,320)	(38,326)
Inventories	(723,261)	(331,812)
Other current assets	309,439	(273,068)
Total changes in operating assets	(2,950,436)	(1,414,045)
Changes in operating liabilities:		
Notes and accounts payable	3,718,535	2,484,572
Accounts payable－related parties	39,482	62,807
Other payables	(3,124,629)	304,552
Unearned revenue	1,897,585	1,544,354
Other current liabilities	(2,492,173)	(3,122,997)
Net defined benefit liabilities－non-current	(579,237)	(495,367)
Other non-current liabilities	608,421	504,616
Total changes in operating liabilities	67,984	1,282,537
Total changes in operating assets and liabilities	(2,882,452)	(131,508)
Total adjustments	10,439,534	16,395,546
Cash inflow generated from operations	18,415,654	21,692,469
Income taxes paid	(764,188)	(536,523)
Net cash flows from operating activities	17,651,466	21,155,946

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) investing activities:			
Available-for-sale financial assets－current	$	70,380	(114,836)
Acquisition of available-for-sale financial assets－non-current		(24,620)	(484)
Proceeds from disposal of available-for-sale financial assets－non-current		944,169	44,937
Proceeds from disposal of investments accounted for using equity method		-	12,353
Acquisition of property, plant and equipment		(13,398,285)	(8,146,659)
Proceeds from disposal of property, plant and equipment		471,915	195,367
Acquisition of intangible assets		(291,447)	(255,678)
Other non-current assets		58,219	22,955
Increase in prepayments for equipment		(9,857,878)	(8,826,289)
Interest received		411,605	280,605
Dividends received		213,587	236,527
Net cash flows used in investing activities		(21,402,355)	(16,551,202)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		400,000	10,720,000
Decrease in short-term borrowings		(350,000)	(11,410,000)
Proceeds from issuance of bonds payable		7,009,018	8,500,000
Redemption of bonds payable		(6,500,000)	(5,100,000)
Proceeds from long-term borrowings		18,411,000	22,296,300
Redemption of long-term borrowings		(14,421,475)	(15,587,774)
Increase in guarantee deposits		5,396	76,025
Redemption of lease liabilities		(1,496,591)	(1,877,310)
Cash dividends paid		(810,379)	(1,157,683)
Interest paid		(1,461,467)	(1,577,124)
Change in non-controlling interests		(260,055)	(252,207)
Net cash flows from financing activities		525,447	4,630,227
Effect of exchange rate changes on cash and cash equivalents		(21,794)	(46,820)
Net increase (decrease) in cash and cash equivalents		(3,247,236)	9,188,151
Cash and cash equivalents at the beginning of year		44,933,016	35,744,865
Cash and cash equivalents at the end of year	$	**41,685,780**	**44,933,016**

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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 20, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-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 " Impairment of Non-Financial Assets-Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	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 any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- 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 reversed 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 expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes-Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

(Continued)

Based on its preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had available-for-sale financial assets with a fair value of 4,404,893 thousand and financial assets carried at cost (included in other non-current assets) of 1,020 thousand. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI or FVTPL. In the former case, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses will be recognized in profit or loss as they arise. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of $447,334 in the other equity, as well as the increase of $454,662 and $12 in retained earnings and non-controlling interests, respectively.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to become more volatile for assets in the scope of the IFRS 9 impairment model. The Group believes that the adoption of the above IFRS 9 impairment model would not have a material impact on its financial statements.

(Continued)

3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

1) Rending of services

The Group provides maintanance services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Based on the Group’s assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect any significant differences in the timing of revenue recognition for these services.

(Continued)

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Group estimates the aforementioned differences resulting in the increase of $4,667,014 contract assets; and a decrease of $4,322,634, $344,380 in inventories and accounts receivable, respectively, on January 1, 2018.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

Those which may be relevant to The Group are set out below:

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 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.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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.

(Continued)

(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 Financial Supervisory Commission, R.O.C. (hereinafter referred to as "IFRSs endorsed by 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 balance sheets:

1) Financial instruments at fair value through profit or loss are measured at fair value;

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

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

4) 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 each Group entity is determined based on the primary economic environment in which the entity 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. Control is achieved where to Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. 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.

(Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

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 percentage 2017.12.31	2016.12.31	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	Evergreen Airways Service (Macau) Ltd.	Investing business	99.00 %	99.00 %	-
The Company	Green Siam Air Services Co., Ltd.	Traveling agency	- %	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 %	-

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. has completed liquidation process in August, 2017.

(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.

(Continued)

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 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.

(Continued)

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.

(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 lo 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 is designated as financial assets at fair value through profit or loss.

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

(Continued)

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.

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 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.

(Continued)

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.

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.

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.

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have any equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest and gain or loss related to the financial liabilities are recognized in profit or loss, and are 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) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

(Continued)

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

b) Performance of the financial liabilities is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in other gains and losses.

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.

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.

(Continued)

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.

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.

(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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(Continued)

(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.

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 Company 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.

(Continued)

(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.

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 life.

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.

(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 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.

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

(n) Intangible assets

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

(Continued)

(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.

(iii) Services revenue

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.

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

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

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group 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) 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.

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.

(Continued)

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.

(r) 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.

(s) 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.

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.

(Continued)

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(u).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	2017.12.31	**2016.12.31**
Cash on hand	$ 87,746	190,891
Cash in bank	41,128,659	44,508,051
Short-term notes	469,375	234,074
	$ 41,685,780	**44,933,016**

(b) Financial assets and liabilities

(i) Financial assets and liabilities at fair value through profit or loss:

	2017.12.31	**2016.12.31**
Financial assets at fair value through profit or loss－current:		
Money market funds	**$ -**	**2,329**
Financial liabilities at fair value through profit or loss－non-current:		
Convertible bonds with embedded derivatives	**$ 16,800**	**-**

The derivative financial instruments arose from the issuance of convertible bonds of the Group stated in note 6(k).

(Continued)

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

		2017.12.31	2016.12.31
Publicly traded stocks	$	10,458	7,037
Money market funds		1,845,223	1,909,279
	$	**1,855,681**	**1,916,316**

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

		2017.12.31	2016.12.31
Non-publicly traded stocks	$	1,325,317	1,328,629
Publicly traded stocks		1,223,895	1,684,911
	$	**2,549,212**	**3,013,540**

In 2017 and 2016, the Group recognized the impairment losses of $ 0 and $5,345, 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, 2017 and 2016, the Group's financial assets were not pledged.

(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:

		2017			2016	
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%	$	**220,168**	**-**		**246,305**	**97**
decrease 5%	$	**(220,168)**	**-**		**(246,305)**	**(97)**

(c) Hedging derivative financial instruments

		2017.12.31	2016.12.31
Derivative financial assets for hedge purposes:			
Fuel swap and option agreements	$	184,458	61,792
Forward exchange contracts		-	1,144
Total	$	**184,458**	**62,936**
Current	$	184,458	62,936
Non-current		-	-
	$	**184,458**	**62,936**

(Continued)

	2017.12.31	2016.12.31
Derivative financial liabilities for hedge purposes:		
Fuel swap and option agreements	$ -	262,939
Forward exchange contracts	558	39
Total	**$ 558**	**262,978**
Current	$ 558	213,266
Non-current	-	49,712
	$ 558	**262,978**

(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, 2017 and 2016, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument 2017.12.31	Fair value of assigned hedging instrument 2016.12.31	Period when cash flows are expected to occur	Period when profit or loss is affected
Floating price of fuel	Fuel swap agreements	$ -	(40,695)	2016~2017	2016~2017
Floating price of fuel	Option agreements	184,458	(160,452)	2016~2018	2016~2018
		$ 184,458	**(201,147)**		

(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 Group were as follows:

	2017.12.31		
	Amount (in thousand)	**Currency**	**Maturity dates**
Forward exchange purchased	**USD$ 6,000**	TWD to USD	2018/2/1~2018/4/2

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

(Continued)

(iii) The Group's gains and losses arising from cash flow hedges in 2017 and 2016 were as follows:

Account		2017	2016
Recognized in other comprehensive income during the period	$	383,942	3,347,709
Reclassification from equity to operating cost for the period	$	360,526	2,006,911
Reclassification from equity to other non-current assets for the period	$	74,093	-

(d) Notes and accounts receivable, and other receivables

		2017.12.31	2016.12.31
Notes receivable	$	752,584	545,549
Accounts receivable (including related parties)		13,287,696	10,959,515
Other receivables (including related parties) (included in other current assets)		474,562	396,415
Less: allowance for doubtful accounts		(161,498)	(162,181)
	$	14,353,344	11,739,298

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

		2017.12.31	2016.12.31
Overdue within 30 days	$	642,464	298,183
Overdue 31~60 days		81,839	85,112
Overdue over 60 days but less than one year		8,238	57,950
Overdue more than one year		6	-
	$	732,547	441,245

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, 2017	$	88,515	73,666	162,181
Amounts written off		-	(683)	(683)
Balance as of December 31, 2017	$	88,515	72,983	161,498

(Continued)

	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**

As of December 31, 2017 and 2016, 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 overdue 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, 2017 and 2016, the notes and accounts receivable, and other receivables were not pledged as collateral for borrowings.

(e) Inventories

(i) The components were as follows:

	2017.12.31	2016.12.31
Work in progress	$ 4,500,634	3,350,863
Aircraft spare parts	3,209,786	3,619,008
Consumables for use and merchandise for in-flight sales	1,238,498	1,306,006
Fuel for aircraft and others	475,272	540,361
	$ 9,424,190	**8,816,238**

(ii) Except for cost of goods sold and inventories recognized as expenses, the gains or losses which were recognized as operating costs were as follows:

	2017	2016
Loss on valuation of inventories and obsolescence	$ 419,110	932,307
Unallocated fixed manufacturing overhead	231,230	216,818
Losses (gains) on inventory count	-	(3)
Proceeds from disposal of scraps	(3,197)	(1,081)
	$ 647,143	**1,148,041**

As of December 31, 2017 and 2016, 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.

	2017.12.31	2016.12.31
Associates	$ **681,192**	**621,586**

	2017	2016
Attributable to the Group:		
Profit	$ 165,898	125,176
Other comprehensive income	(12,361)	(6,291)
Comprehensive income	$ **153,537**	**118,885**

As of December 31, 2017 and 2016, 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 2017.12.31	2016.12.31
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:

	2017.12.31	2016.12.31
Current assets	$ 1,122,160	1,490,830
Non-current assets	4,252,715	2,606,892
Current liabilities	591,526	587,902
Non-current liabilities	942,532	121,144
Net assets	$ **3,840,817**	**3,388,676**
Carrying amounts of non-controlling interests	$ **1,928,090**	**1,701,115**

(Continued)

	2017	2016
Operating revenue	$ **3,303,584**	**2,996,635**
Profit	$ 616,565	558,976
Other comprehensive income	(54,425)	(25,730)
Comprehensive income	$ **562,140**	**533,246**
Profit attributable to non-controlling interests	$ **309,516**	**280,606**
Comprehensive income attributable to non-controlling interests	$ **282,195**	**267,690**

	2017	2016
Cash flows from operating activities	$ 676,509	608,801
Cash flows used in investing activities	(1,770,802)	(1,084,660)
Cash flows from (used in) financing activities	669,967	(100,097)
Net decrease in cash and cash equivalents	$ **(424,326)**	**(575,956)**
Dividend paid for non-controlling interests	$ **55,220**	**50,200**

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

	2017.12.31	2016.12.31
Current assets	$ 18,689,816	16,781,136
Non-current assets	6,871,391	6,226,814
Current liabilities	6,990,239	6,392,210
Non-current liabilities	7,842,461	6,407,988
Net assets	$ **10,728,507**	**10,207,752**
Carrying amounts of non-controlling interests	$ **2,145,701**	**2,041,550**

	2017	2016
Operating revenue	$ **40,268,007**	**32,838,095**
Profit	$ 1,353,062	1,128,966
Other comprehensive income	(196,147)	(158,052)
Comprehensive income	$ **1,156,915**	**970,914**
Profit attributable to non-controlling interests	$ **270,612**	**225,793**
Comprehensive income attributable to non-controlling interests	$ **231,383**	**194,182**

(Continued)

		2017	2016
Cash flows from operating activities	$	873,581	2,633,112
Cash flows used in investing activities		(1,240,123)	(1,033,002)
Cash flows from (used in) financing activities		124,710	(838,290)
Net increase (decrease) in cash and cash equivalents	$	**(241,832)**	**761,820**
Dividend paid for non-controlling interests	$	**127,232**	**127,232**

(h) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

		Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Cost:								
Beginning balance as of January 1, 2017	$	5,535,074	14,051,586	27,122,373	31,018,767	123,743,083	3,119,666	204,590,549
Additions		46,731	164,873	947,304	3,279,424	9,099,672	2,942,372	16,480,376
Disposals		-	-	(1,220,049)	(4,955,767)	(15,741,953)	-	(21,917,769)
Reclassification (Note)		-	1,485,165	601,004	413,379	5,105,639	(537,052)	7,068,135
Effect of exchange rate changes		-	(5,649)	(14,049)	-	-	(14,847)	(34,545)
Balance as of December 31, 2017	$	**5,581,805**	**15,695,975**	**27,436,583**	**29,755,803**	**122,206,441**	**5,510,139**	**206,186,746**
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**
Accumulated depreciation:								
Beginning balance as of January 1, 2017	$	-	6,801,933	13,891,374	8,665,244	49,750,151	-	79,108,702
Depreciation expense		-	469,985	2,061,341	3,983,055	7,422,377	-	13,936,758
Disposals		-	-	(850,486)	(4,955,613)	(15,569,444)	-	(21,375,543)
Reclassification (Note)		-	(437)	(450,884)	-	(43,059)	-	(494,380)
Effect of exchange rate changes		-	(233)	(5,937)	-	-	-	(6,170)
Balance as of December 31, 2017	$	**-**	**7,271,248**	**14,645,408**	**7,692,686**	**41,560,025**	**-**	**71,169,367**
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**
Carrying amounts:								
Balance as of December 31, 2017	$	**5,581,805**	**8,424,727**	**12,791,175**	**22,063,117**	**80,646,416**	**5,510,139**	**135,017,379**
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**
Beginning balance as of January 1, 2016	$	**4,520,405**	**7,665,771**	**11,319,011**	**15,067,090**	**74,539,072**	**639,117**	**113,750,466**

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

(Continued)

(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.

