Stock Code: 2618

EVA AIR A STAR ALLIANCE MEMBER

# 2018 ANNUAL REPORT

## SMILE!

**EVA AIR'S NEW BOEING 787 DREAMLINER**

Unrivaled Experience, Unlimited Smiles

5 STAR AIRLINE SKYTRAX

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

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
EVA Airways Corp. annual report is available at: http://www.evaair.com
Printed on 30 April, 2019

30th Excellence Beyond Compare

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Year Ended December 31, 2018

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# I. Letter to Shareholders

Dear Shareholders,

In 2018, we once again achieved a brilliant performance with the joint efforts made by our colleagues. The annual revenue reached NT$135.6 billion and 12.54 million passengers were carried, both have set new record highs.

In response to the environmental objectives of energy conservation, reducing CO2 emission and greenhouse gas carbon as well as to improve in service quality, we introduced the first eco-friendly 787 Dreamliner to Taiwan in 2018. In addition, as the more and more new 777 Freighters entered into service, the cargo operation performance has improved significantly.

"Safety" ,"Service" and "Sustainability" is the core values of our business. In 2018, we continued to win a variety of domestic and international awards. We have ranked as one of "The World's 20 Safest Airlines" by AirlineRatings.com for the sixth consecutive years. Taiwan Stock Exchange Corporation rated us in top 5% in terms of "Corporate Governance Evaluation" for the third consecutive years. In the SKYTRAX ratings, we have named as one of "The World's 5-Star Airlines" for the third consecutive years and ranked fifth in "The World's Top 10 Airlines," first in "Best Airport Services", and second in "Asia's Best Airline Staff." Furthermore, in terms of the recognition of TripAdvisor, EVA Air ranked fifth in "The World's Best Airlines," and "Top 10 Major Airlines in Asia", "Asia's Best Business Class", "Asia's Best Premium Economy Class" and "Asia's Best Economy Class". These results showed that we have won the recognition from our clients.

## 2018 Results

- **Passenger revenue grew 7.2% to NT$ 99.1 billion, a NT$ 6.6 billion increase compared to 2017.**

The passenger load factor was 81% in 2018, while the number of passengers we carried increased by 3.4% and the yield increased by 1.6%. With respect to the cross-strait flights between Taiwan and China, the operation remained stable and routes were adjusted flexibly. In terms of the regional routes in Asia, we flexibly dispatched our fleet according to the market, and adequately adding extra flights or changing aircraft with more seats according to market demand. Meanwhile, we endeavored to explore potential routes. We also continue to optimize our network in Asia Pacific and to maximize the convenience of flight connections and enhance our operating efficiency.

- **Cargo revenue grew 11.3% to NT$27.6 billion, a NT2.8 billion increase compared to 2017.**

The cargo load factor was 83% in 2018, while the cargo we carried increased by 1.0% and the yield increased by 12.1%. The freight market remained steady in the first three quarters. Yet, starting from the fourth quarter, the market was affected by global trade conflicts. To accommodate market demand, we flexibly adjusted the flight frequencies to North America and increased regional charter flights. The trans-pacific routes contributed the highest percentage in terms of revenue, followed by regional routes.

### ■ A total of 79 aircraft with ongoing fleet renewal

EVA operated 79 aircraft by the end of 2018, including 73 passenger aircraft and 6 freighters. Three 747-400F freighters were retired from the fleet. Five new aircraft, including three 777F freighters and two 787-9s were delivered throughout the year to facilitate the renewal of the fleet. One 777-300ER was leased to Air New Zealand.

| Aircraft Type | Quantity |
|---|---|
| 787-9 | 2 |
| 777-300ER | 33 |
| A330-300 | 9 |
| A330-200 | 3 |
| A321-200 | 24 |
| ATR72-600 | 2 |
| 777F (Freighter) | 4 |
| 747-400F (Freighter) | 2 |
| Total | 79 |

### ■ Affiliated companies

EVA has invested in 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$1.99 billion in 2018.

## Results vs. Projections

EVA and subsidiaries estimated total consolidated operating revenue of NT$170.64 billion for 2018 and actually achieved NT$179.91 billion, surpassing our goal with 105.4%. Expected net profit before taxes was NT$6.79 billion and actual profit before taxes amounted to NT$9.16 billion.

## Analysis of Financial Results and Profitability

EVA and subsidiaries reported consolidated operating revenue of NT$179.91 billion for 2018, a 10% increase over the previous year. Consolidated operating expense was NT$171.02 billion, a 10.4% increase over the previous year.

**Profitability analysis (consolidated):**

Return on assets: 3.8%

Return on equity: 10.7%

Profit margin: 4.0%

Earnings per share: NT$1.50

## Research and Development

1. Optimize the functions of mobile sales

Aiming to establish strong brand presence and optimize user experiences, several development projects were completed in 2018. These included Fare Family products, new Ancillary Services, new mobile payment methods, and Multilanguage for mobile APPs. In addition, a new Cash & Miles feature was built for Infinity Mileagelands members and it allows more friendly mileage redemption.

2. Member Miles Accumulation and Upgrade Redeem System Development Project

The Company has completed Loyalty Program Miles Accumulation and Upgrade Redeem Engine project. After the system architecture reengineering, members can accumulate miles and redeem upgrade seats on the base of more conditions, such as member Card Tier or other parameters. Loyalty Program becomes more flexible and convenient and differentiated customer services are provided.

3. In-Flight Service System Development

With iPad, chief pursers now can reach comprehensive passenger information and flight notices in advance. This helps chief pursers to prepare for the passengers who need special assistances. In-Flight Service System can not only improve the efficiency of services in cabin but also provide our passengers better travel experiences.

4. Customer Experience Management Project

Customer Experience Management is a system that built up single view for all aspects of our customers. This project uses technologies to identify and analyze customer data. These information is now available to provide better services across whole passenger journey.

5. New Bonded Warehouse Logistics System Development Project

The new bonded warehouse equipped with an automatic logistics center is now available since July 2018. The warehouse was constructed to increase the turnover rate and maximize the inventory management performance of the cabin service material.

Three sets including large, medium and small automatic storage facilities (ASF) were introduced to replace more manual works.

The new logistics system platform is designed according to the on-site workflow. Human-centered design is the approach to the on-site operation process.

6. Finance System Re-engineering

In order to optimize the business flow and increase efficiency, the finance system was re-engineered in 2018. Information security is one of the major purposes to implement the new infrastructure. The re-engineered system includes a sophisticated platform and come with more efficient report systems. This project also achieves transaction automation between the Company and correspondent third parties.

7. New computer assets management system implementation

The Company has implemented a new IT Asset Management System to manage thousands of computers globally. This system can help IT engineers manage hardware and software via single platform. It also helps simplify and monitor IT devices more efficiently and effectively from infringement.

8. Evolving cyber defense against trending cyber attacks

In order to cope with complex and volatile security threats, the Company had built up enterprise cyber-security solutions that protect organization from advanced threats and attacks. The Company will keep improving robust protection and resilience framework to ensure adequate business continuity.

## 2018 Preview

### Operating Objectives

1. Promoting safety and service ideals

Based on our core value of safety, service and sustainability, we will continue to enhance flight, ground and food safety as well as raise the quality of services, and devote to promoting economy, environment and society for corporate responsibility and sustainable development.

2. Expanding regional capacity and strengthening the hub-and-spoke effects

With the increase of our passenger fleet, we aggressively open new markets and increase flight frequencies on potential routes. We also integrated the resources from our star alliance partners to maximize the benefits of the network, in the hope of becoming the travelers' top choice airline around the world.

3. Fleet renewal and cabin upgrades

To improve the competitiveness of our passenger flights and cargo capacity, we continue to expand our fleet. In 2019, six passenger aircraft including two 787-9s and four 787-10s and one 777F freighter will be delivered. There will be 84 aircraft in 2019 after some of our self-owned aircraft retired from our fleet. The Boeing new-generation 787 aircraft is planning to operate heavy traffic and medium- , long-haul flights. The cabin seats and entertainment systems are upgraded once again to increase product competitiveness. The new-generation Boeing 787-10 introduced in the second quarter will be the first ever in Taiwan and it will play a role in the expansion of our routes in the Australian and East Asia markets.

**Sales Estimate and Statistics**

**Passenger Business:**

We forecast that EVA will carry 13.09 million passengers in 2019. This represents a 4.4% increase compared to 12.54 million passengers in 2018.

**Basis:**

1. To increase flight frequencies in North America and Southeast Asia and to add new destinations in Northeast Asia according to market demand. The overall seat capacity increases by 2.2%.
2. The number of passengers travelling to and from Japan and South Korea in 2018 grew by 4% and 9% respectively compared to the previous year. Traveling between Taiwan to Japan and South Korea expects to remain popular.
3. The intensive network in Southeast Asia allows convenient trips for business and leisure in both directions. Visa exemption policies have contributed to a continuous growth in Southeast Asian tourists travelling to Taiwan.
4. Boeing 787 wide-body aircraft will put into service on the heavy traffic routes in Northeast Asia to enhance competitiveness.
5. To increase seasonal charter flight services and flexibly adjust aircraft type.

**Cargo Business:**

We forecast carrying 634 thousand tons of air cargo in 2019, a 2.3% decrease from 649 thousand tons in 2018.

**Basis:**

1. The 5th 777 freighter will be delivered and two 747-400 freighters will be phased out. Boeing 787 passenger aircraft continues to join our fleet and provide belly hold capacity.

2. Available cargo capacity remains similar in 2019.
3. Cargo capacity grows faster than the demand of cargo market and the slowdown of global economy. There will be over capacity.
4. There will be a gloomy outlook for the cargo market in the first half in 2019, whereas it is likely to recover in the second half.

## Future Development Strategies

1. Investments in new-generation aircraft and cabin upgrades

To enhance the services of medium- and long-haul flights, the new-generation 787-9 passenger aircraft were introduced in 2018. In 2019, EVA Air will take delivery of Taiwan's first 787-10. A total of twenty-four 787s are expected to be delivered by 2022. For freighters, currently there are four Boeing 777F freighters in service, and one more 777F freighter will be delivered in 2019.

Our 777-300ER fleet provides with 3G mobile communication services, and 777-300ER and A330-300 fleets are equipped with Wi-Fi satellite devices, allowing passengers internet access. The 787s fleet that entered service in 2018 also included Wi-Fi satellite systems as standard equipment.

2. Ensure reasonable fleet planning to enhance route revenue

The 787 new-generation passenger aircraft is operating heavy and medium- and long-haul flights to improve competitiveness. The long-haul flight frequencies to Europe and the Americas will be reduced in the low season and the capacity will be adjusted to operate regional and seasonal charter flights to generate more revenue.

3. Increase regional flight capacity and enhance benefits of the hub-and-spoke system

To expand the Northeast Asian market, apart from adding larger aircraft flying to first-tier cities in Japan, such as Tokyo and Osaka, according to the delivery schedule of the new 787 aircraft, the number of flights to Okinawa will increase from 7 to 14 per week and from 4 to 7 per week to Sendai. In addition, we will launch flights to Nagoya, Aomori, and Matsuyama from June 2019 onwards. By the end of 2019, the number of flights to Northeast Asia will increase from 153 to 177 per week.

To enhance the benefits of the hub-and-spoke system, Hanoi, Phnom Penh, Chiang Mai, and Cebu in Southeast Asia will be arranged in coordination with the North American route network. Frequencies to those destinations will be added, while larger aircraft will be arranged in the hope of increasing transit and regional passengers.

4. Keep up with the pace of digital development trends and enhance e-commerce application

We will continue to increase the number of languages on the official website, extend the platform of the mobile commerce service, and expand the market coverage. We will enhance our online marketing and convenience of mobile commerce to increase the percentage of the revenue from online sales.

We will revise the official website and re-design its features. We will also strengthen our website's cross-platform capability and optimize user experience.

We will continue to add depth to the operation of social media platforms and interact with customers via social media to build brand awareness and increase product exposure.

Through the analysis of data collected from customer experience management, we aim to explore potential customers using precision marketing focusing on target customer groups.

5. 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 customers and elevate our advantage in developing the business travel market. In addition, by practice exchange, 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 20 airlines, including Air Canada, Air China, Air India, Air New Zealand, All Nippon Airways, Asiana Airlines, Avianca, Bangkok Airways, Copa Airlines, Hainan Airlines, Hong Kong Airlines, Juneyao Airlines, Shandong Airlines, Shenzhen Airlines, Singapore Airlines, Thai Airways, Turkish Airlines, UNI Air, United Airlines, Air China Cargo. In 2018, EVA Air signed code-sharing agreement with Juneyao Airlines, Copa Airlines and Air New Zealand. This year, EVA Air will extend the codeshare service to EVA-operated Northeast Asia flights, including Nagoya, Aomori and Matsuyama with Thai Airways, Air New Zealand and All Nippon Airways.

6. Expand and diversify freight sources

The main airfreight sources are the recently burgeoning e-commerce and cold chain goods such as ingredients, pharmaceuticals, and precision electronic components. The mobile internet devices, automation and Artificial Intelligence (AI) are the new airfreight sources.

7. Continue to promote e-freight cargo services

In collaboration with IATA's initiative to use e-Air Waybill (e-AWB), the coverage of electronic waybills used by EVA Air till the end of 2018 was 70%. The target coverage in 2019 is 73%.

## 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. IATA predicts that the average jet fuel price will be at US$ 81.3 per barrel, lower than the average price US$87.6 per barrel in 2018. It will benefit the profit of aviation industry.

3. Fluctuations of currency exchange rate, interest rate decided by The Federal Reserve System, financial upheaval in the emerging economies, the "America First" policy, the economic status of China, trends in raw materials prices, Brexit status, disruptions caused by geopolitical instability, the rise of trade protectionism, extreme weather, and threats in cyber security will all increase the risks to the global economy and influence the demand in aviation market.

**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 will have a direct impact on the operating costs of the aviation industry.

**Overall Operating Environment**

1. Taiwan Institute of Economic Research has announced the estimated economic growth rate at 2.12% in 2019 a downward revision of 0.08% compared to November 2018. The recent global economic trends and the leading economic indicators have continued to be weak, showing a global economic slowdown.

2. The uncertain factors such as the U.S.-China Trade War and Brexit will possibly lead to profits being revised downwards, it is believed that these factors will not negate the power of increasingly expanding fiscal policy and continuous growth of major economies.

3. As the number of flights around the world continues to increase, it is difficult to get the airport slots. Infrastructure such as airport terminals and runways cannot catch up with the speed of airline industry growth. The lagged development has become the bottleneck for airline industry expansion.

4. Extreme climate will affect flight operation, causing more flight delays and cancellations.

The operating environment of the aviation industry is facing various challenges including jet fuel prices, climate, natural disasters, epidemics, political and economic changes. All of them will influence the operations of the Company. EVA Air will continue to uphold a discreet attitude to control all risks and strive to provide better service. We will seek for the best results along with our employees, shareholders, customers and marching towards to a sustainable future.

Chairman

Lin, Bou-Shiu

## II. Company Profile

Date of Incorporation: April, 07, 1989

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Tel: 03-351-5151

Taipei Branch Office: 1F, No. 117, Sec. 2, Chang' an E. Rd., Zhongshan Dist., Taipei

Tel: 02-8500-2345

**Major Milestones**

**1989~1996**

- EVA was founded on March 8, 1989 by Group Chairman Y. F. Chang and registered on April 7, 1989. The Company immediately prepared for flight operation. The authorized capital was NT$ 10 billion and the paid-up capital was NT$2.5 billion.
- First Flight was launched on July 1, 1991.

**1997~2001**

- The Company's stocks were listed for sale in OTC.
- The Company moved into new terminal and provided services to customers, after the opening of terminal 2 of Taoyuan International Airport.
- EVA secured approval to transfer its stocks listing from OTC and moved its shares to the Taiwan Stocks Exchange (TWSE).

**2002~2006**

- EVA took delivery of its first A330-200 aircraft and introduced new generation of business class, Premium Laurel Class.
- EVA Europe Cargo Center was established.
- EVA made a successful record in Taiwan to assist Taiwan Semiconductor Manufacturing Company Ltd. (TSMC) transport the 8-inch wafer fab from Taipei to Shanghai.
- EVA took delivery of the first 777-300ER aircraft (B-16701) in Boeing Company in Seattle, U.S.
- EVA opened Southern China Cargo Center in Hong Kong, enabling it to acquire market information, integrate regional cargo goods and discuss regional cooperation plans with local forwarders, which make EVA move air freight shipments in and out of the region, prepare business plan, sell and discover customers more efficiently and quickly.

**2007~2011**

- Recognized 2007 "Best Wines on the Wing" by Global Traveler, a famous travel magazine of U.S.
- EVA received 2007 The Richard Teller Crane Founder's Award from the 60$^{th}$ annual International Air Safety Summit (IASS) held in Seoul 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.
- EVA ranked 1$^{st}$ as the 2008 "Best Ideal Brand of International Airline" for the second year from the surveys of Taiwanese consumers, Management Magazine.
- Wanderlust, a leading travel magazine U.K., recognized EVA Silver Award of 2008 "Best Airline".
- EVA ranked 2$^{nd}$ "Best White" and 5$^{th}$ "Best Red" of 2007 Cellars in the Sky Awards, published by Business Traveller, a worldwide famous travel magazine.
- Air Cargo World, a famous cargo magazine, ranked EVA 6$^{th}$ of 2008 "Air Cargo Excellence Award". EVA was the second Asian airline to win the prize and surpassed most of famous airlines that were mainly in charge of cargo business.
- EVA was recognized "White Gold Medal" among the Reputation Brand investigation of Reader's Digest magazine.
- EVA and UNI Air provided cross-strait charter flights services since July 4, 2008.
- EVA ranked 1$^{st}$ of "Best Premium Economy Class" in the 2008 Airlines services Rating of SKYTRAX.
- Joined IATA as e-freight airline with the e-AWB service became a milestone of EVA.
- EVA recognized as "World's Best 10 Airlines" by Travel & Leisure, a leading traveling magazine of U.S.
- Selected as "Top 100 Brands" by Ministry of Economic Affairs (MOEA).
- EVA was awarded Travel Weekly's 2011 Magellan Award Gold winner for international economy class.
- Certificated Authorized Economic Operator (AEO) by Customs Administration, Ministry of Finance.

**2012~2016**

- EVA Sky Jet Center was available to provide services which makes the service function in Taipei Songshan Airport more complete.
- EVA started 777-300ER aircraft renovation. The Business Class will be placed by fully-flat beds and named as "Royal Laurel Class".

- EVA recognized as “The World’s Best Airline” from CommonWealth Magazine’s 2012 Golden Service Awards survey.
- EVA was awarded CAA’s 2012 “Golden Flyer Award” for International and Cross-Strait Route Group.
- Became a Star Alliance member since 2013.
- EVA received “Best Business Class White” and “Best Business Class Sparkling” of Business Traveller’s Cellar in the Sky Awards 2013.
- EVA acquired general aviation permission and became the first airline company that provided periodical flights and business jets services.
- EVA was recognized as 2014 Top 10 “The World’s Best Long-Haul Airlines” by The Telegraph, U.K. leading media, annual reader’s select.
- EVA was received “The World’s Top Ten Best Airlines” and “Best Airline Cabin Cleanliness” in SKYTRAX’s 2015 World Airline Awards.
- EVA signed agreements with the Boeing Company to introduce twenty four 787 Dreamliners and two 777-300ERs.
- EVA was recognized as Top 10 “World’s Safest Airlines” by AirlineRating.com.
- SKYTRAX announced EVA as “5-Star Airline”.
- SKYTRAX ranked EVA the $8^{th}$ of “World Best Airline”, “Best Transpacific Airline”, “Best Business Class Comfort Amenities” as well as the $3^{rd}$ “World’s Most Loved Airlines” in 2016.

**2017**

- EVA was awarded CAA’s 2016 “Golden Flyer Award” for International and Cross-Strait Route Group.
- The Infinity Lounge in Taoyuan Airport was rewarded as 2016 “Top 10 First and Business Class Airline Lounges” by SKYTRAX.
- Business Traveller awarded EVA the Gold Medal of 2016 “Best Business Class Cellar” and “Best First Class Sparkling”.
- EVA ranked the world’s safest airlines on the annual index reported by Germany’s AERO International Magazines for 15 consecutive years.
- TripAdvisor honored EVA “Top 10 Major Airlines in Asia Pacific” and “Best Airline- Taiwan”.
- SKYTRAX announced EVA as the “5-Star Airline”, 2017 “Best Airline Cabin Cleanliness ”, “Best Business Class Comfort Amenities” and ranked $6^{th}$ among “The World’s Top Ten Best Airlines”.
- EVA was listed $10^{th}$ of 2017 “The World’s Best International Airlines” on the Travel + Leisure Magazine’s.
- EVA and UNI Air launched new flights from Songshan to Tianjin, Hangzhou and Chongqing.

- The first 777 freighter B-16781 was delivered in Boeing Company in Seattle, U.S.A.

**2018**

- EVA Air won the Gold Medal for 2017 “Best Business Class Sparkling” by leading magazine Business Traveller.
- EVA started code share flights with Juneyao Air and provided flight services from Taoyuan-Pudong and Kaohsiung-Pudong.
- TripAdvisor recognized EVA “Top 10 Major Airlines in Asia Pacific”, “Best Business Class”, “Best Premium Economy Classes”, “Travelers’ Choice Major Airlines in Asia” and 5$^{th}$ of “World’s Top-10 Best Airlines”
- EVA was the only company that had 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.
- EVA launched Taipei to Chiang Mai direct flight service.
- SKYTRAX announced EVA as the “5-Star Airline”, 2018 “The World’s Best Airport Services” and ranked 5$^{th}$ among “The World’s Top Ten Best Airlines”.
- EVA had codeshare flights with Copa Airlines to provide flight services from Taoyuan-Los Angeles-Panama City, Taoyuan-San Francisco-Panama City, Taoyuan-Chicago-Panama City and Taoyuan-New York-Panama City.
- AirlineRatings.com recognized the “World’s Top-10 Best International Airlines” and “Best Long-Haul Airline in Asia Pacific.
- EVA was awarded as Top 50 Taiwan Corporate Sustainability Report Awards.

**2019**

- AirlineRatings.com recognized EVA as one of “World’s Best Airlines” for the 6 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 electronic way. The shareholders rights is protected and the activism of shareholders are implemented well. Besides, the Company also provides Chinese and English shareholder meeting agenda and annual report for investors’ reference to ensure all investors could receive equal information.

From the year 2016 to 2018, EVA Air has been ranked among the top 5% of the best listed companies for three consecutive years selected by the “Corporate Governance Evaluation for Listed and OTC Companies” organized by TWSE. As for the 5th “Corporate Governance Evaluation for Listed and OTC Companies” published in 2019, EVA Air was ranked in the range of top 6% to 20% of all selected listed companies. EVA also awarded Top 50 Corporate Sustainability Report Awards- Transportation Industry Platinum Award of 2018 Taiwan Corporate Sustainability Awards. This illustrates that the Company has excellent performance in corporate governance and executed corporate social responsibility well.

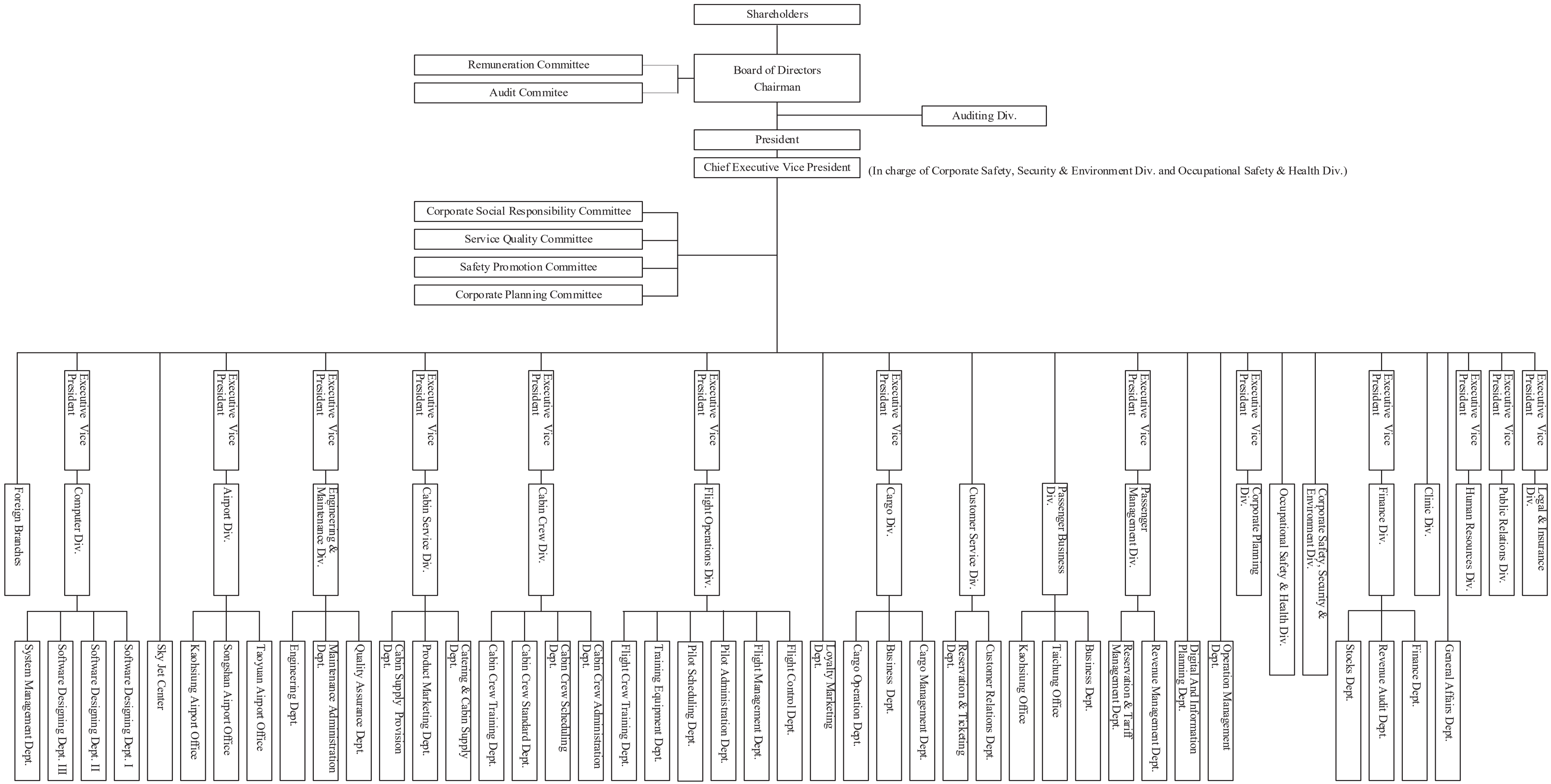
The Company’s Board of Directors is composed of nine directors, including three independent directors. The tenure of independent directors is not over nine years in order to make sure the independence and transparency of the operation of Board of Directors. The members of Board of Directors have professional 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




Issue Date: 2019.04.30

### 3.1.2 Major Corporate Functions

According to the Articles of Incorporation, the Company shall have seven to nine (7~9) Directors. The Directors shall be elected at the shareholders' Meeting and they are selected due to their competence and disposing capacity. They shall have a three-year term of office. The Directors shall constitute the Board of Directors, which is responsible for executing business of the Company. The Chairman shall be elected at a meeting attended by at least two-thirds (2/3) of the Directors and by a simple majority vote of the Directors present at the meeting and may also elect a Vice Chairman in the same manner. The Chairman represents the Company to deal with all business.

To complete corporate governance and strengthen the ability of the Board of Directors, the Company sets up Remuneration Committee and Audit Committee subordinated under the Board of Directors. The Remuneration Committee is responsible to formulate and regularly review the Directors and managers remuneration policy and the reasonable remuneration of management team according to their contribution. The Audit Committee mainly supervise if the financial statements of the Company is reasonable expressed, the election, dismissal, independence of CPA and internal control effectiveness of the Company.

The Company also set up one President who is responsible to handle company business by following the order from the Board. The appointment and dismissal of the President shall executed at a meeting attended by at least half (1/2) of the Directors and by a simple majority vote of the Directors.

| Department | Functions |
|---|---|
| Auditing Div. | Responsible for the inspection and evaluation of internal control to promote operating performance. |
| Legal & Insurance Div. | Responsible for aviation insurance affairs, contracts review, legal consultation, litigation and non-contentious matters. |
| 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, employee assistance and care as well as 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, health promotion, disease prevention, medical consultation and general medical treatments. |
| Finance Div. | Responsible for financial statements, stocks and tax processing, funds management, recording and auditing operation revenue, providing operating analysis data and so on. |
| Corporate Safety, Security & Environment Div. | Responsible for drawing up corporate safety, security, environment and energy related policies. Establishing corporate safety, security, environment and energy management system. Implementing flight and ground staff safety and security trainings. Carrying out irregular flight and ground safety or security emergency event response and investigation. |

| Department | Functions |
| --- | --- |
| 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 science, customer experience, 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. |
| 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, capacity management, pricing and marketing strategy development. |
| 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 and flight simulator equipment management. |
| 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 engineering technologies, maintenance program planning and control, fleets airworthiness monitoring, the audit of aircraft spare part purchase and repair, 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, 2019

| Title (Note 1) | Nationality | Name | Gender | Date of Election (Inauguration) | Tenure | Date of Initial Election, Appointment (Note 2) | Shareholding When Elected (Note 8) | | Present Shareholdings (Note 8) | | Shares Held by Spouses & Dependents | | Shares Held by Third Parties | | Education & Experience (Note 3) | 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 (Note 4) | 493,156,676 | 12.17 | 533,348,944 | 11.32 | - | - | 0 | 0.00 | - | - | - | - | - |
| | R.O.C. | Representative: Lin, Bou-Shiu | Male | 2017.06.26 | 3 Years | 1993.04.30 (Note 5) | 0 | 0.00 | 339,888 | 0.01 | 21,277 | 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., 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 (Note 4) | 493,156,676 | 12.17 | 533,348,944 | 11.32 | - | - | 0 | 0.00 | - | - | - | - | - |
| | R.O.C. | Representative: Chang, Kuo-Cheng | Male | 2017.06.26 | 3 Years | 1989.03.31 (Note 6) | 0 | 0.00 | 89,781,405 | 1.90 | 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. | - | - | - |

| Title (Note 1) | Nationality | Name | Gender | Date of Election (Inaugu-ration) | Tenure | Date of Initial Election, Appoint-ment (Note 2) | Shareholding When Elected (Note 8) | | Present Shareholdings (Note 8) | | Shares Held by Spouses & Dependents | | Shares Held by Third Parties | | Education & Experience (Note 3) | 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 (Note 7) | 660,957,390 | 16.31 | 753,974,969 | 16.00 | - | - | 0 | 0.00 | - | - | - | - | - |
| | R.O.C. | Representative: Ko, Lee-Ching | Female | 2017.06.26 | 3 Years | 1992.05.02 (Note 8) | 0 | 0.00 | 102,873 | 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., Hsin Yung Enterprise Corp., Ever Ecove Corp. **Director and Manager:** Evergreen International S.A., Greencompass Marine S.A., Gaining Enterprise S.A. | - | - | - |
| | R.O.C. | Representative: Wu, Kuang-Hui | Male | 2017.06.26 | 3 Years | 2010.12.01 (Note 9) | 0 | 0.00 | 45,597 | 0.00 | 0 | 0.00 | 0 | 0.00 | Group Executive Officer, Finance, Evergreen Group MBA, Sun Yat-Sen University | Chief Executive Vice President of Evergreen Marine Corp. (Taiwan) Ltd. **Director:** Taipei Port Container Terminal Corp. **Supervisor:** UNI Airways Corp., Evergreen Steel Corp., Evergreen Security Corp., Taiwan Terminal Services Corp., Charng Yang Development Corp., Hsiang-Li Investment Corp. | - | - | - |

| Title (Note 1) | Nationality | Name | Gender | Date of Election (Inaugu-ration) | Tenure | Date of Initial Election, Appoint-ment (Note 2) | Shareholding When Elected (Note 8) | | Present Shareholdings (Note 8) | | Shares Held by Spouses & Dependents | | Shares Held by Third Parties | | Education & Experience (Note 3) | 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. | Chang Yung-Fa Charity Foundation | - | 2017.06.26 | 3 Years | 2009.06.16 | 12,056,209 | 0.30 | 13,038,789 | 0.28 | - | - | 0 | 0.00 | - | - | - | - | - |
| | R.O.C. | Representative: Tai, Jiin-Chyuan | Male | 2017.06.26 | 3 Years | 2011.06.10 | 0 | 0.00 | 16,247 | 0.00 | 0 | 0.00 | 0 | 0.00 | Executive Vice President, Legal Department of Evergreen International Corp.<br>Master of Maritime Law, National Taiwan Ocean University | **Director and President:**<br>Evergreen International Corp.<br>**Director:**<br>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., Ever Ecove Corp., Super Max Engineering Enterprise Corp., Evergreen Container Terminal (Thailand) Ltd., Evergreen Insurance Co., Ltd., Evergreen International Hotel Property (Bangkok) Co., Ltd. | - | - | - |
| | R.O.C. | Representative: Sun, Chia-Ming | Male | 2018.01.01 | 2.48 Years | 2018.01.01 | 0 | 0.00 | 99,786 | 0.00 | 0 | 0.00 | 0 | 0.00 | Executive Vice President, Passenger Management Division of EVA Airways Corp.<br>Bachelor of International Trade, Chinese Cultural University | **President:**<br>EVA Airways Corp.<br>**Director:**<br>Evergreen Sky Catering Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Hsiang-Li Investment Corp. | - | - | - |

| Title (Note 1) | Nationality | Name | Gender | Date of Election (Inaugu-ration) | Tenure | Date of Initial Election, Appoint-ment (Note 2) | Shareholding When Elected (Note 8) | | Present Shareholdings (Note 8) | | Shares Held by Spouses & Dependents | | Shares Held by Third Parties | | Education & Experience (Note 3) | Concurrent Positions in Other Companies | Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number | (%) | Number | (%) | Number | (%) | Number | (%) | | | Title | Name | Relation |
| Independent Director | R.O.C. | Hsu , Shun-Hsiung | Male | 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<br>Master Department of Accounting, National Taiwan University<br>Bachelor of Transportation & Communication Management Science, National Cheng Kung University | Managing Partner of YMH Company, CPAs<br>**Chairman:**<br>Association of Certified Fraud Examiners Taiwan Chapter<br>**Director:**<br>Wellan System Corp., YMH International Co., Ltd., YMH Risk Management Consultant Ltd. | - | - | - |
| | 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.<br>Master of International Business, National Taiwan University | **Chairman:**<br>Protech Systems Co., Ltd.<br>**Director:**<br>Chenbro Micom Co., Ltd., CPC Corp.<br>**Independent Director:**<br>Trade-Van Information Services Co., Marketech International Corp. | - | - | - |

| Title (Note 1) | Nationality | Name | Gender | Date of Election (Inaugu-ration) | Tenure | Date of Initial Election, Appoint-ment (Note 2) | Shareholding When Elected (Note 8) | | Present Shareholdings (Note 8) | | Shares Held by Spouses & Dependents | | Shares Held by Third Parties | | Education & Experience (Note 3) | 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 1: For statutory director, both the names of the legal entity and its representative are required to be disclosed; for representative of statutory director, the name of the legal entity should also be disclosed, and the aforementioned information should be noted and filled in Chart 1 below.

Note 2: To fill in "the Date of Initial Election, Appointment" of the directors and supervisors, the discontinuation of tenure should be footnoted.

Note 3: To fill in the "Experience" of director and supervisor, detailed job titles and work responsibilities should also be described if he/she previously worked for the auditing accounting firm or the Company's affiliates.

Note 4: Evergreen International Corp. has appointed representatives to serve as directors or supervisors of the Company from 1993.04.30 to 2004.06.15 and 2007.06.13 till present.

Note 5: Mr. Lin, Bou-Shiu has served as a director of the Company from 1993.04.30 to 1996.03.20, 2004.06.15 to 2012.03.18 and 2016.03.11 till present.

Note 6: Mr. Chang, Kuo-Cheng has served as a director of the Company from 1989.03.31 to 1992.05.02, 2004.06.15 to 2009.06.16 and from 2017.06.26 till present.

Note 7: Evergreen Marine Corp. (Taiwan) Ltd., has appointed representatives to serve as directors or supervisors of the Company from 1989.03.31 to 1993.04.30 and 1996.03.21 till present.

Note 8: Ms. Ko, Lee-Ching has served as a supervisor of the Company from 1992.05.02 to 2012.03.18 and serves as a director of the Company from 2012.03.19 till present.

Note 9: Mr. Wu, Kuang-Hui has served as a supervisor of the Company from 2010.12.01 to 2017.06.26 and serves as a director of the Company from 2017.06.26 till present.

Note 10: The Company had issued 4,051,892,256 shares when current Board of Directors was elected on 2017.06.26. As of 2019.04.30, the Company has issued 4,712,950,694shares.

Note 11: 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 | ✓ | | | | ✓ | | | |

# Chart 1 :Major Shareholders of the Institutional Shareholders

APR 30, 2019

| Name of Institutional Shareholder (Note 1) | Major Shareholders of Institutional Shareholder (Note 2) |
|---|---|
| Evergreen International Corp. | Chang Yung-Fa Foundation (28.86%),<br>Chang, Kuo-Cheng (16.67%),<br>Chang, Kuo-Hua (12.90%),<br>Chang, Kuo-Ming (12.17%),<br>Lee, Yu-Mei (7.14%),<br>Chen, Hui-Chu (5.81%),<br>Yang, Mei-Chen (5.10%),<br>Chang Yung-Fa Charity Foundation (5.00%),<br>Chang, Yung-Fa (5.00%),<br>Tseng, Chiung-Hui (1.33%) |
| Evergreen Marine Corp. (Taiwan) Ltd. | Evergreen International S.A. (Panama) (8.68%),<br>Chang, Kuo-Hua (7.08%),<br>Evergreen International Corp. (5.81%),<br>Chang, Yung-Fa (4.90%),<br>Cathay Life Insurance Co., Ltd. (2.75%),<br>Chang, Kuo-Ming (2.59%),<br>Chang, Kuo-Cheng (2.00%),<br>Fu, Di-Chen (1.98%),<br>Bank SinoPac as Custodian Ally Holding Ltd. Investment Account (1.49%),<br>New Labor Pension Fund (1.33%) |
| Chang Yung-Fa Charity Foundation | Non-profit Organization |

Note1: If the directors and supervisors are institutional shareholders, please disclose the name of institute.

Note2: The major shareholders of the institutional shareholder (for those holding more than 10% shares) and its shareholdings percentage should be disclosed. If the major shareholders of the institutional shareholders are institute, please fill in chart 2.

Note3: Information is provided by institutional shareholders, Department of Commerce MOEA or Market Observation Post System (MOPS).

## Chart 2:Major Shareholders of the Company's Major Institutional Shareholders

APR 30, 2019

| Legal Entity (Note 1) | Name of Institutional Shareholders (Note 2) | Major Shareholders of Institutional Shareholders (Note 3) |
|---|---|---|
| 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%),<br>Chang, Kuo-Hua (20%),<br>Chang, Kuo-Ming (20%),<br>Chang, Kuo-Cheng (20%),<br>Pieca Corp. (20%) |
| | Evergreen International Corp. | Chang Yung-Fa Foundation (28.86%),<br>Chang, Kuo-Cheng (16.67%),<br>Chang, Kuo-Hua (12.90%),<br>Chang, Kuo-Ming (12.17%),<br>Lee, Yu-Mei (7.14%),<br>Chen, Hui-Chu (5.81%),<br>Yang, Mei-Chen (5.10%),<br>Chang Yung-Fa Charity Foundation (5.00%),<br>Chang, Yung-Fa (5.00%),<br>Tseng, Chiung-Hui (1.33%) |
| | Cathay Life Insurance Co., Ltd. | Cathay Financial Holding Co., Ltd.(100%) |
| | Bank SinoPac as Custodian Ally Holding Ltd. Investment Account | Non-profit Organization |
| | New Pension Labor Fund | Non-profit Organization |

Note 1：Name of the institutional shareholders of chart 1.

Note 2：Name of the major shareholder of institutional shareholders of chart 1.

Note 3：The major shareholders of the institutional shareholder (for those holding more than 10% shares) and its shareholdings percentage should be disclosed.

Note 4：Information is provided by institutional shareholders, Department of Commerce MOEA or Market Observation Post System (MOPS).

## Professional Qualifications and independence Analysis Of Directors

APR 30, 2019

| 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, 2019

| 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 | 99,786 | 0.002 | 0 | 0 | 0 | 0 | Bachelor of International Trade, Chinese Cultural University | Director:<br>Evergreen Sky Catering Corp.,<br>Evergreen Air Cargo Services Corp.,<br>Evergreen Airline Services Corp.,<br>Evergreen Aviation Technologies Corp.,<br>Hsiang-Li Investment Corp. | - | - | - |
| Chief Executive Vice President | R.O.C. | Ho, Ching-Sheng | Male | 2016.03.11 | 360,691 | 0.008 | 0 | 0 | 0 | 0 | Master of Aviation Safety, University of Central Missouri<br>Master of Business Administration, University of Central Missouri | - | - | - | - |
| Executive Vice President, Legal &Insurance Div. | R.O.C. | Hsu, Hui-Sen | Male | 2019.01.01 | 14,000 | 0.000 | 0 | 0 | 0 | 0 | Master of the Law of the Sea, National Taiwan Ocean University<br>Legal Affairs (Senior Vice President), Group Management Head Office | - | - | - | - |
| Executive Vice President, Public Relations Div. | R.O.C. | Kou, Jin-Cheng | Male | 2005.01.01 | 108,245 | 0.002 | 0 | 0 | 0 | 0 | Bachelor of Navigation, National Taiwan Ocean University<br>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. | Hsiao, Chin-Lung | Male | 2019.01.01 | 21,626 | 0.000 | 0 | 0 | 0 | 0 | Department of International Trade, Tamsui Institute of Business Administration | - | - | - | - |
| Executive Vice President, Finance Div. (Financial Officer) | R.O.C. | Tsai, Ta-Wei | Male | 2011.01.01 | 84,485 | 0.002 | 892 | 0 | 0 | 0 | Bachelor of Accounting, Chinese Cultural University | Director:<br>Hsiang-Li Investment Corp. Kaohsiung Airport Catering Services Ltd.<br>Supervisor:<br>Evergreen Sky Catering Corp., Ever Fun Travel Services Corp., Evergreen Aviation Technologies Corp., GE Evergreen Engine Services 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, Corporate Planning Div. | R.O.C. | Liao, Chi-Wei | Male | 2016.03.22 | 67,545 | 0.001 | 4,589 | 0 | 0 | 0 | Master of Marine Biology, National Sun Yat-Sen University<br>President (Junior Vice President), EZFLY.COM Corp. | - | - | - | - |
| Executive Vice President, Passenger Management Div. | R.O.C. | Li, Shyh-Liang | Male | 2008.01.01 | 21,859 | 0.000 | 13 | 0 | 0 | 0 | Bachelor of Transportation and Communication Management, Feng Chia University | - | - | - | - |
| Executive Vice President, Cargo Div. | R.O.C. | Chuang, Shih-Hsiung | Male | 2019.01.01 | 49,932 | 0.001 | 4,000 | 0 | 0 | 0 | Bachelor of Animal Science and Biotechnology, Tunghai University | - | - | - | - |
| Executive Vice President, Flight Operations Div. | R.O.C. | Chen, Yeou-Yuh | Male | 2011.01.01 | 52,003 | 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 | 8,000 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Business Administration, Fu Jen University<br>Junior Vice President, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Executive Vice President, Cabin Service Div. | R.O.C. | Chang, Jang-Tsang | Male | 2014.01.01 | 181,522 | 0.004 | 0 | 0 | 0 | 0 | Bachelor of Business Management, Tatung University<br>Senior Vice President, UNI Airways Corp. | - | - | - | - |
| Executive Vice President, Engineering & Maintenance Div. | R.O.C. | Kuo, Chun-Yi | Male | 2019.01.01 | 38,998 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of Aeronautical Engineering, Feng Chia University<br>Executive Vice President, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Executive Vice President, Airport Div. | R.O.C | Yeh, Shih-Chung | Male | 2017.02.01 | 114,302 | 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 | 208,944 | 0.004 | 0 | 0 | 0 | 0 | Bachelor of Computer Science, Feng Chia University<br>Deputy Junior Vice President, Evergreen IT 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 | - | - | - | - |
| Secretary (Senior Vice President) | R.O.C. | Chou, Yu-Chuan | Female | 2019.01.01 | 55,920 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of German Language and Literature, Fu Jen University<br>Secretary (Junior Vice President), Group Management Head Office | - | - | - | - |
| Senior Vice President, Public Relations Div. | R.O.C. | Chen, Yao-Min | Male | 2014.07.01 | 43,166 | 0.001 | 0 | 0 | 0 | 0 | Department of Tourism, World College of Journalism | - | - | - | - |

| Title | Nationality | Name | Gender | Date Effective | Present Shareholdings | | Shares Held by Spouse & Dependents | | Shares Held by Third Parties | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Senior Vice President, Auditing Div. | R.O.C. | Lee, Yi-Chung | Male | 2018.01.01 | 14,005 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Accounting, Tunghai University<br>Deputy Senior Vice President, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Senior Vice President, Human Resources Div. Human Resources Team | R.O.C. | Chang, Tsu-Chun | Male | 2016.10.01 | 31,634 | 0.001 | 0 | 0 | 0 | 0 | Master of Graduate Institute of Human Resource Management, National Central University<br>Senior Vice President, Evergreen Aviation Precision Corp. | - | - | - | - |
| Senior Vice President, General Affairs Dept. | R.O.C. | Soong, Allen | Male | 2007.01.01 | 0 | 0.000 | 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 | 68,058 | 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 | 60,962 | 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 | 40,976 | 0.001 | 10,546 | 0 | 0 | 0 | Bachelor of Foreign Languages and Literature, National Tsing Hua University<br>Deputy Junior Vice President, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Senior Vice President, Corporate Planning Div. | R.O.C. | Su, Wei-Jen | Male | 2018.01.01 | 53,398 | 0.001 | 21,104 | 0 | 0 | 0 | Bachelor of International Trade, Fu Jen University | - | - | - | - |
| Senior Vice President, Operation Management Dept. | R.O.C. | Lin, Ta-Yuan | Male | 2019.01.01 | 49,932 | 0.001 | 19,724 | 0 | 0 | 0 | Bachelor of Economics, Feng Chia University | - | - | - | - |
| Senior Vice President, Passenger Management Div. Revenue Management Dept. | R.O.C. | Pan, Hsin-Hsiu | Male | 2018.01.01 | 14,563 | 0.000 | 358 | 0 | 0 | 0 | Bachelor of Western Language and Literature, National Chengchi University | - | - | - | - |
| Senior Vice President, Passenger Business Div. | R.O.C. | Wang, Chen-Hsing | Male | 2016.01.01 | 39,809 | 0.001 | 9,936 | 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 | 342 | 0.000 | 0 | 0 | 0 | 0 | Department of Radio & Television, World College of Journalism | - | - | - | - |

| Title | Nationality | Name | Gender | Date Effective | Present Shareholdings | | Shares Held by Spouse & Dependents | | Shares Held by Third Parties | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Senior Vice President, Flight Operations Div. | R.O.C. | Lee, Cheng-Chieh | Male | 2016.01.01 | 56,303 | 0.001 | 15,898 | 0 | 0 | 0 | Bachelor of Mechanical Engineering, Tamkang University | - | - | - | - |
| Senior Vice President, Cabin Crew Div. Cabin Crew Standard Dept. | R.O.C. | Hsu, Shu-Ching | Female | 2018.01.01 | 50,548 | 0.001 | 0 | 0 | 0 | 0 | Department of Banking and Insurance, Taipei College of Business<br>Public Relations (Junior Vice President), Group Management Head Office | - | - | - | - |
| Senior Vice President, Cabin Service Div. Catering & Cabin Supply Dept. | R.O.C. | Liu, Ying | Female | 2011.01.01 | 74,736 | 0.002 | 0 | 0 | 0 | 0 | Master of Graduate Institute of Human Resource Management, National Central University | - | - | - | - |
| 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. Maintenance Administration Dept. | R.O.C. | Yeh, Ching-Far | Male | 2012.01.01 | 148 | 0.000 | 0 | 0 | 0 | 0 | Master of Business Adminstrations, National Chengchi University<br>Master of Mechanical Engineering, Tatung College of Technology | - | - | - | - |
| Senior Vice President, Engineering & Maintenance Div. Engineering Dept. | R.O.C. | Liu, Wen-Jang | Male | 2018.07.01 | 50,618 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of Electrical Engineering , National Taiwan Institute of Technology<br>Manager, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Senior Vice President, Airport Div. Taoyuan Airport Office | R.O.C. | Yu, Chia-Chieh | Male | 2017.01.01 | 56,202 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of International Business, Soochow University | - | - | - | - |
| Senior Vice President, Airport Div. Kaohsiung Airport Office | R.O.C. | Chen, Shen-Chi | Male | 2019.01.01 | 55,920 | 0.001 | 0 | 0 | 0 | 0 | Department of Tourism, World College of Journalism<br>Station Manager (Senior Vice President), UNI Airways Corp. | - | - | - | - |
| Senior Vice President, Computer Div. | R.O.C. | Chen, Chia-Chuan | Male | 2018.01.01 | 35,187 | 0.001 | 91 | 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 | 15,510 | 0.000 | 0 | 0 | 0 | 0 | Master of Information Management, National Taiwan University<br>Senior Engineer, Evergreen E-Services Corp. | - | - | - | - |
| Senior Vice President, America Head Office | R.O.C. | Chung, Kai-Cheng | Male | 2018.01.01 | 28,372 | 0.001 | 0 | 0 | 0 | 0 | Master of Transportation and Communication Management Science, National Cheng Kung University | - | - | - | - |
| Deputy Senior Vice President, Human Resources Div. Union Affairs Team | R.O.C. | Hsu, Ping | Male | 2013.07.01 | 56,067 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of Psychology, National Taiwan 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, Corporate Planning Div. | R.O.C | Lin, Shu-Fen | Female | 2018.01.01 | 52,610 | 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 | 14,000 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Forestry, National Chung Hsing University | - | | | |
| Deputy Senior Vice President, Operation Management Dept. | R.O.C. | Chang, Yu-Heng | Male | 2017.01.01 | 14,301 | 0.000 | 422 | 0 | 0 | 0 | Bachelor of Physics, Tunghai University | - | - | - | - |
| Deputy Senior Vice President, Digital and Information Planning Dept. | R.O.C. | Chiu, Chung-Yu | Male | 2014.01.01 | 56,168 | 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. | Liu, Hsin-Cheng | Male | 2017.01.01 | 68,580 | 0.001 | 940 | 0 | 0 | 0 | Bachelor of Accounting, Chinese Cultural University | - | - | - | - |
| Deputy Senior Vice President, Passenger Business Div. Business Dept. | R.O.C. | Lee, Chia-Fang | Female | 2018.01.01 | 21,965 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of International Business, Tamkang University<br>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 | 62,663 | 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 | 25,776 | 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 | 14,868 | 0.000 | 6,050 | 0 | 0 | 0 | Bachelor of Spanish, Tamkang University | - | - | - | - |
| Deputy Senior Vice President, Corporate Safety, Security & Environment Div. | R.O.C. | Yeh, Wu-Han | Male | 2019.01.01 | 44,942 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of Information Engineering and Computer Science, Feng Chia University | - | - | - | - |
| Deputy Senior Vice President, Flight Operations Div. Training Equipment Dept. | R.O.C. | Kuo, Ming-Cheng | Male | 2013.01.01 | 92,028 | 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 | 79,445 | 0.002 | 0 | 0 | 0 | 0 | Department of Tourism, Ming Chuan Junior Women's Commercial Colleage<br>Junior Vice President, UNI Airways 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 |
| Deputy Senior Vice President,<br>Cabin Service Div. Product Marketing Dept. | R.O.C. | Wang, Pei-Chi | Male | 2017.01.01 | 14,000 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Foreign Languages, Christ's College Taipei | - | - | - | - |
| Deputy Senior Vice President,<br>Engineering & Maintenance Div. Quality Assurance Dept. | R.O.C. | Lin, Wen-Ji | Male | 2019.01.01 | 25,946 | 0.001 | 4,294 | 0 | 0 | 0 | Bachelor of Aeronautical Engineering, Feng Chia University<br>Junior Vice President, Evergreen Aviation Technologies Corp. | - | - | - | - |
| Deputy Senior Vice President,<br>Airport Div. Taoyuan Airport Office | R.O.C. | Wu, Shu-Ping | Female | 2013.01.01 | 40,583 | 0.001 | 5,068 | 0 | 0 | 0 | Department of Tourism, Hsing Wu College of Commerce | - | - | - | - |
| Deputy Senior Vice President, Airport Div. Taoyuan Airport Office | R.O.C. | Wang, Hwa-Tsai | Male | 2018.01.01 | 64,648 | 0.001 | 0 | 0 | 0 | 0 | Bachelor of Banking, Feng Chia University | - | - | - | - |
| Deputy Senior Vice President, Airport Div. Songshan Airport Office | R.O.C. | Huang, Chun-Hsiung | Male | 2018.01.01 | 273 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Electrical Engineering, Tamkang University | - | - | - | - |
| Office Chief (Deputy Senior Vice President), Sky Jet Center | R.O.C. | Lee, Kang | Male | 2019.01.01 | 5,000 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Traffic Engineering and Management, Feng Chia University | - | - | - | - |
| General Manager (Deputy Senior Vice President), Beijing Office | R.O.C. | Liang, Wen-Long | Male | 2019.01.01 | 37,745 | 0.001 | 19,164 | 0 | 0 | 0 | Master of Transportation and Logistics Management, National Chiao Tung University<br>Representative in China (Manager), Group Management Head Office | - | - | - | - |
| General Manager (Deputy Senior Vice President), Europe Head Office U.K. Branch | R.O.C. | Wang, Yuan-Shyang | Male | 2014.01.01 | 124 | 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 | 0 | 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 | 19,991 | 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 | 14,000 | 0.000 | 0 | 0 | 0 | 0 | Master of Civil Engineering, National Chiao Tung University | - | - | - | - |
| Deputy Senior Vice President,<br>America Head Office | U.S.A | Yeh, Vanessa | Female | 2019.01.01 | 256 | 0.000 | 0 | 0 | 0 | 0 | Bachelor of Fine Art, University of Texas at Austin | - | - | - | - |

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

### 3.3.1 Remuneration of Directors

As of December 31, 2018

Unit: NT$ thousands

| Title | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 8) | | Compensation from an Invested Company Other than the Company's Subsidiaries (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation (A) (Note 2) | | Severance Pay (B) | | Remuneration to Directors (C) (Note 3) | | Allowances (D (Note 4) | | | | Salary, Bonuses, Allowances (E) (Note 5) | | Severance Pay (F) | | Employees' Compensation (G) (Note 6) | | | | | | |
| | | EVA | Consolidated Subsidiaries of EVA ( Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | Consolidated Subsidiaries of EVA (Note 7) | EVA | | Consolidated Subsidiaries of EVA(Note 7) | | EVA | Consolidated Subsidiaries of EVA (Note 7) | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | Evergreen International Corp. Representative：Lin, Bou-Shiu | 7,225 | 7,225 | - | - | 2,000 | 4,500 | 42 | 42 | 0.14% | 0.18% | - | - | - | - | - | - | - | - | 0.14% | 0.18% | 895 |
| Director | Evergreen International Corp. Representative：Chang, Kuo-Cheng | - | - | - | - | 1,500 | 1,500 | 24 | 24 | 0.02% | 0.02% | - | - | - | - | - | - | - | - | 0.02% | 0.02% | 5,424 |
| Director | Evergreen Marine Corp. (Taiwan) Ltd. Representative：Ko, Lee-Ching | - | - | - | - | 1,500 | 2,500 | 42 | 42 | 0.02% | 0.04% | - | - | - | - | - | - | - | - | 0.02% | 0.04% | 1,100 |
| Director | Chang Yung-Fa Charity Foundation Representative：Tai, Jiin-Chyuan | - | - | - | - | 1,500 | 3,000 | 42 | 42 | 0.02% | 0.05% | - | - | - | - | - | - | - | - | 0.02% | 0.05% | 1,320 |
| Director | Chang Yung-Fa Charity Foundation Representative：Sun, Chia-Ming | - | - | - | - | 1,500 | 4,000 | 42 | 42 | 0.02% | 0.06% | 4,986 | 4,986 | 9,633 | 9,633 | - | - | - | - | 0.25% | 0.28% | 207 |
| Director | Evergreen Marine Corp. (Taiwan) Ltd. Representative：Wu, Kuang-Hui | - | - | - | - | 1,500 | 1,500 | 42 | 42 | 0.02% | 0.02% | - | - | - | - | - | - | - | - | 0.02% | 0.02% | 700 |
| Independent Director | Chien, You-Hsin | 960 | 960 | - | - | - | - | 48 | 48 | 0.02% | 0.02% | - | - | - | - | - | - | - | - | 0.02% | 0.02% | - |
| Independent Director | Hsu, Shun-Hsiung | 960 | 960 | - | - | - | - | 48 | 48 | 0.02% | 0.02% | - | - | - | - | - | - | - | - | 0.02% | 0.02% | - |
| Independent Director | Wu, Chung-Pao | 960 | 960 | - | - | - | - | 48 | 48 | 0.02% | 0.02% | - | - | - | - | - | - | - | - | 0.02% | 0.02% | 402 |
| Note: Except for the disclosed information above, the directors received remuneration due to providing service (ex. being consultant) for the Company's subsidiaries: None. | | | | | | | | | | | | | | | | | | | | | | |

Note 1: If the directors are also the management of the Company, please fill in chart 3.3.2 .

Note 2: Includes directors' salary, subsidy, leave pay and bonus.

Note 3: The directors' remuneration has been approved by Board of Directors.

Note 4: Includes transportation allowance of directors.

Note 5: Includes employees' salary, subsidy, employees' stock options and unholiday bonus.

Note 6: The directors didn't receive employees' compensation from the Company.

Note 7: Includes the total amount received from EVA and its consolidated subsidiaries.

Note 8: Net income is the profit after tax of the parent-company-only financial statements.

Note 9: The directors received the compensation from other invested companies, which are not subsidiaries.

## 3.3.2 Remuneration of the President and Executive Vice President

As of December 31, 2018
Unit: NT$ thousands

| Title | Name | Salary (A) (Note 2) | | Severance Pay (B) | | Bonuses and Allowances (C) (Note 3) | | Employees' Compensation (D) (Note 4) | | | | Ratio of total compensation (A+B+C+D) to net income(%) (Note 8) | | Compensation from an Invested Company Other than the Company's Subsidiaries (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EVA | Consolidated Subsidiaries of EVA (Note 5) | EVA | Consolidated Subsidiaries of EVA (Note 5) | EVA | Consolidated Subsidiaries of EVA (Note 5) | EVA | | Consolidated Subsidiaries of EVA (Note 5) | | EVA | Consolidated Subsidiaries of EVA (Note 5) | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Sun, Chia-Ming | | | | | | | | | | | | | |
| Chief Executive Vice President | Ho, Ching-Sheng | | | | | | | | | | | | | |
| Executive Vice President | Kou, Jin-Cheng | | | | | | | | | | | | | |
| Executive Vice President | Pu, Wei-Ping | | | | | | | | | | | | | |
| Executive Vice President | Tsai, Ta-Wei | | | | | | | | | | | | | |
| Executive Vice President | Liao, Chi-Wei | | | | | | | | | | | | | |
| Executive Vice President | Li, Shyh-Liang | | | | | | | | | | | | | |
| Executive Vice President | Chen, Yeou-Yuh | 40,361 | 40,361 | 23,749 | 23,749 | 18,675 | 21,875 | 273 | - | 273 | - | 1.27% | 1.32% | 207 |
| Executive Vice President | Yang, Yung-Heng | | | | | | | | | | | | | |
| Executive Vice President | Lu, Yu-Chuan | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | |

| Range of Remuneration | Name of President and Executive Vice President | |
|---|---|---|
| | EVA (Note 6) | Consolidated Subsidiaries of EVA (Note 7) |
| Under NT$ 2,000,000 | - | - |
| NT$2,000,000 ~ NT$4,999,999 | Ho, Ching- Sheng<br>Kou, Jin-Cheng<br>Pu, Wei-Ping<br>Tsai, Ta-Wei<br>Liao, Chi-Wei<br>Li, Shyh-Liang<br>Chen, Yeou-Yuh<br>Lu, Yu-Chuan<br>Fang, Tian-Hwai<br>Yeh, Shih-Chung<br>Fang, Gwo-Shianng<br>Chang, Jang-Tsang<br>Chen, Chi-Hung | Ho, Ching- Sheng<br>Kou, Jin-Cheng<br>Pu, Wei-Ping<br>Tsai, Ta-Wei<br>Liao, Chi-Wei<br>Li, Shyh-Liang<br>Chen, Yeou-Yuh<br>Lu, Yu-Chuan<br>Fang, Tian-Hwai<br>Yeh, Shih-Chung<br>Fang, Gwo-Shianng<br>Chang, Jang-Tsang<br>Chen, Chi-Hung |
| NT$5,000,000 ~ NT$9,999,999 | - | - |
| NT$10,000,000 ~ NT$14,999,999 | Yang, Yung-Heng | Yang, Yung-Heng |
| NT$15,000,000 ~ NT$29,999,999 | Sun, Chia-Ming | Sun, Chia-Ming |
| NT$30,000,000 ~ NT$49,999,999 | - | - |
| NT$50,000,000 ~ NT$99,999,999 | - | - |
| NT$100,000,000 or above | - | - |
| Total | 15 | 15 |

Note 1: If the President and Executive Vice Presidents are also the directors of the Company, please fill in chart 3.3.1

Note 2: Salary received of President and Executive Vice Presidents.

Note 3: Includes employees' stock options, bonus, subsidy, transportation allowance and remunerations received from consolidated subsidiaries of EVA.

Note 4: The employees' compensation of Executive Vice Presidents have been approved by Board of Directors.

Note 5: Includes the total amount received from EVA and its consolidated subsidiaries

Note 6: The name of the President and Executive Vice President is disclosed according to their total remuneration received from the Company.

Note 7: The name of the President and Executive Vice President is disclosed according to their total remuneration received from the Company and its subsidiaries.

Note 8: Net income is the profit after tax of the parent-company-only financial statements.

Note 9: The President and Executive Vice Presidents received the compensation from other invested companies, which are not subsidiaries.

### 3.3.3 Employees' Compensation of the Management Team

As of December 31, 2018 /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 | 1,323 | 1,323 | 0.02% |
| | 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 | Li, Shyh-Liang | | | | |
| | Executive Vice President | Chen, Yeou-Yuh | | | | |
| | Executive Vice President | Lu, Yu-Chuan | | | | |
| | 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 | Lee, Yi-Chung | | | | |
| | 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 | Su, Wei-Jen | | | | |
| | Senior Vice President | Pan, Hsin-Hsiu | | | | |
| | Senior Vice President | Wang, Chen-Hsing | | | | |
| | Senior Vice President | Yang, Hsiu-Huey | | | | |
| | Senior Vice President | Chuang, Shih-Hsiung | | | | |
| | Senior Vice President | Lee, Cheng-Chieh | | | | |
| | Senior Vice President | Hsiu, Shu-Ching | | | | |
| | 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 | 1,323 | 1,323 | 0.02% |
| | Senior Vice President | Liu, Wen-Jang | | | | |
| | Senior Vice President | Liu, Tung-I | | | | |
| | Senior Vice President | Liu, Ying | | | | |
| | Senior Vice President | Yu, Chia-Chieh | | | | |
| | Senior Vice President | Chen, Chia-Chuan | | | | |
| | Senior Vice President | Hou, Hsien-Yu | | | | |
| | Senior Vice President | Chung, Kai-Cheng | | | | |
| | Deputy Senior Vice President | Chou, Yu-Chuan | | | | |
| | Deputy Senior Vice President | Hsu, Ping | | | | |
| | Deputy Senior Vice President | Lin, Shu-Fen | | | | |
| | Deputy Senior Vice President | Chen, Shih-Ming | | | | |
| | Deputy Senior Vice President | Lin, Ta-Yuan | | | | |
| | Deputy Senior Vice President | Chiu, Chung-Yu | | | | |
| | Deputy Senior Vice President | Wu, Shu-Ping | | | | |
| | Deputy Senior Vice President | Lee, Chia-Fang | | | | |
| | 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 | Kuo, Ming-Cheng | | | | |
| | Deputy Senior Vice President | Fung, Mei-Lie | | | | |
| | Deputy Senior Vice President | Wang, Hwa-Tsai | | | | |
| | Deputy Senior Vice President | Chang, Yu-Heng | | | | |
| | Deputy Senior Vice President | Huang, Chun-Hsiung | | | | |
| | Deputy Senior Vice President | Chen, Shen-Chi | | | | |
| | Deputy Senior Vice President | Wang, Yuan-Shyang | | | | |
| | 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 | | | | |

Note 1: The title and the name of management should be disclosed separately. The amount of employees' compensation could be disclosed by summary amount.

Note 2: The employees' compensation (including stocks and cash) should resolved by Board of Directors. If the compensation amount can not be predicted, the estimated distribution amount could be calculated by the percentage of the actual distribution amount of last year. Net income is the profits after tax of the parent-company-only financial report of last year (if the Company adopts TIFRS).

Note 3: Managements team includes

a. President or equal position
b. Executive Vice Presidents or equal position
c. Senior Vice Presidents and Deputy Senior Vice Presidents or equal position
d. Finance Officer
e. Accounting Officer
f. The Person who is in charge of the company operating business or has the right to sign papers.

Note 4: If the Directors, Presidents or Executive Vice Presidents have received employees' compensation (including stocks or cash), the name should be disclosed in the above chart.

**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 | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Directors | 0.43% | 0.52% | 0.56% | 0.64% |
| Supervisors | 0.03% | - | 0.04% | - |
| Presidents and Executive Vice Presidents | 1.32% | 1.27% | 1.38% | 1.32% |

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

The directors' remuneration 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 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 7 (A) meetings of the Board of Directors were held in the year 2018. The attendance of directors was as follows.

| Title | Name (Note 1) | Attendance in Person (B) | By Proxy | Attendance Rate (%)【B/A】(Note 2) | Remarks |
|---|---|---|---|---|---|
| Chairman | Evergreen International Corp. Representative: Lin, Bou-Shiu | 7 | 0 | 100% | - |
| Director | Evergreen International Corp. Representative: Chang, Kuo-Cheng | 4 | 3 | 57.14% | - |
| Director | Evergreen Marine Corp. (Taiwan) Ltd. Representative: Ko, Lee-Ching | 7 | 0 | 100% | - |
| Director | Chang Yung-Fa Charity Foundation Representative: Tai, Jiin-Chyuan | 7 | 0 | 100% | - |
| Director | Chang Yung-Fa Charity Foundation Representative: Sun, Chia-Ming | 7 | 0 | 100% | - |
| Director | Evergreen Marine Corp. (Taiwan) Ltd. Representative: Wu, Kuang-Hui | 7 | 0 | 100% | - |
| Independent Director | Chien, You-Hsin | 7 | 0 | 100% | - |
| Independent Director | Hsu, Shun-Hsiung | 7 | 0 | 100% | - |
| Independent Director | Wu, Chung-Pao | 7 | 0 | 100% | - |

Other mentionable items:

1. Please illustrate the dates of the Board Meetings, period, agenda and all independent directors' opinions and the Company's responses if one of following situation occurred during the Board Meetings:
   (1) The items listed in Article 14-3 of Securities and Exchange Act: Not applicable as the Company has established the Audit Committee.
   (2) Except for the proposal mentioned above, 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 page 74 to page 79 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 liability insurance for directors in order to disperse the risk of legal responsibility and improve the ability of corporate governance.
   (2) To enhance the professional ability of directors as well as implement corporate governance, the Company has invited lecturers for directors to attend training courses in 2018 and 2019.
   (3) The Company was ranked in the range of top 6% to 20% of all selected listed companies of the $5^{th}$ corporate governance evaluation, which illustrated the Company had good performance during operation.
   (4) The Board of Directors of the Company established "Regulations Governing the Board Performance Evaluation", the 2018 evaluation results of the performance of Directors were "Good".
   (5) To enhance the information transparency, the Company voluntarily publishes important dissolutions of Board Meetings 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 "Rules Governing the duties of independent directors". To enhance the functionality of Board of Directors, the Company established the Audit Committee on Jun 26, 2017.

Note 1: For directors and supervisors who are legal entities, both the names of the legal entity and the representative should be disclosed.

Note 2: (1) If any of the directors or supervisors resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column. The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Board of the Directors.

(2) If there is any re-election of the Board before the end of the year, both the information of current and former directors and supervisors should be filled in the table, and the status and the re-election date should also be specified in the remarks column. The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Board of the Directors.

### 3.4.2 Audit Committee

A total of 5 (A) meetings of the Audit Committee were held in 2018. 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 | 5 | 0 | 100% | - |
| Independent director | Hsu, Shun-Hsiung | 5 | 0 | 100% | - |
| Independent director | Wu, Chung-Pao | 5 | 0 | 100% | - |

Other mentionable items:

1. If any of the following circumstances occurs, 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: Please refer to page 74 to 79
   (2) Except for the proposal mentioned above, 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: Please refer to page 74 to 79
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 submitted 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 2018:

| Date | Communication Content | The Company's Response |
|---|---|---|
| Mar 19, 2018 | 1. The Audit reports from Dec 2017 to Jan 2018.<br>2. The project evaluation report: Review and improvement of in-flight supplies. | Submitted to Board meeting. |
| May 11, 2018 | The Audit reports from Feb to Mar 2018. | Submitted to Board meeting. |
| Aug 13, 2018 | The Audit reports from Apr to Jun 2018. | 1. Submitted to Board meeting.<br>2. The project of following up the in-flight meal system will be submitted to Audit Committee. |
| Nov 12, 2018 | 1. The Audit reports from Jul to Sep 2018.<br>2. The audit report of the project of following up the in-flight meal system. | Submitted to Board meeting. |
| Dec 24, 2018 | The Audit reports from Oct to Nov 2018. | Submitted to Board 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 2018:

| Date | Communication Content | The Company's Response |
|---|---|---|
| Mar 19, 2018 | 1. CPAs review 2017 Q4 Financial Statement, explain Key Audit Matters (KAMs) and the important legislation amendment.<br>2. CPAs begin the discussion based on the problems that raised by the attendee. | None |

| Date | Communication Content | The Company's Response |
|---|---|---|
| May 11, 2018 | 1. CPAs review 2018 Q1 Financial Statement, explain Key Audit Matters (KAMs) and the important legislation amendment.<br>2. CPAs begin the discussion based on the problems that raised by the attendee. | None |
| Aug 13, 2018 | 1. CPAs review 2018 Q2 Financial Statement, explain Key Audit Matters (KAMs) and the important legislation amendment.<br>2. CPAs begin the discussion based on the problems that raised by the attendee. | None |
| Nov 12, 2018 | 3. CPAs review 2018 Q3 Financial Statement, explain Key Audit Matters (KAMs) and the important legislation amendment.<br>4. CPAs begin the discussion based on the problems that raised by the attendee. | None |

4. Proposal plan for the Audit Committee in 2019:

| Month | Planning Proposal |
|---|---|
| March | 1. To approve 2018 Business Report.<br>2. To approve 2018 Parent-Company-Only Financial Statement and Consolidated Financial Statement.<br>3. To approve 2018 earnings distribution.<br>4. To appoint the Company's certified public accountants and determine their remuneration.<br>5. To approve the 2018 Declaration of Internal Control. |
| May | To report 2019 Q1 Consolidated Financial Statement. |
| August | To approve 2019 Q2 Consolidated Financial Statement. |
| November | To report 2019 Q3 Consolidated Financial Statement. |
| December | 1. To formulate 2020 Internal Audit Plan.<br>2. To approve 2020 budget. |

### 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 (https://www.evaair.com/en-global/corporate-governance/) and Market Observation Post System (MOPS). | 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 is 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 | | 1. According to the Company's "Corporate Governance Best-Practice Principles" paragraph 3 of Article 20, the composition of the Board of Directors should be determined by taking diversity into consideration. As per Paragraph 4 of Article 20, the members of the Board of Directors should have professional knowledge, skill and ability. Please refer to page 22 for the information of diversity of the Company's Board of Directors.<br>2. Gender equality in the board members' composition is also deeply concerned by the Company, and the goal of female rate in board members is at least 10%. The current board of directors consists of 9 directors and 1 of whom is a female, which accounts for 11.11% of the board. | 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. |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| (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).<br>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 independent professional institution or a panel of external experts and scholars at least once every three years.<br>3. Please refer to Table 1 for the 2018 evaluation results of the performance of the Board of Directors. For details, please refer to the Company's official website. | None |
| (4) Does the Company regularly evaluate the independence of CPAs? | V | | 1. 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.)<br>2. The Company annually evaluates 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 2019 financial and tax | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | certification have been approved by Board of Directors on Mar 19, 2019. | |
| 4. Does the TWSE/TPEx Listed Companies establish sections to mainly or concurrently deal with corporate governance business (including but not limited to provide directors and supervisors necessary information, hold Board Meeting or Annual General Meeting, company registration and change registration of company and Minutes of Board of Directors meeting and Annual General Meeting preparation) ? | V | | 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:<br>(1) To provide information and regulations for Directors to assist Directors to perform their duty.<br>(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.<br>(3) To hold a three-hour Directors training course every half year by integrating all sorts of resources of Corporate Governance, and focusing on the knowledge which is beyond the professional competence of each director. The content of the training courses shall include Corporate Governance related subjects, such as finance, risk management, operation, business, legal affairs, accounting, corporate social responsibility, internal control system or financial reports, etc.<br>2.The business development in 2018 are as follows: | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | (1) The 2018 evaluation results of the performance of the Board of Directors were reported to the Board on Mar 19, 2019.<br>(2) The renewal of the directors' & officers' liability insurance of 2019 was reported to the Board on Dec 24, 2018.<br>(3) The Directors training courses were held on Feb 07, 2018 and Oct 24, 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: https://www.evaair.com/zh-tw/stakeholder-interest/) to facilitate communication channel between investors, suppliers, customers and employees. | None |
| 6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs? | | V | The Company does not assign any agency to be in charge of its shareholder affairs. | Whereas Stocks Department is managed by the Company itself, the Shareholders' Meeting is conducted following government regulation and corporate guideline to ensure its lawfulness, effectiveness and safeness. |
| 7. Information Disclosure:<br>(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. | None |

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | 2. Corporate governance status: The Company has disclosed “Articles of Incorporation”, important operating procedures and the resolutions adopted during Board Meetings on website. (URL: https://www.evaair.com/zh-tw/corporate-governance) | |
| (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? | V | | The Company has established an English website and spokesperson system for gathering and disclosing information. Investor conference information of the Company held or been invited to over the years is disclosed on the Company’s website. | None |
| 8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices ? | | | | |
| (1) Employee rights and employee wellness | V | | Please refer to Chapter 5 “Labor Relations” for more information. | None |
| (2) Investor relations | V | | The Company has set up “Investor Relations” on website (URL: https://www.evaair.com/zh-tw/investor-relations/legal-notice/) which provides investors reference about operation and financial information. | None |
| (3) Supplier relations and rights of stakeholders | V | | Please refer to Chapter 3 “Corporate Social Responsibility” for more information. | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| (4) Directors training records | V | | The status of the continuing training of directors: Please refer to MOPS for complete information of the continuing training of the Company's directors. | None |
| (5) The implementation of risk management policies and risk evaluation measures | V | | Please refer to Chapter 7 "Analysis of Risk Management" for more information. | None |
| (6) Purchasing insurance for directors | V | | The Company has purchased liability insurance for its directors since 2015. | None |
| 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:<br>The Company has been invited to attend Investor Conference held by KGI Securities Co., Ltd. On Mar 29, 2019. In order to communicate with investors instantly, the Company will hold Investor Conference twice or more. | | | | |

**Table 1: The Evaluation Results of Board of Directors of 2018**

| | the Board evaluation | the Board members (self) evaluation |
|---|---|---|
| Average score (Full score: 3) | 2.99 | 2.99 |
| 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 |
| 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 2$^{nd}$ degree.(Or during auditing period, the close relatives of CPA is being the Company's directors, supervisors, managers or any other important positions that might affect auditing but the violence of independence has been diminished to an acceptable level) | Conformity | Conformity | Conformity |
| 6. | The CPA do not accept the gifts from the Company, the directors, supervisors, managers or main shareholders. (The value of the gift is not over the standard of normal social etiquette.) | Conformity | Conformity | Conformity |

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

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

| Title | Criteria / Name | Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience | | | Independence Criteria (Note) | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university | A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| Independent Director | Chien, You-Hsin | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Independent Director | Hsu, Shun-Hsiung | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Independent Director | Wu, Chung-Pao | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |

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. The duties of the Remuneration Committee are as follows:

1. Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managers.
2. Periodically evaluate and establish the remuneration of directors and managers.

**C. Attendance of Members at Remuneration Committee Meetings**

1. The Remuneration Committee is composed of three independent directors.
2. The term of office of current Remuneration Committee is from Jun 26, 2017 to Jun 25, 2020. A total of 3 (A) meetings were held in 2018. Please refer to page 74 to 79 for resolutions made by the Remuneration Committee and the attendance of Committee member is as follows:

| Title | Name | Attendance in Person(B) | By Proxy | Attendance Rate (%)【B/A】 | Remarks |
|---|---|---|---|---|---|
| Convener | Chien, You-Hsin | 3 | 0 | 100% | - |
| Committee Member | Hsu, Shun-Hsiung | 3 | 0 | 100% | - |
| Committee Member | Wu, Chung-Pao | 3 | 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.

Note:

(1) If any of the Compensation Committee members has resigned before the end of the year, the date of his/her resignation should be stated in the remarks column. The actual attendance rate (%) should be based on the number of committee meetings held during his/her tenure and the actual number of his/her attendance.

(2) If any of the Compensation Committee members has been re-elected before the end of the year, both the information of current and former members should be filled in the table, and the status and the re-election date should also be specified in the remarks column. The actual attendance rate (%) should be based on the number of committee meetings held during his/her tenure and the actual number of his/her attendance.

### 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" and the "Corporate Social Responsibility Best-Practice" have been established and approved by the board of directors meeting. 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. For the organizational chart of Corporate Social Responsibility Committee, please refer to footnotes table 1. | 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. In regulations concerning the management of employees, an incentive and discipline system has clearly established. | None |
| 2. Sustainable Environment Development<br>(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:<br>1. Continually introduces latest environmental friendly aircraft and promotes paperless work:<br>(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 have been delivered since 2018 Q4.<br>(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. | |

| 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) Electronic tickets are fully adopted. Freight operations are conducted in accordance with the paperless operation standard for import/export freight transport of the International Air Transportation Association (IATA).<br>(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.<br>2. Purchase environmental friendly raw materials:<br>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.<br>3. Improvement of entire environment and energy efficiency:<br>(1) The office area has adopted power-saving LED light in place of conventional lighting.<br>(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.<br>(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 and obtained accreditation from the international certification agency. It has also passed the tracking audit protection-related management projects and actions with systematic management orientation and organization operation. In addition to headquarter in Nankan, the certification scope has further expanded to Taipei | 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 | |
| | | | office building in 2018, striding forward towards a sustainable green enterprise. | |
| (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.<br>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 since 2016. 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.<br>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 | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| | | | CO2 emission and noise pollution during airport operations.<br>3. In addition to the promotion of various carbon reduction measures according to carbon reduction strategy and goal for the aviation industry established by the International Air Transport Association (IATA), the Company submitted its Emission Monitoring Plan (EMP) in 2018 in compliance with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Starting from 2019, the Company will monitor the jet fuel according to the submitted fuel monitoring method to calculate the carbon emission for preparing the carbon emission baseline, which will be applied to the carbon offsetting and reduction requirements of future international aviation industry. | |
| 3. Preserving Public Welfare<br>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | | In compliance with the International Bill of Human Rights and relevant rules and various labor-related laws and regulations, the Company set up working rules and employee management regulations as the basis of its management.<br>For the employment worldwide, the Company strictly follows the statutory labor laws and regulations of respective areas/countries, and never hires child labor or forces compulsory labor. The Company provides a diversified and equal working environment as well as an equitable salary system. There is no differential treatment or discrimination resulting from the issues of gender, | 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 | |
| | | | ethnicity, nationality, physical conditions, religion, political affiliation, marital status, etc.<br>To protect gender equality in employment, eliminate gender discrimination and prevent sexual harassment, the Company has announced the matters regarding "the prevention of sexual harassment at work sites" on its internal website. The Company continued to offer courses related to the Act of Gender Equality in Employment and sexual harassment prevention in 2018, in which female labor and maternal health protection added to the content of the courses, aiming to actively promoting gender equality and sexual harassment prevention. If sexual discrimination or harassment happened, the employee may fill out the "EVA Air Employee Complaint Form" or file the compliant through the sexual discrimination/harassment complaint hotline or email in accordance with the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment in the Workplace" to promptly report the incident to the head of the HR division. | |
| (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 |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| (3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | V | | 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) was introduced into the Company. At the end of 2018, the Company acquired TOSHMS as well as Occupational Health and Safety Management System (ISO45001) verification. It was the first company to achieve TOSHMS and ISO45001 verification in Taiwan airline industry. Recently, the Company immensely improved the work environment of employees, guaranteeing employees' safety and health. | None |
| (4) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? | V | | Department meetings are held regularly to deliver the Company's future development, targeting strategy, important information and major changes so that employees may fully understand the Company's operational status and contribute comments. | None |
| (5) Does the Company provide its employees with career development and training sessions? | V | | The Company provides employees with well-packaged career development training. Details can be found on the Company's Corporate Social Responsibility Report of 2017 (page 60-63). | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| (6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service? | V | | Customer Service Division is in charge of not only handling customer complaints following company policies but also formulate service procedure. Customers may leave comments or complaints through company website page "Contact us and Comments". Besides, there is stakeholder-interest area on website for investors, customers, employees and suppliers to communicate with the Company. | None |
| (7) Does the Company advertise and label its goods and services according to relevant regulations and international standards? | V | | Products and services provided by the Company all follow local law and international regulation such as the Commodity Labeling Act, Taiwan's Civil Aeronautics Administration (CAA), US Federal Aviation Administration (FAA), US Department of Homeland Security (DHS) and European Union (EU). | None |
| (8) Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? | V | | The Company checks credit record of supplier before signing business deal. Other aspects are being considered as well, such as supplier's company image and its record of law violation. | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| (9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society? | V | | The Company has published "Major Suppliers and Partners Corporate Social Responsibility Policy". Meanwhile, There are termination clauses in the contracts between the Company and major suppliers. If the suppliers violate corporate social responsibility policy and have obvious impact on the environment and society, the Company may terminate or dissolve the contracts refer to contract clauses. | None |
| 4. Enhancing Information Disclosure<br>(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.<br>The Company's Corporate Social Responsibility website:<br>http://www.evacsr.com<br>The Company's Stakeholder's Interest website:<br>https://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：

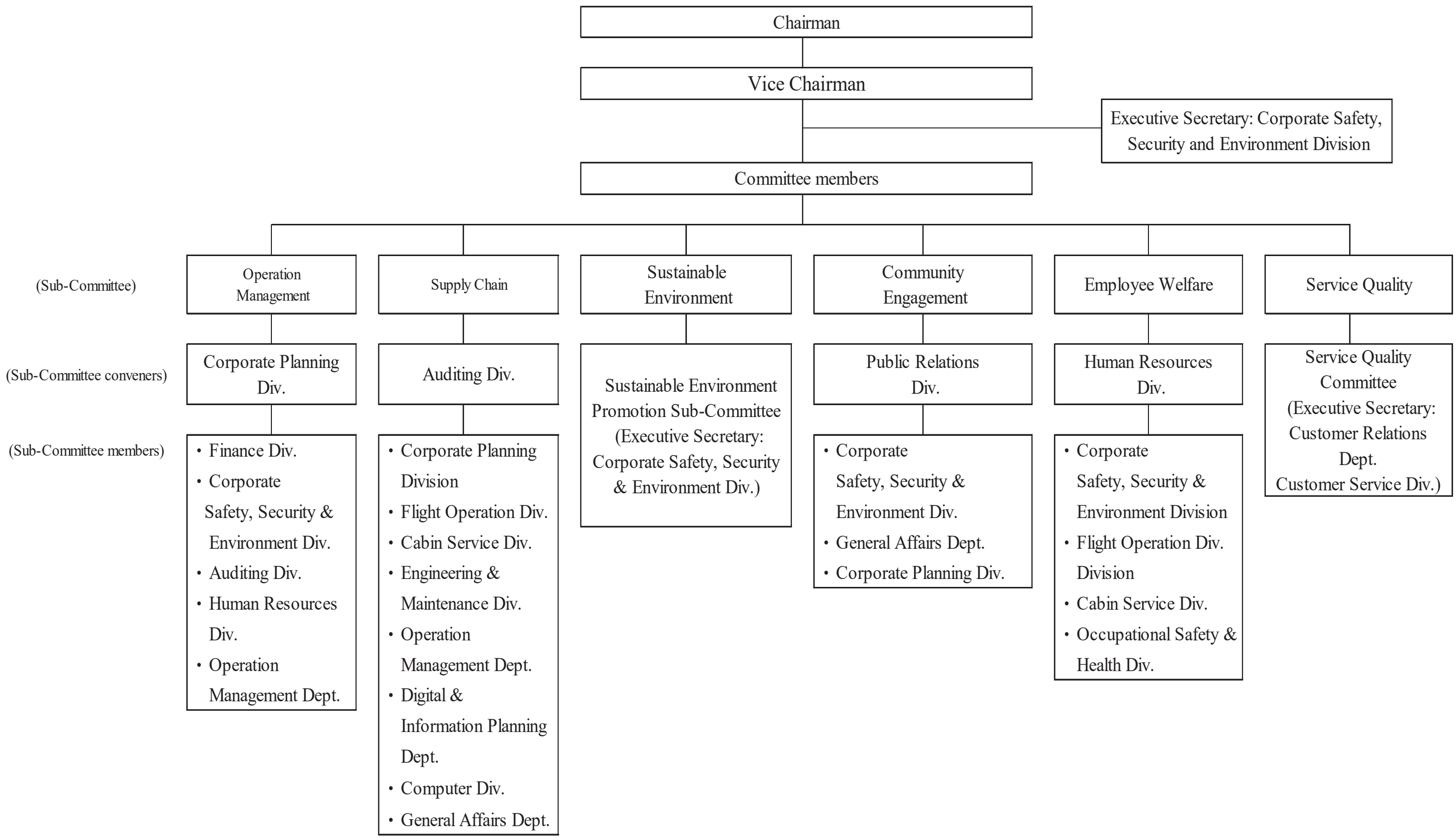
The Company has participated in "Taiwan Corporate Sustainability Awards" (TCSA) held by Taiwan Institute for Sustainable Energy (TAISE) for the four consecutive years. In 2018, the Company are the winner of "Taiwan Top 50 Corporate Sustainability Report-Platinum Award in the Transportation Category".

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

The Company's 2017 Corporate Social Responsibility Reports met the high level assurance standard of AA1000 AS (2008) Type II of SGS.

**Footnote Table 1**

EVA Air CSR Committee Organizational Chart



### 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<br>(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 2018, 234 new ground staffs in Taiwan (total 351 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<br>(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, https://www.evaair.com and http://stock.evergreen.com.tw.

**3.4.8 Important information in understanding corporate governance management:**

1. To establish well internal information operating procedure, the Board of Directors passed Procedures for Handling Material Inside Information in Board meeting on Apr 28, 2010. It shall be used as guideline to avoid insider trading by the directors, managers and employees.
2. The Company was ranked in the range of top 6% to 20% of all selected listed companies in the 5th Corporate Governance Evaluation, which demonstrates the excellent performance of the Company in corporate governance implementation.

3. The status of management level attending corporate governance related continuing education/training:

| Name | Professional Organization | Training sessions and hours |
|---|---|---|
| President<br>Sun, Chia-Ming | Taiwan Institute for Sustainable Energy | Corporate Sustainability and Corporate Prosperity (3 hours) |
| | Taiwan Depository & Clearing Corporation | 100% E-Voting in 2018 and Enhancement of Corporate Value (6 hours) |
| | Taiwan Institute of Directors | The Crises and Opportunities of Global Rebalancing (3 hours) |
| | Taiwan Corporate Governance Association | Director's Liability and Risk Management under the Latest Blueprint of Corporate Governance (3 hours) |
| Executive Vice President<br>(Financial Officer)<br>Tsai, Ta-Wei | Taiwan Institute for Sustainable Energy | Corporate Sustainability and Corporate Prosperity (3 hours) |
| | Taiwan Institute of Directors | The Crises and Opportunities under the Global Rebalancing (3 hours) |
| | Taiwan Corporate Governance Association | Director's Liability and Risk Management under the Latest Blueprint of Corporate Governance (3 hours) |
| | KPMG Education Foundation | Three Things that Financial Staff Should Know about Information Security (3 hours) |
| | KPMG Education Foundation | Discussion on the Comprehensive Benefits of Enterprise Merger and Value Analysis (3 hours) |

4. The Company and personnel relevant to the transparency of financial information obtain the licenses designated by professional organization or the competent authorities as follows:

(1) Internal Auditor:

| Name | Professional Organization | Training Sessions and Hours |
|---|---|---|
| Lee, Yi-Chung<br>(Chief Internal Auditor) | The Institute of Internal Auditors-Chinese Taiwan | 1. Analysis and Application of Financial Statements (6 hours)<br>2. 2018 Internal Audit Forum (6 hours) |

The status of internal auditors that acquired certification designated by government authority:

(A) CIA (Certified Internal Auditor): 3 auditors

(B) CCSA (Certification in Control Self-Assessment): 1 auditor

(C) ISO9001 Leading Auditor: 7 auditors

(D) Auditing Test of Corporate Internal Control Basic Capacity held by Securities and Futures Institute: 1 auditor

(E) CFE(Certified Fraud Examiner): 1 auditor

(2)Accounting Officer:

| Name | Professional Organization | Training sessions and hours |
|---|---|---|
| Chiang, Chin-Lan | Accounting Research and Development Foundation | Accounting Officer Training Courses (24 hours) |
| | Taiwan Institute for Sustainable Energy | Corporate Sustainability and Corporate Prosperity (3 hours) |
| | Taiwan Institute of Directors | The Crises and Opportunities under the Global Rebalancing (3 hours) |
| | Taiwan Corporate Governance Association | Director's Liability and Risk Management under the Latest Blueprint of Corporate Governance (3 hours) |

### 3.4.9 Internal Control System Execution Status:

## EVA Airways Corporation
## Internal Control System Statement

Date: March 19, 2019

Based on the findings of a self-assessment, EVA Airways Corporation (EVA) states the following with regard to its internal control system during the year 2018:

1. EVA's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over effectiveness and efficiency of our operations (including profit, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of our reporting, and compliance with applicable laws, regulations, and bylaw.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and EVA takes immediate remedial actions in response to any identified deficiencies.

3. EVA evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five constituent elements of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each element contains detailed items. Aforementioned items please refer to the Regulations.

4. EVA has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5. Based on the findings of such evaluation, EVA believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaw.

6. This statement is an integral part of EVA's annual report for the year 2018 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This statement was passed by the Board of Directors in their meeting held on March 19,2019, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**If the Company designated CPA to audit internal control system, CPA audit report should be disclosed:** Not Applicable.

**3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:** None

**3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

1. Major Shareholders' Meeting Resolutions

| Date of Meeting | Summary of Important Proposals | Execution |
|---|---|---|
| Jun 22, 2018 | 1. To approve 2017 earnings distribution and the issuance of new shares for capital increase by earnings re-capitalization.<br>a. Cash dividends to common shareholders: NTD 0.2 per share, with total NTD 834,689,805. Stock dividends to common shareholders: 50 shares per thousand shares. Total 208,672,452 shares are distributed and par value is NTD 10 per share.<br>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 13, 2018 resolved Sep 17, 2018 as dividend record date.<br>b. The cash dividend was distributed on Oct 9, 2018. The change of the Company registration was approved by Commerce Department, Ministry of Economic Affairs (no. 10701123880) on Oct 1, 2018. The new stocks were available in stock market on Oct 9, 2018. |
| | 2. To release restrictions of competitive activities of Director Sun, Chia-Ming. | The related actions have been executed in accordance with the resolution. |

2. Major Board of Director Meeting's Resolutions

| Date of Meeting | Major Proposals | The resolution of Audit Committee or Remuneration Committee | The Company's response to the opinions of Audit Committee or Remuneration Committee |
|---|---|---|---|
| Feb 07, 2018 | To approve reaching a settlement agreement with the Plaintiffs in the MDL class action In re Transpacific Passenger Air Transportation Antitrust Litigation. | - | - |
| Mar 20, 2018 | 1. To ratify selling a Boeing 737 Business Jet.<br>2. To ratify disposing the shares of "Pan-Pacific Venture Capital Co., Ltd.".<br>3. To approve 2017 Business Report.<br>4. To approve 2017 Parent-Company-Only Financial Statement and Consolidated Financial Statement.<br>5. To approve the earnings distribution of 2017.<br>6. To approve the issuance of new shares for capital increase by earnings re-capitalization of 2017.<br>7. To approve the "2017 Internal Control System Statement".<br>8. To amend "Internal Control System" and "Internal Audit Implementation Rules".<br>9. To amend "Accounting System".<br>10. To approve changing the Company's certified public accountants.<br>11. To release restrictions of competitive activities of the President.<br>Recusal of Directors and voting situation of Board of Directors<br>● Director Sun, Chia-Ming has direct personal interest conflicts to the proposal.<br>● Except for the director who recused himself from the discussion and resolution, all 8 attendance agreed and approved the proposal. | Approved unanimously by Audit Committee members | None |
| | 12. To approve 2017 employees' compensation.<br>13. To approve 2017 remuneration for directors and supervisors. | Approved unanimously by Remuneration Committee members | None |

| Date of Meeting | Major Proposals | The resolution of Audit Committee or Remuneration Committee | The Company's response to the opinions of Audit Committee or Remuneration Committee |
|---|---|---|---|
| Mar 20, 2018 | 14. To ratify the change of owner of leasing A321-211 passenger aircraft and the transferring contract.<br>15. To approve 2018 Operation Plan.<br>16. To make proposal on 2018 Annual General Shareholders Meeting to release restrictions of competitive activities of director.<br>17. To convene 2018 Annual General Shareholders' Meeting. | - | - |
| May 14, 2018 | 1. To amend "Internal Control System" and "Internal Audit Implementation Rules". | Approved unanimously by Audit Committee members | None |
| | 2. To ratify the change of owner of leasing 777-300ER (B-16712, MSN-33755) passenger aircraft and the transferring contract.<br>3. To approve establishing a branch office in Chiang Mai, Thailand.<br>4. To change the registered address of the Company's Korea Branch.<br>5. To change the bank account authorized person of the Company's Thailand Branch. | - | - |
| May 24, 2018 | 1. To approve the accessory contract with "DPR Construction" for the construction of the new office building in Los Angeles.<br>2. To approve selling part of offices and parking spaces of the new office building in Los Angeles. | Approved unanimously by Audit Committee members | None |
| Aug 13, 2018 | 1. To ratify continuous leasing of two ATR72-600 passenger aircraft to UNI Airways Corp.<br>Recusal of Directors and voting situation of Board of Directors<br>● Chairman Lin, Bou-Shiu and Director Tai, Jiin-Chyuan are also directors of UNI Airways Corp. | Approved unanimously by Audit Committee members | None |

| Date of Meeting | Major Proposals | The resolution of Audit Committee or Remuneration Committee | The Company's response to the opinions of Audit Committee or Remuneration Committee |
|---|---|---|---|
| Aug 13, 2018 | ● Except for directors who recused themselves from the discussion and resolution, all 7 attendance agreed and approved the proposal.<br>2. To approve capital increase by cash subscription.<br>3. To approve increasing the investment in subsidiary "EVA Flight Training Academy".<br>4. To approve the merger of two subsidiaries "Evergreen Aviation Technologies Corp." and "Evergreen Precision Aviation Corp."<br><u>Recusal of Directors and voting situation of Board of Directors</u><br>● Chairman Lin, Bou-Shiu, Director Tai, Jiin-Chyuan and Sun, Chia-Ming are also directors of Evergreen Aviation Technologies Corp.<br>● Except for directors who recused themselves from the discussion and resolution, all 6 attendance agreed and approved the proposal. | Approved unanimously by Audit Committee members | None |
| | 5. To ratify the change of accounting in personnel.<br>6. To ratify leasing of 777-300ER passenger aircraft (B-16717) to Air New Zealand Aircraft Holding Limited.<br>7. To appoint the representative of India Branch.<br>8. To change bank account authorized person of the Company's Kuala Lumpur Branch in Malaysia.<br>9. To change legal consultant of the Company's Philippines Branch.<br>10. To stipulate dividend record date. | - | - |
| Nov 12, 2018 | 1. To stipulate "Regulations of Employee's Stock Option"<br>2. To set "Principles of Employees' Qualification and Shares for Employee Stock Option" | Approved unanimously by Remuneration Committee members | None |

<table>
<tr><th>Date of Meeting</th><th>Major Proposals</th><th>The resolution of Audit Committee or Remuneration Committee</th><th>The Company's response to the opinions of Audit Committee or Remuneration Committee</th></tr>
<tr><td>Nov 12, 2018</td><td>3. To ratify the change of owner of leasing two A330-300 passenger aircraft (B-16336、B-16337) and the transferring contract.</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Dec 24, 2018</td><td>1. To ratify selling Boeing 747-400SF Freighter (B-16406).<br>2. To approve leasing 787-9 passenger aircraft to UNI Airways Corp.<br><u>Recusal of Directors and voting situation of Board of Directors</u><br>● Chairman Lin, Bou-Shiu and Director Tai, Jiin-Chyuan are also directors of UNI Airways Corp.<br>● Except for directors who recused themselves from the discussion and resolution, all 6 attendance agreed and approved the proposal.<br>3. To amend "Accounting System".</td><td>Approved unanimously by Audit Committee members</td><td>None</td></tr>
<tr><td>4. To approve the 2018 bonus for management.<br><u>Recusal of Directors and voting situation of Board of Directors</u><br>● Director Sun, Chia-Ming has direct personal interest conflicts to the proposal.<br>● Except for the director who recused himself from the discussion and resolution, all 7 attendance agreed and approved the proposal.<br>5. To approve 2019 compensation for management.<br><u>Recusal of Directors and voting situation of Board of Directors</u><br>● Director Sun, Chia-Ming has direct personal interest conflicts to the proposal.<br>● Except for the director who recused himself from the discussion and resolution, all 7 attendance agreed and approved the proposal.</td><td>Approved unanimously by Remuneration Committee members</td><td>None</td></tr>
</table>

<table>
<tr><th>Date of Meeting</th><th>Major Proposals</th><th>The resolution of Audit Committee or Remuneration Committee</th><th>The Company's response to the opinions of Audit Committee or Remuneration Committee</th></tr>
<tr><td rowspan="2">Dec 24, 2018</td><td>6. To approve the 2018 Chairman's bonus.<br>Recusal of Directors and voting situation of Board of Directors<br>● Chairman Lin, Bou-Shiu has direct personal interest conflicts to the proposal.<br>● Except for the director who recused himself from the discussion and resolution, all 7 attendance agreed and approved the proposal.<br>7. To approve 2019 Chairman's compensation.<br>Recusal of Directors and voting situation of Board of Directors<br>● Chairman Lin, Bou-Shiu has direct personal interest conflicts to the proposal.<br>● Except for the director who recused himself from the discussion and resolution, all 7 attendance agreed and approved the proposal.</td><td>Approved unanimously by Remuneration Committee members</td><td>None</td></tr>
<tr><td>8. To formulate "2019 Internal Audit Plan"<br>9. To approve 2019 budget.</td><td>-</td><td>-</td></tr>
<tr><td>Mar 19, 2019</td><td>1. To approve 2018 Business Report.<br>2. To approve 2018 Parent-Company-Only Financial Statement and Consolidated Financial Statement.<br>3. To approve the earnings distribution of 2018.<br>4. To approve the issuance of new shares for capital increase by earnings re-capitalization of 2018.<br>5. To approve the "2018 Internal Control System Statement".<br>6. To amend "Internal Control System" and "Internal Audit Implementation Rules".<br>7. To appoint the Company's certified public accountants and determine their remuneration.<br>8. To approve purchasing 2 leasing 777-300ER aircraft.</td><td>Approved unanimously by Audit Committee members</td><td>None</td></tr>
</table>

| Date of Meeting | Major Proposals | The resolution of Audit Committee or Remuneration Committee | The Company's response to the opinions of Audit Committee or Remuneration Committee |
|---|---|---|---|
| Mar 19, 2019 | 9. To amend the "Procedures for Acquiring and Disposing of Assets" and the "Table of Authority Limit of Acquiring and Disposing of Assets & Other Financial Matters".<br>10. To amend the "Procedures for Transaction of Derivative Products". | Approved unanimously by Audit Committee members | None |
| | 11. To approve 2018 employees' compensation.<br>12. To approve 2018 directors' remuneration. | Approved unanimously by Remuneration Committee members | None |
| | 13. To approve 2019 Operation Plan.<br>14. To set the capital increase record date of common stocks transferred from the 3rd unsecured convertible bond.<br>15. To approve the revocation of Panama Branch's registration.<br>16. To change bank account authorized person of the Company's Philippine Branch.<br>17. To amend the "Articles of Incorporation".<br>18. To amend the "Organizational Principle of Corporate Social Responsibility Committee".<br>19. To convene 2019 Annual General Shareholders' Meeting.<br>20. To approve 2018 Modern Slavery Act Statement. | - | - |

**3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Director:** None

**3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:** None

## 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 (Note 2) | Subtotal | | |
| KPMG | Chen, Ya-Ling<br>Su, Yen- Ta | 6,940 | 0 | 15 | 0 | 2,971 | 2,986 | 01 Jan~ 31 Dec, 2018 | 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 conversion bond evaluation report audit, cash subscription audit |

Note 1: If the Company changes CPA or accounting firm, the audit period should be displayed separately and remarks the reason for replacement. The audit fees and non-audit fees should be displayed accordingly.