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, 2017 and 2016, the unrealized gains from the sale and leaseback were $127,227 and $204,485, respectively and were recognized as other non-current liabilities.

(iii) In 2015, the consolidated subsidiary, Evergreen Aviation Technologies Corp., (hereinafter refer to as EGAT), purchased a piece of agricultural land located in Puxin Section, Dayuan Dist., Taoyuan City for parking lot amounting to $60,558. The purchase was in the name of EGAT's director.

(iv) 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 carrying amounts. Therefore, there is no impairment loss to be recognized at December 31, 2017 and 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 were estimated at 5% and 7% in 2017 and 2016, respectively.

(v) Pledge

As of December 31, 2017 and 2016, 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.

(vi) For the years ended December 31, 2017 and 2016, the Group capitalized the interest expenses on purchase of assets amounted to $182,273 and $141,119, respectively. The ranges of the monthly interest rate used for capitalization calculation were both 0.11%～0.13%.

(i) Intangible assets

The movements of intangible assets were as follows:

	Operating concession	Computer software	Total
Cost:			
Beginning balance as of January 1, 2017	$ 3,423,792	1,106,897	4,530,689
Additions	-	291,447	291,447
Disposals	-	(149,391)	(149,391)
Balance as of December 31, 2017	**$ 3,423,792**	**1,248,953**	**4,672,745**
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**
Accumulated amortization:			
Beginning balance as of January 1, 2017	$ 1,801,193	558,715	2,359,908
Amortization expense	134,297	249,258	383,555
Disposals	-	(149,391)	(149,391)
Balance as of December 31, 2017	**$ 1,935,490**	**658,582**	**2,594,072**
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**
Carrying amounts:			
Balance as of December 31, 2017	**$ 1,488,302**	**590,371**	**2,078,673**
Balance as of December 31, 2016	**$ 1,622,599**	**548,182**	**2,170,781**
Beginning balance as of January 1, 2016	**$ 1,756,895**	**515,862**	**2,272,757**

(i) Amortization

For the years ended December 31, 2017 and 2016, the amortization of intangible assets is included under operating costs and operating expenses in the consolidated statements of comprehensive income.

(Continued)

(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 carrying amounts. Therefore, there is no impairment loss to be recognized at December 31, 2017 and 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 fourteen 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 were both estimated at 9% in 2017 and 2016.

(iii) Pledge

As of December 31, 2017 and 2016, 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:

	2017.12.31	2016.12.31
Prepaid expenses	$ 1,243,538	1,492,449
Other receivables (including related parties)	474,560	396,413
Others	255,349	412,781
Total	**$ 1,973,447**	**2,301,643**

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

	2017.12.31	2016.12.31
Prepayments for equipment	$ 13,118,493	10,624,775
Refundable deposits	1,433,953	1,451,178
Pledged time deposits	111,058	126,386
Others	121,761	148,621
Total	**$ 14,785,265**	**12,350,960**

(Continued)

(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:

	2017.12.31			
	Currency	**Interest rate**	**Year due**	**Amount**
Unsecured short-term loans	TWD	1.20%	2018/01/02	**$ 100,000**
Secured bonds payable	TWD	1.07%~1.15%	2018/06/14~2021/12/29	$ 13,000,000
Unsecured convertible bonds	TWD	-	2022/10/27	6,596,232
Subtotal				19,596,232
Less: Current portion (included in current portion of long-term liabilities)				4,500,000
Total				**$ 15,096,232**
Unsecured loans	TWD	1.12%~2.01%	2018/01/25~2022/12/20	$ 22,112,096
Secured loans	TWD, USD	1.11%~2.76%	2018/1/30~2032/2/23	52,951,598
Subtotal				75,063,694
Less: Current portion				14,814,836
Total				**$ 60,248,858**
Lease liabilities	TWD, USD	2.03%~4.12%	2018/01/22~2024/06/21	$ 3,427,353
Less: Current portion (included in other current liabilities)				1,274,710
Total				**$ 2,152,643**

	2016.12.31			
	Currency	**Interest rate**	**Year due**	**Amount**
Unsecured short-term loans	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**

(Continued)

The details of convertible bonds were as follows:

	2017.12.31	2016.12.31
Total convertible bonds issued	$ 7,000,000	-
Less: unamortized discounted bonds payable	403,768	-
Convertible bonds issued balance	**$ 6,596,232**	-
Embedded derivatives－put/call options (included in financial liabilities at fair value through profit or loss)	**$ 16,800**	-
Equity components－conversion options (included in capital surplus－share options)	**$ 402,913**	-

The equity instruments and liability instruments were included in the abovementioned convertible bonds. The equity instruments were recognized in capital surplus. The liability instruments were measured at an initial effective rate 1.23%. Please refer to note 6(s) for the valuation loss/profit of embedded derivatives－put/call options, which were recognized in financial liabilities at fair value through profit or loss, and the related interest expenses for the convertible bonds.

On October 27, 2017, the Company issued the third unsecured domestic convertible bonds amounting to $7,000,000. The major terms are as follows:

(i) Total issue amount: TWD7,000,000

(ii) Issue price: At par value 100.2%.

(iii) Maturity date: Five years, with the maturity date on October 27, 2022.

(iv) Coupon rate: 0%.

(v) Conversion target: Common shares of the Company.

(vi) Conversion price: The price determination day was October 19, 2017; the conversion price shall be the simple arithmetical average closing price of the common shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 104.24% (rounded off to the 1st decimal place). If the ex-dividend or the ex-rights date happens before the pricing date, the closing price which was adopted to calculate the conversion price should be adjusted for the distribution of stock dividends or cash dividends; and if the ex-dividend or the ex-rights date happens between the conversion price determination date and the actual issuance date, the conversion price should be modified by the conversion price adjustment formula. As of December 31, 2017, the conversion price was $15.5 per share.

(vii) Conversion period: The bondholder can convert its bonds into shares at any time between 3 months after the issuance date and the day before the maturity day, except for the following:

1) The closing period in accordance with the applicable laws;

(Continued)

2) The period that starts from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash and ends on the date of record for the distribution of the rights/benefits;

3) The period starts from the date of record of the capital decrease and ends one day prior to the reissuance of the trading of shares after the capital decrease.

(viii) Repurchase at the option of the bondholders (put option of the bondholders): Bondholders have the option to notify the Company of their request for bond redemption within 40 days prior to the third anniversary of the issuance date, and the Company should redeem the bonds at 100% of the par value within 5 business days following such date.

(ix) Redemption at the option of the Company (call option of the Company): If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem all the outstanding bonds at their principal amount. If the amount outstanding of bonds is less than 10% of the principal amount between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds at their principal amount.

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

	2017.12.31	2016.12.31
USD (in thousands)	$ 207,677	272,443
Convert to TWD	$ 6,180,469	8,786,299

As of December 31, 2017, 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
2018.1.1~2018.12.31	$ 20,589,546
2019.1.1~2022.12.31	59,582,913
2023.1.1 and thereafter	17,914,820
	$ 98,087,279

Information on the Group'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.

(Continued)

(ii) Unused lines of credit

As of December 31, 2017 and 2016 the unused credit lines for short-term and long-term borrowings amounted to $14,552,190 and $16,966,927 respectively.

(iii) Lease liabilities

The Group's lease liabilities were as follows:

	2017.12.31			2016.12.31		
	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	$ 1,355,939	81,229	1,274,710	1,667,119	133,047	1,534,072
1 to 5 years	1,849,454	95,465	1,753,989	3,022,192	176,346	2,845,846
More than 5 years	404,736	6,082	398,654	748,200	18,614	729,586
	$ 3,610,129	**182,776**	**3,427,353**	**5,437,511**	**328,007**	**5,109,504**

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2017 and 2016 are disclosed in note 6(t).

(l) Provisions

The movements of the restoration obligations were as follows:

	2017	**2016**
Beginning balance as of January 1	$ 17,351,555	9,130,299
Additions	3,985,670	11,769,429
Decreases	(3,103,828)	(3,387,619)
Effect of exchange rate changes	(821,833)	(160,554)
Balance as of December 31	**$ 17,411,564**	**17,351,555**

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.

(Continued)

(m) Operating leases

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

	2017.12.31	2016.12.31
Within 1 year	$ 13,195,209	10,908,450
1 to 5 years	50,374,272	39,314,686
More than 5 years	53,504,101	41,815,184
	$ 117,073,582	**92,038,320**

For the years ended December 31, 2017 and 2016, rental expenses included in operating costs and operating expenses were $13,449,718 and $10,329,368, 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.

(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:

	2017.12.31	2016.12.31
Total present value of defined benefit obligations	$ 11,825,281	11,232,559
Fair value of plan assets	(6,525,187)	(6,382,867)
Recognized liabilities of net defined benefit obligation	**$ 5,300,094**	**4,849,692**

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 $6,405,423 as of December 31, 2017. 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:

		2017	2016
Defined benefit obligations as of January 1	$	11,232,559	10,111,592
Benefits paid by the plan		(813,019)	(576,134)
Current service costs and interest		405,579	432,335
Net remeasurements of defined benefit liabilities			
—Experience adjustments		700,588	557,113
—Actuarial losses (gains) arising from changes in demographic assumptions		36,208	47,157
—Actuarial losses (gains) arising from changes in financial assumptions		264,364	660,412
Effect of movement in exchange rates		(998)	84
Defined benefit obligations as of December 31	**$**	**11,825,281**	**11,232,559**

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:

		2017	2016
Fair value of plan assets as of January 1	$	6,382,867	6,101,345
Contributions from plan participants		824,239	691,417
Benefits paid by the plan		(741,427)	(454,326)
Expected return on plan assets		88,985	114,731
Net remeasurements of defined benefit liabilities			
—Return on plan assets (excluding the amounts included in net interest expense)		(29,477)	(70,300)
Fair value of plan assets as of December 31	**$**	**6,525,187**	**6,382,867**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

		2017	2016
Current services costs	$	254,202	249,533
Net interest on the net defined benefit liabilities		62,392	68,071
	$	**316,594**	**317,604**
Operating cost	$	245,218	247,461
Operating expenses		71,376	70,143
	$	**316,594**	**317,604**

(Continued)

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

As of December 31, 2017 and 2016, the Group's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	2017	2016
Accumulate amount as of January 1	$ (3,779,501)	(2,444,519)
Losses recognized during the period	(1,030,637)	(1,334,982)
Accumulate amount as of December 31	**$ (4,810,138)**	**(3,779,501)**

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

	2017.12.31	2016.12.31
Discount rate	1.25%~7.5%	1.125%~8.5%
Future salary increases	1.61%~8%	1.51%~8%

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

	2017	2016
Discount rate	1.125%~7.5%	1.5%~8.5%
Future salary increases	1.51%~8%	1.58%~13.92%

The Group expects to make contributions of $878,138 to the defined benefit plans in the next year starting from December 31, 2017. The weighted average of the defined benefit plans is 11.5~19.8 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	
	2017.12.31	2016.12.31	2017.12.31	2016.12.31
Discount rate (0.25%)	305,750	299,911	332,648	313,116
Future salary increases (0.25%)	293,303	288,743	317,998	299,526

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 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 $605,897 and $521,076 as pension costs under the defined contribution plans in 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance.