Note 2: The item of non-audit fee should be displayed separately. If the amount of non-audit fee of others is over 25% of total non-audit fee, please remarks the audit items.

**3.5.2 If The Company Changes Accounting Firm and The Audit Fees Charged by The New Firm Is Less Than That of The Pervious Accounting Firm, Please Disclose The Audit Fees Charged by The Two Accounting Firms and The Reason:** None

**3.5.3 Audit Fees Decreases 15% of That Of Previous Year, The Decreased Audit Fees, Decreased Percentage and Reason Should Be Disclosed:** None

## 3.6 Replacement of CPA

### 3.6.1 Regarding the former CPA

| | | | |
|---|---|---|---|
| Replacement Date | March 19, 2019 | | |
| Replacement reasons and explanations | Job rotation within the accounting firm. | | |
| Describe whether the Company terminated or the CPA did not accept the appointment | Status \ Parties | CPA | The Company |
| | Termination of appointment | None | |
| | No longer accepted (continued) appointment | | |
| Other issues (except for unqualified issues) in the audit reports within the last two years | None | | |
| Differences with the company | Yes | - | Accounting principles or practices |
| | | - | Disclosure of Financial Statements |
| | | - | Audit scope or steps |
| | | - | Others |
| | None | V | |
| | Remarks/specify details: | | |
| Other Revealed Matters | None | | |

### 3.6.2 Regarding the successor CPA

| | |
|---|---|
| Name of accounting firm | KPMG |
| Name of CPA | Tang, Chia-Chien、Su, Yen-Ta |
| Date of appointment | March 19, 2019 |
| 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 |

**3.6.3 The former CPA relies by letter to base on the Article 10 subparagraph 6 item 1 and item 2-3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:** 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 2018.

## 3.8 Changes in Shareholding of Directors, Managers and Major Shareholders and Information of Stock Transfer or Stock Pledge:

### 3.8.1 Changes in Shareholding of Directors, Mangers and Major Shareholders

| Title | Name | 2018 | | As of APR 30, 2019 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Evergreen International Corp. | 25,397,568 | 0 | 0 | 0 |
| | Representative: Lin, Bou-Shiu | 15,344 | 0 | 17,648 | 0 |
| Director | Evergreen International Corp. | 25,397,568 | 0 | 0 | 0 |
| | Representative: Chang, Kuo-Cheng | 4,053,313 | 0 | 4,661,828 | 0 |
| Director | Evergreen Marine Corp. (Taiwan) Ltd. | 34,039,305 | 0 | 39,149,553 | 0 |
| | Representative: Ko, Lee-Ching | 4,898 | 0 | 0 | 0 |
| | Representative: Wu, Kuaug-Hui | 2,058 | 0 | 2,367 | 0 |
| Director | Chang Yung- Fa Charity Foundation | 620,894 | 0 | 0 | 0 |
| | Representative: Tai, Jiin-Chyuan | 733 | 0 | 843 | 0 |
| | Representative: Sun, Chia-Ming | 3,150 | 0 | 33,623 | 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. | 34,039,305 | 0 | 39,149,553 | 0 |
| Major Shareholder | Evergreen International Corp. | 25,397,568 | 0 | 0 | 0 |
| Major Shareholder | Falcon Investment Services Ltd. | 23,895,443 | 0 | 0 | 0 |
| President | Sun, Chia-Ming | 3,150 | 0 | 33,623 | 0 |
| Chief Executive Vice President | Ho, Ching-Sheng | 15,426 | 0 | 36,742 | 0 |
| Executive Vice President | Hsu, Hui-Sen | 0 | 0 | 14,000 | 0 |
| Executive Vice President | Kou, Jin-Cheng | 4,390<br>(8,000) | 0 | 24,049 | 0 |
| Executive Vice President | Hsiao, Chin-Lung | 615<br>(6,000) | 0 | 14,707 | 0 |
| Executive Vice President (Finance Officer) | Tsai, Ta-Wei | 2,956 | 0 | 22,400 | 0 |
| Executive Vice President | Liao, Chi-Wei | 2,191 | 0 | 21,520 | 0 |

| Title | Name | 2018 | | As of APR 30, 2019 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Executive Vice President | Li, Shyh-Liang | 1,081<br>(20,000) | 0 | 19,148 | 0 |
| Executive Vice President | Chuang, Shih-Hsiung | 1,622 | 0 | 15,865 | 0 |
| Executive Vice President | Chen, Yeou-Yuh | 2,476 | 0 | 0 | 0 |
| Executive Vice President | Lu, Yu-Chuan | 0 | 0 | 19,000<br>(11,000) | 0 |
| Executive Vice President | Chang, Jang-Tsang | 7,698<br>(8,000) | 0 | 27,854 | 0 |
| Executive Vice President | Kao, Chun-Yi | 0 | 0 | 2,024 | 0 |
| Executive Vice President | Yeh, Shih-Chung | 4,302 | 0 | 23,948 | 0 |
| Executive Vice President | Fang, Gwo-Shianng | 8,575 | 0 | 28,862 | 0 |
| Executive Vice President | Chen, Chi-Hung | 0 | 0 | 0 | 0 |
| Senior Vice President | Chou, Yu-Chuan | 1,892 | 0 | 16,176 | 0 |
| Senior Vice President | Chen, Yao-Min | 1,813<br>(11,000) | 0 | 16,085 | 0 |
| Senior Vice President | Lee, Yi-Chung | 0 | 0 | 14,000 | 0 |
| Senior Vice President | Chang, Tsu-Chun | 796 | 0 | 14,915 | 0 |
| Senior Vice President | Soong, Allen | 2,174<br>(36,000) | 0 | 0<br>(9,673) | 0 |
| Senior Vice President (Accounting Officer) | Chiang, Chin-Lan | 2,440 | 0 | 16,806 | 0 |
| Senior Vice President | Ho, Li-Cheng | 2,120 | 0 | 16,438 | 0 |
| Senior Vice President | Hsieh, Shu-Hui | 0 | 0 | 0 | 0 |
| Senior Vice President | Chiang, Wei-Du | 1,217 | 0 | 15,400 | 0 |
| Senior Vice President | Su, Wei-Jen | 1,778 | 0 | 16,045 | 0 |
| Senior Vice President | Lin, Ta-Yuan | 1,622 | 0 | 15,865 | 0 |
| Senior Vice President | Pan, Hsin-Hsiu | 25 | 0 | 14,029 | 0 |
| Senior Vice President | Wang, Chen-Hsing | 1,895 | 0 | 0 | 0 |
| Senior Vice President | Yang, Hsiu-Huey | 15 | 0 | 14,017<br>(14,000) | 0 |
| Senior Vice President | Lee, Cheng-Chieh | 1,909 | 0 | 16,196 | 0 |

| Title | Name | 2018 | | As of APR 30, 2019 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Senior Vice President | Hsu, Shu-Ching | 1,650 | 0 | 15,897 | 0 |
| Senior Vice President | Liu, Ying | 2,742 | 0 | 17,153 | 0 |
| Senior Vice President | Tao, Shin-Chien | 0 | 0 | 0 | 0 |
| Senior Vice President | Yeh, Ching-Far | 0 | 0 | 7 | 0 |
| Senior Vice President | Liu, Wen-Jang | 1,653<br>(3,000) | 0 | 15,901 | 0 |
| Senior Vice President | Yu, Chia-Chieh | 2,040<br>(5,000) | 0 | 16,347 | 0 |
| Senior Vice President | Chen, Shen-Chi | 1,892 | 0 | 16,176 | 0 |
| Senior Vice President | Chen, Chia-Chuan | 1,362<br>(9,000) | 0 | 15,567 | 0 |
| Senior Vice President | Hou, Hsien-Yu | 68 | 0 | 14,078 | 0 |
| Senior Vice President | Chung, Kai-Cheng | 648 | 0 | 14,746 | 0 |
| Deputy Senior Vice President | Hsu, Ping | 1,899 | 0 | 16,184 | 0 |
| Deputy Senior Vice President | Lin, Shu-Fen | 2,505 | 0 | 0 | 0 |
| Deputy Senior Vice President | Chen, Shih-Ming | 0 | 0 | 14,000 | 0 |
| Deputy Senior Vice President | Chang, Yu-Heng | 13 | 0 | 14,015 | 0 |
| Deputy Senior Vice President | Chiu, Chung-Yu | 1,903 | 0 | 16,189 | 0 |
| Deputy Senior Vice President | Liu, Hsin-Cheng | 2,464 | 0 | 16,834 | 0 |
| Deputy Senior Vice President | Lee, Chia-Fang | 811<br>(3,000) | 0 | 14,932<br>(7,000) | 0 |
| Deputy Senior Vice President | Wu, Su-Shin | 2,603 | 0 | 16,994<br>(9,000) | 0 |
| Deputy Senior Vice President | Chen, Shui-Feng | 1,344<br>(18,000) | 0 | 15,546 | 0 |
| Deputy Senior Vice President | Liu, Ying-Chun | 39 | 0 | 14,045 | 0 |
| Deputy Senior Vice President | Yen, Wu-Han | 0 | 0 | 10,866 | 0 |

| Title | Name | 2018 | | As of APR 30, 2019 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Deputy Senior Vice President | Kuo, Ming-Cheng | 3,522 | 0 | 18,051 | 0 |
| Deputy Senior Vice President | Fung, Mei-Lie | 2,954 | 0 | 17,398 | 0 |
| Deputy Senior Vice President | Wang, Pei-Chi | 0 | 0 | 14,000 | 0 |
| Deputy Senior Vice President | Lin, Wen-Ji | 0 | 0 | 0 | 0 |
| Deputy Senior Vice President | Wu, Shu-Ping | 1,651<br>(10,000) | 0 | 15,899 | 0 |
| Deputy Senior Vice President | Wang, Hwa-Tsai | 2,963 | 0 | 17,408<br>(15,000) | 0 |
| Deputy Senior Vice President | Huang, Chun-Hsiung | 13 | 0 | 0 | 0 |
| Deputy Senior Vice President | Lee, Kang | 0 | 0 | 5,000 | 0 |
| Deputy Senior Vice President | Liang, Wen-Long | 0 | 0 | 0 | 0 |
| Deputy Senior Vice President | Wang, Yuan-Shyang | 5 | 0 | 14,000<br>(28,000) | 0 |
| Deputy Senior Vice President | Chang, Ming-Hung | 5,000<br>(5,000) | 0 | 14,000<br>(14,000) | 0 |
| Deputy Senior Vice President | Tseng, Wen-Chiang | 270 | 0 | 14,311 | 0 |
| Deputy Senior Vice President | Chen, Yu-Hou | 0 | 0 | 14,000 | 0 |
| Deputy Senior Vice President | Yeh, Vanessa | 0 | 0 | 0 | 0 |

Note: The major shareholders that holds more than 10% shares of the Company should be disclosed separately.

### 3.8.2 Information of Stock Transfer: NIL

### 3.8.3 Information of Stock Pledged: NIL

## 3.9 Relationship Among the Top Ten Shareholders

| Name (Note 1) | 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 (Note 3) | |
|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Title (or Name) | Relationship |
| Evergreen Marine Corp. (Taiwan) Ltd. | 753,974,969 | 16.00 | - | | 0 | 0 | Evergreen International Storage & Transport Corp. | Evergreen Marine Corp. (Taiwan) Ltd. is the 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. | 533,348,944 | 11.32 | - | | 0 | 0 | Evergreen Marine Corp. (Taiwan) Ltd. | Major shareholders of Evergreen International Corp. reinvest the company |
| | | | | | | | Evergreen International Storage & Transport Corp. | Evergreen International Corp. is the director of Evergreen International Storage & Transport Corp. |
| | | | | | | | Evergreen Steel Corp. | Evergreen International Corp. is the director of Evergreen Steel Corp. |
| | | | | | | | Chang, Kuo-Ming | Major shareholder of Evergreen International Corp. |
| | | | | | | | Chang, Kuo-Cheng | Major shareholder of Evergreen International Corp. |
| Representative: Ko, Lee-Ching | 102,873 | 0.00 | 0 | 0.00 | 0 | 0 | Evergreen Marine Corp. (Taiwan) Ltd. | Director |
| | | | | | | | Evergreen Steel Corp. | Director |
| | | | | | | | Evergreen International Storage & Transport Corp. | Director |

| Name (Note 1) | 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 (Note 3) | |
|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Title (or Name) | Relationship |
| Falcon Investment Services Ltd. | 501,804,309 | 10.65 | - | | 0 | 0 | - | - |
| Evergreen Steel Corp. | 233,632,933 | 4.96 | - | | 0 | 0 | Evergreen Marine Corp. (Taiwan) Ltd. | Evergreen Steel Corp. is the 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 | 128,146,652 | 2.72 | 0 | 0.00 | 0 | 0 | Chang, Kuo-Ming<br>Chang, Kuo-Cheng | Within two degrees kinship |
| New Labor Pension Fund | 94,101,497 | 2.00 | - | | 0 | 0 | - | - |
| Chang, Kuo-Cheng | 89,781,405 | 1.90 | 0 | 0.00 | 0 | 0 | Evergreen International Storage & Transport Corp. | Director |
| | | | | | | | Evergreen International Corp. | Major shareholder |
| | | | | | | | Chang, Yung-Fa<br>Chang, Kuo-Ming | Within two degrees kinship |
| Chang, Kuo-Ming | 54,346,853 | 1.15 | 24,639,925 | 0.52 | 0 | 0 | Evergreen Marine Corp. (Taiwan) Ltd. | Director |
| | | | | | | | Evergreen International Corp. | Major shareholder |
| | | | | | | | Chang, Yung-Fa<br>Chang, Kuo-Cheng | Within two degrees kinship |

| Name (Note 1) | 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 (Note 3) | |
|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Title (or Name) | Relationship |
| Evergreen International Storage & Transport Corp. | 47,538,619 | 1.01 | - | | 0 | 0 | Evergreen Marine Corp. (Taiwan) Ltd. | Evergreen Marine Corp (Taiwan) Ltd. is the director of Evergreen International Storage & Transport Corp. |
| | | | | | | | Evergreen International Corp. | Evergreen International Corp. is the 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 | - | - |
| Morgan Stanley & Co. International Plc | 43,497,836 | 0.92 | - | | 0 | 0 | - | - |

Note 1:All the top 10 shareholders should be disclosed. If any of them is an institute shareholder, the name of the institute and its representatives should be disclosed separately.

Note 2:Shareholding percentage is calculated by the shares owned by the shareholders himself/ herself, spouse and dependents or by third parties separately.

Note 3:The relationship of the shareholders (including institute and natural person) should be disclosed according to Regulations Governing Information to be Published in Annual Reports of Public Companies.

### 3.10 Ownership of Shares in Affiliated Enterprises

As of Dec 31, 2018

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. | Stock Unissued | 99.00 | Stock Unissued | 0 | Stock Unissued | 99.00 |
| 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. | 31,327,211 | 56.33 | 11,255,263 | 20.24 | 42,582,474 | 76.57 |
| Evergreen Sky Catering Corp. | 66,283,800 | 49.80 | 33,275,000 | 25.00 | 99,558,000 | 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 |

Note: The affiliated enterprises are invested by equity method.

# 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 |
| Sep, 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 |
| Sep, 2018 | 10 | 4,500,000 | 45,000,000 | 4,382,121 | 43,821,215 | Capitalization of Retained Earnings 2,086,725 | - | Oct 01, 2018 Jing-Shou-Shang Zi No. 10701123880 |
| Jan, 2019 | 10 | 5,500,000 | 55,000,000 | 4,682,121 | 46,821,215 | Cash Subscription 3,000,000 | - | Feb 22, 2019 Jing-Shou-Shang Zi No. 10801015500 |
| Mar, 2019 | 10 | 5,500,000 | 55,000,000 | 4,687,087 | 46,870,877 | Corporate Bond Conversion 49,662 | - | Apr 24, 2019 Jing-Shou-Shang Zi No. 10801047840 |

B. Type of Stock

Unit: thousand shares

| Share Type | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Stock | 4,687,087 | 812,913 | 5,500,000 | Shares of TWSE Listed Companies |

Note: Shares approved by Ministry of Economic Affairs.

### 4.1.2 Status of Shareholders

As of APR 26, 2019

| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | 5 | 28 | 226 | 120,723 | 1,137 | 122,119 |
| Shareholding (shares) | 127,801,466 | 60,856,237 | 1,740,198,241 | 1,291,424,682 | 1,492,670,068 | 4,712,950,694 |
| Percentage (%) | 2.71 | 1.29 | 36.93 | 27.40 | 31.67 | 100.00 |

### 4.1.3 Shareholding Distribution Status

**Common Shares**

As of APR 26, 2019

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage (%) |
|---|---|---|---|
| 1 ~ 999 | 43,766 | 13,066,621 | 0.28 |
| 1,000 ~ 5,000 | 47,429 | 105,275,791 | 2.23 |
| 5,001 ~ 10,000 | 12,861 | 90,339,245 | 1.92 |
| 10,001 ~ 15,000 | 6,473 | 78,537,656 | 1.67 |
| 15,001 ~ 20,000 | 2,721 | 47,040,364 | 1.00 |
| 20,001 ~ 30,000 | 3,203 | 78,077,018 | 1.66 |
| 30,001 ~ 50,000 | 2,338 | 90,291,501 | 1.92 |
| 50,001 ~ 100,000 | 1,620 | 110,656,309 | 2.35 |
| 100,001 ~ 200,000 | 787 | 107,001,724 | 2.27 |
| 200,001 ~ 400,000 | 399 | 112,114,266 | 2.38 |
| 400,001 ~ 600,000 | 137 | 67,099,275 | 1.42 |
| 600,001 ~ 800,000 | 73 | 50,167,148 | 1.06 |
| 800,001 ~ 1,000,000 | 58 | 52,251,527 | 1.11 |
| 1,000,001 or over | 254 | 3,711,032,249 | 78.73 |
| Total | 122,119 | 4,712,950,694 | 100.00 |

### 4.1.4 List of Major Shareholders

As of APR 26, 2019

| Shareholding / Entity | Number of Shares | Percentage (%) |
|---|---|---|
| Evergreen Marine Corp. (Taiwan) Ltd. | 753,974,969 | 16.00 |
| Evergreen International Corp. | 533,348,944 | 11.32 |
| Falcon Investment Services Ltd. | 501,804,309 | 10.65 |
| Evergreen Steel Corp. | 233,632,933 | 4.96 |
| Chang, Yung-Fa | 128,146,652 | 2.72 |
| New Labor Pension Fund | 94,101,497 | 2.00 |
| Chang, Kuo-Cheng | 89,781,405 | 1.90 |
| Chang, Kuo-Ming | 54,346,853 | 1.15 |
| Evergreen International Storage & Transport Corp. | 47,538,619 | 1.01 |
| Morgan Stanley & Co. International Plc | 43,497,836 | 0.92 |

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

Unit: NT$

| Items | 2017 (Distributed in 2018) | 2018 (Distributed in 2019) | 2019 (As of APR 30) (Note 8) |
|---|---|---|---|
| **Market Price per Share (Note 1)** | | | |
| Highest Market Price | 16.95 | 16.55 | 15.95 |
| Lowest Market Price | 14.15 | 13.55 | 14.65 |
| Average Market Price | 15.32 | 15.30 | 15.20 |
| **Net Worth per Share(Note 2)** | | | |
| Before Distribution | 13.90 | 14.45 | (Note 10) |
| After Distribution | 13.70 | (Note 9) | - |
| **Earnings per Share** | | | |
| Weighted Average Shares (thousands) | 4,173,449 | 4,382,121 | 4,633,089 |
| Earnings per Share | 1.38 | 1.50 | (Note 10) |
| Adjusted Earnings per Share (Note 3) | 1.31 | (Note 9) | - |
| **Dividends per Share** | | | |
| Cash Dividends | 0.20 | (Note 9) | - |
| Stock Dividends | | | |
| Dividends from Retained Earnings | 0.50 | (Note 9) | - |
| Dividends from Capital Surplus | - | (Note 9) | - |
| Accumulated Undistributed Dividends(Note 4) | - | (Note 9) | - |
| **Return on Investment** | | | |
| Price / Earnings Ratio (Note 5) | 10.98 | 10.05 | - |
| Adjusted Price / Earnings Ratio (Note 5) | 11.56 | (Note 9) | - |
| Price / Dividend Ratio (Note 6) | 75.75 | (Note 9) | - |
| Cash Dividend Yield Rate (Note 7) | 1.32% | (Note 9) | - |

If the Company uses earnings or capital surplus to increase capital, the adjusted market price per share and cash dividends should be recalculated accordingly.

Note 1: The highest market price and lowest market price should be listed. The average price is calculated by total transaction value and total transaction volume of each year.

Note 2: Net worth per share is based on the distribution amount resolved by annual general shareholders' meeting and the shares issued at the end of the financial year.

Note 3: If the Company distributes stock dividends, the earnings per shares should be adjusted and disclosed as well.

Note 4: If the conditions of the issue of equity securities regulated the undistributed dividends can be accumulated until profit year, the undistributed dividend should be disclosed.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Net Worth per share and Earnings per share reviewed by CPA should be disclosed. The other item should be disclosed until the printing date of the annual report.

Note 9: Pending for shareholders resolution.

Note 10: The Company's financial statements as of March 31, 2019 hasn't been reviewed by independent auditors.

### 4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

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

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

B. Proposed Distribution of Dividend

The proposal for the distribution of 2018 profits was passed at the meeting of the Board of Directors on March 19, 2019 and will be distributed after the resolution at the Annual General Shareholders Meeting on June 24, 2019.

| | | |
|---|---|---|
| Cash Dividends to Common Shareholders | NT$0.5/ per share | NT$ 2,343,646,585 |
| Stock Dividends to Common Shareholders | NT$0.3/ per share | 140,618,796 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 2019 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 directors' remuneration, 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 directors' remuneration 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 directors' remuneration shall be distributed only in the form of cash.
The profit in item 1 refers to profit before tax without deducting employees' compensation and directors' remuneration.
The amount of employees' compensation and directors' remuneration 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. The estimation base of employees' compensation and directors' remuneration, the stocks calculation base of estimated employee compensation distributed in form of stock and the status of handling procedure if the actual amount differ from estimation amount:
The Company appropriated 2018 employees' compensation and directors' remuneration according to the regulation of Article of Incorporation. Once the actual distribution amount is different from the estimation amount, the Company will make adjustment accounting entry in the distribution year.

C. Appropriation for Employees' Compensation and Directors' Remuneration:

a. If company distributes employees' compensation in form of cash or stock and directors' remuneration, the discrepancy amount, reason and the status of handling procedure should be disclosed if the amount distributed vary from the amount recognized.

The Board of Directors resolved to distribute 2018 employees' compensation and directors' remuneration on March 19, 2019, the distribution amount are as follows:

| Item | Resolution of Board of Directors (Mar 19, 2019) |
|---|---|
| Directors' Remuneration (Cash) | NT$9,500,000 |
| Employees' Compensation (Cash) | NT$237,552,000 |

b. The percentage of employees' compensation amount distributed in form of stock to profits of the parent company and the percentage of that to total employee s' compensation: Not applicable

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

The Company distributed remuneration of directors and supervisors NT$11,669,863 and employees' compensation NT$221,020,000 of year 2017. 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>19th Domestic Secured Corporate Bond</td></tr>
<tr><td colspan="2">Issue date</td><td>December 29, 2016</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$8,500,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>1.07% p.a.</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years<br>Maturity: December 29, 2021</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>Bank of Taiwan<br>Hua Nan Commercial Bank<br>Mega International Commercial Bank Co., Ltd.<br>Chang Hwa Bank<br>Taiwan Cooperation Bank<br>The Shanghai Commercial & Savings Bank, Ltd.</td></tr>
<tr><td colspan="2">Consignee</td><td>Cathay United Bank</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>Capital Securities Corp., etc.</td></tr>
<tr><td colspan="2">Certified lawyer</td><td>Kuo, Hui-Chi<br>(True Honesty International Lawyer Offices)</td></tr>
<tr><td colspan="2">CPA</td><td>Chen, Ya-Ling<br>Wang, Chin-Sun<br>(KPMG)</td></tr>
<tr><td colspan="2">Repayment method</td><td>Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$8,500,000,000</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>

<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<br>(Handsome Attorneys-at-Law)</td></tr>
<tr><td colspan="2">CPA</td><td>Chen, Ya-Ling<br>Wang, Chin-Sun<br>(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$6,548,900,000</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>NT$451,100,000</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>Impact on existing shareholders’ equity is limited if all bonds are converted into common shares at NT$14.60 per share, with a maximum EPS dilution of 9.33%</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 | 2018 | As of Apr 30, 2019 |
| Market price of the convertible bond | Highest | 107.20 | 109.00 | 108.50 |
| | Lowest | 102.55 | 103.00 | 104.65 |
| | Average | 104.23 | 105.67 | 106.09 |
| Convertible price | | NT$15.50 | Due to distribution of cash dividends and stock dividends, the conversion price adjusted from NT$15.50 to NT$ 14.80 since Sep 17, 2018. | Due to the Company issued cash subscription in the end of 2018, the conversion price adjusted from NT$14.80 to NT$ 14.60 since Jan 24, 2019. |
| Issue date and conversion price at issuance | | Issue Date: 2017/10/27<br>Conversion price at issuance: NT$ 15.5/ per 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:**

The Board of Directors resolved to issue cash subscription on Aug 13, 2018. The issuance price is NT$ 13/ per share. 300 million shares are issued with total NT$3.9 billion acquired. The purposed implementation and execution status is as follows:

4.8.1 The purposed implementation:

Unit: NT$ thousands

| | Proposal | Expected Time of Completion | Fund Required | Expected Repaying Schedule | |
|---|---|---|---|---|---|
| | | | | 2019 | |
| | | | | Q1 | Q2 |
| Cash Subscription | Bank Loan Repayment | 2019 Q2 | 3,600,000 | 2,256,669 | 1,343,331 |
| | Enrichment Working Capital | 2019 Q1 | 300,000 | 300,000 | - |
| | Total | | 3,900,000 | 2,556,669 | 1,343,331 |

4.8.2 The execution status is as follows:

Unit: NT$ thousands

| | Expected Repaying Schedule | Fund Used | | Percentage | |
|---|---|---|---|---|---|
| | | Scheduled | Actual | Scheduled | Actual |
| Cash Subscription | 2019 Q1 | 2,256,669 | 2,234,762(Note) | 62.68% | 62.07% |
| | | 300,000 | 300,000 | 100.00% | 100.00% |
| | 2019 Q2 | 1,343,331 | - | 37.32% | - |

Note: Due to Mar 31, 2019 was bank holiday, the Company repaid bank loan on Apr 1, 2019.

4.8.3 Evaluation

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

Cash Subscription NT$3.9 billion had been completed on January 2019. Until the printing date of annual report, the Company had repaid bank loan and enriched working capital on schedule in 2019 Q1. The actual interest expenses before and after financing plan is as follows.

Units: NT$ thousands

| Year / Item | Before Financing Plan | After Financing Plan |
|---|---|---|
| | 2018 Q4 | 2019 Q1 |
| Interest Expenses | 69,164 | 64,668 |

b. Financial structure Analysis

Units: NT$ thousands

| Item \ Year | | Before Financing Plan | After Financing Plan |
|---|---|---|---|
| | | As of Dec 31, 2018 | As of Mar 31, 2019 |
| Financial Data | Current Assets | 75,996,433 | 83,464,072 |
| | Total Assets | 241,193,903 | 352,869,236 |
| | Current Liabilities | 60,922,876 | 71,693,295 |
| | Total Liabilities | 171,074,168 | 276,859,105 |
| | Operating Revenue | 179,907,332 | 44,312,727 |
| | EPS (NT$) | 1.50 | 0.41 |
| Financial Structure | Debts Ratio | 70.93% | 78.46% |
| Solvency | Current Ratio | 124.74% | 116.42% |
| | Quick Ratio | 114.23% | 108.99% |

Note: The consolidated financial statements as of Dec 31, 2018 has been audited by independent auditors. Until the printing date of annual report, the consolidated financial statements as of Mar 31, 2019 hasn't been reviewed by independent auditors.

The Company conducted cash subscription to pay bank loan. The increase in debt ratio and the decrease in current ratio and quick ratio were due to the first adoption of IFRS 16 in 2019.

# 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 | % |
| 2018 | 99,077,690 | 55% | 27,642,897 | 15% | 53,186,745 | 30% | 179,907,332 | 100% |
| 2017 | 92,437,502 | 57% | 24,841,078 | 15% | 46,283,151 | 28% | 163,561,731 | 100% |

C. The business activities provided by EVA and its 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)To introduce Fare Family (fare product) project to increase flight revenue
To cope with the trend of fare segmentation in the industry, the Company introduced Fare Family (fare product) project that combines fares and services with the design of products that matches its value. The Company establishes fare brands at various levels through product differentiation so as to create product identity, raise the average overall fares, increase the sale of additional services, and increase flight revenue.

(2)To adjust the structure of rewards program and facilitate member adherence
The flexible calculation of Award Miles and Status Miles can adjust the current mileage award structure and combine with the product design of Fare Family, strengthening the use of sales promotion projects and activities, lowering the threshold of upgrading to high-end members, and facilitate member adherence. To generate more revenue, implementing the differentiation of upper-card type member benefits to attract members to purchase high fare tickets.

(3)To upgrade relevant equipment of 787 aircraft cabin seats and entertainment systems to enhance service quality.

Royal Laurel Class
With the cross-industry collaboration with BMW Designworks, we have extended the comfort of luxury car from the land to the air by increasing the seat width to 23 inches but retaining the flatbed design. Adopting the brand new Panasonic eX3 inflight entertainment system with 18 inches Full HD touch screen, and integrating power outlet and remote controller with control panel, making the adjustment of seat angle rapid and easy. In addition, we also have more storage spaces and user-friendly designs such as the brand-new designed large size single plate dining table, the partitions that can be stored, and aisle indicator lights.

Economy Class
To collaborate with Recaro, the renowned seat manufacturer in Germany on the design of thin seat, the seat pitch increases by 10% to 12.6 inches, which allows the back of the seat to lean back for 6 inches, and the upward and downward shifting range of headrest reaches 6 inches. Except for seats in the first row, we provide at least two power outlets for each rows. The 787s adopt Panasonic eX3 inflight entertainment system with 12 inches touch screen.

(4)Digital Service Platform developed by Star Alliance
Passengers may enjoy consistent services while flying with different airlines. The Company will collaborate with the Platform and launch the function of seat selection over different airlines. Passengers who purchase interline tickets of Star Alliance partners from the official website of the Company or the App will be able to select seats simultaneously. Other functions will also be available afterwards.

(5)To invite well-known chefs design inflight meals and desserts and provide a new dining feast for the Royal Laurel Class

To upgrade the quality of inflight dining, starting from January 2019, certain routes are provided with the Hundred Year Tan's Banquet designed by the master chef, Huang Qing-Biao, and creative desserts customized by Andrea Bonaffini who has won the Italian dessert championship.

(6)To offer boutique level supplies, new amenity kits made by famous brands, and the launch multi-functional sleep pajama co-branded with international renowned designers

- To collaborate with Salvatore Ferragamo, the well-known Italian brand and launch jointly the new soft amenity kits.
- To offer the new color of ruby red for RIMOWA amenity kits. Continuously collaborate with Clarins, the top French brand, in providing classic skin care set.
- To collaborate with Jason Wu, the internationally renowned New York fashion designer on sleep pajama.

(7)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 covering main markets with import and export demands of temperature-controlled products in 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. In 2018, the quantity of active temperature controlled container canvassed by the Company reached record high of 300 containers. Cold-chain temperature-controlled product is a potential market. EVA Air will continue to promote cold-chain sales and participate in ITAT's Center of Excellence of Independent Validators (CEIV) – 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

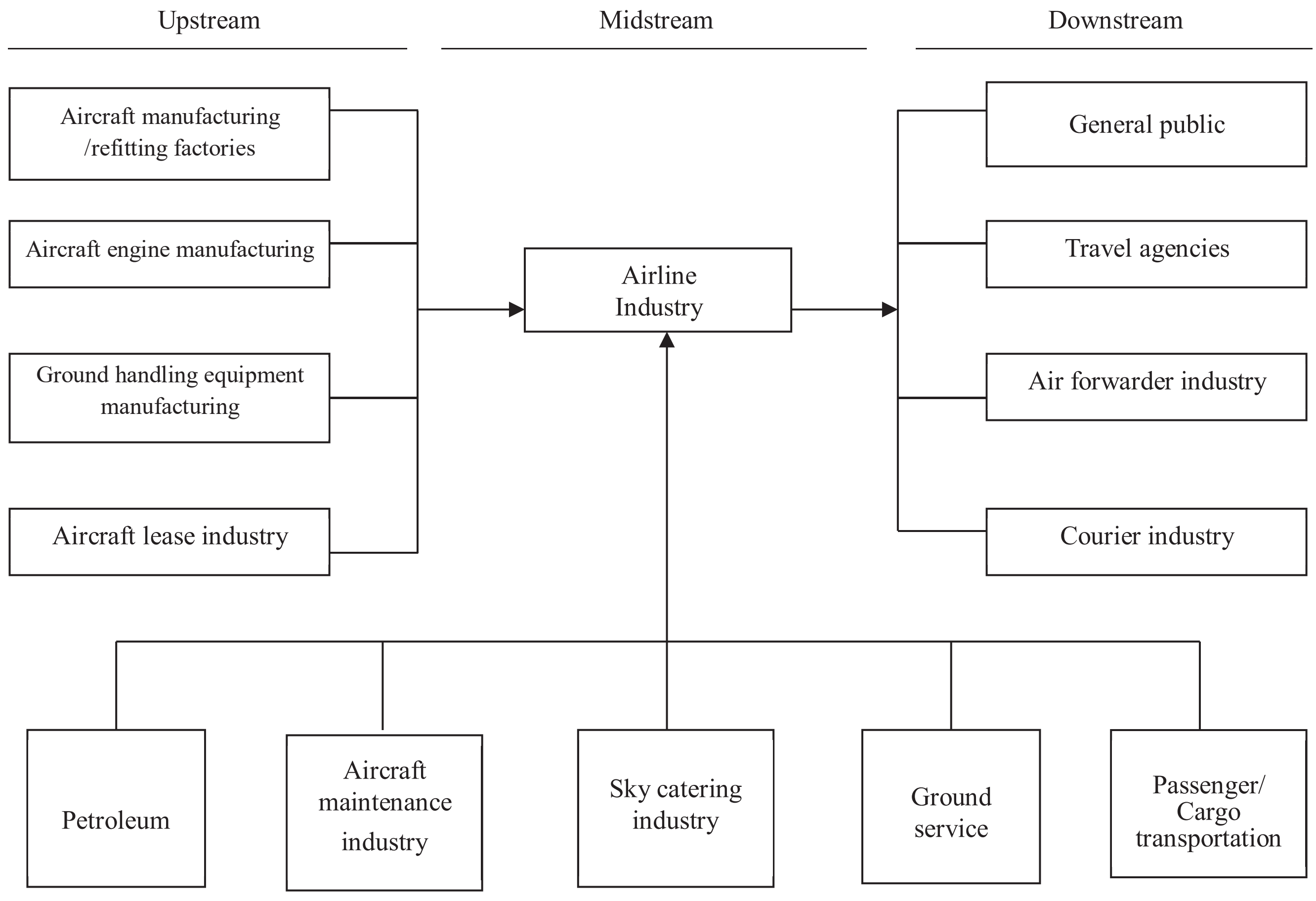
According to the forecast of the International Air Transport Association (IATA), the revenue passenger kilometers (RPK) will grow 6% in 2019, from 4.3 billion passengers in 2018 to 4.6 billion passengers in 2019. The available seat kilometers (ASK) is expecting to increase 5.8%. The increase in passenger demand continues to excess the capacity, which provide strong supporting evidence for the strong performance of passenger transport. The main momentum comes from Asia Pacific, Latin America and Middle East.
Compared to the impact on the rising costs of fuel, labor etc. in 2018, the optimistic estimation for 2019 mainly comes from the lower oil price, the continuous growth of market demand, and the constant improvement of operational efficiency. The net profit of the global aviation industry in 2019 is estimated to reach US$ 35.5 billion,

slightly higher than the amount US$ 32.3 billion in 2018. It will also be the tenth consecutive profit years for the aviation industry.

According to IATA's forecast, the cargo demand in 2019 will grow by approximately 3.7% due to the impact of tariffs and trade protectionism. The demand will be facing the influence of slowdown of global economic activities, the shrinking export orders of main exported countries, the shortening delivery time of suppliers from Asia and Europe, etc. Nevertheless, air cargo remains growing because of moderate cost increase. The estimated cargo revenue is US$ 116.1 billion, higher than US$ 109.8 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 20 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 | Czech Airlines |
| Avianca | Qatar Airways | Delta Air Lines |
| Avianca Brazil | Royal Jordanian | Garuda Indonesia |
| Brussels Airlines | S7 Airlines | Kenya Airways |
| Copa Airlines | SriLankan Airlines | KLM Royal Dutch Airlines |
| Croatia Airlines | | Korean Air |
| EGYPTAIR | | Middle East Airlines |
| Ethiopian Airlines | | Saudia |
| EVA Air | | TAROM |
| LOT Polish Airlines | | Vietnam Airlines |
| Lufthansa | | XiamenAir |
| Scandinavian Airlines | | |
| Shenzhen Airlines | | |
| Singapore Airlines | | |
| South African Airways | | |
| SWISS | | |
| TAP Air Portugal | | |
| THAI Airways | | |
| Turkish Airlines | | |
| United Airlines | | |

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 tend to 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 in recent years, 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. On the contrary, the demand on freighters decreased. New order or delivery on freighters is to replace the aging aircraft. We will continue to adjust the passenger and freighter flees, including the high performance 777 freighters and 787 passenger aircraft as well as the enhancement of the sales of passenger belly hold in order to optimize the fleet operation synergy.

D. Product competition situation

According to statistics of CAA, the Company is on the top of the list among international airlines by passenger loading factor and gradually increasing the market share. Please refer to the Statistics of Passenger and Cargo Volume of International Airlines in Taiwan.

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

| Name of Airline | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Passenger Operation | | | | Cargo Operation | |
| | Number of Flights | Seat Capacity | Passenger Capacity | PLF (%) | Tons of Cargo | Percentage (%) |
| China Airlines | 61,571 | 17,068,272 | 13,760,385 | 80.6 | 932,120 | 69.5 |
| EVA Air | 56,787 | 14,961,770 | 12,567,686 | 84.0 | 590,157 | 83.5 |
| Tigerair Taiwan | 17,403 | 3,126,574 | 2,565,819 | 82.1 | 1,160 | 78.1 |
| Mandarin Airlines | 10,022 | 1,676,078 | 1,326,234 | 79.1 | 17,029 | 25.6 |
| UNI Air | 5,179 | 1,052,518 | 863,192 | 82.0 | 12,548 | 50.1 |
| Far Eastern Air | 1,905 | 314,325 | 226,246 | 72.0 | 26 | 20.9 |
| Other Foreign Carriers | 139,547 | 31,886,005 | 25,481,645 | 79.9 | 861,935 | N/A |
| Total | 292,414 | 70,085,542 | 56,791,207 | 81.0 | 2,414,975 | N/A |

Note: Passenger operation data source: Monthly Digest of Statistics, December 2018, 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$79.6 million on the development of following research product.

| Research Product | Explanation |
|---|---|
| Optimize the functions of mobile sales | Aiming to establish strong brand presence and optimize user experiences, several development projects were completed in 2018. These included Fare Family products, new Ancillary Services, new mobile payment methods, and Multilanguage for mobile APPs. In addition, a new Cash & Miles feature was built for Infinity Mileagelands members and it allows more friendly mileage redemption. |
| Member Miles Accumulation and Upgrade Redeem System Development Project | The Company has completed Loyalty Program Miles Accumulation and Upgrade Redeem Engine project. After the system architecture reengineering, members can accumulate miles and redeem upgrade seats on the base of more conditions, such as member Card Tier or other parameters. Loyalty Program becomes more flexible and convenient and differentiated customer services are provided. |
| In-Flight Service System Development | With iPad, chief pursers now can reach comprehensive passenger information and flight notices in advance. This helps chief pursers to prepare for the passengers who need special assistances. In-Flight Service System can not only improve the efficiency of services in cabin but also provide our passengers better travel experiences. |
| Customer Experience Management Project | Customer Experience Management is a system that built up single view for all aspects of our customers. This project uses technologies to identify and analyze customer data. These information is now available to provide better services across whole passenger journey. |

| Research Product | Explanation |
|---|---|
| New Bonded Warehouse Logistics System Development Project | The new bonded warehouse equipped with an automatic logistics center is now available since July 2018. The warehouse was constructed to increase the turnover rate and maximize the inventory management performance of the cabin service material.<br>Three sets including large, medium and small automatic storage facilities (ASF) were introduced to replace more manual works.<br>The new logistics system platform is designed according to the on-site workflow. Human-centered design is the approach to the on-site operation process. |
| Finance System Re-engineering | In order to optimize the business flow and increase efficiency, the finance system was re-engineered in 2018. Information security is one of the major purposes to implement the new infrastructure. The re-engineered system includes a sophisticated platform and come with more efficient report systems. This project also achieves transaction automation between the Company and correspondent third parties. |
| New computer assets management system implementation | The Company has implemented a new IT Asset Management System to manage thousands of computers globally. This system can help IT engineers manage hardware and software via single platform. It also helps simplify and monitor IT devices more efficiently and effectively from infringement. |
| Evolving cyber defense against trending cyber attacks | In order to cope with complex and volatile security threats, the Company had built up enterprise cyber-security solutions that protect organization from advanced threats and attacks. The Company will keep improving robust protection and resilience framework to ensure adequate business continuity. |

**B. Future Research Plan**

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

| Research Product | Explanation | Estimated Completion Time |
|---|---|---|
| Artificial Intelligence Chatbot Service | The Company plans to offer diversified customer service channels by launching AI-powered conversational Chatbot and live person chat service to interact with our passengers by text message. Chatbot will leverage powerful AI backend and integrates with all service channels to interact with passengers swiftly and it will certainly enhance customer experience by seamlessly integrating conversations between Chatbot and human agents. | Jul, 2019 50% Completion |
| 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 has kicked off a project to re-engineer 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 20% Completion |
| Air-cargo Pricing Management System Project | The new-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. | Jul, 2019 85% Completion |
| Cargo Website Re-Engineering Project | In light of the diversity requirement in each micro-moment and mobility trends has become the cornerstone to the modern freight forwarders, the Company will initiate a project to re-engineer our Cargo website. By researching on user experience and security design with site traffic statistics and analytics, we will be able to provide forwarders with instant and convenient digital services at all stages of the shipment. | Jun, 2020 10% Completion |

| Research Product | Explanation | Estimated Completion Time |
|---|---|---|
| Development of New Revenue Accounting System | EVA Revenue Accounting (RA) System which is running on mainframe-based legacy platform, serves for Passenger, Cargo and Mail revenue accounting nearly 3 decades. Now the Company is developing next generation of 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 TCO reduction and agile software development since these are among the targets of this project. | Dec 2019<br>80%<br>Completion |
| Intelligent Logistics for New Bonded Warehouse | The IoT technology has matured tremendously in the past decade with extensive implementations in logistics industry, the Company plans to introduce the smart logistics in the new bonded warehouse. By introducing wearable devices and electronic tags, and integrate various information in real time through cloud computing and image recognition technology to enhance the loading efficiency of commissary supplies and optimize the allocation of storage space. | Oct, 2019<br>45%<br>Completion |
| Revamp of Data Center Network Architecture | To meet the increasing bandwidth demand growth and network performance very crucial to airline daily operations, the Company will restructure and enhance its data center network architecture in 2019. This project aims at providing neat cabling, improving network service stability and disaster recovery reliability. Centralized management and high- scalability will be the deliverable and serve all information systems with higher availability and security standards. | Jul, 2020<br>5%<br>Completion |
| Implementing Next-Generation Wireless Network Management Platform | To enhance user experience of wireless accessing service for both internal and external users, the Company will implement a new wireless network management platform and redesign its architecture. The new platform will integrate the maintenance work of wireless networking software and hardware, and furthermore it provide features to harden wireless access security. With this project, the Company would achieve its strategic that intent on wireless access service stability and management concentration. | Sep, 2019<br>15%<br>Completion |

| Research Product | Explanation | Estimated Completion Time |
| --- | --- | --- |
| Enhancing Cyber Security and Cyber Defense | In 2019, the Company will focus on developing risk-based strategy to cope with emerging global cyber threats. Several initiatives have been kicked off to achieve these main targets which are Proactive Defense, Precise Detection, Efficient Incident Response, and Sustainable Continuous Improvement. The synergy of these pillars would benefit the Company to maintain a high standard of cyber security. | Dec, 2019 30% Completion |

(2) Key Reasons for Successful Research In The Future:

A. Fully support of management team
B. Strictly execute research projects management
C. Well control project budgets
D. Control and verify new technology
E. Great support from in charge departments
F. Fully understand of research projects

**5.1.4 Long-term and Short-term Business Development Plan**

A. Short-term plan

(1) Expand the Available Seat Kilometer of regional routes and strengthen the hub-and-spoke effect

Upgrading aircraft type for first-tier cities (Tokyo, Osaka) in Northeast Asia, adding frequencies to Okinawa and Sendai, and inaugurate new routes to Nagoya, Aomori and Matsuyama to intensify flight network to Japan and increase market competitiveness. Adding frequencies to Southeast Asia cities Hanoi, Phnom Penh, Chiang Mai and Cebu, and upgrading aircraft type to grab more market share for transit passengers.

(2) Optimize fleet rotation and revenue

787 new generation aircraft operate heavy traffic and medium- as well as long-haul routes to increase product competitiveness. Decrease long-haul flights to Europe and America in low season and adjust seats to regional routes and seasonal charter flights to increase revenue.

(3) Enhance e-commerce application in response to the trend of digital development

Conduct the revision project of official website to strengthen the cross-platform ability of the website. Re-design the function of website and update the visual design to optimize users' experience. Continuously deepen the operation of social media platform and strengthen the brand of the Company to increase the exposure of product information. Through the analysis of data collected from customers experience management, carry out precision marketing for target customer groups and explore potential customers.

(4) Adjust the structure of member rewards program and strengthen member service management

Separate Award Miles from Status Miles to make member marketing plan more flexible. Increase the chance of upgrading to high-end customers and improve the contribution of potential customers. Give bonus Award Miles to members of upper card statuses to expand the difference in card member benefits. Establish different mileage deduction standards according to different fare types to increase the willingness of purchasing higher fare tickets.

(5) Make active marketing plan and increase target revenue

Introduce Fare Family project and differentiate fare products to meet the demand for various customers and increase flight revenue. Add additional service items to increase revenue.

(6) Improve products and innovate services

Upgrade 787 cabin seats and relevant equipment such as entertainment system to further improve service quality. Invite well-known chefs to design meals and desserts, and provide new inflight drinks. Plan for boutique level supplies, new amenity kits created by famous brands, and the launch of multi-functional pajama co-branded with international renowned designers.

(7) 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 operation routes, frequency and aircraft types, fully utilizing cargo capacity to enhance the overall operating results.

B. Long-term plan

(1) Adjust fleet size properly

In response to the business growth and market demand, the Company continues to expand its fleet size and business territory. In addition to the completion of fleet establishment, which consists of thirty-three 777-300ERs, two 787-9s, nine A330-300s, twenty-four A321-200s and two ATRs. The Company will continue to introduce two 787-9s and four 787-10s in 2019 to provide travelers with safer and more comfortable flying experience.

Furthermore, in response to cargo demand and for the improvement of the operational efficiency of freighter fleet, the last 747-400F freighter is planned to be phased out in the first half of 2019. Five 777 fuel-efficient freighters will also be in place.

(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 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 devote in upgrading the cabin software and hardware facilities to actively strengthen 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:

| Item / Region | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | No. of Passenger | RPK (Million) | Revenue (NT$ Million) | No. of Passenger | RPK (Million) | Revenue (NT$ Million) |
| America | 2,154,801 | 23,783 | 35,853 | 2,267,781 | 25,075 | 39,222 |
| Europe | 797,710 | 6,199 | 9,930 | 898,731 | 7,130 | 11,580 |
| Asia | 9,078,549 | 15,197 | 45,676 | 9,282,659 | 15,537 | 47,361 |
| Oceania | 97,999 | 662 | 979 | 92,706 | 626 | 915 |
| Total | 12,129,059 | 45,841 | 92,438 | 12,541,877 | 48,368 | 99,078 |

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

Cargo Operations:

| Item / Region | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cargo Carried (Tons) | FTK (Million) | Revenue (NT$ Million) | Cargo Carried (Tons) | FTK (Million) | Revenue (NT$ Million) |
| America | 223,413 | 2,581 | 16,048 | 217,509 | 2,496 | 17,307 |
| Europe | 42,294 | 442 | 2,530 | 48,720 | 504 | 3,132 |
| Asia | 373,577 | 647 | 6,171 | 379,827 | 645 | 7,114 |
| Oceania | 3,425 | 23 | 92 | 3,128 | 21 | 90 |
| Total | 642,709 | 3,693 | 24,841 | 649,184 | 3,666 | 27,643 |

Note: FTK (Freight Tonne 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 / Year | | 2017 | 2018 |
|---|---|---|---|
| Number of Flights | EVA Air | 56,619 | 56,787 |
| | Taiwan | 276,564 | 292,414 |
| | Market Share (%) | 20.47 | 19.42 |
| Number of Passengers | EVA Air | 12,124,140 | 12,567,686 |
| | Taiwan | 54,432,936 | 56,791,207 |
| | Market Share (%) | 22.27 | 22.13 |
| Tons of Cargo | EVA Air | 585,627 | 590,157 |
| | Taiwan | 2,368,575 | 2,414,975 |
| | Market Share (%) | 24.72 | 24.44 |

Data Source: Monthly Digest of Statistics, December 2018, CAA.

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

Unit: %

| Year / Airline | 2017 | | 2018 | |
|---|---|---|---|---|
| | Passenger | Cargo | Passenger | Cargo |
| China Airlines | 25.09 | 38.03 | 24.23 | 38.60 |
| EVA Airways | 22.27 | 24.72 | 22.13 | 24.44 |
| Mandarin Airlines | 2.51 | 0.76 | 2.34 | 0.71 |
| Tigerair Taiwan | 3.93 | 0.05 | 4.52 | 0.05 |
| UNI Airways | 1.52 | 0.46 | 1.52 | 0.52 |
| Far Eastern Air | 0.33 | 0.00 | 0.40 | 0.00 |

Data Source: Monthly Digest of Statistics, December 2018, 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 economy and trade activities among Asia Pacific, Europe and the United States. It is beneficial to the strategy development of the Company toward the hub-and-spoke network expansion. The analysis of the future growth of the main operating routes is as follows:

(1) Passenger routes

■ American Routes

EVA Air has 85 passenger direct flights flying 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, 10 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. Code sharing with United Airlines, Avianca Airlines, Copa Airlines and Air Canada will be continued 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 code-share cooperation with Thai Airways, providing Taiwanese passengers with convenient flight services to Europe, and actively strives for other destinations with marketability.

■ Australian Routes

The Company has 5 passenger flights to Brisbane per week in peak seasons and 4 passenger flights per week in off seasons, and has code-share cooperation with Air New Zealand to develop the transit passengers between Australia and Northeast Asia.

■ Asian Routes

The Company has 11 destinations and 135 flights to Southeast Asia weekly, and 14 destinations and 177 flights to Northeast Asia weekly, and 18 destinations and 179 flights to China, Hong Kong and Macao weekly. To coordinate with the Government new southbound preferential policies and the two-way tourism boom of Taiwan-Japan and Taiwan-South Korea, as the Company opens new scheduled flight to Nagoya, Aomori and Matsuyama.

On the other hand, the Company increase frequencies or upgrade aircraft type to Tokyo, Osaka, Okinawa, Sandi, Hanoi, Phnom Penh, Chiang Mai and Cebu 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, accounting more than 60%. The Company offers 13 freighters flights per week to 4 destinations in Los Angeles, Chicago, Dallas and Atlanta in the United States while offering wide-bodied passenger aircraft belly hold over 80 flights per week to 8 destinations in Los Angeles, San Francisco, Seattle, New York, Houston, Chicago, Vancouver and Toronto. The Company provides sufficient capacity to and from North America. The AFTK between Asia and North America increases by 0.7% in 2019.

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. "Flight Safety" is our promise to customers and the most important target and responsibility for our staff to accomplish. 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, in the list of the world's top 20 safest airlines of 2018 released last year by the most iconic airlines rating website, AirlineRatings.com, EVA Air scored 7 stars full mark.

As EVA Air has been making constant effort and investment to maintain the safety of flight, its safety performance has been recognized once and again in the industry at home and abroad. EVA Air's commitment to flight safety never change, and will set higher standards for itself in order to provide its passengers with peaceful and comfortable flight services.

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

EVA Air has served destinations 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 intensive schedule by new fleet. It also creates more business opportunities for the market.

(3) The new generation of a brand new fleet

The new generation of the main aircraft model - 787 Dreamliner of EVA Air has been delivered in the second half of 2018. The new aircraft has immediately deployed to Japan and Hong Kong routes. With more 787 come into service, part of European and Australian routes will serve by the new aircraft type. 787 passenger planes adopt the world's top aerospace science and technology, and are equipped with the latest generation of GEnx engines. 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. Thus, the operating efficiency is improved effectively. The brand new cabin design also greatly improves the comfort of passengers.

E. Favorable & unfavorable factors in prospects and the countermeasures

■ Favorable Factors

(1) In the annual press conference of IATA held in Geneva in December 2018, it indicated that passenger traffic expects to have strong growth momentum for 2019, and the growth rate of global RPK is expected to reach 6%, better than the average of the past 20 years.
(2) Fuel prices drops that reduce the pressure of operating costs.
(3) Characterized by advantageous geographical location, Taiwan is one of the important air transshipment hubs in the Trans-Pacific.
(4) 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 and the number of passengers.
(5) The rise of the Otaku economy promotes the booming development of online shopping and e-commerce economy, 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) There is greater risk in terms of global economic outlook. The unfavorable factors include the increasingly fierce US-China trade war and the Brexit uncertainty will affect the global economic activities.
(2) The slowdown of China economy is accelerating, which has dragged down the global economic development.
(3) The uncertainty of fuel price fluctuations and the rising of airport-related expenses increase the operating costs of the airline industry.

(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 the development of airline industry, posing risk to the growth of the aviation industry.
(5) Airlines continue to expand their fleets, and budget airlines seize the passenger market by low fare, which continuously influences the competition situation and the balance between supply and demand of passenger and cargo market.
(6) The multiple labor unions fight for rights and interests. It is not easy for the employees and employers to reach consensus. The strike threats still exist.

■ Countermeasures
(1) To strengthen the cooperation with alliance airlines and sharing resources, expanding flight network, increasing seat capacity and competitiveness, and expanding global flight network.
(2) Introducing Fare Family project to meet the demand of various customers with differentiated fare products, increasing flight revenue, and securing high-yield passengers.
(3) Flexibly adjust flights and types according to market demand, and continually adjust the frequencies during the off and peak seasons to maximize the efficiency of aircraft use.
(4) Adding additional service items to generate more revenue.
(5) Strengthen advertising and expand sports marketing to enhance the Company's brand image and product awareness.
(6) Continuously improve software and hardware quality in cabin service to increase passengers' flying experiences.
(7) Improve load factor of Business class and Premium Economy Class to increase the ratio of high yield passengers.
(8) Grab more airmail bag and high-yield goods such as cold chain, medical and biotech products to secure higher revenue.
(9) Continue to communicate with the unions to resolve labor-management disputes and create a win-win situation for both employees and employers.

### 5.2.2 Production Procedures of Main Products

1. Major products and their main uses

| Major Products | Main Uses |
|---|---|
| Passenger Services | International Air Transport, 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 Group mainly focus on air transport related industries. Therefore, there is no major production process.

### 5.2.3 Supply Status of Main Materials

The Group mainly focus on air transportation service and maintenance of airframe, engine and aircraft parts. Aviation fuel is the main material for operation. We not only sign fuel contracts with world-renowned fuel suppliers to insure steady fuel supply, but also adopt appropriate hedging strategies corresponding to fuel price trend. Our maintenance business mainly includes materials required 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 | 2017 | | | 2018 | | | 2019 (As of March 31) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Company Name | Amount | (%) | Company Name | Amount | (%) | Company Name | Amount | (%) |
| 1 | Formosa Petrochemical Corp. | 9,162,545 | 6.44 | Formosa Petrochemical Corp. | 11,082,833 | 7.02 | Formosa Petrochemical Corp. | 2,305,550 | 6.18 |
| 2 | CPC Corp. | 6,407,858 | 4.50 | CPC Corp. | 8,268,391 | 5.24 | CPC Corp. | 1,793,135 | 4.81 |
| | Others | 126,797,400 | 89.06 | Others | 138,438,418 | 87.74 | Others | 33,211,139 | 89.01 |
| | Net Total | 142,367,803 | 100.00 | Net Total | 157,789,642 | 100.00 | Net Total | 37,309,824 | 100.00 |

Analysis of deviation：Fuel is the Company’s primary operating costs. Among our fuel suppliers, Formosa Petrochemical Corp. and CPC Corp. are main domestic suppliers. Fuel costs as a percentage of total operating costs increased owning to the rise of fuel price in 2018. As a whole, our procurement have remained stable.

### 5.2.5 Production in the Last Two Years

| Year / Capacity and Traffic | 2017 | 2018 | Change rate |
|---|---|---|---|
| Available Seat Kilometers (ASK) | 58,570,452 | 59,835,564 | 2.16% |
| Revenue Passenger Kilometers (RPK) | 45,841,059 | 48,368,418 | 5.51% |
| Passenger Load Factor (%) | 78.27% | 80.84% | 2.57pp |
| Available Freight Tonne Kilometers (AFTK) | 4,199,948 | 4,392,437 | 4.58% |
| Freight Tonne Kilometers (FTK) | 3,693,435 | 3,666,262 | -0.74% |
| Cargo Load Factor (%) | 87.94% | 83.47% | -4.47pp |
| Available Tonne Kilometers (ATK) | 9,471,289 | 9,777,638 | 3.23% |
| Revenue Tonne Kilometers (RTK) | 7,819,130 | 8,019,420 | 2.56% |
| Overall Load Factor (%) | 82.56% | 82.02% | -0.54pp |

### 5.2.6 Sales in the Last Two Years

Unit: NT$ thousands

| Year / Sales | 2017 | | 2018 | |
|---|---|---|---|---|
| | Quantity | Amount | Quantity | Amount |
| Passenger | 12,129,059 | 92,437,502 | 12,541,877 | 99,077,690 |
| Cargo(Tons) | 642,709 | 24,841,078 | 649,184 | 27,642,897 |
| Others | - | 46,283,151 | - | 53,186,745 |
| Total | - | 163,561,731 | - | 179,907,332 |

### 5.3 Human Resources

| Year | | 2017 | 2018 | As of APR 30, 2019 |
|---|---|---|---|---|
| Number of Employees | Pilot | 1,405 | 1,465 | 1,465 |
| | Crew | 4,617 | 4,389 | 4,306 |
| | Others | 12,914 | 13,407 | 13,461 |
| | Total | 18,936 | 19,261 | 19,232 |
| Average Age | | 34.9 | 35.4 | 33.7 |
| Average Years of Service | | 8.8 | 8.9 | 8.9 |
| Education % | Ph.D. | 0.1 | 0.1 | 0.1 |
| | Masters | 4.8 | 4.8 | 4.7 |
| | Bachelor's Degree | 78.7 | 79.2 | 79.3 |
| | Senior High School | 13.6 | 13.3 | 13.4 |
| | Below Senior High School | 2.8 | 2.6 | 2.5 |

### 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 Countermeasures and Improvements

1. Strengthen the energy management, restrain the load of electricity and use of fuel to reduce CO2 emission.
2. Continually build improving management mechanism and good working environment.

(1) The waste produced from building is stored as required by law into recycling, reusable waste, and industrial waste and collected by Environment Protection Administration (EPA) approved recyclers or waste companies. The relevant department periodically follow and audit to make sure the final procedure is legitimate.

(2) The Company introduces TOSHMS and ISO 45001 and sets up standards which are stricter than relevant laws. By rigorous conditions of working environment detection and training, the Company can build up an excellent and safe working environment which meets the demand of organizations and employees.

(3) The consolidated subsidiary Evergreen Aviation Technologies Corp. (EGAT) commits to provide a safe, healthy and environmental-friendly working environment for employees. All employees, top executives as well as grassroots staffs, have taken aggressive action in the environment protection during daily maintenance operations. EGAT will continue to reduce water consumption and all energy resources and properly control in the disposal and recycle of waste materials, in order to keep the promise of a safe, healthy working environment.

(4) The new building of the consolidated subsidiary Evergreen Airline Services Corp. (EGAS) is equipped with sewage disposal facilities in order to comply with the sewage emission standards regulated by Environment Protection Administration (EPA) and spare no effort to protect the environment.

(5) The consolidated subsidiary Evergreen Sky Catering Corp.(EGSC)

- EGSC has established Wastewater Treatment System and rinsing machines in Unit II facility to comply with the Water Pollution Control Act and Air Pollution Control Act regulated by EPA , so as to carry out our obligation in environment protection.
- The establishment of Water Chiller Unit with constant frequency control can automatically adjust the load, improve the air conditioning efficiency, achieve energy conservation, and use environmental refrigerant to reduce the impact on the environment.
- The usage of Liquefied Natural Gas (LNG) in steam boiler installations can reduce nitrogen oxide emissions and depletion of ozone layer.
- In response to the government's green energy policy, EGSC installed "Solar Power Generation System" on the top floor of the Unit I facility. The total power generation in the year of 2018 was 339,272 degrees, achieved 129.5% comparing with the target of 262,064 degrees.

3. Airport Noise Management

In compliance with the airport noise abatement regulations and silent living environment policy, ICAO and FAA FAR promulgates strict noise standard for all new aircraft models. The noise level of all EVA fleets has complied with basic standard: Chart 3 by ICAO Annex 16, Volume I and Stage 3 by 14 CFR part 36, Appendix B. Contemporary aircrafts boast more silent takeoff and landing performance through optimized airframe and engine system designs. Actually, most of EVA fleets like 787-9, 777-300ER/F, A330-200/300, A321-200 have got higher noise standards of Chapter 4 by ICAO Annex 16 and Stage 4 by 14 CFR part 36, Appendix B. EVA complies with designated airport noise abatement procedures for flight operations to let the noise impact on surroundings reduce to minimum and achieve the goal of silent residence.

4. Decrease of Greenhouse Gas and Prevention of Air Pollution

EVA air persistently conduct aircraft modernization plan with the 26 sets of airplanes contract, signed with Boeing in 2015, that include 24 brand new wide-body planes—Boeing 787, the Dreamliner. It is composed of light weighting carbon fiber composite in large proportion, more than 50% of entire aircraft material. Its devises of illumination are replaced by LEDs, half less electricity consumption that of fluorescent tubes. The GEnx engine, made by GE is the latest type, for the purpose to reduce fuel consumption and GHG emission by 20% of that of the previous one. With the latest eco-friendly and energy-saving technologies to diminish the environmental damage from aviation, our aircraft replacement, since 2018 quarter 4, will continue.

In 2015, EVA AIR formed the "Sustainable Environment Promotion Sub-Committee", which is EVA Air's highest decision-making supervisory unit for corporate sustainability and environment management policy. The Sub-committee is responsible for planning environment and energy management guidelines and policies from the aspect of four task groups: fuel conservation, environment, energy, carbon rights, promoting action plans and fuel saving procedures to mitigate the Greenhouse Gas (GHG) emissions and noise pollutions.

EVA Air has taken the initiative to carry out the self-inspection of greenhouse gas since 2011 for controlling emissions. In order to understand the worldwide condition and trend of greenhouse gas emission, and react in advance, from 2016, we have conducted the self-inspection of greenhouse gas emissions, the main scopes of quantification objects are aviation fuel, vehicle gasoline and diesel fuels, and energy used by buildings, in accordance to ISO 14064-1 international standards for greenhouse gas with the validation of third-party validation organizations.

Besides, in accordance with the European Union Emission Trading Scheme (EU ETS), EVA Air continuously monitors aircraft greenhouse gas emissions, submits annual emission report to EU and declares carbon emissions after approval.

In 2018, EVA Air has formulated and submitted Emission Monitoring Report (EMP) to CAA in line with International Civil Aviation Organization (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). As of 2019, Airline is required to monitor fuel consumption based on methodology reported in EMP to set off $CO_2e$ emission baseline, for the purpose of future international carbon offsetting and mitigation.

5. Introduce ISO 14001 Environmental Management System and ISO 50001 Energy Management System

   In 2016, EVA AIR has promoted and obtained certification to the ISO 14001 Environmental Management System and ISO 50001 Energy Management System, and was certificated again in 2018 to ensure the effectiveness of the Company's environment and energy management guidelines and policies, and cope with domestic and international regulations. We continuously promote environmental protection action and plan through both of systematic administration concept and organized operation toward becoming a green enterprise. In 2019, EVA AIR will introduce Intelligent Energy Management System to effectively control central air conditioning system, as well as introduce a new freight elevator equipped with Power Regeneration System in First Training Building to replace current freight elevator, for further saving energy consumption.

5.4.3 Restriction of Hazardous Substances (RoHS) information:

The Company is air transportation industry, which is not regulated by RoHS regulations.

5.4.4 The Expenditure on Environmental Protection of Year 2018 and 2019

Unit: NT$ thousands

| Item / Year | 2018 | 2019 (Estimated) |
|---|---|---|
| Cleaning fee of litter | 61,477 | 66,443 |
| Aircraft noise prevention charge | 150,068 | 155,320 |
| EU carbon emissions fee | 120 | 153 |
| Expenses for development the environmental and energy management system program | 822 | 7,572 |
| Disposal fee of polluted water | 10,828 | 15,028 |
| Pollution prevention facility | 129,547 | 169,516 |

## 5.5 Labor Relations

5.5.1 Employee benefits, implementation status of further education, training, and retirement system, labor-management negotiation, and protection of various employees' rights.

1. Employee Benefits

(1) The Employee Welfare Committee of EVA Air was established on October 30, 1997. The Company and employees, with a registration certificate No. 225031 issued by the Taoyuan City Government, set aside welfare funds to handle and process the following welfare businesses pursuant to the Employee Welfare Fund Act:

(A) Marriage subsidy

(B) Funeral subsidy

(C) Injury and sickness consolation cash benefit

(D) Festival vouchers or gifts

(E) Free language courses subsidies

(F) Recreation and fitness facilities

(G) Funds and subsidies for each department to hold cultural and recreational activities

(2) The Company provides lunch and overtime meal allowance for all employees, in addition, breakfast and evening meal allowance for shift personnel.

(3) The Company provides laundry service of uniforms and other accessories.

(4) The Company provides commute buses for all employees as well as transport allowance for shift personnel.

(5) The Company provides wedding cash gift, burial subsidies, injury or sickness benefits, settlement subsidy for international job transfer, and subsidy for domestic job transfer.

(6) The Company gives year-end bonus and employee compensation based on its operation performance every year.

(7) The Company sets up Clinic Div. to provide medical interview and medicine prescription by doctors, in addition, regularly arrange free health check.

(8) The Company covers workers by Labor Insurance, National Health Insurance, group accident insurance, hospitalization and injury medical insurance for those on overseas business trips, and provides group term life insurance preferential premium rate.

(9) The Company offers psychological consultation for employees, and individual services for those in need.

2. Implementation Status of Further Education, Training, and Retirement System

(1) Ground Staff Enhanced Training

Since it was founded, the Company has been continuously endeavored to improve employees' quality, management capability and professional knowledge to create higher business performance. Entire training programs were standardized and passed the 2008 ISO 9001 verification. Ground staff training is divided into three categories: functional training, annual training and international civil aviation organization training.

(A) Functional Training：

Training courses held by each division for request of employees' profession according to its responsibilities includes departmental functional training, management training, and general training to advance soft skill.

(B) Annual Training：

In order to improve employees' professional knowledge, skills, and service attitude so as to provide quality services for passengers, the Company provides professional training for operational characteristics of ground staff, including Reservation & Ticketing Course, Passenger and Cargo Service Course, Load & Balance Course, Baggage Course, and also Dangerous Goods Course.

(C) IATA and Star Alliance Training：

Depending on the requirement for ground staff profession, employees will be assigned to attend relevant training programs organized by IATA (International Aviation Transportation Association) and Star Alliance.

(D) Statistics of Ground Staff Completing Training Course in 2018：

| Number of Trainees | Total Training Hours | Total Training Expenditure (NT$ thousands) |
|---|---|---|
| 32,201 | 136,177 | 19,100 |

(2)Cabin Crew Training

For the cabin crew, EVA provides the following trainings, and the 2018 training performance statistics are as follows:

| Courses | Completed Counts | Training Hours (per person) |
|---|---|---|
| Recurrent Training | 4,450 | 24 |
| 777 Transition Training | 88 | 24 |
| A330 Transition Training (2018 JAN~FEB) | 108 | 20 |
| A330 Transition Training (2018 MAR~DEC) | 169 | 24 |
| A330 Transition Training (For A321 to A330) | 13 | 32 |
| A321 Transition Training | 201 | 16 |
| 787 Transition Training | 620 | 24 |
| AP Promotion Training (RMQ Base) | 2 | 24 |
| AP Promotion Training (TSA Base) | 3 | 40 |
| CA Enhanced Training | 420 | 48 |
| CA Advanced Training | 140 | 16 |

(3)Flight Crew Training

For the flight crew, EVA provides the following trainings, and the 2018 training performance statistics are as follows:

| Types of Training | Completed Counts | Training Hours(Per Person) |
|---|---|---|
| Initial New Hire | 32 | 217 |
| Transition Training-simulator phase | 192 | 125 |
| On–type Upgrade (SFO to PIC) | 15 | 31 |
| Upgrade (FO to SFO) | 80 | 8 |
| Requalification Training | 31 | 23 |
| Recurrent Simulator training | 2,010 | 6 |
| Annual Ground School | 1,141 | 29 |
| CRM-Joint Emergency Training | 1,141 | 8 |

(4) Retirement System

The Company has established an employee retirement plan, in accordance with the Labor Standards Act and the Labor Pension Act, covering full-time employees in ROC.

(A) Employees who are applicable to the pension regulations of the Labor Standards Act

Labor pension funds appropriated in accordance with the Labor Standards Act are generally coordinated and managed by the Bureau of Labor Funds, Ministry of Labor.

Each employee receives 2 bases for each full service year from year 1 to year 15, and 1 base for each additional year thereafter, subject to a maximum of 45 bases. Payments of retirement benefits are based on the employee's average monthly salary for the last six months before retirement and the number of bases accumulated by the employee according to his/her years of service.

(B) Employees who are applicable to the Labor Pension Act

In accordance with the Labor Pension Act, enacted from July 1, 2005, labor pension appropriated monthly by the Company is 6% of the worker's monthly wages.

3. Protection of Various Employees' Rights：

(1) Continue to reinforce the operation of personnel system：

Attempting to attract and retain talent, and increase their competitiveness, the Company continues to strengthen integration of corporate structure, rationalize the manpower allocation, review personnel system and duty allowances, smooth promotion channels, and nurture international talents.

(2) Keep Labor-Management Communication Unimpeded：

(A)The Company maintains every communication channel well to garner consensus and effectively enhances every employee's cohesiveness, for instance, regularly holding management meeting, department meeting, and interview with employees, conveying the Company's future development, operation strategy and objective, significant information and measures, and innovations so that employees can fully understand operation status and give their feedback and opinions to have good labor-management interactions.

(B) The Company continues to communicate and negotiate with all unions in the hope of establishing good labor-management relations.

5.5.2 Until the printing date of the annual report, the actual or estimated losses caused by labor disputes and the countermeasures is about NT$ 7,600 thousand dollars, which will not have great impact on shareholders' equity and stock prices of the Company.

5.5.3 Codes of Conduct or Ethics for Employees and Protection Measures for Working Environment and Personnel Safety

1. Codes of Conduct or Ethics for Employees

Service principles for employees standardized by the Company's Management Rules.

(1) Comply with the Company's regulations and work procedures, devote to work, and obey managers' orders, commands, and supervision.

(2) Sign in (out) within the prescribed time, unless there is special case stated and approved.

(3) Leave working position only when all document files are put in order after work.

(4) Be scrupulous in separating business from personal matters, discreet in word and deed, honest, and incorruptible. Protect the honor of the Company, get rid of all bad habits, show respect to colleagues and get along well with each other.

(5) Hold firm to own position, decentralize responsibilities, and stay intensive connection with related departments to make concerted efforts in finishing works undertaken for execution of business.

(6) Pay attention to the workplace neatness, aesthetic, and safety at all times.

(7) Be modest and courteous toward customers, must not treat them with frivolousness, arrogance, perfunctoriness or disregard.

(8) Avoid using business phone for personal purposes, and make calls short.

(9) Before bringing out public property, obtain a release pass from a department manager and accept examination of security officer.

The Company has formulated "Codes of Ethical Conduct" and "Ethical Corporate Management Best-Practice Principles". The former standardizes the ways employees carry out their daily actions with ethics, and makes the Company's ethical criterion understood and adhered by all stakeholders. The latter revealed that the Company upholds the business philosophy of honest, transparent and responsible, bases on ethics, and establishes a sound corporate governance system and risk control mechanism so as to create a business environment for sustainable development.

2. Protection Measures for Working Environment and Personnel Safety

(1) Located at office park in Nankan Village and with convenient communications, broad area and elegant environment, the Company provides employees many recreation and fitness facilities such as indoor heated swimming pool, gym, aerobics classroom, table tennis room, and badminton court for recreations or activities with colleagues.

(2) For the sake of employees' safety, the Company implements not only Labor Insurance and National Health Insurance, but also accident and injury insurance, medical insurance and so forth for those on overseas business trips and overseas dispatch.

(3) The Company sets up Clinic Div. to regularly arrange health check, medical consultation and interview, and the rest to ensure employees' health.

(4) The Company sets up Occupational Safety & Health Div. to draw up working regulations about occupational safety and health, convene a meeting of occupational safety and health once a quarter, and investigate and compile statistics of occupational accidents.

(5) The Company executes inspection of fire security and public facilities on a regular time schedule to safeguard environment safety.

(6) The Company organizes occupational safety and health educational training, fire-fighting lectures, and practical training for all new employees.

## 5.6 Important Contracts

### A. Leasing Contracts & Purchasing Contracts

As of APR 30, 2019

| Contract Type | Counterparty | Contract Period | Major Contents | Limited Clause |
|---|---|---|---|---|
| Leasing Contract | 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) | - |
| | WILMINGTON TRUST SP SERVICES (DUBLIN) LIMITED | 2018.11~2027.12 | A330-300 (B-16336) | - |
| | OAS Aviation (UK) Limited | 2018.09~2029.01 | A330-300 (B-16337) | - |
| | Dadu Aviation Leasing Ltd. | 2018.05~2029.03 | 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) | - |
| | Sprite Avation Netherlands No. 1 B.V. | 2018.05~2020.07 | 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) | - |

| Contract Type | Counterparty | Contract Period | Major Contents | Limited Clause |
|---|---|---|---|---|
| Leasing Contract | Jin Shan Ireland Co., Ltd. | 2014.10~2024.03 | A321-200 (B-16208) | - |
| | 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) | - |
| | Einn Volant Aircraft Leasing Ireland 1 Ltd. | 2018.03~2024.10 | 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) | - |
| | ALC B879 72018, LLC | 2018.09~2030.09 | 787-9 (B-17881) | - |
| | ALC B879 102018, LLC | 2018.10~2030.10 | 787-9 (B-17882) | - |
| | ALC B879 22019, LLC | 2019.02~2031.02 | 787-9 (B-17883) | - |
| | Air New Zealand Aircraft Holdings Limited | 2018.08~2019.08 | 777-300ER (B-16717) | - |
| | 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) | - |
| | UNI Airways Corp. | 2016.08~2020.08 | ATR72-600(B-17016) | - |
| | UNI Airways Corp. | 2016.09~2020.08 | ATR72-600(B-17017) | - |

| Contract Type | Counterparty | Contract Period | Major Contents | Limited Clause |
|---|---|---|---|---|
| Leasing Contract | UNI Airways Corp. | 2019.01~2030.09 | 787-9 (B-17881) | - |
| | 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 | - |
| Purchasing Contract | THE BOEING COMPANY | Contract Signing Date 2015.07 | 777-Freighter | - |
| | THE BOEING COMPANY | Contract Signing Date 2015.11 | 787-10 | - |

**B. Loan Contracts**

As of APR 30, 2019

| Company | Contract Type | Institution | Loan period | Type of Loans | Limited Clause |
|---|---|---|---|---|---|
| EVA Airways Corp. | Loan Contracts | Mega International Commercial Bank, etc. Syndicated Loan | 2007.09~2019.09 | Secured Loans (Aircraft Type：777-300ER) | - |
| | | 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 | | - |
| | | Cathay United Bank | 2017.09~2029.09 | | - |
| | | Mega International Commercial Bank | 2017.12~2029.12 | | - |

| Company | Contract Type | Institution | Loan period | Type of Loans | Limited Clause |
|---|---|---|---|---|---|
| EVA Airways Corp. | Loan Contracts | 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) | - |
| | | Bank of Taiwan | 2018.06~2030.06 | | - |
| | | Chang Hwa Commercial Bank | 2018.12~2030.12 | | - |
| | | Taiwan Business Bank | 2019.01~2031.01 | | - |
| | | KGI Bank | 2015.12~2022.12 | Secured Loans Land & Buildings | - |
| | | Bank of Taiwan | 2016.01~2023.01 | | - |
| | | Bank of China | 2016.12~2019.12 | Unsecured Loans | - |
| | | 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 | | - |
| | | KGI Bank | 2018.12~2021.09 | | - |
| | | Yuanta Commercial Bank | 2018.11~2021.11 | | - |
| | | O-Bank | 2016.11~2021.11 | | - |
| | | CTBC Bank | 2018.11~2021.11 | | - |
| | | Land Bank of Taiwan | 2018.01~2022.01 | | - |
| | | The Export-Import Bank of the Republic of China | 2019.03~2022.03 | | - |
| | | Sunny Bank | 2019.03~2022.03 | | - |
| | | 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 | | - |
| | | Far Eastern International Bank | 2018.03~2023.03 | | - |
| | | Bank of Taiwan | 2018.08~2023.08 | | - |
| | | Bank SinoPac | 2018.09~2023.09 | | - |
| | | Bank of Kaohsiung | 2018.11~2023.11 | | - |

| Company | Contract Type | Institution | Loan period | Type of Loans | Limited Clause |
|---|---|---|---|---|---|
| Evergreen Aviation Technologies Corp. | Loan Contracts | Bank of Taiwan | 2005.01~2020.01 | Secured Loans Plant & Facilities | - |
| | | Bank of Taiwan | 2015.10~2020.10 | | - |
| | | Bank of Taiwan | 2015.07~2030.07 | | - |
| | | Taiwan Cooperative Bank | 2016.01~2031.01 | | - |
| | | KGI Bank | 2018.12~2023.12 | | - |
| | | KGI Bank | 2015.06~2020.03 | Secured Loans Equipment | - |
| | | Chang Hwa Bank | 2017.09~2022.09 | Unsecured Loans | - |
| | | Shin Kong Bank | 2015.06~2020.06 | | - |
| | | Shanghai Bank | 2018.12~2021.12 | | - |
| | | Shanghai Bank | 2018.12~2021.12 | | - |
| | | First Commercial Bank | 2015.12~2020.12 | | - |
| | | First Commercial Bank | 2017.09~2022.09 | | - |
| | | First Commercial Bank | 2016.06~2020.12 | | - |
| | | Yuanta Commercial Bank | 2019.01~2022.01 | | - |
| | | Bank SinoPac | 2016.06~2019.06 | | - |
| | | Bank SinoPac | 2018.07~2023.07 | | - |
| | | The Export-Import Bank | 2018.07~2021.07 | | - |
| | | The Export-Import Bank | 2018.08~2021.08 | | - |
| | | The Export-Import Bank | 2017.10~2019.10 | | - |
| | | Sunny Bank | 2018.09~2021.09 | | - |
| | | Cathay United Bank | 2016.08~2021.08 | | - |
| | | Cathay United Bank | 2017.12~2022.12 | | - |
| | | O-Bank | 2017.02~2020.02 | | - |
| | | O-Bank | 2017.03~2020.03 | | - |
| | | E.SUN Bank | 2017.07~2020.07 | | - |
| | | Hua Nan Bank | 2017.07~2022.07 | | - |
| | | Hua Nan Bank | 2017.12~2019.12 | | - |
| | | Hua Nan Bank | 2019.04~2022.04 | | - |
| | | Jih Sun Bank | 2019.03~2022.03 | | - |
| | | Mega Bank | 2018.01~2023.01 | | - |
| | | Far Eastern International Bank | 2018.02~2021.02 | | - |

| Company | Contract Type | Institution | Loan period | Type of Loans | Limited Clause |
|---|---|---|---|---|---|
| Evergreen Aviation Technologies Corp. | Loan Contracts | Bank of Communications | 2018.06~2021.06 | Unsecured Loans | - |
| | | Bank of Taiwan | 2018.09~2021.04 | | - |
| | | Bank of Kaohsiung | 2018.12~2023.12 | | - |
| | | Taiwan Cooperative Bank | 2018.03~2023.03 | | - |
| | | Far Eastern International Bank | 2017.06~2020.06 | Commercial Paper | - |
| | | E.SUN Bank | 2017.06~2020.06 | | - |

# VI. Financial Information

## 6.1 Five-Year Financial Summary

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

Unit: NT$ thousands

| Item | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019.03.31 |
|---|---|---|---|---|---|---|---|
| Current Assets | | 50,095,894 | 58,585,588 | 69,375,363 | 69,002,340 | 75,996,433 | 83,464,072 |
| Property, Plant and Equipment | | 98,752,051 | 113,750,466 | 125,481,847 | 135,017,379 | 143,960,512 | 122,794,167 |
| Intangible Assets | | 2,407,217 | 2,272,757 | 2,170,781 | 2,078,673 | 2,123,769 | 2,072,703 |
| Other Assets | | 16,305,038 | 20,797,501 | 20,635,413 | 22,108,836 | 19,113,189 | 144,538,294 |
| Total Assets | | 167,560,200 | 195,406,312 | 217,663,404 | 228,207,228 | 241,193,903 | 352,869,236 |
| Current Liabilities | Before Distribution | 51,352,783 | 58,580,061 | 62,284,933 | 60,428,208 | 60,922,876 | 71,693,295 |
| | After Distribution | 51,352,783 | 59,737,744 | 63,095,312 | 61,262,897 | (Note 3) | - |
| Non-current Liabilities | | 76,530,416 | 82,098,729 | 96,042,190 | 103,569,512 | 110,151,292 | 205,165,810 |
| Total Liabilities | Before Distribution | 127,883,199 | 140,678,790 | 158,327,123 | 163,997,720 | 171,074,168 | 276,859,105 |
| | After Distribution | 127,883,199 | 141,836,473 | 159,137,502 | 164,832,409 | (Note 3) | - |
| Equity Attributable to Owners of Parent | | 34,391,884 | 48,858,814 | 53,328,195 | 58,007,723 | 63,582,269 | 69,369,273 |
| Common Stock | | 32,589,450 | 38,589,450 | 40,518,923 | 41,734,490 | 43,821,215 | 46,821,215 |
| Capital Collected In Advance | | 186,567 | - | - | - | 230,642 | 51,717 |
| Capital Surplus | | 2,047,602 | 6,237,027 | 6,237,027 | 6,639,940 | 6,751,945 | 7,743,475 |
| Retained Earnings | Before Distribution | 739,412 | 6,347,229 | 5,702,366 | 8,672,249 | 12,344,382 | 14,254,331 |
| | After Distribution | 739,412 | 3,260,073 | 3,676,420 | 5,750,835 | (Note 3) | - |
| Other Equity | | (1,171,147) | (2,314,892) | 869,879 | 961,044 | 434,085 | 498,535 |
| Treasury Stock | | - | - | - | - | - | - |
| Non-controlling Interests | | 5,285,117 | 5,868,708 | 6,008,086 | 6,201,785 | 6,537,466 | 6,640,858 |
| Total Equity | Before Distribution | 39,677,001 | 54,727,522 | 59,336,281 | 64,209,508 | 70,119,735 | 76,010,131 |
| | After Distribution | 39,677,001 | 53,569,839 | 58,525,902 | 63,374,819 | (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, 2019 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019.03.31 |
|---|---|---|---|---|---|---|
| Operating Revenue | 133,090,008 | 137,168,544 | 144,679,665 | 163,561,731 | 179,907,332 | 44,312,727 |
| Gross Profit | 12,249,000 | 20,239,442 | 19,076,651 | 21,193,928 | 22,117,690 | 7,002,903 |
| Operating Income (Loss) | 2,634,889 | 9,205,241 | 7,129,934 | 8,694,914 | 8,889,128 | 3,553,877 |
| Non-operating Income and Expenses | (2,585,944) | (1,840,037) | (1,833,011) | (718,794) | 266,803 | (879,745) |
| Profit (Loss) Before Tax | 48,945 | 7,365,204 | 5,296,923 | 7,976,120 | 9,155,931 | 2,674,132 |
| Profit (Loss) | (789,918) | 6,859,210 | 3,953,667 | 6,310,934 | 7,214,513 | 2,102,490 |
| Other Comprehensive Income (Loss), Net of Tax | (667,708) | (2,067,974) | 2,084,356 | (769,683) | (543,495) | 66,014 |
| Comprehensive Income (Loss) | (1,457,626) | 4,791,236 | 6,038,023 | 5,541,251 | 6,671,018 | 2,168,504 |
| Profit or Loss Attribute to : | | | | | | |
| Owners of Parent | (1,306,724) | 6,436,425 | 3,476,004 | 5,752,067 | 6,552,827 | 1,909,949 |
| Non-controlling Interests | 516,806 | 422,785 | 477,663 | 558,867 | 661,686 | 192,541 |
| Comprehensive Income or Loss Attribute to: | | | | | | |
| Owners of Parent | (1,956,716) | 4,453,225 | 5,627,064 | 5,086,994 | 6,059,260 | 1,974,399 |
| Non-controlling Interests | 499,090 | 338,011 | 410,959 | 454,257 | 611,758 | 194,105 |
| Basic Earnings (Loss) per Share (Note 3) | (0.35) | 1.49 | 0.79 | 1.31 | 1.50 | 0.41 |

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, 2019 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 | | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Current Assets | | 34,164,746 | 39,263,072 | 49,522,632 | 47,038,484 | 50,987,932 |
| Property, Plant and Equipment | | 90,240,743 | 103,950,044 | 112,986,912 | 119,481,891 | 125,704,145 |
| Intangible Assets | | 465,026 | 455,178 | 493,089 | 493,403 | 600,856 |
| Other Assets | | 26,617,105 | 32,819,367 | 32,747,101 | 34,132,290 | 32,994,484 |
| Total Assets | | 151,487,620 | 176,487,661 | 195,749,734 | 201,146,068 | 210,287,417 |
| Current Liabilities | Before Distribution | 48,369,147 | 53,762,220 | 56,772,787 | 53,213,768 | 53,593,885 |
| | After Distribution | 48,369,147 | 54,919,903 | 57,583,166 | 54,048,457 | (Note 2) |
| Non-current Liabilities | | 68,726,589 | 73,866,627 | 85,648,752 | 89,924,577 | 93,111,263 |
| Total Liabilities | Before Distribution | 117,095,736 | 127,628,847 | 142,421,539 | 143,138,345 | 146,705,148 |
| | After Distribution | 117,095,736 | 128,786,530 | 143,231,918 | 143,973,034 | (Note 2) |
| Common Stock | | 32,589,450 | 38,589,450 | 40,518,923 | 41,734,490 | 43,821,215 |
| Capital Collected In Advance | | 186,567 | - | - | - | 230,642 |
| Capital Surplus | | 2,047,602 | 6,237,027 | 6,237,027 | 6,639,940 | 6,751,945 |
| Retained Earnings | Before Distribution | 739,412 | 6,347,229 | 5,702,366 | 8,672,249 | 12,344,382 |
| | After Distribution | 739,412 | 3,260,073 | 3,676,420 | 5,750,835 | (Note 2) |
| Other Equity | | (1,171,147) | (2,314,892) | 869,879 | 961,044 | 434,085 |
| Treasury Stock | | - | - | - | - | - |
| Total Equity | Before Distribution | 34,391,884 | 48,858,814 | 53,328,195 | 58,007,723 | 63,582,269 |
| | After Distribution | 34,391,884 | 47,701,131 | 52,517,816 | 57,173,034 | (Note 2) |

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2018, 2017, 2016, 2015 and 2014.

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 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Operating Revenue | 116,921,858 | 115,892,656 | 115,495,819 | 125,314,160 | 135,620,650 |
| Gross Profit | 9,570,778 | 17,352,315 | 15,883,488 | 17,451,228 | 17,989,483 |
| Operating Income (Loss) | 636,236 | 7,372,937 | 4,961,439 | 5,942,518 | 5,995,142 |
| Non-operating Income and Expenses | (1,514,317) | (833,408) | (593,405) | 943,415 | 1,672,375 |
| Profit (Loss) before Tax | (878,081) | 6,539,529 | 4,368,034 | 6,885,933 | 7,667,517 |
| Profit (Loss) | (1,306,724) | 6,436,425 | 3,476,004 | 5,752,067 | 6,552,827 |
| Other Comprehensive Income (Loss), Net of Tax | (649,992) | (1,983,200) | 2,151,060 | (665,073) | (493,567) |
| Comprehensive Income (Loss) | (1,956,716) | 4,453,225 | 5,627,064 | 5,086,994 | 6,059,260 |
| Basic Earnings (Loss) per Share (Note 2) | (0.35) | 1.49 | 0.79 | 1.31 | 1.50 |

Note 1 : Above data are based on the parent-company-only financial statements as of December 31, 2018, 2017, 2016, 2015 and 2014.

Note 2 : The earnings (losses) per share have been trace-back adjusted by stock dividends.

### 6.1.5 Auditors' Opinions from 2014 to 2018

| Year | CPA | Audit Opinion |
|---|---|---|
| 2014 | Chen, Ya-Ling；Wang, Chin-Sun | An Unqualified Opinion |
| 2015 | Chen, Ya-Ling；Wang, Chin-Sun | |
| 2016 | Chen, Ya-Ling；Wang, Chin-Sun | |
| 2017 | Chen, Ya-Ling；Wang, Chin-Sun | |
| 2018 | Chen, Ya-Ling；Su, Yen-Ta | |

### 6.2 Five-Year Financial Analysis

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

| Item | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019.03.31 |
|---|---|---|---|---|---|---|---|
| Financial Structure (%) | Debt-Asset Ratio | 76.32 | 71.99 | 72.74 | 71.86 | 70.93 | 78.46 |
| | Ratio of Long-Term Capital To Property, Plant And Equipment | 117.68 | 120.29 | 123.83 | 124.26 | 125.22 | 228.98 |
| Solvency (%) | Current Ratio | 97.55 | 100.01 | 111.38 | 114.19 | 124.74 | 116.42 |
| | Quick Ratio | 79.69 | 82.47 | 94.07 | 95.81 | 114.23 | 108.99 |
| | Interest Coverage Ratio | 109.40 | 562.49 | 450.50 | 682.78 | 847.01 | 364.73 |
| Operating Ability | Receivables Turnover Rate (Times)(Note1) | - | - | - | - | - | - |
| | Average Collection Days for Receivables | - | - | - | - | - | - |
| | Inventory Turnover Rate (Times)(Note1) | - | - | - | - | - | - |
| | Payables Turnover Rate (Times)(Note1) | - | - | - | - | - | - |
| | Average Days for Sale (Note1) | - | - | - | - | - | - |
| | Property, Plant and Equipment Turnover Rate (Times) | 1.42 | 1.29 | 1.21 | 1.26 | 1.29 | 0.33 |
| | Total Assets Turnover Rate (Times) | 0.83 | 0.76 | 0.70 | 0.73 | 0.77 | 0.15 |
| Profitability | Return on Assets (%) | 0.32 | 4.55 | 2.64 | 3.58 | 3.76 | 1.07 |
| | Return on Equity (%) | (1.98) | 14.53 | 6.93 | 10.22 | 10.74 | 2.88 |
| | Ratio of Income Before Tax to Paid-In Capital (%) (Note 7) | 0.15 | 19.09 | 13.07 | 19.11 | 20.89 | 5.71 |
| | Profit Margin before Tax (%) | (0.59) | 5.00 | 2.73 | 3.86 | 4.01 | 4.74 |
| | Earnings (Loss) Per Share (NT$) (Note 3) | (0.35) | 1.49 | 0.79 | 1.31 | 1.50 | 0.41 |
| Cash Flow (%) | Cash Flows Ratio | 29.55 | 44.43 | 33.97 | 29.21 | 39.54 | 15.68 |
| | Cash Flow Adequacy Ratio | 121.38 | 113.36 | 113.29 | 95.77 | 91.52 | 104.81 |
| | Cash Flow Reinvestment Ratio | 8.33 | 12.45 | 8.61 | 7.09 | 9.39 | 5.19 |
| Leveraging | Operating Leverage | 14.01 | 5.20 | 7.38 | 6.66 | 6.59 | 4.65 |
| | Financial Leverage | 2.46 | 1.23 | 1.34 | 1.30 | 1.29 | 1.60 |

Analysis of variation of 2018 vs. 2017 over 20%:
Interest coverage ratio: The profit increased in 2018 that result in the increase of interest coverage ratio.
Cash flow ratio: The cash flow from operating activities increased in 2018 that result in the increase of cash flows ratio and cash flow reinvestment ratio.

Note1: Above data are based on the consolidated financial statements as of December 31, 2018, 2017, 2016, 2015 and 2014, and the consolidated financial statements as of March 31, 2019 which haven't been reviewed by independent auditors as of the printing date.

Note2: If the Company has compiled the parent-company-only financial statements, the financial analysis of the parent-company-only shall be disclosed.

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

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

| Item | | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Financial Structure (%) | Debt-Asset Ratio | 77.30 | 72.32 | 72.76 | 71.16 | 69.76 |
| | Ratio of Long-Term Capital To Property, Plant And Equipment | 114.27 | 118.06 | 123.00 | 123.81 | 124.65 |
| Solvency (%) | Current Ratio | 70.63 | 73.03 | 87.23 | 88.40 | 95.14 |
| | Quick Ratio | 65.23 | 67.85 | 81.83 | 83.38 | 90.21 |
| | Interest Coverage Ratio | 41.29 | 555.41 | 427.73 | 675.11 | 864.00 |
| Operating Ability | Receivables Turnover Rate (Times)(Note1) | - | - | - | - | - |
| | Average Collection Days for Receivables (Note1) | - | - | - | - | - |
| | Inventory Turnover Rate (Times)(Note1) | - | - | - | - | - |
| | Payables Turnover Rate (Times)(Note1) | - | - | - | - | - |
| | Average Days for Sale (Note1) | - | - | - | - | - |
| | Property, Plant and Equipment Turnover Rate (Times) | 1.35 | 1.19 | 1.06 | 1.08 | 1.11 |
| | Total Assets Turnover Rate (Times) | 0.80 | 0.71 | 0.62 | 0.63 | 0.66 |
| Profitability | Return on Assets (%) | (0.08) | 4.70 | 2.60 | 3.67 | 3.88 |
| | Return on Equity (%) | (3.72) | 15.46 | 6.80 | 10.33 | 10.78 |
| | Ratio of Income Before Tax to Paid-In Capital (%) (Note 7) | (2.69) | 16.95 | 10.78 | 16.50 | 17.50 |
| | Profit Margin before Tax (%) | (1.12) | 5.55 | 3.01 | 4.59 | 4.83 |
| | Earnings (Loss) Per Share (NT$) (Note 2) | (0.35) | 1.49 | 0.79 | 1.31 | 1.50 |
| Cash Flow (%) | Cash Flow Ratio | 27.79 | 44.66 | 31.21 | 29.96 | 39.15 |
| | Cash Flow Adequacy Ratio | 118.49 | 113.68 | 114.52 | 98.00 | 95.17 |
| | Cash Flow Reinvestment Ratio | 8.37 | 12.93 | 8.09 | 7.37 | 9.54 |
| Leveraging | Operating Leverage | 47.22 | 5.36 | 8.69 | 7.99 | 7.94 |
| | Financial Leverage | (0.80) | 1.26 | 1.49 | 1.45 | 1.43 |

Analysis of variation of 2018 vs.2017 over 20%:
1. Interest coverage ratio: The profit increased in 2018 that result in the increase of interest coverage ratio.
2. Cash flow ratio: The cash flows from operating activities increased in 2018 that result in the increase of cash flow ratio and cash flow reinvestment ratio.

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2018, 2017, 2016, 2015 and 2014.

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

Note1: Not applicable due to industry characteristics.
Note2: A company that is listed on the TWSE or traded at the place of business of a securities firm shall include in its analysis the then current financial data up to and until the quarter immediately preceding the printing date of the annual report' publication date.
Note3: The calculations of the above financial ratios utilize the formulas listed below.
1. Financial structure
(1) Debt-asset ratio = total liabilities / total assets
(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment
2. Solvency
(1) Current ratio = current assets / current liabilities
(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses
3. Operating ability
(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
(2) Average collection days for receivables = 365 / receivables turnover rate
(3) Inventory turnover rate = cost of sales / average inventory
(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
(5) Average days of sale = 365 / inventory turnover rate
(6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
(7) Total asset turnover rate = net sales / average total assets
4. Profitability
(1) Return on assets = [net income + interest expenses X (1- tax rate)] / average total assets
(2) Return on equity = net income / average total equity
(3) Profit margin before tax = net income / net sales
(4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares (Note 4)
5. Cash flow
(1) Cash flow ratio = net cash flows from operating activities / current liabilities
(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
(3) Cash Flow Reinvestment Ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant and equipment value + long-term investments + other non-current assets + working capital) (Note 5)
6. Leverage
(1) Operating Leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6)
(2) Financial Leverage = operating income / (operating income – interest expenses)
Note 4: When the above formula for calculation of earnings per share is used during measurement, give special attention to

the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintain consistency.