(o) Income tax

(i) The components of estimated income tax expenses were as follows:

		2017	2016
Current tax expenses	$	941,733	594,381
Deferred tax expenses		723,453	748,875
Income tax expenses	$	**1,665,186**	**1,343,256**

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

		2017	2016
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit plans	$	**175,223**	**236,196**
Items that may be reclassified subsequently to profit or loss:			
Unrealized losses (gains) on available-for-sale financial assets	$	2,159	(3,378)
Cash flow hedges		(65,270)	(569,111)
Share of other comprehensive income of associates accounted for using equity method		(272)	272
	$	**(63,383)**	**(572,217)**

(Continued)

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

		2017	2016
Profit before tax	$	**7,976,120**	**5,296,923**
Income tax using the Company's domestic tax rate	$	1,355,940	900,477
Exempt income		(402,518)	(245,764)
Changes in unrecognized deductible temporary differences		16,433	192,793
Undistributed earnings additional tax at 10%		211,390	66,713
Income basic tax		33,631	-
Others		450,310	429,037
Total	$	**1,665,186**	**1,343,256**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

		2017.12.31	2016.12.31
Unrecognized deferred tax assets:			
Tax losses	$	490,245	474,946
Investment loss of foreign operations accounted for using equity method		23,825	21,036
Others		33,419	34,989
	$	**547,489**	**530,971**

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, 2017, the Group's loss carry-forwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

(Continued)

Filing year	Recognized un-deducted operating loss	Unrecognized un-deducted operating loss	Total	Expiry year
2009	$ -	1,544,740	1,544,740	2019
2011	1,081,357	204,180	1,285,537	2021
2012	-	246	246	2022
2013	2,591,563	16,656	2,608,219	2023
2014	-	59,585	59,585	2024
2015	-	217,928	217,928	2025
2016	-	341,320	341,320	2026
2017	-	499,137	499,137	2027
	$ 3,672,920	2,883,792	6,556,712	

The Group has no unrecognized deferred tax liabilities as of December 31, 2017 and 2016.

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	Unrealized foreign exchange losses	Others	Total
Deferred tax assets:									
Beginning balance at January 1, 2017	$ 975,353	775,210	136,823	832,028	673,983	434,814	163,501	657,615	4,649,327
Recognized in profit or loss	(350,957)	(22,454)	(66,087)	(95,538)	76,235	80,361	(150,071)	(168,593)	(697,104)
Recognized in other comprehensive income	-	-	-	175,222	-	-	-	(34,278)	140,944
Balance at December 31, 2017	$ 624,396	752,756	70,736	911,712	750,218	515,175	13,430	454,744	4,093,167
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

Deferred tax liabilities:

	Unrealized foreign exchange gains	Investment gains of foreign operations accounted for using equity method	Defined benefit plans	Others	Total
Deferred tax liabilities:					
Beginning balance at January 1, 2017	$ 9,570	56,851	-	33,812	100,233
Recognized in profit or loss	33,228	1,933	-	(8,812)	26,349
Recognized in other comprehensive income	-	-	-	29,104	29,104
Balance at December 31, 2017	$ 42,798	58,784	-	54,104	155,686
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

(Continued)

(iii) The Company's income tax returns for the years through 2015 were examined and approved by the local tax authorities.

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

	2017.12.31	2016.12.31
Unappropriated earnings before 1997	$ -	-
Unappropriated earnings after 1998	7,681,006	2,743,831
	$ 7,681,006	**2,743,831**
Balance of ICA	**$ 527,148**	**595,049**

	2017 (estimated)	2016 (actual)
Tax creditable ratio for earnings distribution to R.O.C. residents	**6.86 %**	**21.95 %**

According to the amendment by the Ministry of Finance on October 17, 2013 under the Rule No. 10204562810, the Group' 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.

According to the amendment to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA.

(p) Capital and other equity

As of December 31, 2017 and 2016, the Company's authorized share capital consisted of 4,500,000 and 4,500,000 thousand shares of common stock respectively, with par value of $10 (dollars) per share, of which the issued and outstanding share capital were $41,743,490 and $40,518,923, respectively.

(i) Common stock

The appropriation of 2016 earnings that was approved at the shareholders meeting on June 26, 2017, in which the Company issued 121,557 thousand shares, with a face value of $1,215,567. The date of capital increase was set on September 4, 2017, and all related registration procedure had been completed.

(Continued)

The appropriation of 2015 earnings that was approved at the shareholders meeting on June 24, 2016, in which the Company issued 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.

(ii) Capital surplus

The details of capital surplus were as follows:

	2017.12.31	2016.12.31
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
Additional paid-in capital from conversion option	402,913	-
Difference between actual acquiring subsidiary's equity and carrying amount	272	272
	$ 6,639,940	**6,237,027**

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.

(Continued)

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 2016 earnings was approved at the shareholders' meeting on June 26, 2017. The cash dividends and stock dividends were amounting to 810,379 and 1,215,567, respectively.

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.

There was no difference between the aforementioned earnings distribution 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 as of January 1, 2017	$ 46,069	989,845	(166,035)	14,932	884,811
Exchange differences on translation of foreign financial statements	(48,111)	-	-	(3,323)	(51,434)
Exchange differences on associates accounted for using equity method	(8,809)	-	-	(2,203)	(11,012)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss	-	(635,069)	-	(199)	(635,268)
Unrealized gains or losses on available-for-sale financial assets	-	464,482	-	1,639	466,121
Cash flow hedges, effective portion	-	-	318,672	-	318,672
Balance as of December 31, 2017	**$ (10,851)**	**819,258**	**152,637**	**10,846**	**971,890**
Beginning balance as of 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 associates 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
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss	-	(1,929)	-	(345)	(2,274)
Unrealized gains or losses on available-for-sale financial assets	-	493,885	-	(209)	493,676
Cash flow hedges, effective portion	-	-	2,778,598	-	2,778,598
Balance as of December 31, 2016	**$ 46,069**	**989,845**	**(166,035)**	**14,932**	**884,811**

(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. The Group's earnings per share were calculated as follows:

		2017	2016
Basic earnings per share:			
Profit attributable to ordinary equity holders	$	5,752,067	3,476,004
Weighted-average number of shares outstanding during the period (thousand shares)		4,173,449	4,173,449
Basic earnings per share (in dollars)	$	1.38	0.83
Diluted earnings per share:			
Profit attributable to ordinary equity holders	$	5,752,067	3,476,004
Interest expense and other gains and losses on convertible bonds, net of tax		5,749	-
Profit attributable to ordinary equity holders (diluted)	$	5,757,816	3,476,004
Weighted-average number of shares outstanding during the period (thousand shares)		4,173,449	4,173,449
Effect of the potentially dilutive common stock			
Employee bonuses (thousand shares)		16,073	11,192
Effect of conversion of convertible bonds (thousand shares)		451,613	-
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)		4,641,135	4,184,641
Diluted earnings per share (in dollars)	$	1.24	0.83

(r) Revenue

The components of revenue were as follows:

	2017	2016
Aviation transportation revenue	117,278,580	108,070,008
Services revenue	36,774,848	28,066,322
Others	9,508,303	8,543,335
	163,561,731	144,679,665

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, 2017 and 2016, the above-mentioned deferred revenue amounted to $3,030,444 and $2,557,729, respectively, were recorded as unearned revenue and other non-current liabilities.

(Continued)

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

According to the Company's Articles of Incorporation after June 26, 2017, once the Company has annual earnings, a minimum of 1% will be distributed as employee remuneration and a maximum of 2% will be allotted for directors' remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

According to the Company's Articles of Incorporation before June 25, 2017, once the Company has annual earnings, a minimum of 1% will be distributed as employee remuneration 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 remuneration, and the directors' (supervisors') remuneration.

For the years ended December 31, 2017 and 2016, the Company's accrued and recognized employee compensation amounted to $221,020 and $145,590 respectively, the directors' and supervisors' remuneration amounted to $11,670 and $9,500 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.

There was no difference between the aforementioned employee compensation and directors' and supervisors' remuneration of 2016. The related information can be found on Market Observation Post System website.

(t) Non-operating income and expenses

(i) Other income

		2017	2016
Dividend income	$	131,461	137,606
Interest income		411,330	278,831
Others		308	310
	$	**543,099**	**416,747**

(Continued)

(ii) Other gains and losses

		2017	2016
Foreign exchange losses, net	$	(294,397)	(267,623)
Losses on disposal of property, plant and equipment		(70,311)	(459,172)
Gains on disposal of investments		625,974	49,465
Net gains on financial liabilities at fair value through profit or loss		7,700	-
Impairment losses resulting from permanent decrease in value of financial assets		-	(5,345)
Subsidy revenue		101,584	104,017
Others		204,097	11,721
	$	**574,647**	**(566,937)**

(iii) Finance costs

		2017	2016
Interest expense			
Bank borrowings	$	1,041,035	1,044,944
Lease liabilities		106,579	168,213
Bonds payable		190,156	166,684
Others		846,941	569,275
Less: capitalized interest		(182,273)	(141,119)
	$	**2,002,438**	**1,807,997**

(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 Group continually evaluates each customer's financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals.

(Continued)

(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, 2017					
Non-derivative financial liabilities					
Short-term and long-term borrowings	$ 75,163,694	78,759,919	15,934,759	44,598,036	18,227,124
Bonds payable	19,596,232	20,370,075	4,642,700	15,727,375	-
Lease liabilities	3,427,353	3,610,129	1,355,939	1,849,454	404,736
Notes and accounts payable (including related parties)	9,191,605	9,191,605	9,191,605	-	-
Other payables (including related parties)	7,067,358	7,067,358	7,067,358	-	-
Subtotal	114,446,242	118,999,086	38,192,361	62,174,865	18,631,860
Derivative financial liabilities					
Embedded instruments	16,800	-	-	-	-
Forward exchange contracts for hedge purposes:					
Outflow	558	178,996	178,996	-	-
Inflow	-	(178,438)	(178,438)	-	-
Subtotal	558	558	558	-	-
Total	**$ 114,463,600**	**118,999,644**	**38,192,919**	**62,174,865**	**18,631,860**
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
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 agreements 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**

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:

	2017.12.31				2016.12.31			
	Foreign Currency	Exchange rate		TWD	Foreign Currency	Exchange rate		TWD
Financial assets								
Monetary items								
USD	$ 975,411	USD//TWD=	29.76	29,028,240	$ 793,466	USD//TWD=	32.25	25,589,293
EUR	6,298	EUR/TWD=	35.57	224,013	6,740	EUR/TWD=	33.90	228,493
JPY	1,410,012	JPY/TWD=	0.2642	372,525	1,186,684	JPY/TWD=	0.2756	327,050
HKD	151,180	HKD/TWD=	3.8070	575,541	116,863	HKD/TWD=	4.1580	485,917
CNY	186,467	CNY/TWD=	4.5650	851,220	239,709	CNY/TWD=	4.6170	1,106,738
				$ 31,051,539				$ 27,737,491
Non-monetary items								
USD	$ 32,214	USD//TWD=	29.76	958,689	$ 32,539	USD//TWD=	32.25	1,049,370
CNY	67,670	USD/CNY=	6.5192	359,834	62,092	USD/CNY=	6.9851	341,858
SGD	1,212	SGD/TWD=	22.26	26,985	1,235	SGD/TWD=	22.29	27,521
THB	-	THB/TWD=	-	-	10,780	THB/TWD=	0.9050	9,859
IDR	17,357,400	IDR/TWD=	0.0022	38,186	-	IDR/TWD=	-	-
MOP	23,455	USD/MOP=	8.1331	85,824	21,051	USD/MOP=	8.1777	83,016
				$ 1,469,518				$ 1,511,624
Financial liabilities								
Monetary items								
USD	$ 689,873	USD//TWD=	29.76	20,530,612	$ 690,075	USD//TWD=	32.25	22,254,931
EUR	7,458	EUR/TWD=	35.57	265,291	6,591	EUR/TWD=	33.90	223,431
JPY	1,768,812	JPY/TWD=	0.2642	467,320	1,582,920	JPY/TWD=	0.2756	436,253
HKD	19,093	HKD/TWD=	3.8070	72,688	17,759	HKD/TWD=	4.1580	73,841
CNY	171,283	CNY/TWD=	4.5650	781,905	165,805	CNY/TWD=	4.6170	765,520
				$ 22,117,816				$ 23,753,976

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, 2017 and 2016, would have changed the profit by $89,337 and $39,835, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017 and 2016.

(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, 2017 and 2016, the Group's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to $294,397 and $267,623, respectively.

(iv) Interest rate risk

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

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 by 1% 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% with all other variable factors that remain constant, the profit of the Group will change $762,968 and $722,245 for the years ended December 31, 2017 and 2016, 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.