Note 7: In the case of a company whose shares have no par value or have a par value other than NT$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

## 6.3 Audit Committees' Report for the Most Recent Year

**To: 2019 Annual General Shareholders' Meeting**
**EVA Airways Corporation (EVA)**

The Board of Directors has prepared the Company's 2018 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 19, 2019

## 6.4 Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Please refer to page 160 ~ 268 Appendix 1.

## 6.5 The Parent-Company-Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Please refer to page 269~ 373 Appendix 2.

## 6.6 If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None

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

## 7.1 Analysis of Financial Status (Consolidated)

Unit: NT$ thousands

| Item \ Year | 2018 | 2017 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Assets | 75,996,433 | 69,002,340 | 6,994,093 | 10.14 |
| Property, Plant and Equipment | 143,960,512 | 135,017,379 | 8,943,133 | 6.62 |
| Intangible Assets | 2,123,769 | 2,078,673 | 45,096 | 2.17 |
| Other Assets | 19,113,189 | 22,108,836 | (2,995,647) | (13.55) |
| **Total Assets** | 241,193,903 | 228,207,228 | 12,986,675 | 5.69 |
| Current Liabilities | 60,922,876 | 60,428,208 | 494,668 | 0.82 |
| Non-current Liabilities | 110,151,292 | 103,569,512 | 6,581,780 | 6.35 |
| **Total Liabilities** | 171,074,168 | 163,997,720 | 7,076,448 | 4.31 |
| Equity Attributable to Owners of Parent | 63,582,269 | 58,007,723 | 5,574,546 | 9.61 |
| Capital Stock | 43,821,215 | 41,734,490 | 2,086,725 | 5.00 |
| Capital collected in advance | 230,642 | - | 230,642 | 100.00 |
| Capital Surplus | 6,751,945 | 6,639,940 | 112,005 | 1.69 |
| Retained Earnings | 12,344,382 | 8,672,249 | 3,672,133 | 42.34 |
| Other Equity | 434,085 | 961,044 | (526,959) | (54.83) |
| Non-controlling Interests | 6,537,466 | 6,201,785 | 335,681 | 5.41 |
| **Total Equity** | 70,119,735 | 64,209,508 | 5,910,227 | 9.20 |

**Analysis of deviation:**

Retained Earnings: Mainly due to the profit increased in 2018.

Other Equity: Mainly due to the impact of the adoption of IFRS 9 in 2018 and the unrealized losses on hedging instruments.

**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 | 2018 | 2017 | Increase (Decrease) Amount | Change (%) |
|---|---|---|---|---|
| Operating Revenue | 179,907,332 | 163,561,731 | 16,345,601 | 9.99 |
| Operating Cost | 157,789,642 | 142,367,803 | 15,421,839 | 10.83 |
| Gross Profit | 22,117,690 | 21,193,928 | 923,762 | 4.36 |
| Operating Expenses | 13,228,562 | 12,499,014 | 729,548 | 5.84 |
| Operating Income | 8,889,128 | 8,694,914 | 194,214 | 2.23 |
| Non-operating Income and Expenses | 266,803 | (718,794) | 985,597 | 137.12 |
| Profit(Loss) before Tax | 9,155,931 | 7,976,120 | 1,179,811 | 14.79 |
| Income Tax Expenses | 1,941,418 | 1,665,186 | 276,232 | 16.59 |
| Profit(Loss) | 7,214,513 | 6,310,934 | 903,579 | 14.32 |

**Analysis of deviation:**

The increase of non-operating income: Mainly due to the disposal of property, plant and equipment and the increase of foreign exchange gains in 2018.

## 7.3 Analysis of Cash Flow (Consolidated)

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

| Item \ Year | 2018 | 2017 | Increase (Decrease) Amount | Change (%) |
|---|---|---|---|---|
| Cash and cash equivalents at the beginning of year | 41,685,780 | 44,933,016 | (3,247,236) | (7.23) |
| Net cash flows from (used in) operating activities | 24,090,624 | 17,651,466 | 6,439,158 | 36.48 |
| Net cash flows from (used in) investing activities | (15,033,277) | (21,402,355) | 6,369,078 | 29.76 |
| Net cash flows from (used in) financing activities | (2,535,077) | 525,447 | (3,060,524) | (582.46) |
| Exchange rate adjustments | 70,824 | (21,794) | 92,618 | 424.97 |
| Cash and cash equivalents at the end of year | 48,278,874 | 41,685,780 | 6,593,094 | 15.82 |

**Analysis of deviation:**

A. Operating activities: The increase of net cash generated from operating activities mainly due to the growth in 2018 operating results and the increase of other current liabilities.

B. Investing activities: The increase of net cash generated from investing activities due to the decrease of aircraft and prepayments for equipment.

C. Financing activities: The decrease of net cash used in financing activities mainly caused by the decrease of issuance of corporate bond.
D. 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 |
| 48,278,874 | 18,603,744 | 18,655,820 | 48,226,798 | - | - |

**Analysis of cash flow deviation of year 2019:**

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, 2018, one Boeing 777 freighters had not yet been delivered. The Company has partially paid the price of $1.69 billion.
B. 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, 2018, the eighteen Boeing 787-10 aircraft had not yet been delivered. The Company has partially paid the price of $6.90 billion.
C. 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, 2018 the four Boeing 787 engines had not yet been delivered. The Company has partially paid the price of $211.54 million.
D. 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$65 million, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2018, the Company has partially paid the price of $421.99 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$1.99 billion in 2018.

In the recent fiscal year, the Company and its subsidiaries invest in aviation-related industries, including ground handling services, air cargo terminals, aircraft repair and maintenance etc. For the year 2018, the Company and its subsidiaries reported investment income of NT$ 201.57 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 2018 will change NT$812.18 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, 2018 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$141.35 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) Artificial intelligence Chatbot service

(2) Website re-engineering project

(3) Air-cargo pricing management system project

(4) Cargo website re-engineering project

(5) Development of new revenue accounting system
(6) Intelligent logistics for new bonded warehouse
(7) Revamp of data center network architecture
(8) Implementing next-generation wireless network management platform
(9) Enhancing cyber security and cyber defense
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: None
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.
d. In response to the increasing threat of terrorism worldwide and to comply with the requirement of International Civil Aviation Organization (ICAO) for safety inspection of all air freight by June 30, 2021, action has taken to closely cooperate with the cargo logistic industry on safety inspection enhancement as well as to facilitate the development on airfreight safety inspection system.

(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:

EVA Safety Promotion Committee (SPC) is the highest safety strategy and policy review committee. The supervisory responsibilities are ensuring the safety of company operation together with the oversight of the implementation of Safety Management System and managing major enterprise risk, including the most significant emerging risks that are expected to have a long term impact on the Company.

SPC adopts the proactive & predictive methodology and take "Data Driven", "Evidence Based" & "Systematic Approach" on hazard identification and risk management in order to mitigate the risk exposure to ensure that every flight meet our passengers' expectation on safety assurance.

(4) The evaluation of information risks and responses:

a. To ensure information security and privacy protection, the Company has set up "Information Security and Privacy Protection Committee" to formulate the Company's information security and privacy protection policy and related management plan implementation and cognitive advocacy to continuously improve the awareness of security.

b. To ensure the protection of critical information assets and the continuous operation, the Company continuously reviews and improves the defense mechanism of information environment security. Hold the regular security exercises and courses training to prevent cyber attacks, social engineering, data fraud or data theft.

### 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 drawing up corporate safety, security, environment and energy related policies, establishing corporate safety, security, environment and energy management system; implementing flight and ground staff safety and security training, carrying out irregular flight and ground safety or security emergency event response and investigation. |

| Aspects of Risk Management | Responsible Unit | Risk Management Tasks |
|---|---|---|
| | Engineering & Maintenance Div. | Responsible for the aircraft engineering technologies, maintenance program planning and control, fleets airworthiness monitoring, the audit of aircraft spare part purchase and repair, 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 aviation insurance affairs, contracts review, legal consultation, litigation and non-contentious matters. |
| Information Security Risks | Information Security and Privacy Protection Committee | The committee is organized by Auditing Div., Legal & Insurance Div., Human Resource Div., Digital & Information Planning Div., and Computer Div. The five divisions define and review the information security policy and compliance planning, coordinate the notification and response of incidents, the implementation of cognitive advocacy, education and training. |
| | Computer Div. | Responsible for the defense mechanism of information environment security, establishment of in-depth defense protection measures, monitor and response the abnormal treatment for the information security system. |

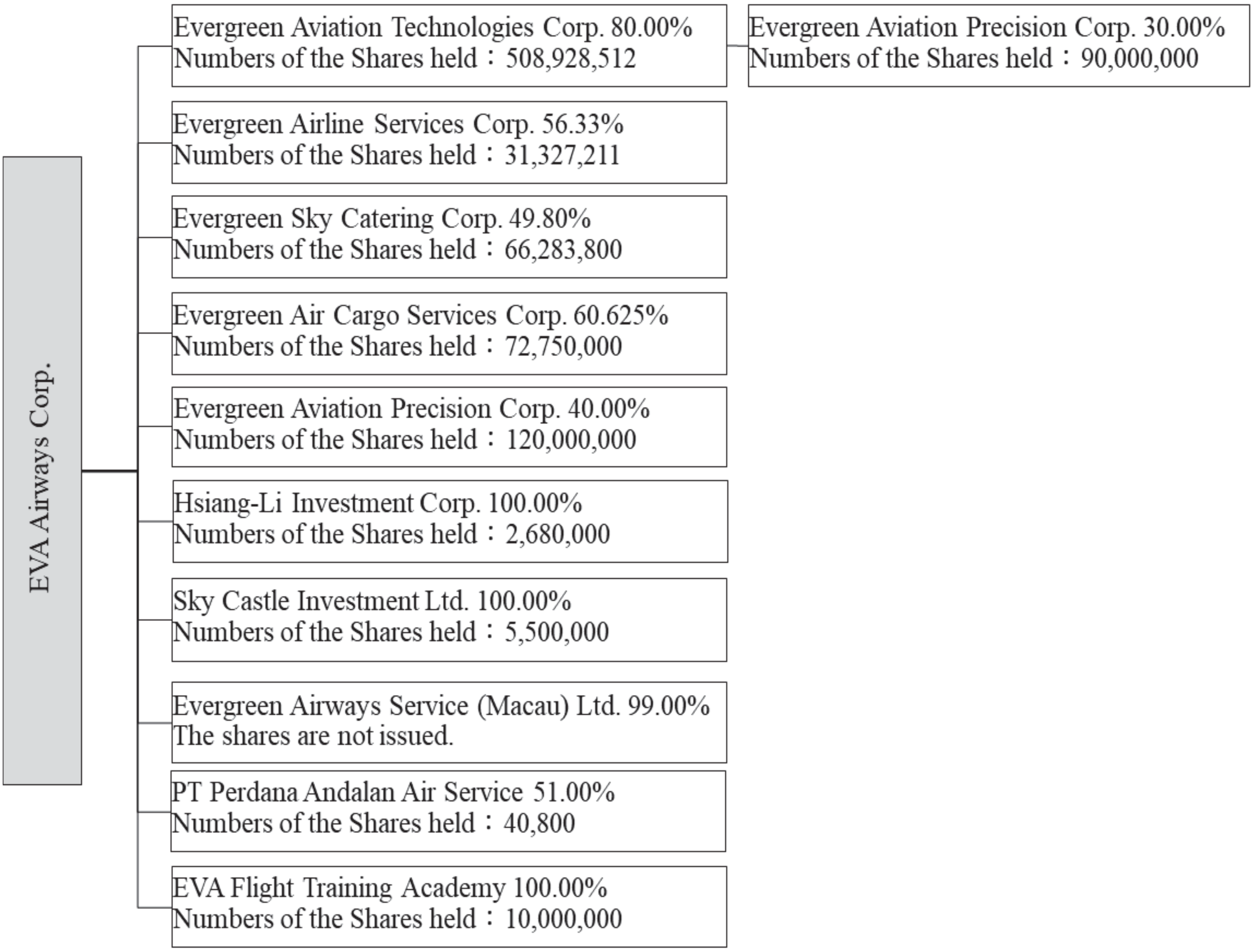
**7.7 Other Important Items: None**

# VIII. Special Disclosure

## 8.1 Summary of Affiliated Companies

### 8.1.1 Basic Information of Affiliated Companies

### A. Affilated Companies Chart (As of Dec 31, 2018)



## B. Basic Information of Affiliated Companies

As of DEC 31, 2018

| Company | Date Founded | Location | Capital | Principal Activities |
|---|---|---|---|---|
| Evergreen Aviation Technologies Corp. | Nov.10.1997 | Taiwan | NT$6.4 billion | Maintenance, manufacturing, procession and sale of aircraft engine and parts |
| Evergreen Airline Services Corp. | Oct.17.1990 | Taiwan | NT$556.1 million | Ground handling |
| Evergreen Sky Catering Corp. | Oct.20.1993 | Taiwan | NT$1.3 billion | Airline catering |
| Evergreen Air Cargo Services Corp. | Mar.03.2000 | Taiwan | NT$1.2 billion | Cargo terminal operation |
| Evergreen Aviation Precision Corp. | Nov.23.2012 | Taiwan | NT$3 billion | Aircraft component manufacture |
| Hsiang-Li Investment Corp. | Jan.18.2001 | Taiwan | NT$26.8 million | Investment business |
| Sky Castle Investment Ltd. | Feb.02.2005 | Samoa | US$5.5 million | Investment business |
| Evergreen Airways Service (Macau) Ltd. | Dec.05.1994 | Macau | US$12,488 | Investment business |
| PT Perdana Andalan Air Service | May.01.1991 | Indonesia | IDR1.6 billion | Travel business |
| EVA Flight Training Academy | Feb.11.2013 | The United States | US$30 million | Flight training academy |

Note: The affiliates listed above are mean companies in which the Company has invested and has 50% or higher voting share, or the means to control, either directly or through a subsidiary company.

## C. The industries covered by the business operated by the affiliates overall:

The main businesses engaged by the Company and the affiliates are set out as below:

EVA Airways Corp.: Periodically and non-periodically international air transportation of passenger and cargo.

Evergreen Aviation Technologies Corp.: Maintenance, manufacturing, procession and sale of aircraft, engine and parts.

Evergreen Airline Services Corp.: Ground service at airport.

Evergreen Sky Catering Corp.: In-flight meals in sky catering and the sales of food.

Evergreen Air Cargo Services Corp.: Air cargo entrepot.

Evergreen Aviation Precision Corp.: Manufacture of aircraft parts.

## D. The Directors, Supervisors and President of Affiliated Companies

As of DEC 31, 2018
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：Sun, Chia-Ming | -- | -- |
| | 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. | 31,327,211 | 56.33% |
| | | Representative：Chang, Ming-Yuh | -- | -- |
| | Director | EVA Airways Corp. | 31,327,211 | 56.33% |
| | | Representative：Lin, Bou-Shiu | 132,986 | 0.24% |
| | Director | EVA Airways Corp. | 31,327,211 | 56.33% |
| | | Representative：Sun, Chia-Ming | -- | -- |
| | Director | EVA Airways Corp. | 31,327,211 | 56.33% |
| | | Representative：Tsai, Zu-Ming | -- | -- |
| | Director | SATS Ltd. | 11,122,277 | 20.00% |
| | | Representative：Kuah Boon Kiam | -- | -- |
| | Supervisor | Evergreen International Corp. | 11,122,277 | 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. | 66,283,800 | 49.80% |
| | | Representative：Yen, Ruoh-Chi | 26,620 | 0.02% |
| | Director | EVA Airways Corp. | 66,283,800 | 49.80% |
| | | Representative：Lin, Bou-Shiu | -- | -- |
| | Director | EVA Airways Corp. | 66,283,800 | 49.80% |
| | | Representative：Sun, Chia-Ming | -- | -- |
| | Director | EVA Airways Corp. | 66,283,800 | 49.80% |
| | | Representative：Tai, Jiin-Chyuan | -- | -- |
| | Director | EVA Airways Corp. | 66,283,800 | 49.80% |
| | | Representative：Tsai, Ming-Fang | -- | -- |
| | Director | SATS Ltd. | 33,275,000 | 25.00% |
| | | Representative：Tan Chuan Lye | | |
| | Director | SATS Ltd. | 33,275,000 | 25.00% |
| | | Representative：Foh Chi Dong | -- | -- |
| | Supervisor | Evergreen International Corp. | 33,275,000 | 25.00% |
| | | Representative：Ku Lai, Mei-Hsueh | -- | -- |
| | Supervisor | Evergreen International Corp. | 33,275,000 | 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：Sun, Chia-Ming | -- | -- |
| | Director | EVA Airways Corp. | 72,750,000 | 60.625% |
| | | Representative：Lin, Tsung-Yen | -- | -- |
| | Director | SATS Ltd. | 30,000,000 | 25.00% |
| | | Representative：Kuah Boon Kiam | -- | -- |
| | 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：Sun, Chia-Ming | -- | -- |
| | 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：Sun, Chia-Ming | -- | -- |
| Evergreen Airways Service (Macau)Ltd. | Director | EVA Airways Corp. | -- | 99.00% |
| | | Representative：Lin, Bou-Shiu | -- | -- |
| | Director | Sun, Chia-Ming | -- | -- |

| Company | Title | Name and Representative | Shares Holding | |
|---|---|---|---|---|
| | | | Shares | % |
| 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：Sun, Chia-Ming | -- | -- |
| | 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：Sun, Chia-Ming | -- | -- |
| | Director | EVA Airways Corp. | 10,000,000 | 100.00% |
| | | Representative：Tsai, Ta-Wei | -- | -- |

Note: RTW Air Services (S) Pte. Ltd. has completed liquidation in August, 2018.

## E. The Operating Overviews of Affiliated Companies

As of DEC 31, 2018
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 | 28,054,148 | 15,984,997 | 12,069,151 | 44,681,257 | 2,264,179 | 1,993,732 | 3.13 |
| Evergreen Airline Services Corp. | 556,114 | 5,170,760 | 3,649,005 | 1,521,755 | 3,073,035 | 133,628 | 104,930 | 1.89 |
| Evergreen Sky Catering Corp. | 1,331,000 | 6,443,192 | 2,213,084 | 4,230,108 | 3,436,795 | 678,596 | 528,534 | 3.97 |
| Evergreen Air Cargo Services Corp. | 1,200,000 | 2,791,173 | 312,397 | 2,478,776 | 1,562,455 | 357,915 | 288,250 | 2.40 |
| Evergreen Aviation Precision Corp. | 3,000,000 | 5,243,054 | 4,146,259 | 1,096,795 | 1,378,008 | (551,185) | (554,214) | (1.85) |
| Hsiang-Li Investment Corp. | 26,800 | 57,852 | 199 | 57,653 | 5,019 | 4,691 | 4,821 | 1.80 |
| Sky Castle Investment Ltd. | 179,173 | 385,528 | 418 | 385,110 | 27,321 | 26,702 | 26,747 | 4.86 |
| Evergreen Airways Service (Macau) Ltd. | 327 | 166,505 | 2,173 | 164,332 | 74,975 | 74,323 | 75,971 | - |
| PT Perdana Andalan Air Service | 5,280 | 90,845 | 31,921 | 58,924 | 28,109 | 4,880 | 7,752 | 96.90 |
| EVA Flight Training Academy | 932,050 | 761,741 | 7,752 | 753,989 | 101,462 | (33,576) | (29,166) | (2.92) |

- Affiliated Companies Consolidated Financial Statements: Information required to be disclosed regarding affiliated companies consolidated financial statements is included in Appendix 1 Consolidated Financial Statements. The Company will no longer prepare a separate consolidated financial statement of affiliated companies.
- Relationship Report: EVA Airways Corp. is not the subsidiary of any company, so a relationship report is not required.

8.2 Private placement securities in the most recent years: None.

8.3 Shares in the company held or disposed by subsidiaries in the most recent years: None

8.4 Other supplementary information to be disclosed: None

8.5 Until the printing date of the annual report, the items that have great impact on the Company's shareholders' Interests or stock prices which related to Securities and Exchange Act Article 36 paragraph 3 section 2: None

# Appendix 1

## EVA AIRWAYS CORP. AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended**
**December 31, 2018 and 2017**

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of EVA Airways Corp. and subsidiaries as of and for the year ended December 31, 2018 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 subsidiaries do not prepare a separate set of combined financial statements.

Company name: EVA AIRWAYS CORP.

Chairman: Bou-Shiu Lin

Date: March 19, 2019

安侯建業聯合會計師事務所
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Internet 網址 kpmg.com/tw

# Independent Auditors' Report

To the Board of Directors
EVA Airways Corp.:

## Opinion

We have audited the consolidated financial statements of EVA Airways Corp. and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect 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 Auditors' 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. Contract liabilities—mileage redemption revenue

   Please refer to note 4(p) "Revenue recognition", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the consolidated financial statements, and note 6(u) "Revenue from contracts with customers".

   Description of key audit matter:

   The member who joins the "Infinity MileageLands" ("the Program") can earn mileage by flying any of the Company's flights or through other consumption. Contract liabilities will be converted into reveres 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 contract liabilities—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 contract liabilities—mileage redemption revenue.

2. The restoration obligation of leased aircraft

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

   Description of key audit matter:

   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.

**Other Matter**

EVA Airways Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Yen-Ta Su.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

**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 SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2018 and 2017

## (Expressed in Thousands of New Taiwan Dollars)

| | Assets | 2018.12.31 Amount | % | 2017.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 48,278,874 | 20 | 41,685,780 | 18 |
| 1110 | Financial assets at fair value through profit or loss－current (note 6(b)) | 769,039 | - | - | - |
| 1125 | Available-for-sale financial assets－current (note 6(b)) | - | - | 1,855,681 | 1 |
| 1135 | Derivative financial assets for hedge purposes－current (note 6(c)) | - | - | 184,458 | - |
| 1139 | Financial assets for hedging－current (note 6(c)) | 36 | - | - | - |
| 1140 | Contract assets－current (note 6(u)) | 3,850,796 | 2 | - | - |
| 1150 | Notes receivable, net (notes 6(d) and 6(u)) | 933,730 | - | 752,584 | - |
| 1170 | Accounts receivable, net (notes 6(d) and 6(u)) | 8,434,458 | 4 | 8,107,788 | 4 |
| 1180 | Accounts receivable－related parties (notes 6(d), 6(u) and 7) | 6,719,914 | 3 | 5,018,412 | 2 |
| 130x | Inventories (notes 6(f) and 6(i)) | 4,934,205 | 2 | 9,424,190 | 4 |
| 1470 | Other current assets (notes 6(e), 6(l) and 7) | 2,075,381 | 1 | 1,973,447 | 1 |
| | **Total current assets** | 75,996,433 | 32 | 69,002,340 | 30 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income －non-current (note 6(b)) | 2,402,997 | 1 | - | - |
| 1523 | Available-for-sale financial assets－non-current (note 6(b)) | - | - | 2,549,212 | 1 |
| 1550 | Investments accounted for using equity method (note 6(g)) | 710,002 | - | 681,192 | - |
| 1600 | Property, plant and equipment (note 6(i), 6(m), 6(n), 7, 8, and 9) | 143,960,512 | 59 | 135,017,379 | 59 |
| 1760 | Investment property, net (note 6(j)) | 183,054 | - | - | - |
| 1780 | Intangible assets (note 6(k)) | 2,123,769 | 1 | 2,078,673 | 1 |
| 1840 | Deferred tax assets (note 6(q)) | 4,086,084 | 2 | 4,093,167 | 2 |
| 1900 | Other non-current assets (notes 6(c), 6(i), 6(l), 7, 8 and 9) | 11,731,052 | 5 | 14,785,265 | 7 |
| | **Total non-current assets** | 165,197,470 | 68 | 159,204,888 | 70 |
| | **Total assets** | $ 241,193,903 | 100 | 228,207,228 | 100 |

| | Liabilities and Equity | 2018.12.31 Amount | % | 2017.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(m)) | $ - | - | 100,000 | - |
| 2125 | Derivative financial liabilities for hedge purposes－current (note 6(c)) | - | - | 558 | - |
| 2126 | Financial liabilities for hedging－current (note 6(c)) | 136,731 | - | - | - |
| 2130 | Contract liabilities－current (note 6(u)) | 18,317,646 | 8 | - | - |
| 2170 | Notes and accounts payable | 10,296,938 | 4 | 8,996,556 | 4 |
| 2180 | Accounts payable－related parties (note 7) | 96,293 | - | 195,049 | - |
| 2200 | Other payables (notes 6(w) and 7) | 9,735,356 | 4 | 8,878,362 | 4 |
| 2230 | Current tax liabilities | 1,045,402 | - | 480,646 | - |
| 2310 | Unearned revenue (note 6(v)) | - | - | 16,811,771 | 7 |
| 2320 | Current portion of long-term liabilities (notes 6(m) and 8) | 15,637,144 | 7 | 19,314,836 | 9 |
| 2300 | Other current liabilities (notes 6(i), 6(m) and 6(n)) | 5,657,366 | 2 | 5,650,430 | 3 |
| | **Total current liabilities** | 60,922,876 | 25 | 60,428,208 | 27 |
| | **Non-current liabilities:** | | | | |
| 2500 | Financial liabilities at fair value through profit or loss －non-current (notes 6(b) and 6(m)) | 6,234 | - | 16,800 | - |
| 2527 | Contract liabilities－non-current (note 6(u)) | 2,908,958 | 1 | - | - |
| 2530 | Bonds payable (note 6(m)) | 15,107,923 | 6 | 15,096,232 | 7 |
| 2540 | Long-term borrowings (notes 6(m) and 8) | 65,035,258 | 27 | 60,248,858 | 26 |
| 2570 | Deferred tax liabilities (note 6(q)) | 98,159 | - | 155,686 | - |
| 2613 | Lease liabilities－non-current (note 6(m)) | 1,279,618 | 1 | 2,152,643 | 1 |
| 2640 | Net defined benefit liabilities－non-current (note 6(p)) | 5,166,835 | 2 | 5,300,094 | 2 |
| 2600 | Other non-current liabilities (notes 6(i), 6(n), and 6(v)) | 20,548,307 | 9 | 20,599,199 | 9 |
| | **Total non-current liabilities** | 110,151,292 | 46 | 103,569,512 | 45 |
| | **Total liabilities** | 171,074,168 | 71 | 163,997,720 | 72 |
| | **Equity (notes 6(b), 6(c), 6(m), 6(p), 6(q), 6(r) and 6(s)):** | | | | |
| 3110 | Common stock | 43,821,215 | 18 | 41,734,490 | 18 |
| 3140 | Capital collected in advance | 230,642 | - | - | - |
| 3200 | Capital surplus | 6,751,945 | 3 | 6,639,940 | 3 |
| 3300 | Retained earnings | 12,344,382 | 5 | 8,672,249 | 4 |
| 3400 | Other equity | 434,085 | - | 961,044 | - |
| | **Total equity attributable to owners of parent** | 63,582,269 | 26 | 58,007,723 | 25 |
| 36XX | Non-controlling interests (notes 6(h) and 6(r)) | 6,537,466 | 3 | 6,201,785 | 3 |
| | **Total equity** | 70,119,735 | 29 | 64,209,508 | 28 |
| | **Total liabilities and equity** | $ 241,193,903 | 100 | 228,207,228 | 100 |

See accompanying notes to consolidated financial statements.

## EVA AIRWAYS CORP. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2018 and 2017

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

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenue (notes 6(u), 6(v) and 7)** | $ 179,907,332 | 100 | 163,561,731 | 100 |
| 5000 | **Operating costs (notes 6(c), 6(f), 6(i), 6(k), 6(o), 6(p), 6(w), 7 and 9)** | (157,789,642) | (88) | (142,367,803) | (87) |
| | **Gross profit from operations** | 22,117,690 | 12 | 21,193,928 | 13 |
| 6000 | **Operating expenses (notes 6(d), 6(i), 6(k), 6(o), 6(p), 6(s), 6(w) and 7)** | (13,228,562) | (7) | (12,499,014) | (8) |
| | **Net operating income** | 8,889,128 | 5 | 8,694,914 | 5 |
| | **Non-operating income and expenses (notes 6(g), 6(i), 6(m), 6(n) and 6(x)):** | | | | |
| 7010 | Other income | 865,385 | - | 543,099 | - |
| 7020 | Other gains and losses | 1,202,071 | 1 | 574,647 | 1 |
| 7050 | Finance costs | (2,002,227) | (1) | (2,002,438) | (1) |
| 7060 | Shares of profit of associates accounted for using equity method | 201,574 | - | 165,898 | - |
| | **Total non-operating income and expenses** | 266,803 | - | (718,794) | - |
| 7900 | **Profit before tax** | 9,155,931 | 5 | 7,976,120 | 5 |
| 7950 | **Income tax expenses (note 6(q))** | (1,941,418) | (1) | (1,665,186) | (1) |
| | **Profit** | 7,214,513 | 4 | 6,310,934 | 4 |
| 8300 | **Other comprehensive income (notes 6(c), 6(g), 6(p), 6(q) and 6(r)):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| 8311 | Remeasurements of net defined benefit plans | (734,889) | - | (1,030,637) | (1) |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 156,743 | - | - | - |
| 8317 | Gains on hedging instruments | 366 | - | - | - |
| 8320 | Share of other comprehensive income of associates accounted for using equity method | (1,034) | - | (1,349) | - |
| 8349 | Income tax benefit relating to items that will not be reclassified subsequently to profit or loss | 304,730 | - | 175,223 | - |
| | **Total items that will not be reclassified subsequently to profit or loss** | (274,084) | - | (856,763) | (1) |
| 8360 | **Items that may be reclassified subsequently to profit or loss:** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (14,806) | - | (51,434) | - |
| 8362 | Unrealized losses on available-for-sale financial assets | - | - | (171,305) | - |
| 8363 | Cash flow hedges | - | - | 383,942 | - |
| 8368 | Losses on hedging instruments | (320,961) | - | - | - |
| 8370 | Share of other comprehensive income of associates accounted for using equity method | 7,698 | - | (11,012) | - |
| 8399 | Income tax benefit (expenses) relating to items that may be reclassified subsequently to profit or loss | 58,658 | - | (63,111) | - |
| | **Total items that may be reclassified subsequently to profit or loss** | (269,411) | - | 87,080 | - |
| 8300 | **Other comprehensive income, net of tax** | (543,495) | - | (769,683) | (1) |
| 8500 | **Comprehensive income** | $ 6,671,018 | 4 | 5,541,251 | 3 |
| | **Profit, attributable to:** | | | | |
| 8610 | Owners of parent | $ 6,552,827 | 4 | 5,752,067 | 4 |
| 8620 | Non-controlling interests | 661,686 | - | 558,867 | - |
| | | $ 7,214,513 | 4 | 6,310,934 | 4 |
| | **Comprehensive income attributable to:** | | | | |
| 8710 | Owners of parent | $ 6,059,260 | 4 | 5,086,994 | 3 |
| 8720 | Non-controlling interests | 611,758 | - | 454,257 | - |
| | | $ 6,671,018 | 4 | 5,541,251 | 3 |
| | **Earnings per share (note 6(t))** | | | | |
| 9750 | **Basic earnings per share (in New Taiwan Dollars)** | $ 1.50 | | 1.31 | |
| 9850 | **Diluted earnings per share (in New Taiwan Dollars)** | $ 1.36 | | 1.19 | |

See accompanying notes to consolidated financial statements.

# EVA AIRWAYS CORP. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2018 and 2017

## (Expressed in Thousands of New Taiwan Dollars)

| | Attributable to owners of parent | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | | Other equity | | | | | | | | |
| | Common stock | Capital collected in advance | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Cash flow hedges | Gains (losses) on hedging instruments | Total | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance on January 1, 2017** | $ 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) | - | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (2,314,892) | 2,314,892 | - | - | - | - | - | - | - | - | - | - |
| Cash dividends to common stockholders | - | - | - | - | - | (810,379) | (810,379) | - | - | - | - | - | - | (810,379) | - | (810,379) |
| Stock dividends to common stockholders | 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) |
| Total comprehensive income | - | - | - | - | - | 4,995,829 | 4,995,829 | (56,920) | - | (170,587) | 318,672 | - | 91,165 | 5,086,994 | 454,257 | 5,541,251 |
| Changes in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (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 |
| Effects of retrospective application | - | - | - | - | - | 454,662 | 454,662 | - | 371,924 | (819,258) | (152,637) | 152,637 | (447,334) | 7,328 | 12 | 7,340 |
| Balance on January 1, 2018 after adjustments | 41,734,490 | - | 6,639,940 | 991,243 | - | 8,135,668 | 9,126,911 | (10,851) | 371,924 | - | - | 152,637 | 513,710 | 58,015,051 | 6,201,797 | 64,216,848 |
| Appropriation of prior year's earnings: | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 575,207 | - | (575,207) | - | - | - | - | - | - | - | - | - | - |
| Cash dividends to common stockholders | - | - | - | - | - | (834,689) | (834,689) | - | - | - | - | - | - | (834,689) | - | (834,689) |
| Stock dividends to common stockholders | 2,086,725 | - | - | - | - | (2,086,725) | (2,086,725) | - | - | - | - | - | - | - | - | - |
| Conversion of convertible bonds | - | 49,662 | 20,505 | - | - | - | - | - | - | - | - | - | - | 70,167 | - | 70,167 |
| Profit | - | - | - | - | - | 6,552,827 | 6,552,827 | - | - | - | - | - | - | 6,552,827 | 661,686 | 7,214,513 |
| Other comprehensive income | - | - | - | - | - | (395,610) | (395,610) | 7,091 | 156,945 | - | - | (261,993) | (97,957) | (493,567) | (49,928) | (543,495) |
| Total comprehensive income | - | - | - | - | - | 6,157,217 | 6,157,217 | 7,091 | 156,945 | - | - | (261,993) | (97,957) | 6,059,260 | 611,758 | 6,671,018 |
| Issuance of common stock | - | 180,980 | 91,500 | - | - | - | - | - | - | - | - | - | - | 272,480 | - | 272,480 |
| Changes in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (276,089) | (276,089) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | (18,332) | (18,332) | - | 18,332 | - | - | - | 18,332 | - | - | - |
| **Balance on December 31, 2018** | $ 43,821,215 | 230,642 | 6,751,945 | 1,566,450 | - | 10,777,932 | 12,344,382 | (3,760) | 547,201 | - | - | (109,356) | 434,085 | 63,582,269 | 6,537,466 | 70,119,735 |

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Profit before tax** | $ | 9,155,931 | 7,976,120 |
| **Adjustments:** | | | |
| Adjustments to reconcile profit: | | | |
| Expected credit loss | | 70,019 | - |
| Depreciation expense | | 12,908,942 | 13,936,758 |
| Amortization expense | | 416,158 | 383,555 |
| Net gains on financial assets or liabilities at fair value through profit or loss | | (16,571) | (7,700) |
| Interest expense | | 2,002,227 | 2,002,438 |
| Interest income | | (705,399) | (411,330) |
| Dividend income | | (147,692) | (131,461) |
| Share-based payments transactions | | 91,500 | - |
| Shares of profit of associates accounted for using equity method | | (201,574) | (165,898) |
| Losses (gains) on disposal of property, plant and equipment | | (678,229) | 70,311 |
| Gains on disposal of investments | | - | (625,974) |
| Unrealized foreign exchange losses (gains) | | 441,832 | (1,468,529) |
| Others | | (221,917) | (260,184) |
| Total adjustments to reconcile profit | | 13,959,296 | 13,321,986 |
| Changes in operating assets and liabilities: | | | |
| Changes in operating assets: | | | |
| Financial assets at fair value through profit or loss－current | | - | 2,329 |
| Contract assets | | (3,850,796) | - |
| Notes receivable, net | | (181,146) | (207,035) |
| Accounts receivable, net | | (416,915) | (956,588) |
| Accounts receivable－related parties | | (1,681,438) | (1,375,320) |
| Inventories | | 4,295,361 | (723,261) |
| Other current assets | | (17,648) | 309,439 |
| Total changes in operating assets | | (1,852,582) | (2,950,436) |
| Changes in operating liabilities: | | | |
| Contract liabilities | | 21,226,604 | - |
| Notes and accounts payable | | 1,300,298 | 3,718,535 |
| Accounts payable－related parties | | (98,427) | 39,482 |
| Other payables | | 920,648 | (3,124,629) |
| Unearned revenue | | (16,811,281) | 1,897,585 |
| Other current liabilities | | 356,334 | (2,492,173) |
| Net defined benefit liabilities－non-current | | (857,435) | (579,237) |
| Other non-current liabilities | | (2,324,337) | 608,421 |
| Total changes in operating liabilities | | 3,712,404 | 67,984 |
| Total changes in operating assets and liabilities | | 1,859,822 | (2,882,452) |
| Total adjustments | | 15,819,118 | 10,439,534 |
| Cash inflow generated from operations | | 24,975,049 | 18,415,654 |
| Income taxes paid | | (884,425) | (764,188) |
| **Net cash flows from operating activities** | | 24,090,624 | 17,651,466 |

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from (used in) investing activities:** | | | |
| Acquisition of financial assets at fair value through other comprehensive income | $ | (321) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 323,402 | - |
| Decrease in available-for-sale financial assets－current | | - | 70,380 |
| Acquisition of financial assets designated at fair value through profit or loss | | (4,710,000) | - |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 5,792,255 | - |
| Acquisition of available-for-sale financial assets－non-current | | - | (24,620) |
| Proceeds from disposal of available-for-sale financial assets－non-current | | - | 944,169 |
| Acquisition of property, plant and equipment | | (13,197,697) | (13,398,285) |
| Proceeds from disposal of property, plant and equipment | | 2,827,577 | 471,915 |
| Acquisition of intangible assets | | (461,254) | (291,447) |
| Decrease in other non-current assets | | 76,788 | 58,219 |
| Increase in prepayments for business facilities | | (6,565,083) | (9,857,878) |
| Interest received | | 673,194 | 411,605 |
| Dividends received | | 207,862 | 213,587 |
| **Net cash flows used in investing activities** | | (15,033,277) | (21,402,355) |
| **Cash flows from (used in) financing activities:** | | | |
| Increase in short-term borrowings | | 380,000 | 400,000 |
| Decrease in short-term borrowings | | (480,000) | (350,000) |
| Proceeds from issuance of bonds payable | | - | 7,009,018 |
| Redemption of bonds payable | | (4,500,000) | (6,500,000) |
| Proceeds from long-term borrowings | | 26,708,900 | 18,411,000 |
| Redemption of long-term borrowings | | (21,183,756) | (14,421,475) |
| Decrease in lease liabilities | | (1,275,885) | (1,496,591) |
| Increase in other non-current liabilities | | 77,154 | 5,396 |
| Cash dividends paid | | (834,689) | (810,379) |
| Issuance of common stock | | 180,980 | - |
| Interest paid | | (1,317,351) | (1,461,467) |
| Change in non-controlling interests | | (290,430) | (260,055) |
| **Net cash flows from (used in) financing activities** | | (2,535,077) | 525,447 |
| **Effect of exchange rate changes on cash and cash equivalents** | | 70,824 | (21,794) |
| **Net increase (decrease) in cash and cash equivalents** | | 6,593,094 | (3,247,236) |
| **Cash and cash equivalents at beginning of year** | | 41,685,780 | 44,933,016 |
| **Cash and cash equivalents at end of year** | $ | **48,278,874** | **41,685,780** |

See accompanying notes to consolidated financial statements.

(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 19, 2019.

## (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, 2018.

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IFRS 2 "Classification 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 |

(Continued)

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| 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 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a five-step model framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Rending of services

The Group provides maintenance 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) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

| | 2018.12.31 | | | 2018.1.1 | | |
|---|---|---|---|---|---|---|
| **Impacted line items on the consolidated balance sheet** | **Balances prior to the adoption of IFRS 15** | **Impact of changes in accounting policies** | **Balances upon adoption of IFRS 15** | **Balances prior to the adoption of IFRS 15** | **Impact of changes in accounting policies** | **Balances upon adoption of IFRS 15** |
| Inventories | $ 8,692,377 | (3,758,172) | 4,934,205 | 9,424,190 | (4,322,634) | 5,101,556 |
| Contract assets－current | - | 3,850,796 | 3,850,796 | - | 4,322,634 | 4,322,634 |
| **Impact on assets** | | **92,624** | | | - | |
| Current tax liabilities | $ 1,026,877 | 18,525 | 1,045,402 | - | - | - |
| Contract liabilities－current | - | 18,317,646 | 18,317,646 | - | 16,681,458 | 16,681,458 |
| Unearned revenue | 18,375,169 | (18,375,169) | - | 16,811,771 | (16,811,771) | - |
| Other current liabilities | 5,599,843 | 57,523 | 5,657,366 | 5,650,430 | 130,313 | 5,780,743 |
| Contract liabilities－non-current | - | 2,908,958 | 2,908,958 | - | 2,351,379 | 2,351,379 |
| Other non-current liabilities | 23,457,265 | (2,908,958) | 20,548,307 | 20,599,199 | (2,351,379) | 18,247,820 |
| **Impact on liabilities** | | **18,525** | | | - | |
| Retained earnings | $ 12,285,660 | 59,279 | 12,344,939 | - | - | - |
| Non-controlling interest | 6,522,646 | 14,820 | 6,537,466 | - | - | - |
| **Impact on equity** | | **74,099** | | | - | |

| | For the year ended December 31, 2018 | | |
|---|---|---|---|
| **Impacted line items on the consolidated statement of comprehensive income** | **Balances without adoption of IFRS 15** | **Impact of changes in accounting polices** | **Balances with adoption of IFRS 15** |
| Operating revenue | $ 175,840,312 | 4,067,020 | 179,907,332 |
| Operating costs | (153,815,246) | (3,974,396) | (157,789,642) |
| Impact on profit before tax | | 92,624 | |
| Income tax expenses | (1,922,893) | (18,525) | (1,941,418) |
| **Impact on Profit** | | **74,099** | |
| Basic earnings per share (in New Taiwan Dollars) | **$ 1.48** | **0.02** | **1.50** |
| Diluted earnings per share (in New Taiwan Dollars) | **$ 1.34** | **0.02** | **1.36** |

(Continued)

| Impacted line items on the consolidated statement of cash flows | | For the year ended December 31, 2018<br>Balances without adoption of IFRS 15 | Impact of changes in accounting polices | Balances with adoption of IFRS 15 |
|---|---|---|---|---|
| Cash flows from (used in) operating activities: | | | | |
| **Profit before tax** | $ | 9,063,864 | 92,624 | 9,156,488 |
| Adjustments: | | | | |
| Contract assets | | - | (3,850,796) | (3,850,796) |
| Inventories | | 537,189 | 3,758,172 | 4,295,361 |
| Unearned revenue | | 1,563,888 | (18,375,169) | (16,811,281) |
| Contract liabilities | | - | 21,226,604 | 21,226,604 |
| Other current liabilities | | 298,811 | 57,523 | 356,334 |
| Other non-current liabilities | | 584,621 | (2,908,958) | (2,324,337) |
| **Impact on net cash flows from operating activities** | | | - | |

(ii) IFRS 9 "Financial Instruments"

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

The Group adopted the consequential amendments to IFRS 7 " Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

(Continued)

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Hedge accounting

The Group prospectively apply the requirements for hedge accounting upon initial application of IFRS 9. In addition, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets for hedging and financial liabilities for hedging starting January 1, 2018.

4) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed 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.

5) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018 (There are no changes to the measurement categories and carrying amount of financial liabilities).

(Continued)

| | IAS39 | | IFRS9 | |
|---|---|---|---|---|
| | **Measurement categories** | **Carrying amount** | **Measurement categories** | **Carrying amount** |
| **Financial assets** | | | | |
| Cash and cash equivalents | Loans and receivables (note 1) | 41,685,780 | Amortized cost | 41,685,780 |
| Derivative instruments | Derivative financial assets for hedge purposes | 184,458 | Financial assets for hedging | 184,458 |
| Equity instruments | Available-for-sale (fund) | 1,845,223 | FVTPL | 1,845,223 |
| | Available-for-sale financial assets (equity instruments) (note 2) | 2,559,670 | FVOCI | 2,560,824 |
| | Financial assets carried at cost (note 2) | 1,020 | FVOCI | 8,474 |
| Trade receivables, net | Loans and receivables (note 1) | 14,353,344 | Amortized cost | 14,353,344 |
| Other financial assets (refundable deposits and pledged time deposits) | Loans and receivables (note 1) | 1,545,011 | Amortized cost | 1,545,011 |

Note 1: Cash and cash equivalents, notes receivable, accounts receivable, other receivables and other financial assets that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note 2: These equity securities (including financial assets carried at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $8,608 in those assets recognized, and 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 interest were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

| | **2017.12.31 IAS 39 Carrying amount** | **Reclassifications** | **Remeasurements** | **2018.1.1 IFRS 9 Carrying amount** | **2018.1.1 Adjustment in retained earnings** | **2018.1.1 Adjustment in other equity** |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | | |
| Beginning balance of FVTPL (IAS 39) | $ - | - | - | | - | - |
| From available-for-sale | - | 1,845,223 | - | | 16,500 | (16,500) |
| Total | **$ -** | **1,845,223** | **-** | **1,845,223** | **16,500** | **(16,500)** |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Beginning balance of available-for-sale (including carried at cost) (IAS 39) | $ 2,560,690 | (2,560,690) | - | | - | - |
| Available-for-sale to FVOCI | - | 2,560,690 | 8,608 | | 438,162 | (430,834) |
| Total | **$ 2,560,690** | **-** | **8,608** | **2,569,298** | **438,162** | **(430,834)** |

(Continued)

(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 present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ab).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| IFRS 16 "Leases" | January 1, 2019 |
| 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 19 "Plan Amendment, Curtailment or Settlement" | 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 |

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:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as operating or finance leases.

(Continued)

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or

- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or

- modified retrospective approach with optional practical expedients. And, it need not restate comparative financial statements.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices and aircraft. The Group estimated that the right-of-use assets and the lease liabilities (deduct advance rental) to increase by $103,576,969 and $102,697,225, respectively on January 1, 2019. No significant impact is expected for the Group’s finance leases. In addition, since the loan covenants agreed upon by the Group with different financial institutions were without financial ratio limits, the adoption of IFRS 16 will not have any impact on the said covenants. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

(Continued)

(ii) 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, as well as 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, as well as 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.

Based on the Group's assessment, the application of IFRIC23 would not result in any material impact.

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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 |
| 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 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 |

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

## (4) Summary of significant accounting policies

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

(Continued)

(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 and issued into effect 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) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) Hedging 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 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.

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

(Continued)

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 2018.12.31 | 2017.12.31 | Note |
|---|---|---|---|---|---|
| The Company | Evergreen Aviation Technologies Corp. | Maintenance of aircraft, engine and parts | 80.00 % | 80.00 % | Note 3 |
| 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 % | Note 3 |
| Evergreen Aviation Technologies Corp. | Evergreen Aviation Precision Corp. | Manufacture of aircraft parts | 30.00 % | 30.00 % | Note 3 |
| 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 | RTW Air Services (S) Pte. Ltd. | Traveling agency | - % | 49.00 % | Note 1、Note 2 |
| 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: RTW Air Services(S) Pte. Ltd. has completed liquidation process in August, 2018.

Note 3: A resolution was approved during the two separate board meetings of Evergreen Aviation Technology Corp. (EGAT) and Evergreen Aviation Precision Corp. (EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28, 2019.

(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 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) fair value through other comprehensive income (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

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend income clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, refundable deposits and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for the following which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its 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 from financial assets measured at fair value through other comprehensive income”, in profit or loss.

(Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. 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 no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

These financial assets were acquired for the purpose of trading or 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.

2) Loans and receivables

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

(Continued)

3) Available-for-sale financial assets

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

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

Dividends on available-for-sale securities are recognized when the Group is authorized to receive.

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.

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.

(Continued)

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.

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.

(Continued)

(iii) 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 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.

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.

(Continued)

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 under non-operating income and expenses.

3) Other financial liabilities

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

(iv) Derivative financial instruments and hedge accounting (policy applicable from January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and fuel price exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

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The Group designates its hedging instruments, including derivatives, embedded derivatives, and nonderivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges. For a hedge of foreign currency risk with a highly probable forecast transaction, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided.

An initial designated hedging relationships, the Group documents the risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in “other equity－gains (losses) on hedging instruments”. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the 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 in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the statement of comprehensive income. However, for a cash flow hedge of a forecast transaction recognized as a nonfinancial asset or liability, the amount accumulated in “other equity－gains (losses) on hedging instruments” and retained in other comprehensive income is reclassified as the initial cost of the nonfinancial asset or liability.

The Group prospectively discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance when the hedging instrument expires or is sold, terminated or exercised.

(v) Derivative financial instrument and hedge accounting (policy applicable before January 1, 2018)

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

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

(Continued)

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 consolidated 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 consolidated statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

(h) Inventories

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

(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.

(Continued)

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 consolidated 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 Group has an obligation or has made payments on behalf of the investee.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at initial acquisition cost less any subsequent accumulated depreciation. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) 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.

(Continued)

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

(ii) Major inspection and overhaul cost

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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.

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(Continued)

(l) Leases

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

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

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

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

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

(m) 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.

(Continued)

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.

(n) Provision

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

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

(o) 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.

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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.

(p) Revenue recognition

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Aviation transportation revenue

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

2) Customer loyalty program

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

3) Maintenance services

The Group provides maintenance services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed incurred to date as a proportion of the total estimated work of the transaction.

(Continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

4) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the utility of the product, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Accounts receivable are recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

5) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Revenue recognition (policy applicable before January 1, 2018)

1) Aviation transportation revenue

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

(Continued)

2) 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.

3) 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.

4) 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.

(iii) Contract costs(policy applicable from January 1 ,2018)

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(Continued)

2) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(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 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.

(r) Share-based payment

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

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

(s) 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.

(Continued)

(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 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.

(t) Earnings per share (EPS)

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

(u) Operating segment

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

(Continued)

**(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.

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(i), 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) Contract liabilities－mileage redemption revenue

Please refer to note 4(p), 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 contract liabilities-mileage redemption revenue. Also, contract liabilities-mileage redemption revenue 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) Restoration obligations

Please refer to note 4(n), 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.

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(y).

## (6) Explanation of significant accounts

(a) Cash and cash equivalents

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Cash on hand | $ 84,555 | 87,746 |
| Cash in bank | 47,711,054 | 41,128,659 |
| Short-term notes | 483,265 | 469,375 |
| | **$ 48,278,874** | **41,685,780** |

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

(b) Financial assets and liabilities

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| **Financial assets mandatorily measured at fair value through profit or loss:** | | |
| Money market funds | **$ 769,039** | **-** |

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| **Financial liabilities mandatorily measured at fair value through profit or loss:** | | |
| Convertible bonds with embedded derivatives | $ 6,234 | - |
| **Financial liabilities held-for-trading:** | | |
| Convertible bonds with embedded derivatives | - | 16,800 |
| Total | **$ 6,234** | **16,800** |

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

(Continued)

(ii) Financial assets at fair value through other comprehensive income:

| | | 2018.12.31 |
|---|---|---|
| **Equity investments at fair value through other comprehensive income:** | | |
| Publicly traded stocks | $ | 933,742 |
| Non-publicly traded stocks | | 1,469,255 |
| | **$** | **2,402,997** |

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

For the year ended December 31, 2018, the Group has sold its equity securities as at fair value through other comprehensive income. The shares sold had a fair value of $323,402 and the Group realized a loss of $18,332, which is already included in other equity. The loss has been transferred to retained earnings.

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

| | | 2017.12.31 |
|---|---|---|
| Publicly traded stocks | $ | 10,458 |
| Money market funds | | 1,845,223 |
| | **$** | **1,855,681** |

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

| | | 2017.12.31 |
|---|---|---|
| Publicly traded stocks | $ | 1,223,895 |
| Non-publicly traded stocks | | 1,325,317 |
| | **$** | **2,549,212** |

(v) For credit risk and market risk; please refer to note 6(y).

(vi) The aforementioned financial assets were not pledged.

(Continued)

(c) Financial instruments used for hedging

Financial instruments used for hedging which were recognized as "financial assets / liabilities for hedging" on December 31, 2018, and recognized as "derivative financial assets / liabilities for hedge purposes" on December 31, 2017 were as follow:

**Cash flow hedge:**

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Financial assets for hedging: | | |
| Fuel option agreements | $ - | 184,458 |
| Forward exchange contracts | 36 | - |
| Total | **$ 36** | **184,458** |
| Current | $ 36 | 184,458 |
| Non-current | - | - |
| | **$ 36** | **184,458** |

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Financial liabilities for hedging: | | |
| Fuel swap agreements | $ 136,503 | - |
| Forward exchange contracts | 228 | 558 |
| Total | **$ 136,731** | **558** |
| Current | $ 136,731 | 558 |
| Non-current | - | - |
| | **$ 136,731** | **558** |

(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, 2018 and 2017, the cash flow hedged items and derivative financial hedging instruments were as follows:

| | | Fair value of assigned hedging instrument | | Period when cash flows are expected to occur | Period when profit or loss is affected |
|---|---|---|---|---|---|
| **Hedged item** | **Hedging instrument** | **2018.12.31** | **2017.12.31** | | |
| Floating price of fuel | Fuel swap agreements | $ (136,503) | - | 2019 | 2019 |
| Floating price of fuel | Option agreements | - | 184,458 | 2018 | 2018 |
| | | **$ (136,503)** | **184,458** | | |

(Continued)

(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 non-current assets in the same period. The terms of forward foreign exchange contract are coordinated with the hedged item. The unexpired forward exchange contracts held by the Group were as follows:

| | 2018.12.31 | | | |
|---|---|---|---|---|
| | **Contract Amount (in thousands)** | **Currency** | **Maturity dates** | **Average strike price** |
| Forward exchange purchased | **USD$ 24,000** | TWD to USD | 2019/05/02 | USD$30.33~30.45 |

| | 2017.12.31 | | | |
|---|---|---|---|---|
| | **Contract Amount (in thousands)** | **Currency** | **Maturity dates** | **Average strike price** |
| Forward exchange purchased | **USD$ 6,000** | TWD to USD | 2018/02/01~2018/04/02 | USD$29.76~29.90 |

(iii) The details arising from cash flow hedges for the years ended December 31, 2018 and 2017, were as follows:

| Account Item | 2018 | 2017 |
|---|---|---|
| Recognized in other comprehensive income during the period | **$ (320,595)** | **383,942** |
| Reclassification from equity to operating cost (income) for the period | **$ (310,986)** | **360,526** |
| Reclassification from equity to other non-current assets for the period | **$ (14,026)** | **74,093** |

There was no ineffective portion of cash flow hedge recognized in profit or loss.

(d) Notes and accounts receivable

| | **2018.12.31** | **2017.12.31** |
|---|---|---|
| Notes receivable | $ 933,730 | 752,584 |
| Accounts receivable (including related parties) | 15,376,217 | 13,287,696 |
| Less: allowance for impairment | (221,845) | (161,496) |
| | **$ 16,088,102** | **13,878,784** |

(Continued)

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

| | Notes and accounts receivable (including related parties) carrying amount | Weighted-average loss rate | Loss allowance provision |
|---|---|---|---|
| Not Overdue | $ 15,518,483 | 0%~0.57% | 42,283 |
| Overdue within 30 days | 319,165 | 0%~58.69% | 20,699 |
| Overdue 31~60 days | 375,957 | 0%~100% | 64,767 |
| Overdue over 60 days but less than one year | 94,107 | 0%~100% | 91,972 |
| Overdue more than one year | 2,235 | 10.83%~100% | 2,124 |
| | **$ 16,309,947** | | **221,845** |

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

| | 2017.12.31 |
|---|---|
| Overdue within 30 days | $ 641,625 |
| Overdue 31~60 days | 81,839 |
| Overdue over 60 days but less than one year | 8,237 |
| Overdue more than one year | 6 |
| | **$ 731,707** |

The movement in the allowance for notes and accounts receivable was as follow:

| | | 2017 | |
|---|---|---|---|
| | 2018 | Individually assessed impairment | Collectively assessed impairment |
| Balance on January 1, 2018 and 2017 per IAS 39 | $ 161,496 | 88,513 | 73,666 |
| Adjustment on initial application of IFRS 9 | - | | |
| Balance on January 1, 2018 per IFRS 9 | 161,496 | | |
| Impairment losses recognized | 70,019 | - | - |
| Amounts written off | (9,670) | - | (683) |
| Balance on December 31, 2018 and 2017 | **$ 221,845** | **88,513** | **72,983** |

The aforementioned notes and accounts receivable were not pledged. Other credit risk information please refer to note 6(y).

(Continued)

(e) Other receivables

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Other receivables－related parties | $ 295,755 | 333,142 |
| Subsidy receivable | 32,811 | 96,516 |
| Others | 275,561 | 44,904 |
| Less: allowance for impairment | - | (2) |
| | **$ 604,127** | **474,560** |

As of December 31, 2017, the aging analysis of other receivables, which were past due but not impaired, was as follows:

| | 2017.12.31 |
|---|---|
| Overdue within 30 days | $ 839 |
| Overdue over 60 days but less than one year | 1 |
| | **$ 840** |

The movement in allowance for other receivables was as follow:

| | | 2017 | |
|---|---|---|---|
| | **2018** | **Individually assessed impairment** | **Collectively assessed impairment** |
| Balance on January 1, 2018 and 2017 per IAS 39 | $ 2 | 2 | - |
| Adjustment on initial application of IFRS 9 | - | | |
| Balance on January 1, 2018 per IFRS 9 | 2 | | |
| Amounts written off | (2) | - | - |
| Balance on December 31, 2018 and 2017 | **$ -** | **2** | **-** |

The aforementioned other receivables were not pledged. Other credit risk information please refer to note 6(y).

(f) Inventories

(i) The components were as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Work in progress | $ - | 4,500,634 |
| Aircraft spare parts | 2,627,838 | 3,209,786 |
| Consumables for use and merchandise for in-flight sales | 1,310,178 | 1,238,498 |
| Fuel for aircraft and others | 996,189 | 475,272 |
| | **$ 4,934,205** | **9,424,190** |

(Continued)

(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:

| | 2018 | 2017 |
|---|---|---|
| Loss on valuation of inventories and obsolescence (reversal of write-downs of inventories) | $ (142,019) | 419,110 |
| Unallocated fixed manufacturing overhead | 246,732 | 231,230 |
| Losses (gains) on inventory count | (76) | - |
| Proceeds from disposal of scraps | (3,483) | (3,197) |
| | **$ 101,154** | **647,143** |

As of December 31, 2018 and 2017, these inventories were not pledged.

(g) Investments accounted for using equity method

(i) 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.

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Associates | **$ 710,002** | **681,192** |

| | 2018 | 2017 |
|---|---|---|
| Attributable to the Group: | | |
| Profit | $ 201,574 | 165,898 |
| Other comprehensive income | 6,664 | (12,361) |
| Comprehensive income | **$ 208,238** | **153,537** |

(ii) The aforementioned investments accounted for using equity method were not pledged.

(h) Subsidiaries with material non-controlling interests

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

| Name of the subsidiary | Principal place of business or country of incorporation of the subsidiary | The proportion of ownership interests and voting rights held by non-controlling interests 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| 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.

(Continued)

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Current assets | $ 1,214,403 | 1,122,160 |
| Non-current assets | 5,228,789 | 4,252,715 |
| Current liabilities | 640,950 | 591,526 |
| Non-current liabilities | 1,572,134 | 942,532 |
| Net assets | **$ 4,230,108** | **3,840,817** |
| Carrying amounts of non-controlling interests | **$ 2,123,514** | **1,928,090** |

| | 2018 | 2017 |
|---|---|---|
| Operating revenues | **$ 3,436,795** | **3,303,584** |
| Profit | $ 528,534 | 616,565 |
| Other comprehensive income | (18,242) | (54,425) |
| Comprehensive income | **$ 510,292** | **562,140** |
| Profit attributable to non-controlling interests | **$ 265,325** | **309,516** |
| Comprehensive income attributable to non-controlling interests | **$ 256,167** | **282,195** |

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities | $ 726,892 | 676,509 |
| Cash flows used in investing activities | (1,122,105) | (1,770,802) |
| Cash flows from financing activities | 488,781 | 669,967 |
| Net increase (decrease) in cash and cash equivalents | **$ 93,568** | **(424,326)** |
| Dividend paid for non-controlling interests | **$ 60,742** | **55,220** |

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Current assets | $ 20,881,783 | 18,689,816 |
| Non-current assets | 7,172,365 | 6,871,391 |
| Current liabilities | 6,581,961 | 6,990,239 |
| Non-current liabilities | 9,403,036 | 7,842,461 |
| Net assets | **$ 12,069,151** | **10,728,507** |
| Carrying amounts of non-controlling interests | **$ 2,413,830** | **2,145,701** |

(Continued)

| | | 2018 | 2017 |
|---|---|---|---|
| Operating revenues | $ | **44,681,257** | **40,268,007** |
| Profit | $ | 1,993,732 | 1,353,062 |
| Other comprehensive income | | (16,927) | (196,147) |
| Comprehensive income | $ | **1,976,805** | **1,156,915** |
| Profit attributable to non-controlling interests | $ | **398,746** | **270,612** |
| Comprehensive income attributable to non-controlling interests | $ | **395,361** | **231,383** |

| | | 2018 | 2017 |
|---|---|---|---|
| Cash flows from operating activities | $ | 2,477,169 | 873,581 |
| Cash flows used in investing activities | | (640,584) | (1,240,123) |
| Cash flows from financing activities | | 215,154 | 124,710 |
| Net increase (decrease) in cash and cash equivalents | $ | **2,051,739** | **(241,832)** |
| Dividend paid for non-controlling interests | $ | **127,232** | **127,232** |

(i) 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, 2018 | $ | 5,581,805 | 15,695,975 | 27,436,583 | 29,755,803 | 122,206,441 | 5,510,139 | 206,186,746 |
| Additions | | - | 368,421 | 483,898 | 1,168,303 | 10,235,749 | 1,985,730 | 14,242,101 |
| Disposals | | - | - | (1,410,884) | (146,922) | (15,527,908) | - | (17,085,714) |
| Reclassification (Note) | | (56,381) | 5,427,857 | 3,927,720 | 12,947 | 5,426,809 | (5,021,528) | 9,717,424 |
| Effect of exchange rate changes | | - | 8,053 | 4,139 | - | - | 721 | 12,913 |
| Balance as of December 31, 2018 | $ | **5,525,424** | **21,500,306** | **30,441,456** | **30,790,131** | **122,341,091** | **2,475,062** | **213,073,470** |
| 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** |
| **Accumulated depreciation:** | | | | | | | | |
| Beginning balance as of January 1, 2018 | $ | - | 7,271,248 | 14,645,408 | 7,692,686 | 41,560,025 | - | 71,169,367 |
| Depreciation expense | | - | 686,338 | 2,151,950 | 2,809,127 | 7,261,527 | - | 12,908,942 |
| Disposals | | - | - | (1,108,275) | (146,576) | (13,681,515) | - | (14,936,366) |
| Reclassification (Note) | | - | (1,705) | (33,236) | - | 4,597 | - | (30,344) |
| Effect of exchange rate changes | | - | 533 | 826 | - | - | - | 1,359 |
| Balance as of December 31, 2018 | $ | **-** | **7,956,414** | **15,656,673** | **10,355,237** | **35,144,634** | **-** | **69,112,958** |

(Continued)

| | Land | Building and structures | Machinery and equipment | Leased assets | Aircraft | Unfinished construction | Total |
|---|---|---|---|---|---|---|---|
| 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** |
| **Carrying amounts:** | | | | | | | |
| Balance as of December 31, 2018 | **$ 5,525,424** | **13,543,892** | **14,784,783** | **20,434,894** | **87,196,457** | **2,475,062** | **143,960,512** |
| 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 January 1, 2017 | **$ 5,535,074** | **7,249,653** | **13,230,999** | **22,353,523** | **73,992,932** | **3,119,666** | **125,481,847** |

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(n) 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, 2018 and 2017, the unrealized gains from the sale and leaseback were $51,548, and $127,227, 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 on Puxin, Dayuan Dist., Taoyuan City for car park lot amounting to $60,558. The purchase was in the name of EGAT’s director.

(iv) Pledge

As of December 31, 2018 and 2017, 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.

(v) For the years ended December 31, 2018 and 2017, the Group capitalized the interest expenses on purchase of assets amounted to $176,643 and $182,273, respectively. The ranges of the monthly interest rate used for capitalization calculation were both 0.11%～0.13%.

(j) Investment property

The movement in cost of investment property were as follow:

| | Land | Unfinished construction | Total |
|---|---|---|---|
| **Cost:** | | | |
| Beginning balance as of January 1, 2018 | $ - | - | - |
| Reclassification from property, plant and equipment | 56,381 | 126,673 | 183,054 |
| Balance as of December 31, 2018 | $ **56,381** | **126,673** | **183,054** |
| **Carrying amounts:** | | | |
| Balance as of December 31, 2018 | $ **56,381** | **126,673** | **183,054** |
| **Fair value:** | | | |
| Balance as of December 31, 2018 | | | $ **592,137** |

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The Group' s management also assessed the settled deals by using the valuation method. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2018, the investment property was not pledged. There was no such transaction in 2017.

(k) Intangible assets

The movements in cost and accumulated amortization of intangible assets were as follows:

| | Operating concession | Computer software | Total |
|---|---|---|---|
| **Cost:** | | | |
| Beginning balance as of January 1, 2018 | $ 3,423,792 | 1,248,953 | 4,672,745 |
| Additions | - | 461,254 | 461,254 |
| Disposals | - | (339,093) | (339,093) |
| Balance as of December 31, 2018 | $ **3,423,792** | **1,371,114** | **4,794,906** |
| 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** |
| **Accumulated amortization:** | | | |
| Beginning balance as of January 1, 2018 | $ 1,935,490 | 658,582 | 2,594,072 |
| Amortization expense | 134,296 | 281,862 | 416,158 |
| Disposals | - | (339,093) | (339,093) |
| Balance as of December 31, 2018 | $ **2,069,786** | **601,351** | **2,671,137** |

(Continued)

| | Operating concession | Computer software | Total |
|---|---|---|---|
| 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** |
| **Carrying amounts:** | | | |
| Balance as of December 31, 2018 | **$ 1,354,006** | **769,763** | **2,123,769** |
| Balance as of December 31, 2017 | **$ 1,488,302** | **590,371** | **2,078,673** |
| Balance as of January 1, 2017 | **$ 1,622,599** | **548,182** | **2,170,781** |

(i) Amortization

For the years ended December 31, 2018 and 2017, the amortization of intangible assets is included under operating costs and operating expenses in the consolidated statements of comprehensive income.

(ii) Pledge

The aforementioned intangible assets were not pledged.

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

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Prepaid expense | $ 1,111,794 | 1,243,538 |
| Other receivables (including related parties) | 604,127 | 474,560 |
| Others | 359,460 | 255,349 |
| Total | **$ 2,075,381** | **1,973,447** |

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Prepayments for equipment | $ 10,142,035 | 13,118,493 |
| Refundable deposits | 1,466,406 | 1,433,953 |
| Pledged time deposits | 120,332 | 111,058 |
| Others | 2,279 | 121,761 |
| Total | **$ 11,731,052** | **14,785,265** |

(Continued)

(m) Short-term borrowings, long-term borrowings, bonds payables 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:

| | 2018.12.31 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate** | **Maturity date** | **Amount** |
| Secured bonds payable | TWD | 1.07% | 2020/12/29~2021/12/29 | $ 8,500,000 |
| Unsecured convertible bonds | TWD | - | 2022/10/27 | 6,607,923 |
| Subtotal | | | | 15,107,923 |
| Less: Current portion (included in current portion of long-term liabilities) | | | | - |
| Total | | | | $ 15,107,923 |
| Unsecured loans | TWD | 1.12%~2.01% | 2019/01/19~2023/12/27 | $ 26,182,341 |
| Secured loans | TWD | 1.11%~1.54% | 2019/01/02~2032/02/23 | 54,490,061 |
| Subtotal | | | | 80,672,402 |
| Less: Current portion | | | | (15,637,144) |
| Total | | | | $ 65,035,258 |
| Lease liabilities | TWD, USD | 2.03%~4.12% | 2019/01/22~2024/06/21 | $ 2,204,904 |
| Less: Current portion (included in other current liabilities) | | | | (925,286) |
| Total | | | | $ 1,279,618 |

| | 2017.12.31 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate** | **Maturity date** | **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% | 2018/01/30~2032/02/23 | 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 |

(Continued)

The details of convertible bonds were as follows:

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Total convertible bonds issued | $ | 7,000,000 | 7,000,000 |
| Less: Unamortized discounted bonds payable | | (318,577) | (403,768) |
| Cumulative converted amount | | (73,500) | - |
| Convertible bonds issued balance | **$** | **6,607,923** | **6,596,232** |
| Embedded derivatives－put/call options (included in financial liabilities at fair value through profit or loss) | **$** | **6,234** | **16,800** |
| Equity components－conversion options (included in capital surplus－share options) | **$** | **398,682** | **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(x) for the valuation loss/profit of embedded derivatives－put/call options, which were recognized in net gains on 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, 2018 and 2017, the conversion price was $14.8 and $15.5 per share, respectively. In addition, corporate bonds with a face value of $73,500 has been converted to 4,966 thousand shares of common stock.

(Continued)

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| USD (in thousands) | $ 49,153 | 207,677 |
| Convert to TWD | $ 1,509,738 | 6,180,469 |

As of December 31, 2018, 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 |
|---|---|
| 2019.1.1~2019.12.31 | $ 16,562,430 |
| 2020.1.1~2023.12.31 | 60,290,084 |
| 2024.1.1 and thereafter | 21,132,715 |
| | $ 97,985,229 |

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

(Continued)

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2018 and 2017, the unused credit lines for short-term and long-term borrowings amounted to $12,589,818 and $14,552,190, respectively.

(iii) Lease liabilities

The Group's lease liabilities were as follows:

| | 2018.12.31 | | | 2017.12.31 | | |
|---|---|---|---|---|---|---|
| | **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 | $ 1,005,415 | 80,129 | 925,286 | 1,355,939 | 81,229 | 1,274,710 |
| 1 to 5 years | 1,179,456 | 21,911 | 1,157,545 | 1,849,454 | 95,465 | 1,753,989 |
| More than 5 years | 122,860 | 787 | 122,073 | 404,736 | 6,082 | 398,654 |
| | **$ 2,307,731** | **102,827** | **2,204,904** | **3,610,129** | **182,776** | **3,427,353** |

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2018 and 2017 are disclosed in note 6(x).

(n) Restoration obligations

The movements of the restoration obligations were as follows:

| | **2018** | **2017** |
|---|---|---|
| Beginning balance as of January 1 | $ 17,411,564 | 17,351,555 |
| Additions | 1,897,487 | 3,985,670 |
| Decreases | (59,586) | (3,103,828) |
| Effect of exchange rate changes | 327,512 | (821,833) |
| Balance as of December 31 | **$ 19,576,977** | **17,411,564** |

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)

(o) Operating leases

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

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Within 1 year | $ | 14,394,942 | 13,195,209 |
| 1 to 5 years | | 52,416,870 | 50,374,272 |
| More than 5 years | | 47,305,208 | 53,504,101 |
| | $ | **114,117,020** | **117,073,582** |

For the years ended December 31, 2018 and 2017, rental expenses included in operating costs and operating expenses were $13,883,555 and $13,449,718, 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.

(p) 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:

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Total present value of defined benefit obligations | $ | 12,473,444 | 11,825,281 |
| Fair value of plan assets | | (7,306,609) | (6,525,187) |
| Recognized liabilities of net defined benefit obligations | $ | **5,166,835** | **5,300,094** |

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 $7,091,869 as of December 31, 2018. 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:

| | | 2018 | 2017 |
|---|---|---|---|
| Defined benefit obligations as of January 1 | $ | 11,825,281 | 11,232,559 |
| Benefits paid by the plan | | (667,684) | (813,019) |
| Current service costs and interest | | 421,100 | 405,579 |
| Net remeasurements of defined benefit liabilities | | | |
| —Experience adjustments | | 298,477 | 700,588 |
| —Actuarial losses (gains) arising from changes in demographic assumptions | | 49,108 | 36,208 |
| —Actuarial losses (gains) arising from changes in financial assumptions | | 545,917 | 264,364 |
| Past service cost and gains and losses on settlement | | 1,735 | - |
| Effect of movement in exchange rates | | (490) | (998) |
| Defined benefit obligations as of December 31 | $ | **12,473,444** | **11,825,281** |

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:

| | | 2018 | 2017 |
|---|---|---|---|
| Fair value of plan assets as of January 1 | $ | 6,525,187 | 6,382,867 |
| Contributions from plan participants | | 1,137,493 | 824,239 |
| Benefits paid by the plan | | (611,303) | (741,427) |
| Expected return on plan assets | | 96,619 | 88,985 |
| Net remeasurements of defined benefit liabilities | | | |
| —Return on plan assets (excluding the amounts included in net interest expense) | | 158,613 | (29,477) |
| Fair value of plan assets as of December 31 | $ | **7,306,609** | **6,525,187** |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Current services costs | $ | 251,288 | 254,202 |
| Net interest on the net defined benefit liabilities | | 73,193 | 62,392 |
| Past service cost and gains and losses on settlement | | 1,735 | - |
| | $ | **326,216** | **316,594** |

(Continued)

| | | 2018 | 2017 |
|---|---|---|---|
| Operating costs | $ | 253,796 | 245,218 |
| Operating expenses | | 72,420 | 71,376 |
| | **$** | **326,216** | **316,594** |

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

As of December 31, 2018 and 2017, the Group' s remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Accumulate amount as of January 1 | $ | (4,810,138) | (3,779,501) |
| Losses recognized during the period | | (734,889) | (1,030,637) |
| Accumulate amount as of December 31 | **$** | **(5,545,027)** | **(4,810,138)** |

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Discount rate | 1.125%~9% | 1.25%~7.5% |
| Future salary increases | 1.54%~8% | 1.61%~8% |

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

| | 2018 | 2017 |
|---|---|---|
| Discount rate | 1.125%~9% | 1.125%~7.5% |
| Future salary increases | 1.61%~8% | 1.51%~8% |

The Group expects to make contributions of $860,290 to the defined benefit plans in the next year starting from December 31, 2018. The weighted average of the defined benefit plans is 11.2~20.25 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 | |
| | 2018.12.31 | 2017.12.31 | 2018.12.31 | 2017.12.31 |
| Discount rate (0.25%) | 316,787 | 305,750 | 333,785 | 332,648 |
| Future salary increases (0.25%) | 302,527 | 293,303 | 317,253 | 317,998 |

(Continued)

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

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

(ii) Defined contribution plans

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

The Group set aside $647,045 and $605,897 as pension costs under the defined contribution plans in 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(q) Income tax

(i) According to the amendments 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%.

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

| | | 2018 | 2017 |
|---|---|---|---|
| Current tax expenses | $ | 1,629,410 | 941,733 |
| Adjustment for prior periods | | 118 | - |
| Deferred tax expenses | | 311,890 | 723,453 |
| Income tax expenses | **$** | **1,941,418** | **1,665,186** |

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

| | | 2018 | 2017 |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of net defined benefit plans | $ | 305,459 | 175,223 |
| Unrealized gains from investment in equity instruments measured at fair value through other comprehensive income | | (673) | - |
| Gains on hedging instruments | | (56) | - |
| | **$** | **304,730** | **175,223** |

(Continued)

| | 2018 | 2017 |
|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | |
| Unrealized losses on available-for-sale financial assets | $ - | 2,159 |
| Cash flow hedges | - | (65,270) |
| Losses on hedging instruments | 58,658 | - |
| Share of other comprehensive income of associates accounted for using equity method | - | (272) |
| | **$ 58,658** | **(63,383)** |

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

| | 2018 | 2017 |
|---|---|---|
| Profit before tax | **$ 9,155,931** | **7,976,120** |
| Income tax using the Company's domestic tax rate | $ 1,831,186 | 1,355,940 |
| Adjustment in tax rate | (534,913) | - |
| Exempt income | (458,969) | (402,518) |
| Changes in unrecognized deductible temporary differences | 276,811 | 16,433 |
| Undistributed earnings additional tax | 217,311 | 211,390 |
| Income basic tax | - | 33,631 |
| Others | 609,992 | 450,310 |
| Total | **$ 1,941,418** | **1,665,186** |

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Unrecognized deferred tax assets: | | |
| Tax losses | $ 342,917 | 490,245 |
| Investment loss of foreign operations accounted for using equity method | 33,862 | 23,825 |
| Restoration obligations | 507,077 | - |
| Others | 37,047 | 33,419 |
| Total | **$ 920,903** | **547,489** |

(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, 2018, the Group's loss carry-forwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

| Filing year | Recognized un-deducted operating loss | Unrecognized un-deducted operating loss | Total | Expiry year |
|---|---|---|---|---|
| 2012 | $ - | 246 | 246 | 2022 |
| 2013 | - | 16,656 | 16,656 | 2023 |
| 2014 | - | 59,585 | 59,585 | 2024 |
| 2015 | - | 217,928 | 217,928 | 2025 |
| 2016 | - | 341,544 | 341,544 | 2026 |
| 2017 | - | 502,529 | 502,529 | 2027 |
| 2018 | - | 576,096 | 576,096 | 2028 |
| | **$ -** | **1,714,584** | **1,714,584** | |

The Group has no unrecognized deferred tax liabilities as of December 31, 2018 and 2017.

2) Recognized deferred tax assets and liabilities

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

| | 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 as of January 1, 2018 | $ 624,396 | 752,756 | 70,736 | 911,712 | 750,218 | 515,175 | 13,430 | 454,744 | 4,093,167 |
| Recognized in profit or loss | (624,396) | 49,205 | (34,399) | (173,365) | 80,545 | 215,406 | (7,624) | 154,747 | (339,881) |
| Recognized in other comprehensive income | - | - | - | 305,459 | - | - | - | 27,339 | 332,798 |
| Balance as of December 31, 2018 | **$ -** | **801,961** | **36,337** | **1,043,806** | **830,763** | **730,581** | **5,806** | **636,830** | **4,086,084** |
| Beginning balance as of 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 as of December 31, 2017 | **$ 624,396** | **752,756** | **70,736** | **911,712** | **750,218** | **515,175** | **13,430** | **454,744** | **4,093,167** |

| | Unrealized foreign exchange gains | Investment gains of foreign operations accounted for using equity method | Others | Total |
|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | |
| Beginning balance as of January 1, 2018 | $ 42,798 | 58,784 | 54,104 | 155,686 |
| Effects of retrospective application | - | - | 1,267 | 1,267 |
| Recognized in profit or loss | (39,916) | 18,516 | (6,804) | (28,204) |
| Recognized in other comprehensive income | - | - | (30,590) | (30,590) |
| Balance as of December 31, 2018 | **$ 2,882** | **77,300** | **17,977** | **98,159** |
| Beginning balance as of 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 as of December 31, 2017 | **$ 42,798** | **58,784** | **54,104** | **155,686** |

(Continued)

(iv) The Company's income tax returns for the years through 2016 were examined and approved by the local tax authorities.

(r) Capital and other equity

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 45,000,000 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 $43,821,215 and $41,734,490 respectively.

(i) Common stock

The appropriation of 2017 earnings that was approved at the shareholders meeting on June 22, 2018, in which the Company issued 208,672 thousand shares, with a face value of $2,086,725. The date of capital increase was set on September 17, 2018 and all related registration procedure has been completed.

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 has been completed.

A resolution was approved during the Board of Directors' meeting held on August 13, 2018 for the issuance of 300,000 thousand shares for cash, at a face value amounting to $3,000,000. The Company has received approval from the Financial Supervisory Commission for this capital increase in November 2018, with January 24, 2019 as the date of capital increase. For the year ended December 31, 2018, the Company received a capital increase amounting to $180,980. The capital increase was recorded as capital collected in advance because the registration process has yet to be completed.

For the year ended December 31, 2018, the bondholders of convertible bonds had requested to convert the bonds into 4,966 thousand common stocks. The Group recognized the capital collected in advance amounting to $49,662 and would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

(ii) Capital surplus

The details of capital surplus were as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Cash subscription in excess of par value of shares | $ 4,218,825 | 4,218,825 |
| Stock options granted to employees | 697,600 | 606,100 |
| Additional paid-in capital from bond conversion | 1,436,566 | 1,411,830 |
| Additional paid-in capital from conversion option | 398,682 | 402,913 |
| Difference between actual acquiring subsidiary's equity and carrying amount | 272 | 272 |
| | $ 6,751,945 | 6,639,940 |

(Continued)

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

(iii) Retained earnings

According to the Company's Articles of Incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% of statutory earnings reserves should be retained, and special reserve should be recognized or reversed according to statutory requirements. Thereafter, the remaining current-period earnings and the unappropriated prior-period earnings will have to be proposed by the Board of Directors, which will be resolved at the stockholders' meeting for an allocation plan to be distributed to the shareholders.

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The appropriation of 2017 earnings was approved at the shareholders' meeting on June 22, 2018. The cash dividends and stock dividends were amounting to $834,689 and $2,086,725, respectively.

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.

(Continued)

The appropriation of 2018 earnings was approved at the Board of Directors on March 19, 2019. The cash dividends and stock dividends were amounting to $2,343,647 and $1,406,188, respectively.

(iv) Other equity (net of taxes)

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Cash flow hedges | Gains (losses) on hedging instruments | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **Beginning balance as of January 1, 2018** | $ (10,851) | - | 819,258 | 152,637 | - | 10,846 | 971,890 |
| Effects of retrospective application | - | 371,924 | (819,258) | (152,637) | 152,637 | 12 | (447,322) |
| Balance as of January 1, 2018 after adjustments | (10,851) | 371,924 | - | - | 152,637 | 10,858 | 524,568 |
| Exchange differences on translation of foreign financial statements | 933 | - | - | - | - | (15,739) | (14,806) |
| Exchange differences on associates accounted for using equity method | 6,158 | - | - | - | - | 1,540 | 7,698 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 156,945 | - | - | - | (875) | 156,070 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning | - | 18,332 | - | - | - | - | 18,332 |
| Changes in fair value of hedging instrument reclassified to profit or loss | - | - | - | - | (261,993) | - | (261,993) |
| **Balance as of December 31, 2018** | **$ (3,760)** | **547,201** | **-** | **-** | **(109,356)** | **(4,216)** | **429,869** |
| **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** |

(Continued)

(s) Share-based payment

(i) As of December 31, 2018, the Group's share-based payment transaction which was issued by the Company was as follow:

| Type | Grant date | Number of shares granted (thousand shares) | Contract term (year) | Vesting Conditions |
|---|---|---|---|---|
| Cash-settled share-based payment plan (reserved for employees to subscribe) | 2018.11.28 | 30,000 | - | Immediately vested |

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

| 2018 Cash-settled share-based payment plan (reserved for employees to subscribe) | Number of options (thousand shares) | Exercise price (NT$) |
|---|---|---|
| Number of shares granted | 30,000 | $ 13 |
| Number of shares exercised | (2,648) | 13 |
| Number of shares abandoned | - | 13 |
| | **27,352(note)** | |
| Fair value per share at grant date | **$ 3.05** | |

Note: The term of payment of shares subscribed is from December 18, 2018 to January 18, 2019. As of December 31, 2018, the unit exercised were 2,648 thousand shares.

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

| | Cash-settled share-based payment plan (reserved for employees to subscribe) |
|---|---|
| Fair value per share on grant date | 16.05 |
| Exercise price | 13 |
| Expected volatility | 17.6291 % |
| Expected life | 51 days |
| Dividend yield | - |
| Risk-free interest rate | 0.97 % |

(iv) Employee expense:

For the year ended December 31, 2018, the compensation cost for the employee shares of stock amounted to $91,500, which was recognized as operating expenses. There was no such transaction in 2017.

(Continued)

(t) 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:

| | 2018 | 2017 |
|---|---|---|
| Basic earnings per share: | | |
| Profit attributable to ordinary equity holders | $ 6,552,827 | 5,752,067 |
| Weighted-average number of shares outstanding during the period (thousand shares) | 4,382,121 | 4,382,121 |
| Basic earnings per share (in dollars) | $ 1.50 | 1.31 |
| Diluted earnings per share: | | |
| Profit attributable to ordinary equity holders | $ 6,552,827 | 5,752,067 |
| Interest expense and other gains and losses on convertible bonds, net of tax | 57,033 | 5,749 |
| Profit attributable to ordinary equity holders (diluted) | 6,609,860 | 5,757,816 |
| Weighted-average number of shares outstanding during the period (thousand shares) | 4,382,121 | 4,382,121 |
| Effect of the potentially dilutive common stock | | |
| Employee compensation (thousand shares) | 18,173 | 16,073 |
| Effect of conversion of convertible bonds (thousand shares) | 474,418 | 451,613 |
| Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares) | 4,874,712 | 4,849,807 |
| Diluted earnings per share (in dollars) | $ 1.36 | 1.19 |

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Aviation transportation segment | Maintenance segment | Catering segment | Other segments | Total |
| Primary geographical markets: | | | | | |
| Taiwan | $ 55,274,484 | 32,720,147 | 715,408 | 1,686,532 | 90,396,571 |
| Asia | 40,631,947 | 5,757,896 | 6,586 | 102 | 46,396,531 |
| Europe | 5,940,184 | 78,797 | - | - | 6,018,981 |
| North America | 33,104,989 | 2,002,748 | 697 | 1,365,332 | 36,473,766 |
| Others | 488,234 | 133,249 | - | - | 621,483 |
| | $ 135,439,838 | 40,692,837 | 722,691 | 3,051,966 | 179,907,332 |

(Continued)

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Aviation transportation segment** | **Maintenance segment** | **Catering segment** | **Other segments** | **Total** |
| Major products / services lines | | | | | |
| Aviation transportation revenue | $ 126,720,587 | - | - | - | 126,720,587 |
| Services revenue | - | 40,692,837 | - | 1,623,085 | 42,315,922 |
| Others | 8,719,251 | - | 722,691 | 1,428,881 | 10,870,823 |
| | $ 135,439,838 | 40,692,837 | 722,691 | 3,051,966 | 179,907,332 |
| Type of contract: | | | | | |
| Fix price contract | $ 135,439,838 | 9,920,580 | 722,691 | 3,045,195 | 149,128,304 |
| Material contract | - | 25,488,814 | - | 2,784 | 25,491,598 |
| Time contract | - | 5,283,443 | - | 3,987 | 5,287,430 |
| | $ 135,439,838 | 40,692,837 | 722,691 | 3,051,966 | 179,907,332 |
| Timing of revenue recognition: | | | | | |
| Products transferred at a point in time | $ 135,439,838 | - | 722,691 | 3,051,966 | 139,214,495 |
| Service transferred over time | - | 40,692,837 | - | - | 40,692,837 |
| | $ 135,439,838 | 40,692,837 | 722,691 | 3,051,966 | 179,907,332 |

For details on revenue for the year ended December 31, 2017, please refer to note 6(v).

(ii) Contract balances

| | **2018.12.31** | **2018.1.1** |
|---|---|---|
| Notes and accounts receivable (including related parties) | $ 16,309,947 | 14,040,280 |
| Less: allowance for impairment | (221,845) | (161,496) |
| Total | $ 16,088,102 | 13,878,784 |
| Contract assets-maintenance services | $ 3,850,796 | 4,322,634 |
| Contract liabilities-tickets services, customer loyalty program and others | $ 21,226,604 | 19,032,837 |

For details on notes and accounts receivable (including related parties) and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $13,532,019.

The contract liabilities primarily relate to deferred recognition of revenue relating to ticket services and customer loyalty programs, for which revenue is recognized when the ticket sales for passengers and award points are redeemed or when they expire.

(Continued)

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Other significant changes during the period are as follows:

| | | 2018 Contract liabilities |
|---|---|---|
| Changes in an estimate of the transaction price | $ | **232,479** |

(iii) Transaction price allocated to the remaining performance obligations

As of 31 December 2018, the amount allocated to the customer loyalty program was $3,652,903. This will be recognized as revenue as the customer loyalty program points are redeemed or when they expire, which is expected to occur over the next three years.

The contract of maintenance services has an original expected duration of less than one year, thus the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

All consideration from contracts with customers is included in the transaction price presented above.

(v) Revenue

The components of revenue of the year ended December 31, 2017 were as follows:

| | | 2017 |
|---|---|---|
| Aviation transportation revenue | $ | 117,278,580 |
| Services revenue | | 36,774,848 |
| Others | | 9,508,303 |
| | **$** | **163,561,731** |

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, the above-mentioned deferred revenue amounted to $3,030,444, were recorded as unearned revenue and other non-current liabilities.

For details on revenue for the year end December 31, 2018, please refer to note 6(u).

(w) Remuneration to employees, directors and supervisors

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 employees' 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 employees' 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 employees' remuneration, and the directors' (supervisors') remuneration.

For the years ended December 31, 2018 and 2017, the Company's accrued and recognized employees' remuneration amounted to $237,552 and $221,020, respectively, the directors' and supervisors' remuneration amounted to $9,500 and $11,670, respectively. The employees' remuneration, 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 employees' remuneration and directors' and supervisors' remuneration of 2017. The related information can be found on Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other income

| | 2018 | 2017 |
|---|---|---|
| Interest income | | |
| Interest income from bank deposits | $ 697,284 | 401,475 |
| Other interest | 8,115 | 9,855 |
| Total interest income | 705,399 | 411,330 |
| Dividend income | 144,976 | 131,461 |
| Others | 15,010 | 308 |
| | **$ 865,385** | **543,099** |

(Continued)

(ii) Other gains and losses

| | 2018 | 2017 |
|---|---|---|
| Gains (losses) on disposal of property, plant and equipment | $ 678,229 | (70,311) |
| Gains on disposal of investments | - | 625,974 |
| Foreign exchange gains (losses), net | 283,508 | (294,397) |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | 16,571 | 7,700 |
| Subsidy revenue | 32,497 | 101,584 |
| Others gains and losses | 191,266 | 204,097 |
| | **$ 1,202,071** | **574,647** |

(iii) Finance costs

| | 2018 | 2017 |
|---|---|---|
| Interest expense | | |
| Bank borrowings | $ 1,078,769 | 1,041,035 |
| Bonds Payable | 196,173 | 190,156 |
| Lease liabilities | 67,925 | 106,579 |
| Others | 836,003 | 846,941 |
| Less: capitalized interest | (176,643) | (182,273) |
| | **$ 2,002,227** | **2,002,438** |

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers and regional distributions were decentralized. 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)

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and time deposits. For the details on loss allowance for the year ended December 31, 2017, please refer to notes 6(e) and 6(l).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

Equity investments at fair value through other comprehensive income include listed and unlisted equity securities (previously classified as available-for-sale financial assets on December 31, 2017). For the details of investments, please refer to note 6(b).

(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, 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Long-term borrowings (including current portion of long-term liability) | $ 80,672,402 | 84,580,409 | 16,653,867 | 46,112,382 | 21,814,160 |
| Bonds payable | 15,107,923 | 15,653,875 | 90,950 | 15,562,925 | - |
| Lease liabilities | 2,204,904 | 2,307,731 | 1,005,415 | 1,179,456 | 122,860 |
| Notes and accounts payable (including related parties) | 10,393,231 | 10,393,231 | 10,393,231 | - | - |
| Other payables (including related parties) | 7,844,945 | 7,844,945 | 7,844,945 | - | - |
| Subtotal | 116,223,405 | 120,780,191 | 35,988,408 | 62,854,763 | 21,937,020 |
| **Derivative financial liabilities** | | | | | |
| Embedded instruments | 6,234 | - | - | - | - |
| Fuel swap agreements for hedge purposes | 136,503 | 136,503 | 136,503 | - | - |
| Forward exchange contracts for hedge purposes: | | | | | |
| Outflow | 228 | 182,651 | 182,651 | - | - |
| Inflow | - | (182,423) | (182,423) | - | - |
| Subtotal | 228 | 228 | 228 | - | - |
| **Total** | **$ 116,366,370** | **120,916,922** | **36,125,139** | **62,854,763** | **21,937,020** |

(Continued)

| | 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 (including current portion of long-term liability) | $ 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** |

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

(iii) Currency risk

1) Exposure to currency risk

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

| | 2018.12.31 | | | | 2017.12.31 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange rate | | TWD | Foreign Currency | Exchange rate | | TWD |
| Financial assets | | | | | | | | |
| Monetary items | | | | | | | | |
| USD | $ 1,027,275 | USD/TWD= | 30.72 | 31,552,752 | $ 975,411 | USD/TWD= | 29.76 | 29,028,240 |
| EUR | 5,116 | EUR/TWD= | 35.20 | 180,075 | 6,298 | EUR/TWD= | 35.57 | 224,013 |
| JPY | 1,685,370 | JPY/TWD= | 0.2782 | 468,870 | 1,410,012 | JPY/TWD= | 0.2642 | 372,525 |
| HKD | 162,318 | HKD/TWD= | 3.9210 | 636,447 | 151,180 | HKD/TWD= | 3.8070 | 575,541 |
| CNY | 129,738 | CNY/TWD= | 4.4720 | 580,186 | 186,467 | CNY/TWD= | 4.5650 | 851,220 |
| | | | | **$ 33,418,330** | | | | **$ 31,051,539** |
| Non-monetary items | | | | | | | | |
| USD | $ 42,383 | USD/TWD= | 30.72 | 1,301,787 | $ 32,214 | USD/TWD= | 29.76 | 958,689 |
| CNY | 62,401 | USD/CNY= | 6.8683 | 331,610 | 67,670 | USD/CNY= | 6.5192 | 359,834 |
| SGD | - | SGD/TWD= | - | - | 1,212 | SGD/TWD= | 22.2600 | 26,985 |
| IDR | 14,309,995 | IDR/TWD= | 0.0021 | 30,051 | 17,357,400 | IDR/TWD= | 0.0022 | 38,186 |
| MOP | 25,470 | USD/MOP= | 8.0664 | 96,985 | 23,455 | USD/MOP= | 8.1331 | 85,824 |
| | | | | **$ 1,760,433** | | | | **$ 1,469,518** |

(Continued)

| | 2018.12.31 | | | | 2017.12.31 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange rate | | TWD | Foreign Currency | Exchange rate | | TWD |
| Financial liabilities | | | | | | | | |
| Monetary items | | | | | | | | |
| USD | $ 573,798 | USD/TWD= | 30.72 | 17,624,216 | $ 689,873 | USD/TWD= | 29.76 | 20,530,612 |
| EUR | 8,696 | EUR/TWD= | 35.20 | 306,107 | 7,458 | EUR/TWD= | 35.57 | 265,291 |
| JPY | 1,727,097 | JPY/TWD= | 0.2782 | 480,478 | 1,768,812 | JPY/TWD= | 0.2642 | 467,320 |
| HKD | 28,997 | HKD/TWD= | 3.9210 | 113,696 | 19,093 | HKD/TWD= | 3.8070 | 72,688 |
| CNY | 169,715 | CNY/TWD= | 4.4720 | 758,966 | 171,283 | CNY/TWD= | 4.5650 | 781,905 |
| | | | | $ 19,283,463 | | | | $ 22,117,816 |

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), financial assets at fair value through other comprehensive income (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, 2018 and 2017, would have changed the profit by $141,349 and $89,337, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018 and 2017.

Due to the variety of the Group's functional currency, the Group discloses its exchange gains and losses of monetary items collectively. For years ended December 31, 2018 and 2017, the Group's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to $283,508 and $(294,397), respectively.

(iv) Interest rate risk

The interest rate exposure of the Group's financial liabilities are illustrated in note 6(y) 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 $812,176 and $762,968 for the years ended December 31, 2018 and 2017, respectively due to the Group's floating-interest borrowings.

(Continued)

(v) Other market price risk

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 comprehensive income will be as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **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% | $ **119,903** | **-** | **220,168** | **-** |
| decrease 5% | $ **(119,903)** | **-** | **(220,168)** | **-** |

(vi) 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, financial instruments used for hedging, and financial assets at fair value through other comprehensive income (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.

| | 2018.12.31 | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | | | |
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss | | | | | |
| Money market funds | $ 769,039 | 769,039 | - | - | 769,039 |
| Financial assets for hedging | 36 | - | 36 | - | 36 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Publicly traded stock | 933,742 | 933,742 | - | - | 933,742 |
| Non-publicly traded stock | 1,469,255 | - | - | 1,469,255 | 1,469,255 |
| Subtotal | 2,402,997 | 933,742 | - | 1,469,255 | 2,402,997 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 48,278,874 | - | - | - | - |
| Notes and accounts receivable, and other receivables (including related parties) | 16,692,229 | - | - | - | - |
| Other non-current assets | 1,586,738 | - | - | - | - |
| Subtotal | 66,557,841 | - | - | - | - |
| Total | $ **69,729,913** | **1,702,781** | **36** | **1,469,255** | **3,172,072** |

(Continued)

| | 2018.12.31 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities at fair value through profit or loss | $ 6,234 | - | 6,234 | - | 6,234 |
| Financial liabilities for hedging | 136,731 | - | 136,731 | - | 136,731 |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term borrowings (including current portion of long-term liability) | 80,672,402 | - | 80,674,150 | - | 80,674,150 |
| Bonds payable | 15,107,923 | - | 15,010,158 | - | 15,010,158 |
| Lease liabilities | 2,204,904 | - | 2,241,518 | - | 2,241,518 |
| Notes and accounts payable (including related parties) | 10,393,231 | - | - | - | - |
| Other payables (including related parties) | 7,844,945 | - | - | - | - |
| Subtotal | 116,223,405 | - | 97,925,826 | - | 97,925,826 |
| Total | **$ 116,366,370** | **-** | **98,068,791** | **-** | **98,068,791** |

| | 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 | $ 1,845,223 | 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** |
| 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 (including current portion of long-term liability) | 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** |

(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) Transfers between Level 1 and Level 2

For the years ended December 31, 2018 and 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:

| | | **Fair value through other comprehensive income (Available-for-sale financial assets)** |
|---|---|---|
| | | **Unquoted equity instruments** |
| Beginning balance as of January 1, 2018 | $ | 1,325,317 |
| Effects of retrospective application | | 8,608 |
| Reclassified | | 1,020 |
| Total gains or losses: | | |
| Recognized in profit and loss | | - |
| Recognized in other comprehensive income | | 134,310 |
| Balance as of December 31, 2018 | **$** | **1,469,255** |
| 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** |

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 and unrealized gains (losses) from financial assets measured at fair value through other comprehensive income. As of December 31, 2018 and 2017, the assets which were still held by the Group were as follows:

| | | **2018** | **2017** |
|---|---|---|---|
| Other comprehensive income (including in unrealized gains (losses) from financial assets measured at fair value through other comprehensive income) | $ | 134,426 | - |
| Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets) | | - | (3,312) |

(Continued)

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 financial assets at fair value through other comprehensive income investment in equity securities and available-for-sale financial assets— investments in equity securities that do not have a quoted market price in an active market as Level 3 of the fair value hierarchy.

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

The significant unobservable inputs were as follows:

| Items | Valuation techniques | Significant unobservable inputs | Relationship between significant unobservable inputs and fair value |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income (Available-for-sale financial assets – investments in equity securities ) | Market approach—relevant information generated by publicly companies | • Price-book ratio (as of December 31, 2018 and 2017 were 0.80~2.64 and 0.39~2.64, respectively)<br>• Market liquidity discount rate (as of December 31, 2018 and 2017 were 80%) | • The higher the price-book ratio, the higher the fair value<br>• 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 | | | |
|---|---|---|---|---|---|
| | Increase | Favorable | | Unfavorable | |
| Inputs | (decrease) | 2018.12.31 | 2017.12.31 | 2018.12.31 | 2017.12.31 |
| Price-book ratio | 5% | 72,561 | 73,659 | (73,605) | (59,688) |
| Market liquidity discount rate | 5% | 72,561 | 73,659 | (73,605) | (59,688) |

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)

(z) 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.

(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 reviews 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 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 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.

(Continued)

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 forward-looking "expected credit loss" model to reflect the estimated impairment loss of notes and accounts receivable.

2) Investments

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

3) Guarantees

As of December 31, 2018, 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.

(Continued)

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.

The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. For hedging foreign currency risk on the cash flow of aviation transportation with a highly probable forecast transaction, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Group’s own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

- changes in the timing of the hedged transactions.

2) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, reprising dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Group’s own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- differences in reprising dates between the swaps and the borrowings.

(Continued)

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading.

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.

(aa) 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, 2018, there were no changes in the Group's approach to capital management.

(ab) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the year ended December 31, 2018, were as follows:

Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **2018.1.1** | **Cash flows** | **Interest expense** | **Foreign exchange movement** | **Other** | **2018.12.31** |
| Short-term borrowings | $ 100,000 | (100,000) | - | - | - | - |
| Bonds payable | 19,596,232 | (4,500,000) | 81,792 | - | (70,101) | 15,107,923 |
| Long-term borrowings | 75,063,694 | 5,525,144 | 20,106 | 63,458 | - | 80,672,402 |
| Lease liabilities | 3,427,353 | (1,275,885) | 2,572 | 50,864 | - | 2,204,904 |
| **Total liabilities from financing activities** | **$ 98,187,279** | **(350,741)** | **104,470** | **114,322** | **(70,101)** | **97,985,229** |

(Continued)

**(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 consolidated 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 Company Limited | The Company's shareholder's equity investment |
| Evergreen Security Corp. | The Company's equity investment |
| GE Evergreen Engine Services Corp. | The consolidated subsidiary's equity investment |
| SATS Catering Private Limited | The consolidated subsidiary's shareholder's equity investment |
| Malaysia Airlines Berhad | The consolidated subsidiary's shareholder |
| 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:

| | 2018 | 2017 |
|---|---|---|
| Associates | | |
| GE Evergreen Engine Services Corp. | $ 31,945,372 | 26,755,084 |
| Other associates | 628 | 628 |
| Other related parties | 3,417,833 | 3,253,909 |
| | **$ 35,363,833** | **30,009,621** |

(Continued)

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:

| | 2018 | 2017 |
|---|---|---|
| Associates | $ 117,993 | 94,363 |
| Other related parties | 729,256 | 781,262 |
| | **$ 847,249** | **875,625** |

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

(iii) Operating expenses

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

| | 2018 | 2017 |
|---|---|---|
| Associates | $ 81,495 | 60,980 |
| Other related parties | 187,804 | 172,595 |
| | **$ 269,299** | **233,575** |

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

(iv) Property transaction

For the years ended December 31, 2018 and 2017, the Group purchased equipment from its related parties amounting to $256,783 and $263,637, respectively.