	2017.12.31				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedge purposes	$ 184,458	-	184,458	-	184,458
Available-for-sale financial assets					
Money market funds	$ 1,845,223	1,845,223	-	-	1,845,223
Publicly traded stock	1,234,353	1,234,353	-	-	1,234,353
Non-publicly traded stock	1,325,317	-	-	1,325,317	1,325,317
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,405,913	3,079,576	-	1,325,317	4,404,893
Loans and receivables					
Cash and cash equivalents	$ 41,685,780	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	14,353,344	-	-	-	-
Subtotal	56,039,124	-	-	-	-
Other non-current assets	1,545,011	-	-	-	-
Total	**$ 62,174,506**	**3,079,576**	**184,458**	**1,325,317**	**4,589,351**

(Continued)

	2017.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	$ 16,800	-	16,800	-	16,800
Derivative financial liabilities for hedge purposes	558	-	558	-	558
Amortized cost of financial liabilities					
Short-term and long-term borrowings	$ 75,163,694	-	75,167,930	-	75,167,930
Bonds payable	19,596,232	-	19,487,983	-	19,487,983
Lease liabilities	3,427,353	-	3,451,848	-	3,451,848
Notes and accounts payable (including related parties)	9,191,605	-	-	-	-
Other payables (including related parties)	7,067,358	-	-	-	-
Subtotal	114,446,242	-	98,107,761	-	98,107,761
Total	**$ 114,463,600**	**-**	**98,125,119**	**-**	**98,125,119**

	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 hedge purposes	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
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 liabilities for hedge purposes	$ 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
Bonds payable	19,500,000	-	19,304,011	-	19,304,011
Lease liabilities	5,109,504	-	5,142,947	-	5,142,947
Notes 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**

(Continued)

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

For financial instruments traded in active markets, their fair values are listed below by types and attributes:

- The stocks of publicly traded companies are financial assets which are traded in active markets under standard terms and conditions. The fair value of the abovementioned stocks is based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique. Fair value measured by a valuation technique can be extrapolated from the fair value of similar financial instruments, the discounted cash flow method, or other valuation technique.

For financial instruments not traded in active markets, their fair values are listed below by types and attributes:

- Equity instruments with no quoted market prices: the Group takes the quote market prices and the price-book ratios of similar publicly traded companies into consideration by using the market comparison approach. The estimates had been adjusted by the depreciation from lack of market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow and option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

(Continued)

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. For the year ended December 31, 2017, the fair value hierarchy levels of financial instruments were not transferred.

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, 2017	$	1,328,629
Total gains or losses:		
Recognized in profit and loss		(51,803)
Recognized in other comprehensive income		48,491
Balance as of December 31, 2017	**$**	**1,325,317**
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**

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, 2017 and 2016, the assets which were still held by the Group were as follows:

		2017	**2016**
Gains or losses (including in other gains and losses)	$	-	(5,345)
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)		(3,312)	(8,465)

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.

(Continued)

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, 2017 and 2016 were 0.39~2.64 and 0.40~2.64) • Market liquidity discount rate (as of December 31, 2017 and 2016 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 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			
		Favorable		Unfavorable	
Inputs	Increase (decrease)	2017.12.31	2016.12.31	2017.12.31	2016.12.31
Price-book ratio	5%	73,659	65,557	(59,688)	(65,447)
Market liquidity discount rate	5%	73,659	76,253	(59,688)	(65,447)

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 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 consolidated financial statements.

(Continued)

(ii) Risk management framework

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

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

The Group's supervisors and Audit Committee oversee how management monitors compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risk faced by the Group. The Group's supervisors and Audit Committee are assisted in their oversight roles by the internal auditors. The internal auditors review the risk controls and procedures, and report the results on a regular or irregular basis to the supervisors and Audit Committee.

(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.

(Continued)

3) Guarantees

As of December 31, 2017, 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.

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.

(Continued)

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.

(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 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, other equity and non-controlling interests) and net debt.

As of December 31, 2017, 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) Names and relationship of related parties

The followings are entities that have transactions with the Group during the periods covered in the financial statements.

Names of related parties	Relationship with the Group
Evergreen International S.A.	The Company's shareholder's major shareholder
Evergreen International Corp.	The Company's shareholder
Evergreen Marine Corp.(Taiwan)Ltd.	The Company's shareholder
Evergreen International Storage & Transport Corp.	The Company's shareholder's equity investment
UNI Airways Corp.	The Company's shareholder's equity investment
Ever Accord Construction Corp.	The Company's shareholder's equity investment
Evergreen Steel Corp.	The Company's shareholder's equity investment
Evergreen Insurance Co. Ltd.	The Company's shareholder's equity investment
Evergreen Security Corp.	The Company's equity investment

(Continued)

Names of related parties	Relationship with the Group
GE Evergreen Engine Services Corp.	The consolidated subsidiary's equity investment
Malaysia Airlines Berhad	The consolidated subsidiary's shareholder
SATS Catering Private Limited	The consolidated subsidiary's shareholder's equity investment
Chang Yung-Fa Foundation	The Company's shareholder
Chang Yung-Fa Charity Foundation	The Company's shareholder

(c) Significant transactions with related parties

(i) Operating revenue

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

	2017	2016
Associates		
GE Evergreen Engine Services Corp.	$ 26,755,084	19,477,777
Other associates	628	904
Other related parties	3,253,909	2,363,052
	$ 30,009,621	**21,841,733**

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 costs

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

	2017	2016
Associates	$ 94,363	91,330
Other related parties	781,262	762,355
	$ 875,625	**853,685**

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:

	2017	2016
Associates	$ 60,980	61,457
Other related parties	172,595	332,009
	$ **233,575**	**393,466**

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) Property transaction

For the years ended December 31, 2017 and 2016, the Group purchased equipment from its related parties amounting to $263,637 and $372,514, respectively.

For the years ended December 31, 2017 and 2016, the disposals of property, plant and equipment to related parties were summarized as follows:

	2017		2016	
	Disposal price	**Gain from disposal**	**Disposal price**	**Gain from disposal**
Other related parties	$ **-**	**-**	$ **57**	**49**

(v) Construction commitment

In October 2014, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. amounting to $1,312,371 for the purpose of the construction of its aircraft maintenance plants. As of December 31, 2017, EGAT has partially paid the price of $1,180,982.

The consolidated subsidiary, Evergreen Airline Services Corp., (hereinafter refer to as EGAS), entered into a contract with Ever Accord Construction Corp. amounting to $712,381 for the purpose of the construction of its plants and employee dormitories. As of December 31, 2017, EGAS has partially paid the price of $626,895.

In February 2017, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. amounting to $786,058 for the purpose of the construction of its engine factory. As of December 31, 2017, EGAT has partially paid the price of $222,455.

(Continued)

(vi) Receivables from related parties

Receivables from related parties of the Group were as follows:

Account	Class of related parties	2017.12.31	2016.12.31
	Associates		
Accounts receivable	GE Evergreen Engine Services Corp.	$ 4,572,587	3,216,981
Accounts receivable	Other associates	64	122
	Other related parties		
Accounts receivable	UNI Airways Corp.	427,922	398,421
Accounts receivable	Other related parties	17,839	28,849
Other receivables	Associates	3,340	39
	Other related parties		
Other receivables	UNI Airways Corp.	320,026	233,938
Other receivables	Other related parties	9,776	4,500
		$ **5,351,554**	**3,882,850**

(vii) Payables to related parties

Payables to related parties of the Group were as follows:

Account	Class of related parties	2017.12.31	2016.12.31
Accounts payable	Associates	$ 9,080	7,447
	Other related parties		
Accounts payable	Ever Accord Construction Corp.	85,915	910
Accounts payable	Evergreen International Corp.	35,544	29,129
Accounts payable	Evergreen International Storage & Transport Corp.	33,720	19,416
Accounts payable	UNI Airways Corp.	30,784	98,898
Accounts payable	Other related parties	6	159
	Associates		
Other payables	Evergreen Security Corp.	15,085	11,224
	Other related parties		
Other payables	UNI Airways Corp.	47,102	46,501
Other payables	Evergreen International Corp.	22,168	30,171
Other payables	Ever Accord Construction Corp.	11,121	91,358
Other payables	Other related parties	8,714	6,425
		$ **299,239**	**341,638**

(Continued)

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	2017	2016
Short-term employee benefits	$ 181,256	177,065
Post-employment benefits	20,134	26,352
Other long-term employee benefits	15	14
	$ 201,405	**203,431**

(8) Pledged assets:

The carrying amounts of the pledged assets were as follows:

Pledged assets	Object	2017.12.31	2016.12.31
Property, plant, and equipment	Short-term and long-term borrowings	$ 82,794,599	80,766,317
Time deposit－included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	111,058	126,386
		$ 82,905,657	**80,892,703**

(9) Significant contingent liabilities and unrecognized commitments:

(a) Significant contingent liabilities: None.

(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, 2017, four Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of $6,365,335, 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, 2017, the Boeing 777 engine had not yet been delivered by General Electric Company. The Company has partially paid the price of $206,840, which was included in other non-current assets.

(iii) In November 2015, the Company entered into aircraft purchase contracts amounting to US$6,588,000 with Boeing Company for eighteen Boeing 787-10 aircraft. As of December 31, 2017, the eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of $4,574,830, 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, 2017, the five Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $137,279, which was included in other non-current assets.

(Continued)

(v) In October 2015, 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, 2017, the Company has partially paid the price of $1,090,584, 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, 2017, the Boeing 787 flight simulator had not yet been delivered by L-3 Company. The Company has partially paid the price of $151,139, which was included in other non-current assets.

(vii) The Company entered into a contract with DPR Construction, A General Partnership, for its Los Angeles land development case, with the approximate amount of USD49,000, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2017, the Company has partially paid the price of $36,044, which was included in property, plant and equipment.

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

	2017.12.31	2016.12.31
Unused letters of credit	$ 2,776,627	2,682,819

(ix) 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 2020) 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 years ended December 31, 2017, the estimated royalty amounted to $84,232, which was recorded as operating costs. Besides, as of December 31, 2017, the promissory notes for the performance of the concession contract issued by EGAC amounted to $695,563.

(x) In January 2015, EGAS, the consolidated subsidiary, signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to $1,182,190. As of December 31, 2017, EGAS has partially paid the price of $595,824, which was included in property, plant and equipment.

(xi) EGAS, the consolidated subsidiary, entered into equipment purchase contracts amounting to $635,111. As of December 31, 2017, EGAS has partially paid the price of $352,870, which was included in property, plant and equipment and other non-current assets.

(Continued)

(xii) 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 handed 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 trail.

(xiii) The consolidated subsidiary, Evergreen Aviation Precision Corp. (hereinafter refer to as EGAP), entered into equipment purchase contracts amounting to $107,250. As of December 31, 2017, EGAP has partially paid the price of $77,993, which was included in other non-current assets.

(xiv) 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, 2017, EGSC has partially paid the price of the construction amounting to $1,896,437, which was included in property, plant and equipment. 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, 2017, EGSC has partially paid the price of the construction supervision proposal of $42,525, which was included in property, plant and equipment.

(xv) EGSC, the consolidated subsidiary, entered into an air-conditioning system construction commitment of a factory with Toppal Engineering Co., Ltd. amounting to $271,800. As of December 31, 2017, EGSC has partially paid the price of the $207,927, which was included in property, plant and equipment.

(xvi) EGSC, the consolidated subsidiary, entered into a remodeling construction commitment of a factory amounting to $147,662. As of December 31, 2017, EGSC has partially paid the price of $22,388, which was included in property, plant and equipment.

(xvii) EGSC, the consolidated subsidiary, entered into equipment purchase contracts amounting to $925,322. As of December 31, 2017, EGSC has partially paid the price of $554,110, which was included in other non-current assets.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) On February 7, 2018, the Board of Directors of the Company resolved to reach a settlement with the plaintiffs amounting to US$21,000, which was arisen from the passenger fuel surcharge for alleged violation of antitrust law in the United States. As of December 31, 2017, the settlement amount had been accrued accordingly and will be paid in four installments within three years to minimize the impact on the operation.

(b) According to the amendment to the "Income Tax Act “enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the year 2018 corporate income tax return. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, this amendment will increase the Group’ s current and deferred income tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $721,847 and $27,436, respectively.

(Continued)

(12) Others:

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

	2017			2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	13,452,916	5,969,687	19,422,603	11,983,829	5,548,405	17,532,234
Labor and health insurance	901,092	350,269	1,251,361	771,601	294,481	1,066,082
Pension	686,860	235,631	922,491	626,156	212,524	838,680
Others	4,291,859	550,080	4,841,939	3,488,580	551,228	4,039,808
Depreciation (Note)	13,067,832	751,746	13,819,578	14,292,129	632,282	14,924,411
Amortization	153,311	230,244	383,555	156,297	201,357	357,654

Note: For the years ended December 31, 2017 and 2016, the depreciation expenses recognized were $13,936,758 and $15,051,372, respectively, less deferred gains of $117,180 and $126,961, respectively.

(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, 2017 and 2016, 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 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.

(Continued)

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

	2017				
	Aviation transportation segment	Maintenance segment	Other segments	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	$ 125,143,500	35,642,842	2,864,226	(88,837)	163,561,731
Intersegment revenue	170,660	4,625,165	5,673,823	(10,469,648)	-
Interest income	359,659	30,989	20,682	-	411,330
Net revenues	$ 125,673,819	40,298,996	8,558,731	(10,558,485)	163,973,061
Interest expense	$ (1,839,812)	(110,525)	(52,101)	-	(2,002,438)
Depreciation and amortization	$ (13,040,364)	(546,433)	(628,132)	11,796	(14,203,133)
Share of profit (loss) of associates accounted for using equity method	$ 1,518,572	(88,376)	-	(1,264,298)	165,898
Reportable segment profit or loss	$ 5,942,518	2,088,557	724,759	(60,920)	8,694,914
Assets:					
Investment accounted for using equity method	$ 14,415,673	633,678	445,658	(14,813,817)	681,192
Capital expenditures of non-current assets	$ 18,816,493	1,268,095	3,463,022	-	23,547,610
Reportable segment assets	$ 201,146,068	25,561,207	18,660,720	(17,160,767)	228,207,228
Reportable segment liabilities	$ 143,138,345	14,832,700	8,161,241	(2,134,566)	163,997,720

	2016				
	Aviation transportation segment	Maintenance segment	Other segments	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	$ 115,311,245	27,086,403	2,363,765	(81,748)	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	7,472,783	(11,105,942)	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	$ 4,961,439	1,666,155	534,561	(32,221)	7,129,934
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)

(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 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	2017	2016
Taiwan	$ 91,418,358	78,058,475
Asia	36,391,365	32,835,461
Europe	4,924,846	4,654,482
North America	30,325,905	28,773,210
Others	501,257	358,037
	$ 163,561,731	**144,679,665**

Non-current assets:

Geography	2017	2016
Taiwan	$ 149,586,847	137,785,672
Asia	229,021	246,459
Others	519,418	392,873
	$ 150,335,286	**138,425,004**

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, 2017 and 2016
(With Independent Auditors' Report Thereon)

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

KPMG

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' 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 balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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(q) "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.

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(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 (including the Audit Committee) 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 of the Company.

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

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

EVA AIRWAYS CORP.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	2017.12.31 Amount	%	2016.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 35,432,733	17	37,874,856	19
1125	Available-for-sale financial assets－current (note 6(b))	1,525,795	1	1,522,021	1
1135	Derivative financial assets for hedge purposes－current (note 6(c))	184,458	-	62,936	-
1150	Notes receivable, net (note 6(d))	751,534	-	544,584	-
1170	Accounts receivable, net (note 6(d))	5,792,428	3	5,788,388	3
1180	Accounts receivable－related parties (notes 6(d) and 7)	478,744	-	395,991	-
130x	Inventories (notes 6(e) and 7)	1,399,784	1	1,661,856	1
1470	Other current assets (notes 6(d),6(i) and 7)	1,473,008	1	1,672,000	1
	Total current assets	47,038,484	23	49,522,632	25
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(b))	2,503,536	1	2,974,781	2
1550	Investments accounted for using equity method (note 6(f))	14,415,673	7	13,905,359	7
1600	Property, plant and equipment (notes 6(c), 6(g), 6(k),7 ,8 and 9)	119,481,891	60	112,986,912	58
1780	Intangible assets (note 6(h))	493,403	-	493,089	-
1840	Deferred tax assets (note 6(n))	3,451,704	2	4,037,265	2
1900	Other non-current assets (notes 6(c), 6(i), 8 and 9)	13,761,377	7	11,829,696	6
	Total non-current assets	154,107,584	77	146,227,102	75
	Total assets	$ 201,146,068	100	195,749,734	100

	Liabilities and Equity	2017.12.31 Amount	%	2016.12.31 Amount	%
	Current liabilities:				
2125	Derivative financial liabilities for hedge purposes－current (note 6(c))	$ 558	-	213,266	-
2170	Accounts payable	5,773,798	3	2,830,454	1
2180	Accounts payable－related parties (note 7)	1,903,298	1	2,462,819	1
2200	Other payables (notes 6(r), 7 and 9)	7,519,714	4	10,887,586	6
2230	Current tax liabilities (note 6(n))	140,879	-	-	-
2310	Unearned revenue (note 6(q))	16,316,960	8	14,608,324	8
2320	Current portion of long-term liabilities (notes 6(j) and 8)	16,050,521	8	17,379,084	9
2300	Other current liabilities (notes 6(g), 6(j) and 6(k))	5,508,040	2	8,391,254	4
	Total current liabilities	53,213,768	26	56,772,787	29
	Non-current liabilities:				
2500	Financial liabilities at fair value through profit or loss－non-current (notes 6(b) and 6(j))	16,800	-	-	-
2510	Derivative financial liabilities for hedge purposes－non- current (note 6(c))	-	-	49,712	-
2530	Bonds payable (note 6(j))	15,096,232	8	13,000,000	7
2540	Long-term borrowings (notes 6(j) and 8)	47,583,959	24	47,806,493	24
2570	Deferred tax liabilities (note 6(n))	134,068	-	60,294	-
2613	Lease liabilities－non-current (note 6(j))	2,152,643	1	3,575,432	2
2640	Net defined benefit liabilities－non-current (note 6(m))	4,385,296	2	4,118,751	2
2600	Other non-current liabilities (notes 6(g), 6(k) and 6(q))	20,555,579	10	17,038,070	9
	Total non-current liabilities	89,924,577	45	85,648,752	44
	Total liabilities	143,138,345	71	142,421,539	73
	Equity (notes 6(c), 6(j), 6(m), 6(n) and 6(o)):				
3110	Common stock	41,734,490	21	40,518,923	21
3200	Capital surplus	6,639,940	3	6,237,027	3
3300	Retained earnings	8,672,249	5	5,702,366	3
3400	Other equity	961,044	-	869,879	-
	Total equity	58,007,723	29	53,328,195	27
	Total liabilities and equity	$ 201,146,068	100	195,749,734	100

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(q) and 7)**	$ 125,314,160	100	115,495,819	100
5000	**Operating cost (notes 6(c), 6(e), 6(g), 6(h), 6(k), 6(l), 6(m), 6(r) and 7)**	(107,862,932)	(86)	(99,612,331)	(86)
	Gross profit from operations	17,451,228	14	15,883,488	14
6000	**Operating expenses (notes 6(g), 6(h), 6(l), 6(m), 6(r) and 7)**	(11,508,710)	(9)	(10,922,049)	(9)
	Net operating income	5,942,518	5	4,961,439	5
	Non-operating income and expenses:				
7010	Other income (note 6(s))	491,051	-	366,343	-
7020	Other gains and losses (notes 6(j), 6(k), 6(o), 6(s) and 7)	773,604	1	(579,724)	(1)
7050	Finance costs (notes 6(g), 6(j), 6(k) and 6(s))	(1,839,812)	(1)	(1,641,912)	(1)
7375	Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	1,518,572	1	1,261,888	1
	Total non-operating income and expenses	943,415	1	(593,405)	(1)
7900	**Profit before tax**	6,885,933	6	4,368,034	4
7950	**Income tax expenses (note 6(n))**	(1,133,866)	(1)	(892,030)	(1)
8200	**Profit**	5,752,067	5	3,476,004	3
8300	**Other comprehensive income (notes 6(c), 6(f), 6(m), 6(n) and 6(o)):**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of the net defined benefit plans	(640,200)	(1)	(1,032,186)	(1)
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(224,872)	-	(176,997)	-
8349	Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	108,834	-	175,472	-
	Total items that will not be reclassified subsequently to profit or loss	(756,238)	(1)	(1,033,711)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(48,111)	-	(90,069)	-
8362	Unrealized gains (losses) on available-for-sale financial assets	(181,561)	-	501,358	-
8363	Cash flow hedges	383,942	-	3,347,709	3
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(55)	-	(1,673)	-
8399	Income tax losses relating to items that may be reclassified subsequently to profit or loss	(63,050)	-	(572,554)	-
	Total items that may be reclassified subsequently to profit or loss	91,165	-	3,184,771	3
8300	**Other comprehensive income, net of tax**	(665,073)	(1)	2,151,060	2
8500	**Comprehensive income**	**$ 5,086,994**	**4**	**5,627,064**	**5**
	Earnings per share (note 6(p))				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$ 1.38**		**0.83**	
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$ 1.24**		**0.83**	

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	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 at January 1, 2016	$ 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
Appropriation 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	-	-	-	-	3,476,004	3,476,004	-	-	-	-	3,476,004
Other comprehensive income	-	-	-	-	(1,033,711)	(1,033,711)	(91,128)	497,301	2,778,598	3,184,771	2,151,060
Comprehensive income	-	-	-	-	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
Appropriation of prior year's earnings:											
Legal reserve	-	-	347,600	-	(347,600)	-	-	-	-	-	-
Special reserve reversal	-	-	-	(2,314,892)	2,314,892	-	-	-	-	-	-
Cash dividends to common shareholders	-	-	-	-	(810,379)	(810,379)	-	-	-	-	(810,379)
Stock dividends to common shareholders	1,215,567	-	-	-	(1,215,567)	(1,215,567)	-	-	-	-	-
Issuance of convertible bonds recognized in capital surplus-share options	-	402,913	-	-	-	-	-	-	-	-	402,913
Profit	-	-	-	-	5,752,067	5,752,067	-	-	-	-	5,752,067
Other comprehensive income	-	-	-	-	(756,238)	(756,238)	(56,920)	(170,587)	318,672	91,165	(665,073)
Comprehensive income	-	-	-	-	4,995,829	4,995,829	(56,920)	(170,587)	318,672	91,165	5,086,994
Balance on December 31, 2017	$ 41,734,490	6,639,940	991,243	-	7,681,006	8,672,249	(10,851)	819,258	152,637	961,044	58,007,723

Note: For the years ended December 31, 2017 and 2016, the Company's recognized the directors' and supervisors' remuneration were $11,670 and $9,500, respectively, employee compensation were $221,020 and $145,590, 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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Profit before tax	$	6,885,933	4,368,034
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		12,956,693	14,169,004
Amortization expense		200,851	185,682
Net gains on financial liabilities at fair value through profit or loss		(7,700)	-
Interest expense		1,839,812	1,641,912
Interest income		(359,659)	(228,814)
Dividend income		(131,392)	(137,529)
Share of profit of subsidiaries and associates accounted for using equity method		(1,518,572)	(1,261,888)
Losses on disposal of property, plant and equipment		69,866	460,596
Gains on disposal of investments		(625,351)	(48,693)
Unrealized foreign exchange gains		(1,468,529)	(386,960)
Others		(252,121)	(155,828)
Total adjustments to reconcile profit		10,703,898	14,237,482
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable, net		(206,950)	(134,169)
Accounts receivable, net		(4,040)	(670,242)
Accounts receivable－related parties		(82,753)	(84,934)
Inventories		147,544	(46,672)
Other current assets		180,836	(263,610)
Total changes in operating assets		34,637	(1,199,627)
Changes in operating liabilities:			
Accounts payable		2,943,344	1,613,022
Accounts payable－related parties		(559,521)	18,722
Other payables		(3,178,277)	360,129
Unearned revenue		1,708,636	1,366,970
Other current liabilities		(2,555,878)	(3,127,721)
Net defined benefit liabilities－non-current		(373,655)	(322,867)
Other non-current liabilities		604,791	501,766
Total changes in operating liabilities		(1,410,560)	410,021
Total changes in operating assets and liabilities		(1,375,923)	(789,606)
Total adjustments		9,327,975	13,447,876
Cash inflow generated from operations		16,213,908	17,815,910
Income taxes paid		(271,466)	(97,159)
Net cash flows from operating activities		15,942,442	17,718,751

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) investing activities:			
Available-for-sale financial assets－current	$	2,068	781
Acquisition of available-for-sale financial assets－non-current		(24,620)	-
Proceeds from disposal of available-for-sale financial assets－non-current		943,106	44,937
Acquisition of investments accounted for using equity method		(1)	(1)
Proceeds from disposal of investments accounted for using equity method		9,337	12,353
Acquisition of property, plant and equipment		(9,812,775)	(5,500,378)
Proceeds from disposal of property, plant and equipment		457,550	183,453
Acquisition of intangible assets		(201,165)	(223,593)
Decrease in other non-current assets		20,865	91,210
Increase in prepayments for equipment		(8,802,553)	(8,122,044)
Interest received		360,926	230,356
Dividends received		859,928	911,991
Net cash flows used in investing activities		(16,187,334)	(12,370,935)
Cash flows from (used in) financing activities:			
Proceeds from issuance of bonds payable		7,009,018	8,500,000
Redemption of bonds payable		(6,500,000)	(5,100,000)
Proceeds from long-term borrowings		11,857,700	14,921,000
Redemption of long-term borrowings		(10,968,867)	(10,320,121)
Increase in gurantee deposits		4,381	75,601
Redemption of lease liabilities		(1,496,591)	(1,877,310)
Cash dividends paid		(810,379)	(1,157,683)
Interest paid		(1,292,493)	(1,405,080)
Net cash flows from financing activities		(2,197,231)	3,636,407
Net increase (decrease) in cash and cash equivalents		(2,442,123)	8,984,223
Cash and cash equivalents at the beginning of year		37,874,856	28,890,633
Cash and cash equivalents at the end of year	$	**35,432,733**	**37,874,856**

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

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 20, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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 " Presentation of Financial Statements-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

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 36 " Impairment of Non-Financial Assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	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 any material impact on its financial statements. The extent and impact of signification change are as follows:

- 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 reversed 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 Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its preliminary assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Company had available-for-sale financial assets with a fair value of 4,029,331 thousand and financial assets carried at cost (included in other non-current assets) of 1,020 thousand. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI or FVTPL. In the former case, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses will be recognized in profit or loss as they arise. The Company estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of 447,334 thousand in the other equity, as well as the increase of 454,662 thousand in retained earnings.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

(Continued)

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company choose to apply this policy also for trade receivables with a significant financing component.