(Continued)

(v) Construction commitment

In October 2014, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. both amounting to $1,312,371 for the purpose of the construction of its aircraft maintenance plants. As of December 31, 2018 and 2017, EGAT has partially paid the price of $1,311,798 and 1,180,982, respectively.

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. The amount of contract price was corrected to $728,007 due to changes of construction design in December, 2018. As of December 31, 2018 and 2017, EGAS has partially paid the price of $676,762 and 626,895, respectively.

In February 2017, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. both amounting to $786,058 for the purpose of the construction of its engine factory. As of December 31, 2018 and 2017, EGAT has partially paid the price of $529,017 and 222,455, respectively.

(vi) Receivables from related parties

Receivables from related parties of the Group were as follows:

| Account | Class of related parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| | Associates | | |
| Accounts receivable | GE Evergreen Engine Services Corp. | $ 6,279,073 | 4,572,587 |
| Accounts receivable | Other associates | 62 | 64 |
| Accounts receivable | Other related parties | 440,779 | 445,761 |
| Other receivables | Associates | 8 | 3,340 |
| | Other related parties | | |
| Other receivables | UNI Airways Corp. | 286,403 | 320,026 |
| Other receivables | Other related parties | 9,344 | 9,776 |
| | | **$ 7,015,669** | **5,351,554** |

(Continued)

(vii) Payables to related parties

Payables to related parties of the Group were as follows:

| Account | Class of related parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Accounts payable | Associates | $ 11,598 | 9,080 |
| | Other related parties | | |
| Accounts payable | UNI Airways Corp. | 34,238 | 30,784 |
| Accounts payable | Evergreen International Corp. | 27,382 | 35,544 |
| Accounts payable | Evergreen International Storage & Transport Corp. | 21,000 | 33,720 |
| Accounts payable | Ever Accord Construction Corp. | 2,074 | 85,915 |
| Accounts payable | Other related parties | 1 | 6 |
| | Associates | | |
| Other payables | Evergreen Security Corp. | 26,047 | 15,085 |
| | Other related parties | | |
| Other payables | Ever Accord Construction Corp. | 67,833 | 11,121 |
| Other payables | UNI Airways Corp. | 41,015 | 47,102 |
| Other payables | Evergreen International Corp. | 30,247 | 22,168 |
| Other payables | Other related parties | 4,496 | 8,714 |
| | | $ 265,931 | 299,239 |

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

| | 2018 | 2017 |
|---|---|---|
| Short-term employee benefits | $ 167,915 | 181,256 |
| Post-employment benefits | 27,883 | 20,134 |
| Other long-term employee benefits | - | 15 |
| Share-based payments | 845 | - |
| | $ 196,643 | 201,405 |

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

**(8) Pledged assets**

The carrying amounts of the pledged assets were as follows:

| Pledged assets | Object | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Property, plant, and equipment | Long-term borrowings | $ 86,049,564 | 82,794,599 |
| Time deposit－included in other non-current assets | Letters of credit, customs duty, and contract performance guarantees | 120,332 | 111,058 |
| | | $ 86,169,896 | 82,905,657 |

(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, 2018, one Boeing 777 freighter had not yet been delivered by Boeing Company. The Company has partially paid the price of $1,685,027, which was included in other non-current assets.

(ii) 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, 2018, the eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of $6,896,243, which was included in other non-current assets.

(iii) 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, 2018, four Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $211,538, which was included in other non-current assets.

(iv) 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$64,591, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2018, the Company has partially paid the price of $421,989, which was included in property, plant and equipment and investment property.

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Unused letters of credit | $ 2,426,803 | 2,776,627 |

(vi) 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.

(Continued)

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.

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, 2018, the estimated royalty amounted to $96,283, which was recorded as operating costs. Besides, as of December 31, 2018, the promissory notes for the performance of the concession contract issued by EGAC amounted to $695,563.

(Continued)

(vii) The consolidated subsidiary, EGAS 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, 2018, Evergreen Airline Services Corp. has partially paid the price of $1,021,413, which was included in property, plant and equipment.

(viii) EGAS the consolidated subsidiary, entered into equipment purchase contract amounting to $481,424. As of December 31, 2018, EGAS has partially paid the price of $374,297, which was included in property, plant and equipment and other non-current assets.

(ix) EGAT, the consolidated subsidiary, had entered into an agreement regarding it sales of drone aircrafts to the R.O.C. Ministry of National Defense. However, there was a controversy between the two parties about the extent of warranty for the maintenance services and the refund of guarantee deposits. In order to settle the above controversy, both parties entered into an out-court agreement, wherein EGAT has to entrust a third party to fix all the damage parts of the drone aircrafts. Once repaired, the said controversy between them will no longer exist. All relevant information will be disclosed upon verification of the said matter.

(x) The consolidated subsidiary, Evergreen Aviation Precision Corp. (hereinafter refer to as EGAP), entered into equipment purchase contracts amounting to $155,130. As of December 31, 2018, EGAP has partially paid the price of $74,324, which was included in other non-current assets.

(xi) 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, 2018, EGSC has partially paid the price of the construction amounting to $2,468,303, 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, 2018, EGSC has partially paid the price of the construction supervision proposal of $48,600, which was included in property, plant and equipment.

(xii) 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, 2018, EGSC has partially paid the price of the $239,728, which was included in property, plant and equipment.

(xiii) EGSC, the consolidated subsidiary, entered into a remodeling construction commitment of a factory amounting to $132,300. As of December 31, 2018, EGSC has partially paid the price of $109,908, which was included in property, plant and equipment.

(xiv) EGSC, the consolidated subsidiary, entered into equipment purchase contracts amounting to $833,212. As of December 31, 2018, EGSC has partially paid the price of $781,352, which was included in property, plant and equipment and other non-current assets.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

(Continued)

**(12) Other**

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

| By function / By item | 2018 Operating costs | 2018 Operating expenses | 2018 Total | 2017 Operating costs | 2017 Operating expenses | 2017 Total |
|---|---|---|---|---|---|---|
| Personnel expenses | | | | | | |
| Salaries | 14,253,733 | 6,295,931 | 20,549,664 | 13,452,916 | 5,915,096 | 19,368,012 |
| Labor and health insurance | 966,021 | 365,942 | 1,331,963 | 901,092 | 350,269 | 1,251,361 |
| Pension | 734,250 | 239,011 | 973,261 | 686,860 | 235,631 | 922,491 |
| Remuneration of directors | - | 52,931 | 52,931 | - | 58,330 | 58,330 |
| Others | 4,280,945 | 523,073 | 4,804,018 | 4,291,859 | 546,341 | 4,838,200 |
| Depreciation (Note) | 11,917,045 | 899,889 | 12,816,934 | 13,067,832 | 751,746 | 13,819,578 |
| Amortization | 149,250 | 266,908 | 416,158 | 153,311 | 230,244 | 383,555 |

Note: For the years ended December 31, 2018 and 2017, the depreciation expenses recognized were $12,908,942 and $13,936,758, respectively, less deferred gains of $92,008 and $117,180, respectively.

**(13) Other disclosures**

(a) Information on significant transactions

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2018:

(i) Financings provided: None.

(ii) Guarantee and Endorsement provided: None.

(iii) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 1 attached.

(iv) Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 2 attached.

(v) Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 3 attached.

(vi) Disposition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 4 attached.

(Continued)

(vii) Total purchases from or sales to related parties with the dollar amount at least $100 million or 20% of paid-in capital : Please see Table 5 attached.

(viii) Accounts receivable from related parties for which the dollar amount at least $100 million or 20% of paid-in capital : Please see Table 6 attached.

(ix) Derivative transactions : Please refer to Note 6(c) for related information.

(x) Business relationships and important transactions between parent company and subsidiary: Please see Table 7 attached.

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2018: Please see Table 8 attached.

(c) Information on investment in Mainland China : Please see Table 9 attached.

**(14) Segment information**

(a) General information

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

Other operating segments are mainly involved in ground handling services, travel agency, distribution of cargo, investment, manufacture of aircraft parts, and flight training. For the years ended December 31, 2018 and 2017, 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:

| | For the year ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Aviation transportation segment | Maintenance segment | Catering segment | Other segments | Reconciliation and elimination | Total |
| Revenue: | | | | | | | |
| Revenue from external customers | $ | 135,439,838 | 40,692,837 | 722,691 | 3,154,160 | (102,194) | 179,907,332 |
| Intersegment revenue | | 180,812 | 3,988,420 | 2,714,104 | 3,096,224 | (9,979,560) | - |
| Interest income | | 612,624 | 68,375 | 3,606 | 20,794 | - | 705,399 |
| Total revenue | $ | **136,233,274** | **44,749,632** | **3,440,401** | **6,271,178** | **(10,081,754)** | **180,612,731** |
| Interest expense | $ | **(1,798,071)** | **(124,430)** | **(10,629)** | **(69,097)** | **-** | **(2,002,227)** |
| Depreciation and amortization | $ | **(11,839,640)** | **(585,004)** | **(207,988)** | **(612,256)** | **11,796** | **(13,233,092)** |
| Shares of profit (loss) of associates accounted for using equity method | $ | **1,988,335** | **(82,444)** | **-** | **-** | **(1,704,317)** | **201,574** |
| **Reportable segment profit or loss** | $ | **5,995,142** | **2,264,179** | **678,596** | **17,377** | **(66,166)** | **8,889,128** |
| Assets: | | | | | | | |
| Investments accounted for using equity method | $ | **15,879,855** | **498,781** | **-** | **428,595** | **(16,097,229)** | **710,002** |
| Capital expenditures of non-current assets | $ | **16,753,490** | **1,029,106** | **1,122,904** | **1,318,534** | **-** | **20,224,034** |
| **Reportable segment assets** | $ | **210,287,417** | **28,054,148** | **6,443,192** | **14,667,457** | **(18,258,311)** | **241,193,903** |
| **Reportable segment liabilities** | $ | **146,705,148** | **15,984,997** | **2,213,084** | **8,150,123** | **(1,979,184)** | **171,074,168** |

| | For the year ended December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Aviation transportation segment | Maintenance segment | Catering segment | Other segments | Reconciliation and elimination | Total |
| Revenue: | | | | | | | |
| Revenue from external customers | $ | 125,143,500 | 35,642,842 | 700,682 | 2,163,544 | (88,837) | 163,561,731 |
| Intersegment revenue | | 170,660 | 4,625,165 | 2,602,902 | 3,070,921 | (10,469,648) | - |
| Interest income | | 359,659 | 30,989 | 4,367 | 16,315 | - | 411,330 |
| Total revenue | $ | **125,673,819** | **40,298,996** | **3,307,951** | **5,250,780** | **(10,558,485)** | **163,973,061** |
| Interest expense | $ | **(1,839,812)** | **(110,525)** | **(5)** | **(52,096)** | **-** | **(2,002,438)** |
| Depreciation and amortization | $ | **(13,040,364)** | **(546,433)** | **(89,569)** | **(538,563)** | **11,796** | **(14,203,133)** |
| Shares 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** | **768,314** | **(43,555)** | **(60,920)** | **8,694,914** |
| Assets: | | | | | | | |
| Investments 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** | **1,775,122** | **1,687,900** | **-** | **23,547,610** |
| **Reportable segment assets** | $ | **201,146,068** | **25,561,207** | **5,374,875** | **13,285,845** | **(17,160,767)** | **228,207,228** |
| **Reportable segment liabilities** | $ | **143,138,345** | **14,832,700** | **1,534,059** | **6,627,182** | **(2,134,566)** | **163,997,720** |

(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 non-current assets that are based on the geographical location of the assets. For the information on revenue from external customers for the year ended December 31, 2018, please refer note 6(u).

Revenue from external customers:

| | **2017** |
|---|---|
| Taiwan | $ 91,418,358 |
| Asia | 36,391,365 |
| Europe | 4,924,846 |
| North America | 30,325,905 |
| Others | 501,257 |
| | **$ 163,561,731** |

Non-current assets:

| | **2018** | **2017** |
|---|---|---|
| Taiwan | $ 154,932,588 | 149,586,847 |
| Asia | 234,020 | 229,021 |
| Others | 1,245,041 | 519,418 |
| | **$ 156,411,649** | **150,335,286** |

Non-current assets include property, plant and equipment, investment property, 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.

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 1 Market Securities Held (excluding investments in subsidiaries, associates and joint ventures)
(December 31, 2018)

(in shares)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2018 | | | | Highest shareholding in the period or capital contribution | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Book value | Percentage of Ownership | Fair Value | | |
| The Company | Mega Diamond Money Market Fund | None | Financial assets at fair value through profit or loss －current | 28,055,711 | 351,311 | | 351,311 | 68,077,227 | |
| The Company | Jih Sun Money Market Fund | None | Financial assets at fair value through profit or loss －current | 10,169,719 | 150,446 | | 150,446 | 91,793,994 | |
| Evergreen Air Cargo Services Corp. | Mega Diamond Money Market Fund | None | Financial assets at fair value through profit or loss －current | 9,984,016 | 125,019 | | 125,019 | 12,390,012 | |
| Evergreen Air Cargo Services Corp. | UPAMC James Bond Money Market Fund | None | Financial assets at fair value through profit or loss －current | 4,262,075 | 71,115 | | 71,115 | 6,061,281 | |
| Evergreen Air Cargo Services Corp. | Eastspring Investments Well Pool Money Market Fund | None | Financial assets at fair value through profit or loss －current | 5,237,554 | 71,148 | | 71,148 | 7,815,400 | |
| | | | | | 769,039 | | 769,039 | | |
| The Company | Shares of Everest Investment Holdings Ltd. | None | Financial assets at fair value through other comprehensive income －non-current | 231,580 | 16,492 | 2.11 | 16,492 | 231,580 | |
| The Company | Shares of Trade-Van Information Services Co. | None | Financial assets at fair value through other comprehensive income －non-current | 8,502,418 | 278,029 | 5.67 | 278,029 | 8,502,418 | |
| The Company | Shares of Central Reinsurance Corporation | None | Financial assets at fair value through other comprehensive income －non-current | 35,203,008 | 600,211 | 5.96 | 600,211 | 35,203,008 | |
| The Company | Shares of UNI Airways Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income －non-current | 30,343,761 | 378,690 | 8.70 | 378,690 | 30,343,761 | |
| The Company | Shares of Evergreen Steel Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income －non-current | 38,201,625 | 1,034,882 | 9.42 | 1,034,882 | 38,201,625 | |
| The Company | Shares of Chung Hwa Express Corp. | None | Financial assets at fair value through other comprehensive income －non-current | 1,000,000 | 29,810 | 10.00 | 29,810 | 1,000,000 | |
| The Company | Star Alliance Services Gmbh | None | Financial assets at fair value through other comprehensive income －non-current | 1 | 8,171 | 4.55 | 8,171 | 1 | |
| Evergreen Airline Services Corp. | Shares of Evergreen Marine Corp.(Taiwan)Ltd. | The Company's shareholder's shareholder | Financial assets at fair value through other comprehensive income －non-current | 557,349 | 6,632 | 0.01 | 6,632 | 557,349 | |
| Evergreen Airline Services Corp. | Shares of Evergreen International Storage & Transport Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income －non-current | 158,800 | 2,144 | 0.01 | 2,144 | 158,800 | |
| Hsiang Li Investment Corp. | Shares of Central Reinsurance Corporation | None | Financial assets at fair value through other comprehensive income －non-current | 2,740,542 | 46,726 | 0.46 | 46,726 | 2,740,542 | |
| Evergreen Airways Service (Macau) Ltd. | Shares of Air Macau Co., Ltd. | None | Financial assets at fair value through other comprehensive income －non-current | 500 | 1,210 | 0.0207 | 1,210 | 500 | |
| | | | | | 2,402,997 | | 2,402,997 | | |

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 2 Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital
(December 31, 2018)

(in shares)

| Company Name | Marketable Securities Type and Name | | Financial Statement Account | Counter - party | Relationship with the Company | Beginning balance | | Acquisition | | Disposal | | | | Ending balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Book value | Gain/Loss on Disposal | Shares/Units | Amount |
| The Company | Fund | Mega Diamond Money Market Fund | Financial assets at fair value through profit or loss – current – fund | Mega International Investment Trust Co.,Ltd. | None | 53,908,390 | 672,011 | 64,043,549 | 800,000 | 89,896,228 | 1,123,000 | 1,108,532 | 14,468 | 28,055,711 | 351,311 |
| The Company | Fund | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss – current – fund | JihSun Securities Investment Trust Co.,Ltd. | None | 54,515,207 | 802,873 | 94,901,956 | 1,400,000 | 139,247,444 | 2,054,540 | 2,050,992 | 3,548 | 10,169,719 | 150,446 |
| The Company | Fund | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss – current – fund | Taishin Securitites Investment Trust Co.,Ltd. | None | - | - | 80,538,808 | 1,085,000 | 80,538,808 | 1,085,075 | 1,085,000 | 75 | - | - |
| The Company | Fund | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss – current – fund | Yuanta Securities Investment Trust Co., Ltd. | None | - | - | 26,511,310 | 400,000 | 26,511,310 | 400,021 | 400,000 | 21 | - | - |
| The Company | Share | Taiwan High Speed Rail Corporation | Financial assets at fair value through other comprehensive income – non-current | | None | 13,882,000 | 326,227 | - | - | 13,882,000 | 323,222 | 341,071 | (17,849) | - | - |
| The Company | Equity | EVA Flight Training Academy | Investments accounted for using equity method | EVA Flight Training Academy | The Company's subsidiary | 10,000,000 | 624,850 | - | 307,200 | - | - | - | - | 10,000,000 | 932,050 |

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 3 Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital：

(December 31, 2018)

| Company Name | Types of Property | Transaction Date | Transaction Amount (USD in Thousands) | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Related Counter-party | | | | Price Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationships | Transfer Date | Amount | | | |
| The Company | Office building of Los Angeles | 2018.5.24 | USD 64,591 | As of December 31,2018, the Company has partially paid the price of $421,989. | DPR Construction, A General Partnership | Non-related party | - | - | - | - | The construction of the new office building on the own land, which was approved by the Board of Director's meeting. | Office building constructed by The Company | None |

Table 4 Disposition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital:
(December 31, 2018)

| Company Name | Types of Property | Transaction Date | Acqusition Date | Book Value | Transaction Amount | Proceed Term | Losses(gains) on Disposal of PPE | Counter-party | Nature of Relationships | Purpose of Disposal | Price Reference | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Office building of Los Angeles | 2018.9.24~2018.12.7 | On construction | not been applied | 592,137 | not been applied | not been applied | (1)El Segundo Investments 2, LLC<br>(2)James Orland and Judith Orland<br>(3)Lil Nubbins Neighborhood, LLC<br>(4)Mardi Norman | Non-related party | The flexible application of Assets | Appraisal report | None |

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 5 Total purchases from or sales to related parties with the dollar amount at least $100 million or 20% of paid-in capital:
(December 31, 2018)

| Company Name | Related Party | Relationship | Transaction details | | | | Abnormal Transaction | | Account/note receivable(payable) | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | Percentage of total purchases/sales | Payment Terms | Unit price | Payment Terms | Balance | Percentage of total accounts/ notes receivable(payable) | |
| The Company | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 2,616,206 | 1.93 | 60 days | - | | 252,103 | 3.41 | |
| The Company | Evergreen Aviation Technologies Corp. | The company's subsidiary | Sales | 174,387 | 0.13 | 60 days | - | | 13,107 | 0.18 | Note 1 |
| The Company | Evergreen Aviation Technologies Corp. | The company's subsidiary | Purchases | 3,647,688 | 3.10 | 60 days | - | | (840,128) | 9.84 | Note 1 |
| The Company | Evergreen Sky Catering Corp. | The company's subsidiary | Purchases | 2,713,462 | 2.31 | 60 days | - | | (423,030) | 4.96 | Note 1 |
| The Company | Evergreen Airline Services Corp. | The company's subsidiary | Purchases | 2,445,986 | 2.08 | 60 days | - | | (417,417) | 4.89 | Note 1 |
| The Company | Evergreen Air Cargo Services Corp. | The company's subsidiary | Purchases | 366,931 | 0.31 | 60 days | - | | (47,871) | 0.56 | Note 1 |
| The Company | Evergreen International Corp. | The company's shareholder | Purchases | 174,845 | 0.15 | 60 days | - | | (23,121) | 0.27 | |
| The Company | Evergreen International Storage & Transport Corp. | The company's shareholder | Purchases | 158,922 | 0.14 | 60 days | - | | (12,086) | 0.14 | |
| The Company | Evergreen Insurance Company Ltd. | The company's shareholder's equity investment | Purchases | 100,422 | 0.09 | 60 days | - | | - | - | |
| Evergreen Airline Services Corp. | The Company | Parent company | Sales | 2,445,986 | 79.60 | 60 days | - | | 431,745 | 85.07 | Note 1 |
| Evergreen Airline Services Corp. | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 236,504 | 7.70 | 60 days | - | | 37,873 | 7.46 | |
| Evergreen Airline Services Corp. | Evergreen Aviation Technologies Corp. | Parent company's equity investment | Sales | 111,590 | 3.63 | 30 days | - | | 8,900 | 1.75 | Note 1 |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | Sales | 3,645,421 | 8.16 | 60 days | - | | 965,052 | 10.82 | Note 1 |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | Equity investment | Sales | 31,945,372 | 71.50 | 30 days | - | | 6,279,073 | 70.40 | |
| Evergreen Aviation Technologies Corp. | UNI Airways Corp. | The company's shareholder | Sales | 312,746 | 0.70 | 60 days | - | | 117,045 | 1.31 | |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | Purchases | 258,090 | 0.61 | 60 days | - | | (13,981) | 0.46 | Note 1 |
| Evergreen Aviation Technologies Corp. | Evergreen Airline Services Corp. | Parent company's equity investment | Purchases | 111,590 | 0.27 | 60 days | - | | (8,900) | 0.29 | Note 1 |
| Evergreen Sky Catering Corp. | The Company | Parent company | Sales | 2,713,462 | 78.95 | 60 days | - | | 427,894 | 82.39 | Note 1 |
| Evergreen Sky Catering Corp. | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 139,945 | 4.07 | 60 days | - | | 21,602 | 4.16 | |
| Evergreen Air Cargo Services Corp. | The Company | Parent company | Sales | 366,931 | 23.48 | 60 days | - | | 50,586 | 42.30 | Note 1 |
| EVA Flight Training Academy | The Company | Parent company | Sales | 101,045 | 100.00 | 30 days | - | | 7,836 | 100.00 | Note 1 |

Note 1: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 6 Accounts receivable from related parties for which the dollar amount at least $100 million or 20% of paid-in capital：
(December 31, 2018)

| Company Name | Related Party | Relationship | Balance of receivables from related party | Turnover rate | Past - due receivables from related party | | Amounts Received in Subsequent Period | Allowances for impairment loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | UNI Airways Corp. | The company's shareholder's equity investment | 538,063 | (Note 1) | - | | 537,412 | |
| Evergreen Airline Services Corp. | The Company | Parent company | 451,279 | 5.44 (Note 2) | - | | 451,279 | |
| Evergreen Sky Catering Corp. | The Company | Parent company | 431,503 | 6.35 (Note 2) | - | | 431,503 | |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | 970,378 | 3.72 (Note 2) | - | | 970,378 | |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | Equity investment | 6,279,073 | 5.89 | - | | 6,279,073 | |
| Evergreen Aviation Technologies Corp. | UNI Airways Corp. | The company's shareholder | 117,161 | 2.80 | - | | 117,161 | |

Note 1: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.
Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 7 Business relationships and important transactions between parent company and subsidiary:
(December 31, 2018)

| Number | Trader | Company Name | Nature of Relationship | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Item | Amount | Transaction terms | Percentage of consolidated net revenue or total assets |
| 0 | The Company | Evergreen Aviation Technologies Corp. | 1 | Operating revenue | 174,387 | as general transactions | 0.10 |
| 0 | The Company | Evergreen Aviation Technologies Corp. | 1 | Operating costs | 3,647,688 | as general transactions | 2.03 |
| 0 | The Company | Evergreen Sky Catering Corp. | 1 | Operating costs | 2,713,462 | as general transactions | 1.51 |
| 0 | The Company | Evergreen Airline Services Corp. | 1 | Operating costs | 2,445,986 | as general transactions | 1.36 |
| 0 | The Company | Evergreen Air Cargo Services Corp. | 1 | Operating costs | 366,931 | as general transactions | 0.20 |
| 0 | The Company | EVA Flight Training Academy | 1 | Operating expenses | 101,045 | as general transactions | 0.06 |
| 0 | The Company | Evergreen Aviation Technologies Corp. | 1 | Accounts payable－related patries | 840,128 | as general transactions | 0.35 |
| 0 | The Company | Evergreen Sky Catering Corp. | 1 | Accounts payable－related patries | 423,030 | as general transactions | 0.18 |
| 0 | The Company | Evergreen Airline Services Corp. | 1 | Accounts payable－related patries | 417,417 | as general transactions | 0.17 |

Note 1:The number is filled in as follows:
1.0 represents the parent company.
2.Subsidiaries are numbered sequentially by the number 1 according to the company.
Note 2:The types of relationships with the company are as follows:
1.Parent company to subsidiary.
2.Subsidiary to parent company .
3.Subsidiary to subsidiary .

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 8 Information on Investees(Excluding Investees in Mainland China)：
For the year ended December 31, 2018, the following is the information on investees

(in shares)

| Name of the Investor | Name of Investee | Location | Main Business and Products | Initial Investment Amount | | Ending balance | | | Highest shareholding in the period or capital contribution | Net Income (Losses)of the Investee | Share of Profits/Losses of Investee | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2018 | December 31, 2017 | Shares | Ratio of Shares | Book value | | | | |
| The Company | Sky Castle Investment Ltd. | Maystar Chambers, P.O. Box 3269, Apia, Samoa | Investment business | 179,173 | 179,173 | 5,500,000 | 100.00% | 385,110 | 5,500,000 | 26,748 | 26,748 | Note 1 |
| The Company | Evergreen Airways Service (Macau) Ltd. | 398 Alameda Dr. Carlos D' Assumpcao.Edif CNAC 3 Andar K-M Macau | Investment business | 327 | 327 | no issue | 99.00% | 162,689 | - | 75,971 | 75,211 | Note 1 |
| The Company | RTW Air Services(S) Pte. Ltd. | 300 Tampines Avenue 5 #07-01 Income@Tampines Junction Singapore 529653 | Traveling agency | - | 13,217 | - | - | - | 735,000 | 4,516 | 2,213 | Notes 1 and 4 |
| The Company | PT Perdana Andalan Air Service | 10/F, Gedung Mega Plaza Jl. H.R Rasuna Said Kav. C-3 Jakarta 12920 Indonesia. | Traveling agency | 5,086 | 5,086 | 40,800 | 51.00% | 30,051 | 40,800 | 7,752 | 3,954 | Note 1 |
| The Company | EVA Flight Training Academy | 3745 Whitehead Street Mather, CA, 95655, USA | Flight training school | 932,050 | 624,850 | 10,000,000 | 100.00% | 753,988 | 10,000,000 | (29,166) | (29,166) | Note 1 |
| The Company | Evergreen Aviation Technologies Corp. | No. 6 Harng-Jann S.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan, Taoyuan City, Taiwan | Maintenance, manufacturing, processing and sales of aircraft, engine and parts | 2,000,450 | 2,000,450 | 508,928,512 | 80.00% | 9,473,422 | 508,982,512 | 1,993,732 | 1,613,613 | Notes 1 and 5 |
| The Company | Evergreen Airline Services Corp. | 6-1 Harng-Jann S.Rd., Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, 33758, Taiwan | Aviation grand service | 111,180 | 111,179 | 31,327,211 | 56.33% | 857,207 | 31,327,211 | 104,930 | 59,107 | Note 1 |
| The Company | Evergreen Sky Catering Corp. | No.3, Hangqin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan | The provision of in-flight meals in sky catering and the sales of food | 498,000 | 498,000 | 66,283,800 | 49.80% | 2,106,594 | 66,283,800 | 528,533 | 263,209 | Note 1 |
| The Company | Evergreen Air Cargo Services Corp. | No.8-1, Hangcin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan | Air cargo entrepot | 740,348 | 740,348 | 72,750,000 | 60.625% | 1,502,758 | 72,750,000 | 288,250 | 174,751 | Note 1 |
| The Company | Evergreen Aviation Precision Corp. | No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C) | Manufacture of aircraft parts | 1,200,000 | 1,200,000 | 120,000,000 | 40.00% | 438,718 | 120,000,000 | (554,214) | (221,686) | Notes 1 and 5 |
| The Company | Hsiang Li Investment Corp. | 1F,117,Sec. 2,Chang An E. Rd., Taipei, Taiwan | Investment business | 25,000 | 25,000 | 2,680,000 | 100.00% | 57,653 | 2,680,000 | 4,821 | 4,821 | Note 1 |
| The Company | Evergreen Security Corp. | 4-5F., No. 111, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan | Security services | 25,000 | 25,000 | 6,336,000 | 31.25% | 111,665 | 6,336,000 | 49,790 | 15,560 | Note 2 |
| Evergreen Aviation Technologies Corp. | Evergreen Aviation Precision Corp. | No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C) | Manufacture of aircraft parts | 900,000 | 900,000 | 90,000,000 | 30.00% | 329,039 | 90,000,000 | (554,214) | (166,264) | Notes 1 and 5 |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | 6F., No. 8, Sec. 3, Minsheng E. Rd., Zhongshan Dist., Taipei City 104, Taiwan | Manufacture of aircraft and parts | 90,482 | 90,482 | 9,048,165 | 19.90% | 169,742 | 9,048,165 | 414,641 | 83,820 | Note 3 |
| Evergreen Airways Service (Macau) Ltd. | Menzies Macau Airport Services Ltd. | Airport Logistic Business Center Room 52 Macau International Airport Avenida do Aeroporto, Taipa, Macau | Ground handling | 8,032 | 8,032 | no issue | 20.00% | 96,985 | - | 374,362 | 74,873 | Note 3 |

Note 1: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.
Note 2: Investments were accounted for using equity method.
Note 3: Investments of subsidiaries of the Company were accounted for using equity method.
Note 4: RTW Air Services(S) Pte. Ltd. has completed liquidation process in August, 2018.
Note 5: A resolution was approved during the two separate board meetings of Evergreen Aviation Technology Corp. (EGAT) and Evergreen Aviation Precision Corp. (EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28 , 2019.

# EVA AIRWAYS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

Table 9 Information on Investment in Mainland China：

1.Information on Investment in Mainland China：

| Investee Company | Main Business and Products | Total Amount of Paid-in Capital (RMB in Thousands) | | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of January1, 2018 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2018 | Net Income (Losses)of the Investee | Highest shareholding in the period or capital contribution | Direct/Indirect Shareholding (%)by the Company | Share of Profits/Losses (Note 2) | Carrying Amount as of December 31,2018 | Accumulated Inward Remittance of Earnings as of December 31,2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Outflow | Inflow | | | | | | | |
| Airport Air Cargo Terminal(Xiamen) Co., Ltd. | Forwarding and storage of air cargo | RMB | 254,480 | 2 | 138,784 | - | - | 138,784 | 80,429 | 14.00% | 14.00% | 11,260 | 223,856 | 85,129 |
| Airport Air Cargo Service(Xiamen) Co., Ltd. | Forwarding and storage of air cargo, truck freight transportation, other transportation auxiliary industry | RMB | 14,000 | 2 | 61,418 | - | - | 61,418 | 114,723 | 14.00% | 14.00% | 16,061 | 107,754 | 38,399 |

(Note 1)Ways to Invest in Mainland China：

1.Investment in Mainland China companies by remittance through a third region.

2.Investment in Mainland China companies through a company invested and established in a third region.

3.Investment in Mainland China companies through an existing company established in a third region.

4.Direct investment in Mainland China.

5.Other methods of investing in Mainland China. EX：Entrusted investment.

(Note 2)The financial statements of the investee company were audited by the global accounting firm in a cooperation with R.O.C. accounting firm.

The Company recognized share of profit of subsidiaries and associates accounted for using equity method by how many shares the Company holds.

(Note 3)The investment in Shanghai Airlines Cargo Intl.Co.,Ltd was authorized by the Investment Commission. The amount of investment was $748,721(USD23,361thousand dollars).

Shanghai Airlines Cargo Intl.Co.,Ltd has completed liquidation process in July, 2014.

(Note 4)The investment in China Cargo Airlines Co.,Ltd was authorized by the Investment Commission. The amount of investment was $1,453,728(USD50,337thousand dollars).

China Cargo Airlines Co.,Ltd has completed shares transfer in January, 2016.

2.Limitation on investment in Mainland China：

| Accumulated Outward Remittance for Investment in Mainland China as of December 31,2018 (USD in Thousands) | Investment Amounts Aurthorized by Investment Commission,MOEA (Note) (USD in Thousands) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| NTD 2,402,651 (USD 79,781) | NTD 2,456,862 (USD 80,562) | 38,149,361 |

Note：Investment amounts in Mainland China were translated to TWD at the exchange rates of the dates of the remittance;
investment amounts aurthorized by Investment Commission, MOEA were translated to TWD at the exchange rates of the dates of the aurthorization.

3. Significant transactions：None.

# Appendix 2

## EVA AIRWAYS CORP.

**Parent-Company-Only Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended**
**December 31, 2018 and 2017**

Address: No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan
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# 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, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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 Auditors' 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. Contract liabilities－mileage redemption revenue

   Please refer to note 4(p) "Revenue recognition", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements, and note 6(t) "Revenue from contracts with customers".

   Description of key audit matter:

   The member who joins the "Infinity MileageLands" ("the Program") can earn mileage by flying any of the Company's flights or through other consumption. Contract liabilities will be converted into reveres when the member actually redeems the mileage or it is expected that the right are 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 contract liabilities－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 contract liabilities－mileage redemption revenue.

2. The restoration obligation of leased aircraft

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

   Description of key audit matter:

   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 the 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.

**Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 auditors' 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 auditors' 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Yen-Ta Su.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

**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, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | Assets | 2018.12.31 Amount | % | 2017.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 39,930,700 | 19 | 35,432,733 | 17 |
| 1110 | Financial assets at fair value through profit or loss－current (note 6(b)) | 501,757 | - | - | - |
| 1125 | Available-for-sale financial assets－current (note 6(b)) | - | - | 1,525,795 | 1 |
| 1135 | Derivative financial assets for hedge purposes－current (note 6(c)) | - | - | 184,458 | - |
| 1139 | Financial assets for hedging－current (note 6(c)) | 36 | - | - | - |
| 1150 | Notes receivable, net (notes 6(d) and 6(t)) | 933,343 | - | 751,534 | - |
| 1170 | Accounts receivable, net (notes 6(d) and 6(t)) | 6,178,314 | 3 | 5,792,428 | 3 |
| 1180 | Accounts receivable－related parties (notes 6(d), 6(t) and 7) | 273,750 | - | 478,744 | - |
| 130x | Inventories (notes 6(f) and 6(h)) | 1,576,677 | 1 | 1,399,784 | 1 |
| 1470 | Other current assets (notes 6(e), 6(k) and 7) | 1,593,355 | 1 | 1,473,008 | 1 |
| | **Total current assets** | 50,987,932 | 24 | 47,038,484 | 23 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income －non-current (note 6(b)) | 2,346,285 | 1 | - | - |
| 1523 | Available-for-sale financial assets－non-current (note 6(b)) | - | - | 2,503,536 | 1 |
| 1550 | Investments accounted for using equity method (note 6(g)) | 15,879,855 | 8 | 14,415,673 | 7 |
| 1600 | Property, plant and equipment (notes 6(h), 6(l), 6(m), 7, 8 and 9) | 125,704,145 | 60 | 119,481,891 | 60 |
| 1760 | Investment property, net (note 6(i)) | 183,054 | - | - | - |
| 1780 | Intangible assets (note 6(j)) | 600,856 | - | 493,403 | - |
| 1840 | Deferred tax assets (note 6(p)) | 3,305,511 | 2 | 3,451,704 | 2 |
| 1900 | Other non-current assets (notes 6(c), 6(h), 6(k), 7, 8 and 9) | 11,279,779 | 5 | 13,761,377 | 7 |
| | **Total non-current assets** | 159,299,485 | 76 | 154,107,584 | 77 |
| | **Total assets** | $ 210,287,417 | 100 | 201,146,068 | 100 |

| | Liabilities and Equity | 2018.12.31 Amount | % | 2017.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2125 | Derivative financial liabilities for hedge purposes－current (note 6(c)) | $ - | - | 558 | - |
| 2126 | Financial liabilities for hedging－current (note 6(c)) | 136,731 | - | - | - |
| 2130 | Contract liabilities－current (note 6(t)) | 18,201,266 | 9 | - | - |
| 2170 | Accounts payable | 6,735,360 | 3 | 5,773,798 | 3 |
| 2180 | Accounts payable－related parties (note 7) | 1,800,672 | 1 | 1,903,298 | 1 |
| 2200 | Other payables (notes 6(v) and 7) | 8,087,355 | 4 | 7,519,714 | 4 |
| 2230 | Current tax liabilities | 434,201 | - | 140,879 | - |
| 2310 | Unearned revenue (note 6(u)) | - | - | 16,316,960 | 8 |
| 2320 | Current portion of long-term liabilities (notes 6(l) and 8) | 12,699,748 | 6 | 16,050,521 | 8 |
| 2300 | Other current liabilities (notes 6(h), 6(l) and 6(m)) | 5,498,552 | 3 | 5,508,040 | 2 |
| | **Total current liabilities** | 53,593,885 | 26 | 53,213,768 | 26 |
| | **Non-current liabilities:** | | | | |
| 2500 | Financial liabilities at fair value through profit or loss －non-current (notes 6(b) and 6(l)) | 6,234 | - | 16,800 | - |
| 2527 | Contract liabilities－non-current (note 6(t)) | 2,908,958 | 1 | - | - |
| 2530 | Bonds payable (note 6(l)) | 15,107,923 | 7 | 15,096,232 | 8 |
| 2540 | Long-term borrowings (notes 6(l) and 8) | 49,021,219 | 23 | 47,583,959 | 24 |
| 2570 | Deferred tax liabilities (note 6(p)) | 83,345 | - | 134,068 | - |
| 2613 | Lease liabilities－non-current (note 6(l)) | 1,279,618 | 1 | 2,152,643 | 1 |
| 2640 | Net defined benefit liabilities－non-current (note 6(o)) | 4,184,512 | 2 | 4,385,296 | 2 |
| 2600 | Other non-current liabilities (notes 6(h), 6(m), and 6(u)) | 20,519,454 | 10 | 20,555,579 | 10 |
| | **Total non-current liabilities** | 93,111,263 | 44 | 89,924,577 | 45 |
| | **Total liabilities** | 146,705,148 | 70 | 143,138,345 | 71 |
| | **Equity (notes 6(b), 6(c), 6(l), 6(o), 6(p), 6(q) and 6(r)):** | | | | |
| 3110 | Common stock | 43,821,215 | 21 | 41,734,490 | 21 |
| 3140 | Capital collected in advance | 230,642 | - | - | - |
| 3200 | Capital surplus | 6,751,945 | 3 | 6,639,940 | 3 |
| 3300 | Retained earnings | 12,344,382 | 6 | 8,672,249 | 5 |
| 3400 | Other equity | 434,085 | - | 961,044 | - |
| | **Total equity** | 63,582,269 | 30 | 58,007,723 | 29 |
| | **Total liabilities and equity** | $ 210,287,417 | 100 | 201,146,068 | 100 |

See accompanying notes to parent-company-only financial statements.

**EVA AIRWAYS CORP.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2018 and 2017**

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

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenue (notes 6(t), 6(u) and 7)** | $ 135,620,650 | 100 | 125,314,160 | 100 |
| 5000 | **Operating costs (notes 6(c), 6(f), 6(h), 6(j), 6(n), 6(o), 6(v) and 7)** | (117,631,167) | (87) | (107,862,932) | (86) |
| | **Gross profit from operations** | 17,989,483 | 13 | 17,451,228 | 14 |
| 6000 | **Operating expenses (notes 6(d), 6(h), 6(j), 6(n), 6(o), 6(r), 6(v) and 7)** | (11,994,341) | (9) | (11,508,710) | (9) |
| | **Net operating income** | 5,995,142 | 4 | 5,942,518 | 5 |
| | **Non-operating income and expenses (notes 6(g), 6(h), 6(l), 6(m), 6(w) and 7):** | | | | |
| 7010 | Other income | 757,444 | 1 | 491,051 | - |
| 7020 | Other gains and losses | 724,667 | - | 773,604 | 1 |
| 7050 | Finance costs | (1,798,071) | (1) | (1,839,812) | (1) |
| 7375 | Share of profit of subsidiaries and associates accounted for using equity method | 1,988,335 | 1 | 1,518,572 | 1 |
| | **Total non-operating income and expenses** | 1,672,375 | 1 | 943,415 | 1 |
| 7900 | **Profit before tax** | 7,667,517 | 5 | 6,885,933 | 6 |
| 7950 | **Income tax expenses (note 6(p))** | (1,114,690) | - | (1,133,866) | (1) |
| | **Profit** | 6,552,827 | 5 | 5,752,067 | 5 |
| 8300 | **Other comprehensive income (notes 6(c), 6(g), 6(o), 6(p) and 6(q)):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| 8311 | Remeasurements of net defined benefit plans | (551,659) | - | (640,200) | (1) |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 157,677 | - | - | - |
| 8317 | Gains on hedging instruments | 366 | - | - | - |
| 8330 | Share of other comprehensive income of subsidiaries and associates accounted for using equity method | (58,057) | - | (224,872) | - |
| 8349 | Income tax benefit relating to items that will not be reclassified subsequently to profit or loss | 213,318 | - | 108,834 | - |
| | **Total items that will not be reclassified subsequently to profit or loss** | (238,355) | - | (756,238) | (1) |
| 8360 | **Items that may be reclassified subsequently to profit or loss:** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 933 | - | (48,111) | - |
| 8362 | Unrealized losses on available-for-sale financial assets | - | - | (181,561) | - |
| 8363 | Cash flow hedges | - | - | 383,942 | - |
| 8368 | Losses on hedging instruments | (320,961) | - | - | - |
| 8380 | Share of other comprehensive income of subsidiaries and associates accounted for using equity method | 6,158 | - | (55) | - |
| 8399 | Income tax benefit (expenses) relating to items that may be reclassified subsequently to profit or loss | 58,658 | - | (63,050) | - |
| | **Total items that may be reclassified subsequently to profit or loss** | (255,212) | - | 91,165 | - |
| 8300 | **Other comprehensive income, net of tax** | (493,567) | - | (665,073) | (1) |
| 8500 | **Comprehensive income** | **$ 6,059,260** | **5** | **5,086,994** | **4** |
| | **Earnings per share (note 6(s))** | | | | |
| 9750 | **Basic earnings per share (in New Taiwan Dollars)** | **$ 1.50** | | **1.31** | |
| 9850 | **Diluted earnings per share (in New Taiwan Dollars)** | **$ 1.36** | | **1.19** | |

See accompanying notes to parent-company-only financial statements.

**EVA AIRWAYS CORP.**

**Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | | | Retained earnings | | | | Other equity | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital collected in advance | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Cash flow hedges | Gains (losses) on hedging instruments | Total | Total equity |
| **Balance on January 1, 2017** | $ 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) | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (2,314,892) | 2,314,892 | - | - | - | - | - | - | - | - |
| Cash dividends to common stockholders | - | - | - | - | - | (810,379) | (810,379) | - | - | - | - | - | - | (810,379) |
| Stock dividends to common stockholders | 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) |
| Total 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 |
| Effects of retrospective application | - | - | - | - | - | 454,662 | 454,662 | - | 371,924 | (819,258) | (152,637) | 152,637 | (447,334) | 7,328 |
| Balance on January 1, 2018 after adjustments | 41,734,490 | - | 6,639,940 | 991,243 | - | 8,135,668 | 9,126,911 | (10,851) | 371,924 | - | - | 152,637 | 513,710 | 58,015,051 |
| Appropriation of prior year's earnings: | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 575,207 | - | (575,207) | - | - | - | - | - | - | - | - |
| Cash dividends to common stockholders | - | - | - | - | - | (834,689) | (834,689) | - | - | - | - | - | - | (834,689) |
| Stock dividends to common stockholders | 2,086,725 | - | - | - | - | (2,086,725) | (2,086,725) | - | - | - | - | - | - | - |
| Conversion of convertible bonds | - | 49,662 | 20,505 | - | - | - | - | - | - | - | - | - | - | 70,167 |
| Profit | - | - | - | - | - | 6,552,827 | 6,552,827 | - | - | - | - | - | - | 6,552,827 |
| Other comprehensive income | - | - | - | - | - | (395,610) | (395,610) | 7,091 | 156,945 | - | - | (261,993) | (97,957) | (493,567) |
| Total comprehensive income | - | - | - | - | - | 6,157,217 | 6,157,217 | 7,091 | 156,945 | - | - | (261,993) | (97,957) | 6,059,260 |
| Issuance of common stock | - | 180,980 | 91,500 | - | - | - | - | - | - | - | - | - | - | 272,480 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | (18,332) | (18,332) | - | 18,332 | - | - | - | 18,332 | - |
| **Balance on December 31, 2018** | **$ 43,821,215** | **230,642** | **6,751,945** | **1,566,450** | **-** | **10,777,932** | **12,344,382** | **(3,760)** | **547,201** | **-** | **-** | **(109,356)** | **434,085** | **63,582,269** |

See accompanying notes to parent-company-only financial statements.

## EVA AIRWAYS CORP.

### Statements of Cash Flows

### For the years ended December 31, 2018 and 2017

### (Expressed in Thousands of New Taiwan Dollars)

| | | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Profit before tax** | $ | 7,667,517 | 6,885,933 |
| **Adjustments:** | | | |
| Adjustments to reconcile profit: | | | |
| Expected credit loss | | 70,000 | - |
| Depreciation expense | | 11,706,048 | 12,956,693 |
| Amortization expense | | 225,600 | 200,851 |
| Net gains on financial assets or liabilities at fair value through profit or loss | | (15,050) | (7,700) |
| Interest expense | | 1,798,071 | 1,839,812 |
| Interest income | | (612,624) | (359,659) |
| Dividend income | | (144,820) | (131,392) |
| Share-based payments transactions | | 91,500 | - |
| Shares of profit of subsidiaries and associates accounted for using equity method | | (1,988,335) | (1,518,572) |
| Losses (gains) on disposal of property, plant and equipment | | (548,970) | 69,866 |
| Gains on disposal of investments | | (14,612) | (625,351) |
| Unrealized foreign exchange losses (gains) | | 441,832 | (1,468,529) |
| Others | | (199,483) | (252,121) |
| Total adjustments to reconcile profit | | 10,809,157 | 10,703,898 |
| Changes in operating assets and liabilities: | | | |
| Changes in operating assets: | | | |
| Notes receivable, net | | (181,809) | (206,950) |
| Accounts receivable, net | | (455,886) | (4,040) |
| Accounts receivable－related parties | | 204,994 | (82,753) |
| Inventories | | (374,741) | 147,544 |
| Other current assets | | (91,721) | 180,836 |
| Total changes in operating assets | | (899,163) | 34,637 |
| Changes in operating liabilities: | | | |
| Contract liabilities | | 21,110,224 | - |
| Accounts payable | | 961,562 | 2,943,344 |
| Accounts payable－related parties | | (102,626) | (559,521) |
| Other payables | | 744,576 | (3,178,277) |
| Unearned revenue | | (16,316,960) | 1,708,636 |
| Other current liabilities | | 339,937 | (2,555,878) |
| Net defined benefit liabilities－non-current | | (742,221) | (373,655) |
| Other non-current liabilities | | (2,305,238) | 604,791 |
| Total changes in operating liabilities | | 3,689,254 | (1,410,560) |
| Total changes in operating assets and liabilities | | 2,790,091 | (1,375,923) |
| Total adjustments | | 13,599,248 | 9,327,975 |
| Cash inflow generated from operations | | 21,266,765 | 16,213,908 |
| Income taxes paid | | (282,384) | (271,466) |
| **Net cash flows from operating activities** | | 20,984,381 | 15,942,442 |

See accompanying notes to parent-company-only financial statements.

**EVA AIRWAYS CORP.**

**Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from (used in) investing activities:** | | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | $ | 323,402 | - |
| Decrease available-for-sale financial assets－current | | - | 2,068 |
| Acquisition of financial assets designated at fair value through profit or loss | | (3,975,000) | - |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 5,003,589 | - |
| Acquisition of available-for-sale financial assets－non-current | | - | (24,620) |
| Proceeds from disposal of available-for-sale financial assets－non-current | | - | 943,106 |
| Acquisition of investments accounted for using equity method | | (307,201) | (1) |
| Proceeds from disposal of investments accounted for using equity method | | 21,189 | 9,337 |
| Acquisition of property, plant and equipment | | (10,743,741) | (9,812,775) |
| Proceeds from disposal of property, plant and equipment | | 2,671,559 | 457,550 |
| Acquisition of intangible assets | | (333,053) | (201,165) |
| Decrease (increase) in other non-current assets | | (37,300) | 20,865 |
| Increase in prepayments for business facilities | | (5,676,696) | (8,802,553) |
| Interest received | | 584,352 | 360,926 |
| Dividends received | | 931,632 | 859,928 |
| **Net cash flows used in investing activities** | | (11,537,268) | (16,187,334) |
| **Cash flows from (used in) financing activities:** | | | |
| Proceeds from issuance of bonds payable | | - | 7,009,018 |
| Redemption of bonds payable | | (4,500,000) | (6,500,000) |
| Proceeds from long-term borrowings | | 18,332,000 | 11,857,700 |
| Redemption of long-term borrowings | | (15,829,071) | (10,968,867) |
| Decrease in lease liabilities | | (1,275,885) | (1,496,591) |
| Increase in other non-current liabilities | | 73,079 | 4,381 |
| Cash dividends paid | | (834,689) | (810,379) |
| Issuance of common stock | | 180,980 | - |
| Interest paid | | (1,095,560) | (1,292,493) |
| **Net cash flows used in financing activities** | | (4,949,146) | (2,197,231) |
| **Net increase (decrease) in cash and cash equivalents** | | 4,497,967 | (2,442,123) |
| **Cash and cash equivalents at beginning of year** | | 35,432,733 | 37,874,856 |
| **Cash and cash equivalents at end of year** | $ | **39,930,700** | **35,432,733** |

See accompanying notes to parent-company-only financial statements.