The Company believes that impairment losses are likely to become more volatile for assets in the scope of the IFRS 9 impairment model. The Company believes that the adoption of the above IFRS 9 impairment model would not have a material impact on its financial statements.

3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

(Continued)

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company plans to use the practical expedient in IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Company believes that the adoption of IFRS 15 would not have a material impact on its financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

Those which may be relevant to the Company are set out below:

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 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.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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) Financial instruments at fair value through profit or loss are measured at fair value;

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

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

4) 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.

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have any equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest and gain or loss related to the financial liabilities are recognized in profit or loss, and are 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) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

(Continued)

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

b) Performance of the financial liabilities is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in other gains and losses .

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.

4) 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.

5) 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.

(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.

(Continued)

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.

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.

(Continued)

(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.

(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.

(Continued)

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.

(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 life.

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.

(Continued)

(k) Leases

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

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

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

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

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

(l) Impairment of non-financial assets

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

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

(Continued)

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.

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.

(Continued)

(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.

(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.

(Continued)

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.

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) 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.

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

(Continued)

(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.

(r) 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.

(s) 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.

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.

(Continued)

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.

– 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(t).

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash on hand	$ 84,837	89,488
Cash in bank	35,347,896	37,785,368
	$ 35,432,733	37,874,856

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

(b) Financial assets and liabilities

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

	2017.12.31	2016.12.31
Convertible bonds with embedded derivatives	$ 16,800	-

The derivative financial instruments arose from the issuance of convertible bonds of the Company stated in note 6(j).

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

	2017.12.31	2016.12.31
Money market funds	$ 1,525,795	1,522,021

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

	2017.12.31	2016.12.31
Non-publicly traded stocks	$ 1,325,317	1,328,629
Publicly traded stocks	1,178,219	1,646,152
	$ 2,503,536	2,974,781

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

As of December 31, 2017 and 2016, the Company's financial assets were not pledged.

(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:

	2017		2016	
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%	$ 201,390	-	224,652	-
decrease 5%	$ (201,390)	-	(224,652)	-

(Continued)

(c) Hedging derivative financial instruments

		2017.12.31	2016.12.31
Derivative financial assets for hedge purposes:			
Fuel swap and option agreements	$	184,458	61,792
Forward exchange contracts		-	1,144
Total	**$**	**184,458**	**62,936**
Current	$	184,458	62,936
Non-current		-	-
	$	**184,458**	**62,936**

		2017.12.31	2016.12.31
Derivative financial liabilities for hedge purposes:			
Fuel swap and option agreements	$	-	262,939
Forward exchange contracts		558	39
Total	**$**	**558**	**262,978**
Current	$	558	213,266
Non-current		-	49,712
	$	**558**	**262,978**

(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.

As of December 31, 2017 and 2016, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument		Fair value of assigned hedging instrument 2017.12.31	2016.12.31	Period when cash flows are expected to occur	Period when profit or loss is affected
Floating price of fuel	Fuel swap agreement	$	-	(40,695)	2016~2017	2016~2017
Floating price of fuel	Option agreements		184,458	(160,452)	2016~2018	2016~2018
		$	**184,458**	**(201,147)**		

(Continued)

(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:

	2017.12.31		
	Amount (in thousand)	**Currency**	**Maturity dates**
Forward exchange purchased	**USD$ 6,000**	TWD to USD	2018/2/1~2018/4/2

	2016.12.31		
	Amount (in thousand)	**Currency**	**Maturity dates**
Forward exchange purchased	**USD$ 15,000**	TWD to USD	2017/05/02

(iii) The Company's gains and losses arising from cash flow hedges in 2017 and 2016, were as follows:

Account	**2017**	**2016**
Recognized in other comprehensive income during the period	**$ 383,942**	**3,347,709**
Reclassification from equity to operating cost for the period	**$ 360,526**	**2,006,911**
Reclassification from equity to other non-current assets for the period	**$ 74,093**	**-**

(d) Notes and accounts receivable, and other receivables

	2017.12.31	**2016.12.31**
Notes receivable	$ 751,534	544,584
Accounts receivable (including related parties)	6,305,317	6,219,207
Other receivables (including related parties) (included in other current assets)	390,803	333,487
Less: allowance for doubtful accounts	(34,145)	(34,828)
	$ 7,413,509	**7,062,450**

(Continued)

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

		2017.12.31	2016.12.31
Overdue within 30 days	$	6,375	17,198
Overdue 31~60 days		-	-
Overdue over 60 days but less than one year		-	-
Overdue more than one year		-	-
	$	**6,375**	**17,198**

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, 2017	$	-	34,828	34,828
Amounts written off		-	(683)	(683)
Balance as of December 31, 2017	$	**-**	**34,145**	**34,145**

		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**

As of December 31, 2017 and 2016, 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 overdue 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, 2017 and 2016, the notes and accounts receivable, and other receivables were not pledged as collateral for borrowings.

(Continued)

(e) Inventories

(i) The components were as follows:

	2017.12.31	2016.12.31
Aircraft spare parts	$ 113,159	286,109
Consumables for use and merchandise for in-flight sales	1,238,498	1,306,006
Fuel for aircraft and others	48,127	69,741
	$ 1,399,784	**1,661,856**

(ii) Except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	2017	2016
Losses on valuation of inventories and obsolescence	**$ 246,250**	**390,145**

As of December 31, 2017 and 2016, these inventories were not pledged.

(f) Investments accounted for using equity method

The components were as follows:

	2017.12.31	2016.12.31
Subsidiaries	$ 14,318,533	13,815,823
Associates	97,140	89,536
	$ 14,415,673	**13,905,359**

(i) Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2017.

(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.

	2017	2016
Attributable to the Company:		
Profit	$ 8,953	13,136
Other comprehensive income	(1,349)	(4,967)
Comprehensive income	**$ 7,604**	**8,169**

(iii) Pledged

As of December 31, 2017 and 2016, the investments accounted for using equity method were not pledged.

(Continued)

(g) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

		Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Cost:								
Beginning balance as of January 1, 2017	$	3,066,240	5,776,715	18,303,660	30,954,551	123,764,376	380,797	182,246,339
Additions		-	-	456,634	3,279,309	9,099,672	23,797	12,859,412
Disposals		-	-	(1,094,613)	(4,955,435)	(15,741,953)	-	(21,792,001)
Reclassification (Note)		-	-	153,211	413,378	5,090,423	948,113	6,605,125
Balance as of December 31, 2017	$	**3,066,240**	**5,776,715**	**17,818,892**	**29,691,803**	**122,212,518**	**1,352,707**	**179,918,875**
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**
Accumulated depreciation：								
Beginning balance as of January 1, 2017	$	-	2,648,293	8,232,327	8,611,564	49,767,243	-	69,259,427
Depreciation expense		-	142,773	1,412,061	3,979,482	7,422,377	-	12,956,693
Disposals		-	-	(739,858)	(4,955,283)	(15,569,444)	-	(21,264,585)
Reclassification (Note)		-	-	(458,996)	-	(55,555)	-	(514,551)
Balance as of December 31, 2017	$	**-**	**2,791,066**	**8,445,534**	**7,635,763**	**41,564,621**	**-**	**60,436,984**
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**
Carrying amounts:								
Balance as of December 31, 2017	$	**3,066,240**	**2,985,649**	**9,373,358**	**22,056,040**	**80,647,897**	**1,352,707**	**119,481,891**
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**
Beginning balance as of January 1, 2016	$	**2,133,730**	**3,263,458**	**8,695,011**	**15,060,013**	**74,552,181**	**245,651**	**103,950,044**

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.

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, 2017 and 2016, the unrealized gains from the sale and leaseback were $127,227 and $204,485, respectively, and were recognized as other non-current liabilities.

(iii) Pledge

As of December 31, 2017 and 2016, 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, 2017 and 2016, the Company capitalized the interest expenses on purchase of assets amounted to $161,879 and $133,939, respectively. The monthly interest rates used for capitalization calculation were 0.11%~0.12% and 0.12%~0.13%.

(h) Intangible assets

The movements of intangible assets were as follows:

	Computer software
Cost:	
Beginning balance as of January 1, 2017	$ 926,532
Additions	201,165
Disposals	(147,070)
Balance as of December 31, 2017	**$ 980,627**
Beginning balance as of January 1, 2016	$ 808,440
Additions	223,593
Disposals	(105,501)
Balance as of December 31, 2016	**$ 926,532**
Accumulated amortization:	
Beginning balance as of January 1, 2017	$ 433,443
Amortization expense	200,851
Disposals	(147,070)
Balance as of December 31, 2017	**$ 487,224**
Beginning balance as of January 1, 2016	$ 353,262
Amortization expense	185,682
Disposals	(105,501)
Balance as of December 31, 2016	**$ 433,443**
Carrying amounts:	
Balance as of December 31, 2017	**$ 493,403**
Balance as of December 31, 2016	**$ 493,089**
Beginning balance as of January 1, 2016	**$ 455,178**

(Continued)

(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, 2017 and 2016, 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:

	2017.12.31	2016.12.31
Prepaid expenses	$ 924,259	1,074,992
Other receivables (including related parties)	390,803	333,487
Others	157,946	263,521
Total	$ 1,473,008	1,672,000

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

	2017.12.31	2016.12.31
Prepayments for equipment	$ 12,257,915	10,305,369
Refundable deposits	1,426,786	1,443,134
Pledged time deposits	75,656	80,173
Others	1,020	1,020
Total	$ 13,761,377	11,829,696

(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:

	2017.12.31			
	Currency	Interest rate	Year Due	Amount
Secured bonds payable	TWD	1.07%~1.15%	2018/06/14~2021/12/29	$ 13,000,000
Unsecured convertible bonds	TWD	-	2022/10/27	6,596,232
Subtotal				19,596,232
Less: Current portion (included in current portion of long-term liabilities)				4,500,000
Total				$ 15,096,232
Unsecured loans	TWD	1.16%~2.01%	2018/09/23~2022/09/19	$ 11,390,000
Secured loans	TWD, USD	1.11%~2.76%	2018/06/15~2029/12/28	47,744,480
Subtotal				59,134,480
Less: Current portion				11,550,521
Total				$ 47,583,959
Lease liabilities	TWD, USD	2.03%~4.12%	2018/01/22~2024/06/21	$ 3,427,353
Less: Current portion (included in other current liabilities)				1,274,710
Total				$ 2,152,643

(Continued)

	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
Less: Current portion (included in other current liabilities)					1,534,072
Total				$	**3,575,432**

The details of convertible bonds were as follows:

	2017.12.31	**2016.12.31**
Total convertible bonds issued	$ 7,000,000	-
Less: unamortized discounted bonds payable	403,768	-
Convertible bonds issued balance	**$ 6,596,232**	**-**
Embedded derivatives－put/call options (included in financial liabilities at fair value through profit or loss)	**$ 16,800**	**-**
Equity components－conversion options (included in capital surplus－share options)	**$ 402,913**	**-**

The equity instruments and liability instruments were included in the abovementioned convertible bonds. The equity instruments were recognized in capital surplus. The liability instruments were measured at an initial effective rate of 1.23%. Please refer to note 6(s) for the valuation loss/profit of embedded derivatives－put/call options, which were recognized in financial liabilities at fair value through profit or loss, and the related interest expenses for the convertible bonds.

On October 27, 2017, the Company issued the third unsecured domestic convertible bonds amounting to $7,000,000. The major terms are as follows:

(i) Total issue amount: TWD7,000,000

(ii) Issue price: At par value 100.2%.

(iii) Maturity date: Five years, with the maturity date on October 27, 2022.

(iv) Coupon rate: 0%.

(v) Conversion target: Common shares of the Company.

(Continued)

(vi) Conversion price: The price determination day was October 19, 2017; the conversion price shall be the simple arithmetical average closing price of the common shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 104.24% (rounded off to the 1st decimal place). If the ex-dividend or the ex-rights date happens before the pricing date, the closing price which was adopted to calculate the conversion price should be adjusted for the distribution of stock dividends or cash dividends; and if the ex-dividend or the ex-rights date happens between the conversion price determination date and the actual issuance date, the conversion price should be modified by the conversion price adjustment formula. As of December 31, 2017, the conversion price was $15.5 per share.

(vii) Conversion period: The bondholder can convert its bonds into shares at any time between 3 months after the issuance date and the day before the maturity day, except for the following:

1) The closing period in accordance with the applicable laws;

2) The period that starts from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;

3) The period starts from the date of record of the capital decrease and ends one day prior to the reissuance of the trading of shares after the capital decrease.

(viii) Repurchase at the option of the bondholders (put option of the bondholders): Bondholders have the option to notify the Company of their request for bond redemption within 40 days prior to the third anniversary of the issuance date, and the Company should redeem the bonds at 100% of the par value within 5 business days following such date.

(ix) Redemption at the option of the Company (call option of the Company): If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem all the outstanding bonds at their principal amount. If the amount outstanding of bonds is less than 10% of the principal amount between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds at their principal amount.

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

	2017.12.31	2016.12.31
USD (in thousands)	$ 207,677	272,443
Convert to TWD	$ 6,180,469	8,786,299

(Continued)

As of December 31, 2017, 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
2018.1.1~2018.12.31	$ 17,325,231
2019.1.1~2022.12.31	48,922,496
2023.1.1and thereafter	15,910,338
	$ **82,158,065**

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2017 and 2016 the unused credit lines for short-term and long-term borrowings amounted to $5,879,762 and $5,893,367, respectively.

(iii) Lease liabilities

The Company's lease liabilities were as follows:

	2017.12.31			2016.12.31		
	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	$ 1,355,939	81,229	1,274,710	1,667,119	133,047	1,534,072
1 to 5 years	1,849,454	95,465	1,753,989	3,022,192	176,346	2,845,846
More than 5 years	404,736	6,082	398,654	748,200	18,614	729,586
	$ **3,610,129**	**182,776**	**3,427,353**	**5,437,511**	**328,007**	**5,109,504**

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2017 and 2016 are disclosed in note 6(s).

(k) Provisions

The movements of the restoration obligations were as follows:

	2017	2016
Beginning balance as of January 1	$ 17,351,555	9,130,299
Additions	3,985,670	11,769,429
Decreases	(3,103,828)	(3,387,619)
Effect of exchange rate changes	(821,833)	(160,554)
Balance as of December 31	$ **17,411,564**	**17,351,555**

(Continued)

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:

	2017.12.31	2016.12.31
Within 1 year	$ 12,875,016	10,578,527
1 to 5 years	49,744,953	38,516,924
More than 5 years	53,194,320	41,441,868
	$ 115,814,289	**90,537,319**

For the years ended December 31, 2017 and 2016, rental expenses included in operating cost and operating expenses were $13,074,295 and $9,966,919, 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:

	2017.12.31	2016.12.31
Total present value of defined benefit obligations	$ 8,201,027	7,977,365
Fair value of plan assets	(3,815,731)	(3,858,614)
Recognized liabilities of net defined benefit obligations	**$ 4,385,296**	**4,118,751**

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.

(Continued)

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 $3,762,812 as of December 31, 2017. 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:

		2017	2016
Defined benefit obligations as of January 1	$	7,977,365	7,164,435
Benefits paid by the plan		(691,567)	(485,476)
Current service costs and interest		294,458	310,960
Net remeasurements of defined benefit liabilities			
—Experience adjustments		415,556	485,444
—Actuarial losses (gains) arising from changes in financial assumptions		205,215	502,002
Defined benefit obligations as of December 31	**$**	**8,201,027**	**7,977,365**

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:

		2017	2016
Fair value of plan assets as of January 1	$	3,858,614	3,755,003
Contributions from plan participants		555,116	443,118
Benefits paid by the plan		(632,830)	(366,999)
Expected return on plan assets		54,260	72,232
Net remeasurements of defined benefit liabilities			
—Return on plan assets (excluding the amounts included in net interest expense)		(19,429)	(44,740)
Fair value of plan assets as of December 31	**$**	**3,815,731**	**3,858,614**

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

		2017	2016
Current services costs	$	186,766	178,431
Net interest on the net defined benefit liabilities		53,432	60,297
	$	**240,198**	**238,728**
Operating cost	$	181,165	178,938
Operating expenses		59,033	59,790
	$	**240,198**	**238,728**

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

As of December 31, 2017 and 2016, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

		2017	2016
Accumulated amount as of January 1	$	(2,816,959)	(1,784,773)
Losses recognized during the period		(640,200)	(1,032,186)
Accumulated amount as of December 31	$	**(3,457,159)**	**(2,816,959)**

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

	2017.12.31	2016.12.31
Discount rate	1.50%	1.375%
Future salary increases	1.61%~4.20%	1.51%~3.31%

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

	2017	2016
Discount rate	1.375%	1.875%
Future salary increases	1.51%~3.31%	1.58%~13.92%

The Company expects to make contributions of $694,179 to the defined benefit plans in the next year starting from December 31, 2017. The weighted average of the defined benefit plans is 14.4 years.

(Continued)

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**	
	2017.12.31	**2016.12.31**	**2017.12.31**	**2016.12.31**
Discount rate (0.25%)	203,819	201,091	211,369	208,663
Future salary increases (0.25%)	194,478	192,232	200,594	198,382

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 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 $364,813 and $307,384 as pension costs under the defined contribution plans in 2017 and 2016, 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:

	2017	**2016**
Current tax expenses	$ 428,747	82,183
Deferred tax expenses	705,119	809,847
Income tax expenses	**$ 1,133,866**	**892,030**

(Continued)

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

	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit plans	$ **108,834**	**175,472**
Items that may be reclassified subsequently to profit or loss:		
Unrealized losses (gains) on available-for-sale financial assets	2,220	(3,443)
Cash flow hedges	(65,270)	(569,111)
	$ **(63,050)**	**(572,554)**

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

	2017	2016
Profit before tax	$ **6,885,933**	**4,368,034**
Income tax using the Company’s domestic tax rate	$ 1,170,609	742,566
Exempt income	(373,435)	(224,703)
Changes in unrecognized deductible temporary differences	(71,903)	130,599
Undistributed earnings additional tax at 10%	163,338	30,154
Income basic tax	33,631	-
Others	211,626	213,414
Total	$ **1,133,866**	**892,030**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

	2017.12.31	2016.12.31
Unrecognized deferred tax assets:		
Tax losses	$ 297,316	372,008
Investment loss of foreign operations accounted for using equity method	23,825	21,036
	$ **321,141**	**393,044**

(Continued)

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, 2017, 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	$ -	1,544,740	1,544,740	2019
2011	1,081,357	204,180	1,285,537	2021
2013	2,591,563	-	2,591,563	2023
	$ 3,672,920	**1,748,920**	**5,421,840**	

The Company has no unrecognized deferred tax liabilities as of December 31, 2017 and 2016.

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	Others	Total
Deferred tax assets:										
Beginning balance at January 1, 2017	$ 975,353	408,623	136,823	708,109	673,983	434,814	311,648	163,501	224,411	4,037,265
Recognized in profit or loss	(350,957)	(2,319)	(66,087)	(61,659)	76,235	80,361	(157,436)	(163,501)	(15,025)	(660,388)
Recognized in other comprehensive income	-	-	-	108,834	-	-	-	-	(34,007)	74,827
Balance at December 31, 2017	**$ 624,396**	**406,304**	**70,736**	**755,284**	**750,218**	**515,175**	**154,212**	**-**	**175,379**	**3,451,704**
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**

Deferred tax liabilities:

	Unrealized exchange gain or loss	Investment gains of foreign operations accounted for using equity method	Others	Total
Deferred tax liabilities:				
Beginning balance at January 1, 2017	$ -	56,851	3,443	60,294
Recognized in profit or loss	42,798	1,933	-	44,731
Recognized in other comprehensive income	-	-	29,043	29,043
Balance at December 31, 2017	**$ 42,798**	**58,784**	**32,486**	**134,068**
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**

(Continued)

(iii) The Company's income tax returns for the years through 2015 were examined and approved by the local tax authorities.

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

	2017.12.31	2016.12.31
Unappropriated earnings before 1997	$ -	-
Unappropriated earnings after 1998	7,681,006	2,743,831
	$ 7,681,006	**2,743,831**
Balance of ICA	**$ 527,148**	**595,049**

	2017	2016
Tax creditable ratio for earnings distribution to R.O.C. residents	**6.86%(estimated)**	**21.95%(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 from 2015. However, in case that the gross dividends or the gross earnings received by the shareholder residing outside the territory of R.O.C. contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid under the provisions of Article 66-9 hereof, half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

According to the amendment to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA.

(o) Capital and other equity

As of December 31, 2017 and 2016, the Company's authorized share capital consisted of 4,500,000 and 4,500,000 thousand shares of common stock respectively, with par value of $10 (dollars) per share, of which the issued and outstanding share capital were $41,743,490 and $40,518,923 respectively.

(i) Common stock

The appropriation of 2016 earnings that was approved at the shareholders meeting on June 26, 2017, in which the Company issued 121,557 thousand shares, with a face value of $1,215,567. The date of capital increase was set on September 4, 2017, and all related registration procedure had been completed.

(Continued)

The appropriation of 2015 earnings that was approved at the shareholders meeting on June 24, 2016, in which the Company issued 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.

(ii) Capital surplus

The details of capital surplus were as follows:

	2017.12.31	2016.12.31
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
Additional paid-in capital from conversion option	402,913	-
Difference between actual acquiring subsidiary's equity and carrying amount	272	272
	$ 6,639,940	**6,237,027**

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.

(Continued)

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 2016 earnings was approved at the shareholders' meeting on June 26, 2017. The cash dividends and stock dividends were amounting to 810,379 and 1,215,567, respectively.

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.

There was no difference between the aforementioned earnings distribution 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, 2017	$ 46,069	989,845	(166,035)	869,879
Exchange differences on translation of foreign financial statements	(48,111)	-	-	(48,111)
Exchange differences on associates accounted for using equity method	(8,809)	-	-	(8,809)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss	-	(634,644)	-	(634,644)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss of the subsidiaries accounted for using equity method	-	(425)	-	(425)
Unrealized gains or losses on available-for-sale financial assets	-	455,303	-	455,303
Unrealized gains or losses on available-for-sale financial assets of subsidiaries accounted for using equity method	-	9,179	-	9,179
Cash flow hedges, effective portion	-	-	318,672	318,672
Balance as of December 31, 2017	**$ (10,851)**	**819,258**	**152,637**	**961,044**

(Continued)

	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 associates accounted for using equity method	(1,059)	-	-	(1,059)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss	-	(1,237)	-	(1,237)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss of the subsidiaries accounted for using equity method	-	(692)	-	(692)
Unrealized gains or losses on available-for-sale financial assets	-	499,152	-	499,152
Unrealized gains or losses on available-for-sale financial assets of subsidiaries accounted for using equity method	-	78	-	78
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**

(p) 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:

	2017	2016
Basic earnings per share:		
Profit attributable to ordinary equity holders	**$ 5,752,067**	**3,476,004**
Weighted-average number of shares outstanding during the period (thousand shares)	**4,173,449**	**4,173,449**
Basic earnings per share (in dollars)	**$ 1.38**	**0.83**
Diluted earnings per share:		
Profit attributable to ordinary equity holders	$ 5,752,067	3,476,004
Interest expense and other gains and losses on convertible bonds, net of tax	5,749	-
Profit attributable to ordinary equity holders (diluted)	**$ 5,757,816**	**3,476,004**
Weighted-average number of shares outstanding during the period (thousand shares)	4,173,449	4,173,449
Effect of the potentially dilutive common stock		
Employee bonuses (thousand shares)	16,073	11,192
Effect of conversion of convertible bonds (thousand shares)	451,613	-
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	**$ 4,641,135**	**4,184,641**
Diluted earnings per share (in dollars)	**$ 1.24**	**0.83**

(Continued)

(q) Revenue

The components of revenue were as follows:

	2017	2016
Aviation transportation revenue	$ 117,278,580	108,070,008
Others	8,035,580	7,425,811
	$ **125,314,160**	**115,495,819**

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, 2017 and 2016, the above-mentioned deferred revenue amounted to $3,030,444 and $2,557,729, respectively, were recorded as unearned revenue and other non-current liabilities.

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

According to the Company's Articles of Incorporation after June 26, 2017, once the Company has an annual earnings, a minimum of 1% will be distributed as employee compensation and a maximum of 2% will be allotted for directors' remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

According to the Company's Articles of Incorporation before June 25, 2017, 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' (supervisors') remuneration.

For the years ended December 31, 2017 and 2016, the Company's accrued and recognized employee compensation amounted to $221,020 and $145,590 respectively, the directors' and supervisors' remuneration amounted to $11,670 and $9,500, 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.

There was no difference between the aforementioned employee compensation and directors' and supervisors' remuneration of 2016. The related information can be found on Market Observation Post System website.

(Continued)

(s) Non-operating income and expenses

(i) Other income

		2017	2016
Dividend income	$	131,392	137,529
Interest income		359,659	228,814
	$	**491,051**	**366,343**

(ii) Other gains and losses

		2017	2016
Foreign exchange gains (losses), net	$	15,732	(170,877)
Losses on disposal of property, plant and equipment		(69,866)	(460,596)
Gains on disposal of investments		625,351	48,693
Net gain on financial liabilities at fair value through profit or loss		7,700	-
Others		194,687	3,056
	$	**773,604**	**(579,724)**

(iii) Finance costs

		2017	2016
Interest expense			
Bank borrowings	$	858,202	871,941
Lease liabilities		106,579	168,213
Bonds payable		190,156	166,684
Others		846,754	569,013
Less: capitalized interest		(161,879)	(133,939)
	$	**1,839,812**	**1,641,912**

(t) 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.

(Continued)

(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, 2017					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	$ 59,134,480	62,381,107	12,379,382	33,897,830	16,103,895
Bonds payables	19,596,232	20,370,075	4,642,700	15,727,375	-
Lease liabilities	3,427,353	3,610,129	1,355,939	1,849,454	404,736
Accounts payable (including related parties)	7,677,096	7,677,096	7,677,096	-	-
Other payables (including related parties)	6,170,701	6,170,701	6,170,701	-	-
Subtotal	96,005,862	100,209,108	32,225,818	51,474,659	16,508,631
Derivative financial liabilities					
Embedded instruments	16,800	-	-	-	-
Forward exchange contracts for hedge purposes					
Outflow	558	178,996	178,996	-	-
Inflow	-	(178,438)	(178,438)	-	-
Subtotal	558	558	558	-	-
Total	**$ 96,023,220**	**100,209,666**	**32,226,376**	**51,474,659**	**16,508,631**
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
Bonds payables	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**

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

	2017.12.31			2016.12.31		
	Foreign Currency	**Exchange rate**	**TWD**	**Foreign Currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 680,099	29.76	20,239,737	605,633	32.25	19,531,665
EUR	5,670	35.57	201,665	4,289	33.90	145,383
JPY	1,409,842	0.2642	372,480	1,186,514	0.2756	327,003
HKD	151,180	3.8070	575,541	116,844	4.1580	485,839
CNY	186,467	4.5650	851,220	239,709	4.6170	1,106,738
			$ 22,240,643			21,596,628
Non-monetary items						
USD	$ 32,214	29.76	958,688	32,539	32.25	1,049,370
SGD	1,212	22.2600	26,985	1,235	22.2900	27,521
THB	-	-	-	10,780	0.9050	9,859
IDR	17,357,400	0.0022	38,186	-	-	-
			$ 1,023,859			1,086,750
Financial liabilities						
Monetary items						
USD	$ 651,190	29.76	19,379,411	656,124	32.25	21,160,014
EUR	7,381	35.57	262,549	6,591	33.90	223,418
JPY	1,768,412	0.2642	467,215	1,582,920	0.2756	436,253
HKD	19,093	3.8070	72,688	17,759	4.1580	73,841
CNY	171,283	4.5650	781,905	165,805	4.6170	765,520
			$ 20,963,768			22,659,046

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, 2017 and 2016, would have changed the profit by $12,769 and $10,624, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017 and 2016.

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, 2017 and 2016, the Company' s foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to $15,732 and $(170,877), respectively.

(Continued)

(iv) Interest rate risk

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

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 by 1% 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% with all other variable factors that remain constant, the profit of the Company will change $603,301 and $600,081 for the years ended December 31, 2017 and 2016, 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.

	2017.12.31				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets for hedge purposes	$ 184,458	-	184,458	-	184,458
Available-for-sale financial assets					
Money market funds	$ 1,525,795	1,525,795	-	-	1,525,795
Publicly traded stock	1,178,219	1,178,219	-	-	1,178,219
Non-publicly traded stock	1,325,317	-	-	1,325,317	1,325,317
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,030,351	2,704,014	-	1,325,317	4,029,331
Loans and receivables					
Cash and cash equivalents	35,432,733	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	7,413,509	-	-	-	-
Subtotal	42,846,242	-	-	-	-
Other non-current assets	1,502,442	-	-	-	-
Total	**$ 48,563,493**	**2,704,014**	**184,458**	**1,325,317**	**4,213,789**

(Continued)

	2017.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	$ 16,800	-	16,800	-	16,800
Derivative financial liabilities for hedge purposes	$ 558	-	558	-	558
Amortized cost of financial liabilities					
Long-term borrowings (including current portion)	59,134,480	-	59,138,513	-	59,138,513
Bonds payable	19,596,232	-	19,487,983	-	19,487,983
Lease liabilities	3,427,353	-	3,451,848	-	3,451,848
Accounts payable (including related parties)	7,677,096	-	-	-	-
Other payables (including related parties)	6,170,701	-	-	-	-
Subtotal	96,005,862	-	82,078,344	-	82,078,344
Total	**$ 96,023,220**	**-**	**82,095,702**	**-**	**82,095,702**

	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**
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
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**

(Continued)

2) Valuation techniques used in fair value determination

a) Non-derivative financial instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

For financial instruments traded in active markets, their fair values are listed below by types and attributes:

- The stocks of publicly traded companies are financial assets which are traded in active markets under standard terms and conditions. The fair value of the abovementioned stocks is based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique. Fair value measured by a valuation technique can be extrapolated from the fair value of similar financial instruments, the discounted cash flow method, or other valuation technique.

For financial instruments not traded in active markets, their fair values are listed below by types and attributes:

- Equity instruments with no quoted market prices: the Company takes the quote market prices and the price-book ratios of similar publicly traded companies into consideration by using the market comparison approach. The estimates had been adjusted by the depreciation from lack of market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow and option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

(Continued)

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. For the year ended December 31, 2017, the fair value hierarchy levels of financial instruments were not transferred.

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, 2017	$ 1,328,629
Total gains or losses:	
Recognized in profit and loss	-
Recognized in other comprehensive income	(3,312)
Balance as of December 31, 2017	**$ 1,325,317**
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**

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, 2017 and 2016, the assets which were still held by the Company were as follows:

	2017	**2016**
Gains or losses (including in other gains and losses)	$ -	-
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)	(3,312)	(8,864)

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.

(Continued)

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, 2017 and 2016 were 0.39~2.64 and 0.40~2.64) • Market liquidity discount rate (as of December 31, 2017 and 2016 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)	2017.12.31	2016.12.31	2017.12.31	2016.12.31
Price-book ratio	5%	73,659	65,557	(59,688)	(65,447)
Market liquidity discount rate	5%	73,659	76,253	(59,688)	(65,447)

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.

(Continued)

(u) 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-department 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 Audit Committee oversees 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 Audit Committee is assisted in its 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 Audit Committee.

(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, 2017, 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.

(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.

(Continued)

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.

(v) Capital management

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

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, 2017, there were no changes in the Company's approach to capital management.

(Continued)

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names and relationship of related parties

The followings are entities that have transactions with the Company during the periods covered in the financial statements.

Names of related parties	Relationship with the Company
Evergreen Aviation Technologies Corp.	The Company's subsidiary
Evergreen Airline Services Corp.	The Company's subsidiary
Evergreen Sky Catering Corp.	The Company's subsidiary
Evergreen Air Cargo Services Corp.	The Company's subsidiary
Evergreen Aviation Precision Corp.	The Company's subsidiary
Hsiang-Li Investment Corp.	The Company's subsidiary
RTW Air Services (S) Pte. Ltd.	The Company's subsidiary
PT Perdana Andalan Air Service	The Company's subsidiary
EVA Flight Training Academy	The Company's subsidiary
Evergreen International S.A.	The Company's shareholder's major shareholder
Evergreen International Corp.	The Company's shareholder
Evergreen Marine Corp.(Taiwan)Ltd.	The Company's shareholder
Evergreen International Storage & Transport Corp.	The Company's shareholder's equity investment
UNI Airways Corp.	The Company's shareholder's equity investment
Ever Accord Construction Corp.	The Company's shareholder's equity investment
Evergreen Steel Corp.	The Company's shareholder's equity investment
Evergreen Insurance Co. Ltd.	The Company's shareholder's equity investment
Evergreen Security Corp.	The Company's equity investment
Chang Yung-Fa Foundation	The Company's shareholder

(c) Significant transactions with related parties

(i) Operating revenue

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

	2017	2016
Subsidiaries	$ 170,660	184,574
Associates	1	140
Other related parties	2,546,215	1,639,704
	$ 2,716,876	**1,824,418**

(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 operating cost from related parties of the Company were as follows:

	2017	2016
Subsidiaries	$ 9,301,495	10,159,718
Associates	4,202	4,786
Other related parties	572,679	589,447
	$ 9,878,376	**10,753,951**

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:

	2017	2016
Subsidiaries	$ 255,639	217,391
Associates	46,810	48,533
Other related parties	154,841	273,056
	$ 457,290	**538,980**

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.

(Continued)

(iv) Property transaction

For the years ended December 31, 2017 and 2016, the Company purchased equipment from its related parties amounting to $214,712 and $373,958, respectively.

For the years ended December 31, 2017 and 2016, the disposals of property, plant and equipment to related parties were summarized as follows:

	2017		2016	
	Disposal price	**Gain from disposal**	**Disposal price**	**Gain from disposal**
Subsidiaries	$ 14,532	4,299	6,079	641
Other related parties	-	-	57	49
	$ 14,532	**4,299**	**6,136**	**690**

(v) Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	2017.12.31	2016.12.31
	Subsidiaries		
Accounts receivable	RTW Air Services (S) Pte.Ltd.	$ 185,959	107,551
Accounts receivable	Other Subsidiaries	18,864	19,606
Accounts receivable	Associates	2	54
	Other related parties		
Accounts receivable	UNI Airways Corp.	262,947	248,640
Accounts receivable	Other related parties	10,972	20,140
	Subsidiaries		
Other receivables	Evergreen Aviation Technologies Corp.	34,370	28,754
Other receivables	Other Subsidiaries	12,262	14,300
Other receivables	Associates	1	-
	Other related parties		
Other receivables	UNI Airways Corp.	319,022	232,787
Other receivables	Other related parties	9,152	3,845
		$ 853,551	**675,677**

(Continued)

(vi) Payables to related parties

Payables to related parties of the Company were as follows:

Account	Class of related parties	2017.12.31	2016.12.31
	Subsidiaries		
Accounts payable	Evergreen Aviation Technologies Corp.	$ 916,396	1,499,037
Accounts payable	Evergreen Sky Catering Corp.	414,595	391,663
Accounts payable	Evergreen Airline Services Corp.	413,860	365,972
Accounts payable	Other Subsidiaries	73,867	68,346
Accounts payable	Associates	1,328	807
Accounts payable	Other related parties	83,252	136,994
	Subsidiaries		
Other payables	Evergreen Aviation Technologies Corp.	75,564	126,220
Other payables	Evergreen Airline Services Corp.	33,382	41,200
Other payables	Other Subsidiaries	51,620	37,807
Other payables	Associates	8,277	8,759
	Other related parties		
Other payables	UNI Airways Corp.	47,102	46,501
Other payables	Other related parties	30,354	46,136
		$ 2,149,597	**2,769,442**

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	2017	2016
Short-term employee benefits	$ 80,342	73,385
Post-employment benefits	13,422	22,310
	$ 93,764	**95,695**

(8) Pledged assets:

The carrying amounts of the pledged assets were as follows:

Pledged assets	Object	2017.12.31	2016.12.31
Property, plant, and equipment	Long-term borrowings	$ 75,144,401	73,359,582
Time deposit－included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	75,656	80,173
		$ 75,220,057	**73,439,755**

(Continued)

(9) Significant contingent liabilities and unrecognized commitments

(a) Significant contingent liabilities: None.

(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, 2017, the four Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of $6,365,335, 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, 2017, the Boeing 777 engine had not yet been delivered by General Electric Company. The Company has partially paid the price of $206,840, which was included in other non-current assets.

(iii) In November 2015, the Company entered into aircraft purchase contracts amounting to US$6,588,000 with Boeing Company for eighteen Boeing 787-10 aircraft. As of December 31, 2017, the eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of $4,574,830, 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, 2017, the five Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $137,279, 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, 2017, the Company has partially paid the price of $1,090,584, 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, 2017, the Boeing 787 flight simulator had not yet been delivered by L-3 company. The Company has partially paid the price of $151,139, which was included in other non-current assets.

(vii) The Company entered into a contract with DPR Construction, A General Partnership, for its Los Angeles land development case, with the approximate amount of US$49,000, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2017, the Company has partially paid the price of $36,044, which was included in property, plant and equipment.

(viii) Unused letters of credit for the Company were as follows:

	2017.12.31	2016.12.31
Unused letters of credit	$ 2,731,565	2,642,819

(Continued)

(10) Losses due to major disasters:None.

(11) Subsequent events:

(a) On February 7, 2018, the Board of Directors resolved to reach a settlement with the plaintiffs amounting to US$21,000, which was arisen from the passenger fuel surcharge for alleged violation of antitrust law in the United States. As of December 31, 2017, the settlement amount had been accrued accordingly and will be paid in four installments within three years to minimize the impact on the operation.

(b) According to the amendment to the "Income Tax Act “enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the year 2018 corporate income tax return. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, this amendment will increase the Company’ s current and deferred income tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $609,124 and $23,659, respectively.

(12) Others:

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

	2017			2016		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Personnel expenses						
Salaries	7,893,792	5,403,745	13,297,537	6,974,725	5,018,444	11,993,169
Labor and health insurance	417,800	306,151	723,951	347,490	255,588	603,078
Pension	403,144	201,867	605,011	362,188	183,924	546,112
Others	3,713,321	490,356	4,203,677	2,991,030	488,989	3,480,019
Depreciation (Note)	12,202,425	637,088	12,839,513	13,505,208	536,835	14,042,043
Amortization	688	200,163	200,851	954	184,728	185,682

As of December 31, 2017 and 2016, the Company had 11,303 and 10,543 employees, respectively.

Note: For the years ended December 31, 2017 and 2016, the depreciation expenses recognized were $12,956,693 and $14,169,004, respectively, less deferred gains of $117,180 and $126,961, respectively.

(13) Other disclosures:None

(14) Segment information:

Please see the consolidated financial statements for the year ended December 31, 2017.

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