**(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 19, 2019.

## (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, 2018.

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IFRS 2 "Classification 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 |

(Continued)

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| 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 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 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a five-step model framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

| | 2018.12.31 | | | 2018.1.1 | | |
|---|---|---|---|---|---|---|
| **Impacted line items on the balance sheet** | **Balances prior to the adoption of IFRS 15** | **Impact of changes in accounting policies** | **Balances upon adoption of IFRS 15** | **Balances prior to the adoption of IFRS 15** | **Impact of changes in accounting policies** | **Balances upon adoption of IFRS 15** |
| Contract liabilities－current | $ - | 18,201,266 | 18,201,266 | - | 16,312,880 | 16,312,880 |
| Unearned revenue | 18,243,135 | (18,243,135) | - | 16,316,960 | (16,316,960) | - |
| Other current liabilities | 5,456,683 | 41,869 | 5,498,552 | 5,508,040 | 4,080 | 5,512,120 |
| Contract liabilities－non-current | - | 2,908,958 | 2,908,958 | - | 2,351,380 | 2,351,380 |
| Other non-current liabilities | 23,428,412 | (2,908,958) | 20,519,454 | 20,555,579 | (2,351,380) | 18,204,199 |
| **Impact on liabilities** | | - | | | - | |

(Continued)

| Impacted line items on the statement of cash flows | | For the year ended December 31, 2018 Balances without adoption of IFRS 15 | Impact of changes in accounting polices | Balances with adoption of IFRS 15 |
|---|---|---|---|---|
| Cash flows from (used in) operating activities: | | | | |
| **Profit before tax** | $ | 7,668,074 | - | 7,668,074 |
| Adjustments: | | | | |
| Unearned revenue | | 1,926,175 | (18,243,135) | (16,316,960) |
| Contract liabilities | | - | 21,110,224 | 21,110,224 |
| Other current liabilities | | 298,068 | 41,869 | 339,937 |
| Other non-current liabilities | | 603,720 | (2,908,958) | (2,305,238) |
| **Impact on net cash flows from operating activities** | | | - | |

(ii) IFRS 9 “Financial Instruments”

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

The Company adopted the consequential amendments to IFRS 7 “ Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

(Continued)

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Hedge accounting

The Company prospectively apply the requirements for hedge accounting upon initial application of IFRS 9. In addition, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets for hedging and financial liabilities for hedging starting January 1, 2018.

4) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed 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.

5) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018 (There are no changes to the measurement categories and carrying amount of financial liabilities).

(Continued)

| | IAS39 | | IFRS9 | |
|---|---|---|---|---|
| | **Measurement categories** | **Carrying amount** | **Measurement categories** | **Carrying amount** |
| **Financial assets** | | | | |
| Cash and cash equivalents | Loans and receivables (note 1) | 35,432,733 | Amortized cost | 35,432,733 |
| Derivative instruments | Derivative financial assets for hedge purposes | 184,458 | Financial assets for hedging | 184,458 |
| Equity instruments | Available-for-sale (fund) | 1,525,795 | FVTPL | 1,525,795 |
| | Available-for-sale financial assets (equity instruments) (note 2) | 2,503,536 | FVOCI | 2,503,536 |
| | Financial assets carried at cost (note 2) | 1,020 | FVOCI | 8,474 |
| Trade receivables, net | Loans and receivables (note 1) | 7,413,509 | Amortized cost | 7,413,509 |
| Other financial assets (refundable deposits and pledged time deposits) | Loans and receivables (note 1) | 1,502,442 | Amortized cost | 1,502,442 |

Note 1: Cash and cash equivalents, notes receivable, accounts receivable, other receivables and other financial assets that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note 2: These equity securities (including financial assets carried at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $7,454 in those assets recognized, and a decrease of $447,334 in the other equity, as well as the increase of $454,662 in retained earnings were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

| | 2017.12.31 IAS 39 Carrying amount | Reclassifications | Remeasurements | 2018.1.1 IFRS 9 Carrying amount | 2018.1.1 Adjustment in retained earnings | 2018.1.1 Adjustment in other equity |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | | |
| Beginning balance of FVTPL (IAS 39) | $ - | - | - | | - | - |
| From available-for-sale | - | 1,525,795 | - | | 16,500 | (16,500) |
| Total | **$ -** | **1,525,795** | **-** | **1,525,795** | **16,500** | **(16,500)** |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Beginning balance of available-for-sale (including carried at cost) (IAS 39) | $ 2,504,556 | (2,504,556) | - | | - | - |
| Available-for-sale to FVOCI | - | 2,504,556 | 7,454 | | 438,162 | (430,834) |
| Total | **$ 2,504,556** | **-** | **7,454** | **2,512,010** | **438,162** | **(430,834)** |

(Continued)

(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 present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(aa).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| IFRS 16 “Leases” | January 1, 2019 |
| 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 19 “Plan Amendment, Curtailment or Settlement” | 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 |

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 changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as operating or finance leases.

(Continued)

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients. And, it need not restate comparative financial statements.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices and aircraft. The Company estimated that the right-of-use assets and the lease liabilities (deduct advance rental) to increase by $98,839,764 and $97,960,020, respectively on January 1, 2019. No significant impact is expected for the Company's finance leases. In addition, since the loan covenants agreed upon by the Company with different financial institutions were without financial ratio limits, the adoption of IFRS 16 will not have any impact on the said covenants. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(ii) 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, as well as 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, as well as 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.

Based on the Company's assessment, the application of IFRIC23 would not result in any material impact.

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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 |
| 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 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 |

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. 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) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) Hedging 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 entity 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) fair value through other comprehensive income (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.

The Company classifies all other assets as non-current.

(Continued)

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

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend income clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for the following which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECLs.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company’ s historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its 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 from financial assets measured at fair value through other comprehensive income”, in profit or loss.

(Continued)

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. 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 no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

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.

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 when the Company is authorized to receive.

(Continued)

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.

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.

(Continued)

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.

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.

(iii) 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.

(Continued)

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 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.

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 under non-operating income and expenses.

3) Other financial liabilities

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

(Continued)

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.

(iv) Derivative financial instruments and hedge accounting (policy applicable from January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency, interest rate and fuel price exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

The Company designates its hedging instruments, including derivatives, embedded derivatives, and nonderivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges. For a hedge of foreign currency risk with a highly probable forecast transaction, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided.

An initial designated hedging relationships, the Company documents the risk management objectives and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in “other equity－gains (losses) on hedging instruments”. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

(Continued)

When the 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 in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the statement of comprehensive income. However, for a cash flow hedge of a forecast transaction recognized as a nonfinancial asset or liability, the amount accumulated in "other equity－gains (losses) on hedging instruments" and retained in other comprehensive income is reclassified as the initial cost of the nonfinancial asset or liability.

The Company prospectively discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance when the hedging instrument expires or is sold, terminated or exercised.

(v) Derivative financial instrument and hedge accounting (policy applicable before January 1, 2018)

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

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

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.

(Continued)

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, 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 selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

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

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

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

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

(Continued)

(i) Investment in subsidiaries

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

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

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at initial acquisition cost less any subsequent accumulated depreciation. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) 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.

(Continued)

(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.

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(l) Leases

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

(Continued)

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.

(m) Impairment of non-financial assets

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

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

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

(Continued)

(n) 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.

(o) 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.

(p) Revenue recognition

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Aviation transportation revenue

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

(Continued)

2) Customer loyalty program

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

3) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the utility of the product, and there is no unfulfilled obligation that could affect the customer’ s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Accounts receivable are recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

4) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue recognition (policy applicable before January 1, 2018)

1) Aviation transportation revenue

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

(Continued)

2) 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.

3) 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.

(q) 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.

(Continued)

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

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

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

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.

(r) Share-based payment

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

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

(s) 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.

(Continued)

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

(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.

(t) Earnings per share (EPS)

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

(Continued)

(u) Operating segment

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

**(5) 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(h), 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 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) Contract liabilities－mileage redemption revenue

Please refer to note 4(p), 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 contract liabilities-mileage redemption revenue. Also, contract liabilities-mileage redemption revenue 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) Restoration obligations

Please refer to note 4(n), 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 verify its appropriateness. Changes in judgment or estimations may have a material impact on the amounts of recovery costs.

(Continued)

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(x).

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Cash on hand | $ 82,179 | 84,837 |
| Cash in bank | 39,848,521 | 35,347,896 |
| | **$ 39,930,700** | **35,432,733** |

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

(b) Financial assets and liabilities

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| **Financial assets mandatorily measured at fair value through profit or loss:** | | |
| Money market funds | **$ 501,757** | **-** |

(Continued)

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| **Financial liabilities mandatorily measured at fair value through profit or loss:** | | | |
| Convertible bonds with embedded derivatives | $ | 6,234 | - |
| **Financial liabilities held-for-trading:** | | | |
| Convertible bonds with embedded derivatives | | - | 16,800 |
| Total | **$** | **6,234** | **16,800** |

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

(ii) Financial assets at fair value through other comprehensive income:

| | | 2018.12.31 |
|---|---|---|
| **Equity investments at fair value through other comprehensive income:** | | |
| Publicly traded stocks | $ | 878,240 |
| Non-publicly traded stocks | | 1,468,045 |
| | **$** | **2,346,285** |

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

For the year ended December 31, 2018, the Company has sold its equity securities as at fair value through other comprehensive income. The shares sold had a fair value of $323,402 and the Company realized a loss of $18,332, which is already included in other equity. The loss has been transferred to retained earnings.

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

| | | 2017.12.31 |
|---|---|---|
| Money market funds | **$** | **1,525,795** |

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

| | | 2017.12.31 |
|---|---|---|
| Publicly traded stocks | $ | 1,178,219 |
| Non-publicly traded stocks | | 1,325,317 |
| | **$** | **2,503,536** |

(v) For credit risk and market risk; please refer to note 6(x).

(vi) The aforementioned financial assets were not pledged.

(Continued)

(c) Financial instruments used for hedging

Financial instruments used for hedging which were recognized as "financial assets / liabilities for hedging" on December 31, 2018, and recognized as "derivative financial assets / liabilities for hedge purposes" on December 31, 2017 were as follow:

**Cash flow hedge:**

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Financial assets for hedging: | | | |
| Fuel option agreements | $ | - | 184,458 |
| Forward exchange contracts | | 36 | - |
| Total | **$** | **36** | **184,458** |
| Current | $ | 36 | 184,458 |
| Non-current | | - | - |
| | **$** | **36** | **184,458** |

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Financial liabilities for hedging: | | | |
| Fuel swap agreements | $ | 136,503 | - |
| Forward exchange contracts | | 228 | 558 |
| Total | **$** | **136,731** | **558** |
| Current | $ | 136,731 | 558 |
| Non-current | | - | - |
| | **$** | **136,731** | **558** |

(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, 2018 and 2017, the cash flow hedged items and derivative financial hedging instruments were as follows:

| | | Fair value of assigned hedging instrument | | | Period when cash flows are expected to occur | Period when profit or loss is affected |
|---|---|---|---|---|---|---|
| **Hedged item** | **Hedging instrument** | | **2018.12.31** | **2017.12.31** | | |
| Floating price of fuel | Fuel swap agreements | $ | (136,503) | - | 2019 | 2019 |
| Floating price of fuel | Option agreements | | - | 184,458 | 2018 | 2018 |
| | | **$** | **(136,503)** | **184,458** | | |

(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 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 non-current assets in the same period. The terms of forward foreign exchange contract are coordinated with the hedged item. The unexpired forward exchange contracts held by the Company were as follows:

| | 2018.12.31 | | | |
|---|---|---|---|---|
| | **Contract Amount (in thousands)** | **Currency** | **Maturity dates** | **Average strike price** |
| Forward exchange purchased | **USD$ 24,000** | TWD to USD | 2019/05/02 | USD$30.33~30.45 |

| | 2017.12.31 | | | |
|---|---|---|---|---|
| | **Contract Amount (in thousands)** | **Currency** | **Maturity dates** | **Average strike price** |
| Forward exchange purchased | **USD$ 6,000** | TWD to USD | 2018/02/01~2018/04/02 | USD$29.76~29.90 |

(iii) The details arising from cash flow hedges for the years ended December 31, 2018 and 2017, were as follows:

| Account Item | 2018 | 2017 |
|---|---|---|
| Recognized in other comprehensive income during the period | **$ (320,595)** | **383,942** |
| Reclassification from equity to operating cost (income) for the period | **$ (310,986)** | **360,526** |
| Reclassification from equity to other non-current assets for the period | **$ (14,026)** | **74,093** |

There was no ineffective portion of cash flow hedge recognized in profit or loss.

(d) Notes and accounts receivable

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Notes receivable | $ 933,343 | 751,534 |
| Accounts receivable (including related parties) | 6,547,601 | 6,305,317 |
| Less: allowance for impairment | (95,537) | (34,145) |
| | **$ 7,385,407** | **7,022,706** |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

(Continued)

| | Notes and accounts receivable (including related parties) carrying amount | Weighted-average loss rate | Loss allowance provision |
|---|---|---|---|
| Not Overdue | $ 7,413,119 | 0.57% | 42,283 |
| Overdue within 30 days | 35,270 | 58.69% | 20,699 |
| Overdue 31~60 days | 25,229 | 100% | 25,229 |
| Overdue over 60 days but less than one year | 5,221 | 100% | 5,221 |
| Overdue more than one year | 2,105 | 100% | 2,105 |
| | $ 7,480,944 | | 95,537 |

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

| | 2017.12.31 |
|---|---|
| Overdue within 30 days | $ 6,375 |

The movement in the allowance for notes and accounts receivable was as follow:

| | 2018 | 2017 Individually assessed impairment | 2017 Collectively assessed impairment |
|---|---|---|---|
| Balance on January 1, 2018 and 2017 per IAS 39 | $ 34,145 | - | 34,828 |
| Adjustment on initial application of IFRS 9 | - | | |
| Balance on January 1, 2018 per IFRS 9 | 34,145 | | |
| Impairment losses recognized | 70,000 | - | - |
| Amounts written off | (8,608) | - | (683) |
| Balance on December 31, 2018 and 2017 | $ 95,537 | - | 34,145 |

The aforementioned notes and accounts receivable were not pledged. Other credit risk information please refer to note 6(x).

(e) Other receivables

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Other receivables－related parties | $ 326,012 | 374,807 |
| Others | 205,809 | 15,996 |
| | $ 531,821 | 390,803 |

The aforementioned notes and accounts receivable were not pledged. Other credit risk information please refer to note 6(x).

(Continued)

(f) Inventories

(i) The components were as follows:

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Aircraft spare parts | $ | 217,806 | 113,159 |
| Consumables for use and merchandise for in-flight sales | | 1,310,178 | 1,238,498 |
| Fuel for aircraft and others | | 48,693 | 48,127 |
| | $ | **1,576,677** | **1,399,784** |

(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:

| | | 2018 | 2017 |
|---|---|---|---|
| Losses on valuation of inventories and obsolescence (reversal of write-downs of inventories) | $ | **(409,831)** | **246,250** |

As of December 31, 2018 and 2017, these inventories were not pledged.

(g) Investments accounted for using equity method

The components were as follows:

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Subsidiaries | $ | 15,768,190 | 14,318,533 |
| Associates | | 111,665 | 97,140 |
| | $ | **15,879,855** | **14,415,673** |

(i) Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2018.

(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.

| | | 2018 | 2017 |
|---|---|---|---|
| Attributable to the Company: | | | |
| Profit | $ | 15,560 | 8,953 |
| Other comprehensive income | | (1,034) | (1,349) |
| Comprehensive income | $ | **14,526** | **7,604** |

(iii) Pledged

As of December 31, 2018 and 2017, the investments accounted for using equity method were not pledged.

(Continued)

(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, 2018 | $ 3,066,240 | 5,776,715 | 17,818,892 | 29,691,803 | 122,212,518 | 1,352,707 | 179,918,875 |
| Additions | - | 208,627 | 83,775 | 1,168,303 | 10,235,749 | 8,077 | 11,704,531 |
| Disposals | - | - | (951,324) | (125,825) | (15,527,908) | - | (16,605,057) |
| Reclassification (Note) | (56,381) | 1,389,011 | 2,465,903 | 12,947 | 5,420,732 | (918,097) | 8,314,115 |
| Balance as of December 31, 2018 | **$ 3,009,859** | **7,374,353** | **19,417,246** | **30,747,228** | **122,341,091** | **442,687** | **183,332,464** |
| 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** |
| **Accumulated depreciation:** | | | | | | | |
| Beginning balance as of January 1, 2018 | $ - | 2,791,066 | 8,445,534 | 7,635,763 | 41,564,621 | - | 60,436,984 |
| Depreciation expense | - | 216,622 | 1,421,577 | 2,806,322 | 7,261,527 | - | 11,706,048 |
| Disposals | - | - | (675,372) | (125,581) | (13,681,515) | - | (14,482,468) |
| Reclassification (Note) | - | - | (32,245) | - | - | - | (32,245) |
| Balance as of December 31, 2018 | **$ -** | **3,007,688** | **9,159,494** | **10,316,504** | **35,144,633** | **-** | **57,628,319** |
| 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** |
| **Carrying amounts:** | | | | | | | |
| Balance as of December 31, 2018 | **$ 3,009,859** | **4,366,665** | **10,257,752** | **20,430,724** | **87,196,458** | **442,687** | **125,704,145** |
| 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 January 1, 2017 | **$ 3,066,240** | **3,128,422** | **10,071,333** | **22,342,987** | **73,997,133** | **380,797** | **112,986,912** |

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(m) 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, 2018 and 2017, the unrealized gains from the sale and leaseback were $51,548, and $127,227, respectively and were recognized as other non-current liabilities.

(iii) Pledge

As of December 31, 2018 and 2017, 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, 2018 and 2017, the Company capitalized the interest expenses on purchase of assets amounted to $151,149 and $161,879, respectively. The ranges of the monthly interest rate used for capitalization calculation were 0.11%～0.12% and 0.11%～0.12%, respectively.

(i) Investment property

The movements in cost of investment property were as follows:

| | Land | Unfinished construction | Total |
|---|---|---|---|
| **Cost:** | | | |
| Beginning balance as of January 1, 2018 | $ - | - | - |
| Reclassification from property, plant and equipment | 56,381 | 126,673 | 183,054 |
| Balance as of December 31, 2018 | **$ 56,381** | **126,673** | **183,054** |
| **Carrying amounts:** | | | |
| Balance as of December 31, 2018 | **$ 56,381** | **126,673** | **183,054** |
| **Fair value:** | | | |
| Balance as of December 31, 2018 | | | **$ 592,137** |

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The Company's management also assessed the settled deals by using the valuation method. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2018, the investment property was not pledged. There was no such transaction in 2017.

(Continued)

(j) Intangible assets

The movements in cost and accumulated amortization of intangible assets were as follows:

| | | Computer software |
|---|---|---|
| **Cost:** | | |
| Beginning balance as of January 1, 2018 | $ | 980,627 |
| Additions | | 333,053 |
| Disposals | | (276,173) |
| Balance as of December 31, 2018 | **$** | **1,037,507** |
| Beginning balance as of January 1, 2017 | $ | 926,532 |
| Additions | | 201,165 |
| Disposals | | (147,070) |
| Balance as of December 31, 2017 | **$** | **980,627** |
| **Accumulated amortization:** | | |
| Beginning balance as of January 1, 2018 | $ | 487,224 |
| Amortization expense | | 225,600 |
| Disposals | | (276,173) |
| Balance as of December 31, 2018 | **$** | **436,651** |
| Beginning balance as of January 1, 2017 | $ | 433,443 |
| Amortization expense | | 200,851 |
| Disposals | | (147,070) |
| Balance as of December 31, 2017 | **$** | **487,224** |
| **Carrying amounts:** | | |
| Balance as of December 31, 2018 | **$** | **600,856** |
| Balance as of December 31, 2017 | **$** | **493,403** |
| Balance as of January 1, 2017 | **$** | **493,089** |

(i) Amortization

For the years ended December 31, 2018 and 2017, the amortization of intangible assets is included under operating costs and operating expenses in the statements of comprehensive income.

(ii) Pledge

The Company’s intangible assets were not pledged.

(Continued)

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

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Prepaid expense | $ 781,051 | 924,259 |
| Other receivables (including related parties) | 531,821 | 390,803 |
| Others | 280,483 | 157,946 |
| Total | **$ 1,593,355** | **1,473,008** |

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Prepayments for equipment | $ 9,740,037 | 12,257,915 |
| Refundable deposits | 1,457,821 | 1,426,786 |
| Pledged time deposits | 81,921 | 75,656 |
| Others | - | 1,020 |
| Total | **$ 11,279,779** | **13,761,377** |

(l) Short-term borrowings, long-term borrowings, bonds payables 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:

| | 2018.12.31 | | | |
|---|---|---|---|---|
| | Currency | Interest rate | Maturity date | Amount |
| Secured bonds payable | TWD | 1.07% | 2020/12/29~2021/12/29 | $ 8,500,000 |
| Unsecured convertible bonds | TWD | - | 2022/10/27 | 6,607,923 |
| Subtotal | | | | 15,107,923 |
| Less: Current portion (included in current portion of long-term liabilities) | | | | - |
| Total | | | | **$ 15,107,923** |
| Unsecured loans | TWD | 1.16%~2.01% | 2019/02/18~2023/11/09 | $ 13,723,333 |
| Secured loans | TWD | 1.11%~1.54% | 2019/02/27~2030/12/11 | 47,997,634 |
| Subtotal | | | | 61,720,967 |
| Less: Current portion | | | | (12,699,748) |
| Total | | | | **$ 49,021,219** |
| Lease liabilities | TWD, USD | 2.03%~4.12% | 2019/01/22~2024/06/21 | $ 2,204,904 |
| Less: Current portion (included in other current liabilities) | | | | (925,286) |
| Total | | | | **$ 1,279,618** |

(Continued)

| | 2017.12.31 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate** | **Maturity date** | **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** |

The details of convertible bonds were as follows:

| | **2018.12.31** | **2017.12.31** |
|---|---|---|
| Total convertible bonds issued | $ 7,000,000 | 7,000,000 |
| Less: Unamortized discounted bonds payable | (318,577) | (403,768) |
| Cumulative converted amount | (73,500) | - |
| Convertible bonds issued balance | **$ 6,607,923** | **6,596,232** |
| Embedded derivatives－put/call options (included in financial liabilities at fair value through profit or loss) | **$ 6,234** | **16,800** |
| Equity components－conversion options (included in capital surplus－share options) | **$ 398,682** | **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(w) for the valuation loss/profit of embedded derivatives－put/call options, which were recognized in net gains on 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, 2018 and 2017, the conversion price was $14.8 and $15.5 per share, respectively. In addition, corporate bonds with a face value of $73,500 has been converted to 4,966 thousand shares of common stock.

(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, lease liabilities will be settled in foreign currency. The details of foreign liabilities were as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| USD (in thousands) | $ 49,153 | 207,677 |
| Convert to TWD | $ 1,509,738 | 6,180,469 |

(Continued)

As of December 31, 2018, 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 |
|---|---|
| 2019.1.1~2019.12.31 | $ 13,625,034 |
| 2020.1.1~2023.12.31 | 46,954,810 |
| 2024.01.01 and thereafter | 18,453,950 |
| | **$ 79,033,794** |

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2018 and 2017 the unused credit lines for short-term and long-term borrowings amounted to $6,250,950 and $5,879,762, respectively.

(iii) Lease liabilities

The Company's lease liabilities were as follows:

| | 2018.12.31 | | | 2017.12.31 | | |
|---|---|---|---|---|---|---|
| | **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 | $ 1,005,415 | 80,129 | 925,286 | 1,355,939 | 81,229 | 1,274,710 |
| 1 to 5 years | 1,179,456 | 21,911 | 1,157,545 | 1,849,454 | 95,465 | 1,753,989 |
| More than 5 years | 122,860 | 787 | 122,073 | 404,736 | 6,082 | 398,654 |
| | **$ 2,307,731** | **102,827** | **2,204,904** | **3,610,129** | **182,776** | **3,427,353** |

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2018 and 2017 are disclosed in note 6(w).

(m) Restoration obligations

The movements of the restoration obligations were as follows:

| | 2018 | 2017 |
|---|---|---|
| Beginning balance as of January 1 | $ 17,411,564 | 17,351,555 |
| Additions | 1,897,487 | 3,985,670 |
| Decreases | (59,586) | (3,103,828) |
| Effect of exchange rate changes | 327,512 | (821,833) |
| Balance as of December 31 | **$ 19,576,977** | **17,411,564** |

(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.

(n) Operating leases

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Within 1 year | $ 14,068,833 | 12,875,016 |
| 1 to 5 years | 51,949,273 | 49,744,953 |
| More than 5 years | 47,035,338 | 53,194,320 |
| | **$ 113,053,444** | **115,814,289** |

For the years ended December 31, 2018 and 2017, rental expenses included in operating costs and operating expenses were $13,506,503 and $13,074,295, 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.

(o) 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:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Total present value of defined benefit obligations | $ 8,584,178 | 8,201,027 |
| Fair value of plan assets | (4,399,666) | (3,815,731) |
| Recognized liabilities of net defined benefit obligations | **$ 4,184,512** | **4,385,296** |

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

1) Composition of plan assets

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

(Continued)

The Company's labor pension reserve account balance in Bank of Taiwan amounted to $4,339,393 as of December 31, 2018. 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:

| | | 2018 | 2017 |
|---|---|---|---|
| Defined benefit obligations as of January 1 | $ | 8,201,027 | 7,977,365 |
| Benefits paid by the plan | | (563,815) | (691,567) |
| Current service costs and interest | | 304,873 | 294,458 |
| Net remeasurements of defined benefit liabilities | | | |
| —Experience adjustments | | 196,802 | 415,556 |
| —Actuarial losses (gains) arising from changes in financial assumptions | | 445,291 | 205,215 |
| Defined benefit obligations as of December 31 | $ | **8,584,178** | **8,201,027** |

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:

| | | 2018 | 2017 |
|---|---|---|---|
| Fair value of plan assets as of January 1 | $ | 3,815,731 | 3,858,614 |
| Contributions from plan participants | | 944,485 | 555,116 |
| Benefits paid by the plan | | (511,349) | (632,830) |
| Expected return on plan assets | | 60,365 | 54,260 |
| Net remeasurements of defined benefit liabilities | | | |
| —Return on plan assets (excluding the amounts included in net interest expense) | | 90,434 | (19,429) |
| Fair value of plan assets as of December 31 | $ | **4,399,666** | **3,815,731** |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Current services costs | $ | 183,939 | 186,766 |
| Net interest on the net defined benefit liabilities | | 60,569 | 53,432 |
| | **$** | **244,508** | **240,198** |
| Operating costs | $ | 182,675 | 181,165 |
| Operating expenses | | 61,833 | 59,033 |
| | **$** | **244,508** | **240,198** |

(Continued)

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

As of December 31, 2018 and 2017, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

| | 2018 | 2017 |
|---|---|---|
| Accumulate amount as of January 1 | $ (3,457,159) | (2,816,959) |
| Losses recognized during the period | (551,659) | (640,200) |
| Accumulate amount as of December 31 | **$ (4,008,818)** | **(3,457,159)** |

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Discount rate | 1.125% | 1.50% |
| Future salary increases | 1.54%~6.92% | 1.61%~4.20% |

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

| | 2018 | 2017 |
|---|---|---|
| Discount rate | 1.5% | 1.375% |
| Future salary increases | 1.61%~4.20% | 1.51%~3.31% |

The Company expects to make contributions of $674,256 to the defined benefit plans in the next year starting from December 31, 2018. The weighted average of the defined benefit plans is 13.77 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 | |
| | 2018.12.31 | 2017.12.31 | 2018.12.31 | 2017.12.31 |
| Discount rate (0.25%) | 206,767 | 203,819 | 214,415 | 211,369 |
| Future salary increases (0.25%) | 195,985 | 194,478 | 202,138 | 200,594 |

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.

(Continued)

(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 $390,749 and $364,813 as pension costs under the defined contribution plans in 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income tax

(i) According to the amendments 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%.

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

| | | 2018 | 2017 |
|---|---|---|---|
| Current tax expenses | $ | 748,511 | 428,747 |
| Deferred tax expenses | | 366,179 | 705,119 |
| Income tax expenses | **$** | **1,114,690** | **1,133,866** |

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

| | | 2018 | 2017 |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of net defined benefit plans | $ | 214,047 | 108,834 |
| Unrealized gains from investment in equity instruments measured at fair value through other comprehensive income | | (673) | - |
| Gains on hedging instruments | | (56) | - |
| | **$** | **213,318** | **108,834** |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Unrealized losses on available-for-sale financial assets | $ | - | 2,220 |
| Cash flow hedges | | - | (65,270) |
| Losses on hedging instruments | | 58,658 | - |
| | **$** | **58,658** | **(63,050)** |

(Continued)

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

| | | 2018 | 2017 |
|---|---|---|---|
| Profit before tax | $ | **7,667,517** | **6,885,933** |
| Income tax using the Company's domestic tax rate | $ | 1,533,504 | 1,170,609 |
| Adjustment in tax rate | | (487,483) | - |
| Exempt income | | (455,040) | (373,435) |
| Changes in unrecognized deductible temporary differences | | 163,126 | (71,903) |
| Undistributed earnings additional tax | | 149,921 | 163,338 |
| Income basic tax | | - | 33,631 |
| Others | | 210,662 | 211,626 |
| Total | $ | **1,114,690** | **1,133,866** |

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Unrecognized deferred tax assets: | | | |
| Tax losses | $ | - | 297,316 |
| Investment loss of foreign operations accounted for using equity method | | 33,862 | 23,825 |
| Restoration obligations | | 507,077 | - |
| | $ | **540,939** | **321,141** |

The Company has no unrecognized deferred tax liabilities as of December 31, 2018 and 2017.

2) Recognized deferred tax assets and liabilities

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

| | | 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 as of January 1, 2018 | $ | 624,396 | 406,304 | 70,736 | 755,284 | 750,218 | 515,175 | 154,212 | - | 175,379 | 3,451,704 |
| Recognized in profit or loss | | (624,396) | (14,672) | (34,399) | (118,874) | 80,545 | 215,406 | (37,759) | - | 146,570 | (387,579) |
| Recognized in other comprehensive income | | - | - | - | 214,047 | - | - | - | - | 27,339 | 241,386 |
| Balance as of December 31, 2018 | $ | **-** | **391,632** | **36,337** | **850,457** | **830,763** | **730,581** | **116,453** | **-** | **349,288** | **3,305,511** |
| Beginning balance as of 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 as of December 31, 2017 | $ | **624,396** | **406,304** | **70,736** | **755,284** | **750,218** | **515,175** | **154,212** | **-** | **175,379** | **3,451,704** |

(Continued)

| | | Unrealized foreign exchange gains | Investment gains of foreign operations accounted for using equity method | Others | Total |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Beginning balance as of January 1, 2018 | $ | 42,798 | 58,784 | 32,486 | 134,068 |
| Effects of retrospective application | | - | - | 1,267 | 1,267 |
| Recognized in profit or loss | | (39,916) | 18,516 | - | (21,400) |
| Recognized in other comprehensive income | | - | - | (30,590) | (30,590) |
| Balance as of December 31, 2018 | **$** | **2,882** | **77,300** | **3,163** | **83,345** |
| Beginning balance as of 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 as of December 31, 2017 | **$** | **42,798** | **58,784** | **32,486** | **134,068** |

(iv) The Company's income tax returns for the years through 2016 were examined and approved by the local tax authorities.

(q) Capital and other equity

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 45,000,000 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 $43,821,215 and $41,734,490 respectively.

(i) Common stock

The appropriation of 2017 earnings that was approved at the shareholders meeting on June 22, 2018, in which the Company issued 208,672 thousand shares, with a face value of $2,086,725. The date of capital increase was set on September 17, 2018 and all related registration procedure has been completed.

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 has been completed.

A resolution was approved during the Board of Directors' meeting held on August 13, 2018 for the issuance of 300,000 thousand shares for cash, at a face value amounting to $3,000,000. The Company has received approval from the Financial Supervisory Commission for this capital increase in November 2018, with January 24, 2019 as the date of capital increase. For the year ended December 31, 2018, the Company received a capital increase amounting to $180,980. The capital increase was recorded as capital collected in advance because the registration process has yet to be completed.

(Continued)

For the year ended December 31, 2018, the bondholders of convertible bonds had requested to convert the bonds into 4,966 thousand common stocks. The Company recognized the capital collected in advance amounting to $49,662 and would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

(ii) Capital surplus

The details of capital surplus were as follows:

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Cash subscription in excess of par value of shares | $ | 4,218,825 | 4,218,825 |
| Stock options granted to employees | | 697,600 | 606,100 |
| Additional paid-in capital from bond conversion | | 1,436,566 | 1,411,830 |
| Additional paid-in capital from conversion option | | 398,682 | 402,913 |
| Difference between actual acquiring subsidiary's equity and carrying amount | | 272 | 272 |
| | **$** | **6,751,945** | **6,639,940** |

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 Regulations Governing the Offering and Issuance of Securities by Securities Issuers, 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 2017 earnings was approved at the shareholders' meeting on June 22, 2018. The cash dividends and stock dividends were amounting to $834,689 and $2,086,725, respectively.

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 2018 earnings was approved at the Board of Directors on March 19, 2019. The cash dividends and stock dividends were amounting to $2,343,647 and $1,406,188, respectively.

(iv) Other equity (net of taxes)

| | | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Cash flow hedges | Gains (losses) on hedging instruments | Total |
|---|---|---|---|---|---|---|---|
| **Beginning balance as of January 1, 2018** | $ | (10,851) | - | 819,258 | 152,637 | - | 961,044 |
| Effects of retrospective application | | - | 371,924 | (819,258) | (152,637) | 152,637 | (447,334) |
| Balance as of January 1, 2018 after adjustments | | (10,851) | 371,924 | - | - | 152,637 | 513,710 |
| Exchange differences on translation of foreign financial statements | | 933 | - | - | - | - | 933 |
| Exchange differences on associates accounted for using equity method | | 6,158 | - | - | - | - | 6,158 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | | - | 157,004 | - | - | - | 157,004 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning | | - | 18,332 | - | - | - | 18,332 |
| Unrealized gains or losses from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method | | - | (59) | - | - | - | (59) |
| Changes in fair value of hedging instrument reclassified to profit or loss | | - | - | - | - | (261,993) | (261,993) |
| **Balance as of December 31, 2018** | **$** | **(3,760)** | **547,201** | **-** | **-** | **(109,356)** | **434,085** |

(Continued)

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Cash flow hedges | Gains (losses) on hedging instruments | 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** |

(r) Share-based payment

(i) As of December 31, 2018, the Company's share-based payment transaction was as follow:

| Type | Grant date | Number of shares granted (thousand shares) | Contract term (year) | Vesting Conditions |
|---|---|---|---|---|
| Cash-settled share-based payment plan (reserved for employees to subscribe) | 2018.11.28 | 30,000 | - | Immediately vested |

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

| 2018 Cash-settled share-based payment plan (reserved for employees to subscribe) | Number of options (thousand shares) | Exercise price (NT$) |
|---|---|---|
| Number of shares granted | 30,000 | $ 13 |
| Number of shares exercised | (2,648) | 13 |
| Number of shares abandoned | - | 13 |
| | **27,352(note)** | |
| Fair value per share at grant date | **$ 3.05** | |

Note: The term of payment of shares subscribed is from December 18, 2018 to January 18, 2019. As of December 31, 2018, the unit exercised were 2,648 thousand shares.

(Continued)

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

| | Cash-settled share-based payment plan (reserved for employees to subscribe) |
|---|---|
| Fair value per share on grant date | 16.05 |
| Exercise price | 13 |
| Expected volatility | 17.6291 % |
| Expected life | 51 days |
| Dividend yield | - |
| Risk-free interest rate | 0.97 % |

(iv) Employee expense:

For the year ended December 31, 2018, the compensation cost for the employee shares of stock amounted to $91,500, which was recognized as operating expenses. There was no such transaction in 2017.

(s) 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 Company's earnings per share were calculated as follows:

| | 2018 | 2017 |
|---|---|---|
| Basic earnings per share: | | |
| Profit attributable to ordinary equity holders | $ **6,552,827** | **5,752,067** |
| Weighted-average number of shares outstanding during the period (thousand shares) | **4,382,121** | **4,382,121** |
| Basic earnings per share (in dollars) | $ **1.50** | **1.31** |
| Diluted earnings per share: | | |
| Profit attributable to ordinary equity holders | $ **6,552,827** | **5,752,067** |
| Interest expense and other gains and losses on convertible bonds, net of tax | 57,033 | 5,749 |
| Profit attributable to ordinary equity holders (diluted) | **6,609,860** | **5,757,816** |
| Weighted-average number of shares outstanding during the period (thousand shares) | 4,382,121 | 4,382,121 |
| Effect of the potentially dilutive common stock | | |
| Employee compensation (thousand shares) | 18,173 | 16,073 |
| Effect of conversion of convertible bonds (thousand shares) | 474,418 | 451,613 |
| Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares) | **4,874,712** | **4,849,807** |
| Diluted earnings per share (in dollars) | $ **1.36** | **1.19** |

(Continued)

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | 2018 |
|---|---|---|
| Primary geographical markets: | | |
| Taiwan | $ | 55,455,284 |
| Asia | | 40,631,947 |
| Europe | | 5,940,184 |
| North America | | 33,105,001 |
| Others | | 488,234 |
| | $ | 135,620,650 |
| Major products / services lines | | |
| Aviation transportation revenue | $ | 126,720,587 |
| Others | | 8,900,063 |
| | $ | 135,620,650 |
| Type of contract: | | |
| Fix price contract | $ | 135,620,650 |
| Timing of revenue recognition: | | |
| Products transferred at a point in time | $ | 135,620,650 |

For details on revenue for the year ended December 31, 2017, please refer to note 6(u).

(ii) Contract balances

| | 2018.12.31 | 2018.1.1 |
|---|---|---|
| Contract liabilities-tickets services, customer loyalty program and others | $ 21,110,224 | 18,664,259 |

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $13,163,955.

The contract liabilities primarily relate to deferred recognition of revenue relating to ticket services and customer loyalty programs, for which revenue is recognized when the ticket sales for passengers and award points are redeemed or when they expire.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Other significant changes during the period are as follows:

| | 2018 |
|---|---|
| Changes in an estimate of the transaction price | $ 232,479 |

(iii) Transaction price allocated to the remaining performance obligations

As of 31 December 2018, the amount allocated to the customer loyalty program was 3,652,903 thousand. This will be recognized as revenue as the customer loyalty program points are redeemed or when they expire, which is expected to occur over the next three years.

(Continued)

All consideration from contracts with customers is included in the transaction price presented above.

(u) Revenue

The components of revenue of the year ended December 31, 2017 were as follows:

| | | **2017** |
|---|---|---|
| Aviation transportation revenue | $ | 117,278,580 |
| Others | | 8,035,580 |
| | **$** | **125,314,160** |

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, the above-mentioned deferred revenue amounted to $3,030,444, were recorded as unearned revenue and other non-current liabilities.

For details on revenue for the year end December 31, 2018, please refer to note 6(t).

(v) Remuneration to employees, directors and supervisors

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 employees' 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 employees' 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 employees' remuneration, and the directors' (supervisors') remuneration.

For the years ended December 31, 2018 and 2017, the Company's accrued and recognized employees' remuneration amounted to $237,552 and $221,020, respectively, the directors' and supervisors' remuneration amounted to $9,500 and $11,670, respectively. The employees' remuneration, 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 employees' remuneration and directors' and supervisors' remuneration of 2017. The related information can be found on Market Observation Post System website.

(Continued)

(w) Non-operating income and expenses

(i) Other income

| | | 2018 | 2017 |
|---|---|---|---|
| Interest income | | | |
| Interest income from bank deposits | $ | 605,886 | 350,604 |
| Other interest | | 6,738 | 9,055 |
| Total interest income | | 612,624 | 359,659 |
| Dividend income | | 144,820 | 131,392 |
| | $ | **757,444** | **491,051** |

(ii) Other gains and losses

| | | 2018 | 2017 |
|---|---|---|---|
| Gains (losses) on disposal of property, plant and equipment | $ | 548,970 | (69,866) |
| Gains on disposal of investments | | 14,612 | 625,351 |
| Foreign exchange gains (losses), net | | (4,861) | 15,732 |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | | 15,050 | 7,700 |
| Others gains and losses | | 150,896 | 194,687 |
| | $ | **724,667** | **773,604** |

(iii) Finance costs

| | | 2018 | 2017 |
|---|---|---|---|
| Interest expense | | | |
| Bank borrowings | $ | 849,309 | 858,202 |
| Bonds Payable | | 196,173 | 190,156 |
| Lease liabilities | | 67,925 | 106,579 |
| Others | | 835,813 | 846,754 |
| Less: capitalized interest | | (151,149) | (161,879) |
| | $ | **1,798,071** | **1,839,812** |

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the 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.

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and time deposits. For the details on loss allowance for the year ended December 31, 2017, please refer to notes 6(e) and 6(k).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

Equity investments at fair value through other comprehensive income include listed and unlisted equity securities (previously classified as available-for-sale financial assets on December 31, 2017). For the details of investments, please refer to note 6(b).

(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, 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Long-term borrowings (including current portion of long-term liability) | $ 61,720,967 | 64,830,538 | 13,447,544 | 32,394,665 | 18,988,329 |
| Bonds payable | 15,107,923 | 15,653,875 | 90,950 | 15,562,925 | - |
| Lease liabilities | 2,204,904 | 2,307,731 | 1,005,415 | 1,179,456 | 122,860 |
| Accounts payable (including related parties) | 8,536,032 | 8,536,032 | 8,536,032 | - | - |
| Other payables (including related parties) | 6,705,509 | 6,705,509 | 6,705,509 | - | - |
| Subtotal | 94,275,335 | 98,033,685 | 29,785,450 | 49,137,046 | 19,111,189 |
| **Derivative financial liabilities** | | | | | |
| Embedded instruments | 6,234 | - | - | - | - |
| Fuel swap agreements for hedge purposes | 136,503 | 136,503 | 136,503 | - | - |
| Forward exchange contracts for hedge purposes: | | | | | |
| Outflow | 228 | 182,651 | 182,651 | - | - |
| Inflow | - | (182,423) | (182,423) | - | - |
| Subtotal | 228 | 228 | 228 | - | - |
| **Total** | **$ 94,418,300** | **98,170,416** | **29,922,181** | **49,137,046** | **19,111,189** |

(Continued)

| | 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 of long-term liability) | $ 59,134,480 | 62,381,107 | 12,379,382 | 33,897,830 | 16,103,895 |
| 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 |
| 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** |

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

(iii) Currency risk

1) Exposure to currency risk

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

| | **2018.12.31** | | | **2017.12.31** | | |
|---|---|---|---|---|---|---|
| | **Foreign Currency** | **Exchange rate** | **TWD** | **Foreign Currency** | **Exchange rate** | **TWD** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 612,157 | 30.72 | 18,802,401 | $ 680,099 | 29.76 | 20,239,737 |
| EUR | 4,993 | 35.20 | 175,745 | 5,670 | 35.57 | 201,665 |
| JPY | 1,685,200 | 0.2782 | 468,823 | 1,409,842 | 0.2642 | 372,480 |
| HKD | 162,318 | 3.9210 | 636,447 | 151,180 | 3.8070 | 575,541 |
| CNY | 129,715 | 4.4720 | 580,085 | 186,467 | 4.5650 | 851,220 |
| | | | **$ 20,663,501** | | | **$ 22,240,643** |
| Non-monetary items | | | | | | |
| USD | $ 42,383 | 30.72 | 1,301,787 | $ 32,214 | 29.76 | 958,688 |
| SGD | - | - | - | 1,212 | 22.2600 | 26,985 |
| IDR | 14,309,995 | 0.0021 | 30,051 | 17,357,400 | 0.0022 | 38,186 |
| | | | **$ 1,331,838** | | | **$ 1,023,859** |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | $ 534,225 | 30.72 | 16,408,733 | $ 651,190 | 29.76 | 19,379,411 |
| EUR | 8,696 | 35.20 | 306,095 | 7,381 | 35.57 | 262,549 |
| JPY | 1,727,097 | 0.2782 | 480,478 | 1,768,412 | 0.2642 | 467,215 |
| HKD | 28,997 | 3.9210 | 113,696 | 19,093 | 3.8070 | 72,688 |
| CNY | 169,715 | 4.4720 | 758,966 | 171,283 | 4.5650 | 781,905 |
| | | | **$ 18,067,968** | | | **$ 20,963,768** |

(Continued)

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), financial assets at fair value through other comprehensive income (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, 2018 and 2017, would have changed the profit by $25,955 and $12,769, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018 and 2017.

Due to the variety of the Company's functional currency, the Company discloses its exchange gains and losses of monetary items collectively. For years ended December 31, 2018 and 2017, the Company's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to $(4,861) and $15,732, respectively.

(iv) Interest rate risk

The interest rate exposure of the Company's financial liabilities are illustrated in note 6(x) 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 $622,661 and $603,301 for the years ended December 31, 2018 and 2017, respectively due to the Company's floating-interest borrowings.

(v) Other market price risk

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 comprehensive income will be as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **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% | $ 117,068 | - | 201,390 | - |
| decrease 5% | $ (117,068) | - | (201,390) | - |

(Continued)

(vi) 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, financial instruments used for hedging, and financial assets at fair value through other comprehensive income (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.

| | 2018.12.31 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Money market funds | $ 501,757 | 501,757 | - | - | 501,757 |
| Financial assets for hedging | 36 | - | 36 | - | 36 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Publicly traded stock | 878,240 | 878,240 | - | - | 878,240 |
| Non-publicly traded stock | 1,468,045 | - | - | 1,468,045 | 1,468,045 |
| Subtotal | 2,346,285 | 878,240 | - | 1,468,045 | 2,346,285 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 39,930,700 | - | - | - | - |
| Notes and accounts receivable, and other receivables (including related parties) | 7,917,228 | - | - | - | - |
| Other non-current assets | 1,539,742 | - | - | - | - |
| Subtotal | 49,387,670 | - | - | - | - |
| Total | **$ 52,235,748** | **1,379,997** | **36** | **1,468,045** | **2,848,078** |
| Financial liabilities at fair value through profit or loss | $ 6,234 | - | 6,234 | - | 6,234 |
| Financial liabilities for hedging | 136,731 | - | 136,731 | - | 136,731 |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term borrowings (including current portion of long-term liability) | 61,720,967 | - | 61,722,715 | - | 61,722,715 |
| Bonds payable | 15,107,923 | - | 15,010,158 | - | 15,010,158 |
| Lease liabilities | 2,204,904 | - | 2,241,518 | - | 2,241,518 |
| Accounts payable (including related parties) | 8,536,032 | - | - | - | - |
| Other payables (including related parties) | 6,705,509 | - | - | - | - |
| Subtotal | 94,275,335 | - | 78,974,391 | - | 78,974,391 |
| Total | **$ 94,418,300** | **-** | **79,117,356** | **-** | **79,117,356** |

(Continued)

| | 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** |
| 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 of long-term liability) | 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** |

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.

(Continued)

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.

3) Transfers between Level 1 and Level 2

For the years ended December 31, 2018 and 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:

| | **Fair value through other comprehensive income (Available-for-sale financial assets)** |
|---|---|
| | **Unquoted equity instruments** |
| Beginning balance as of January 1, 2018 | $ 1,325,317 |
| Effects of retrospective application | 7,454 |
| Reclassified | 1,020 |
| Total gains or losses: | |
| Recognized in profit and loss | - |
| Recognized in other comprehensive income | 134,254 |
| Balance as of December 31, 2018 | **$ 1,468,045** |

(Continued)

| | Fair value through other comprehensive income (Available-for-sale financial assets) |
|---|---|
| | 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** |

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 and unrealized gains (losses) from financial assets measured at fair value through other comprehensive income. As of December 31, 2018 and 2017, the assets which were still held by the Company were as follows:

| | 2018 | 2017 |
|---|---|---|
| Other comprehensive income (including in unrealized gains (losses) from financial assets measured at fair value through other comprehensive income) | $ 134,370 | - |
| Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets) | - | (3,312) |

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 financial assets at fair value through other comprehensive income investment in equity securities and available-for-sale financial assets－investments in equity securities that do not have a quoted market price in an active market as Level 3 of the fair value hierarchy.

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

The significant unobservable inputs were as follows:

| Items | Valuation techniques | Significant unobservable inputs | Relationship between significant unobservable inputs and fair value |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income (Available-for-sale financial assets – investments in equity securities ) | Market approach—relevant information generated by publicly companies | • Price-book ratio (as of December 31, 2018 and 2017 were 0.80~2.64 and 0.39~2.64, respectively)<br>• Market liquidity discount rate (as of December 31, 2018 and 2017 were 80%) | • The higher the price-book ratio, the higher the fair value<br>• The higher the market liquidity discount rate, the lower the fair value |

(Continued)

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 | | | |
|---|---|---|---|---|---|
| | Increase | Favorable | | Unfavorable | |
| **Inputs** | **(decrease)** | **2018.12.31** | **2017.12.31** | **2018.12.31** | **2017.12.31** |
| Price-book ratio | 5% | 72,561 | 73,659 | (73,605) | (59,688) |
| Market liquidity discount rate | 5% | 72,561 | 73,659 | (73,605) | (59,688) |

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.

(y) 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.

(Continued)

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 equity financial instruments fails to meet its contractual obligations and arises principally from the Company’s receivables from customers and investments in securities.

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 forward-looking “expected credit loss” model to reflect the estimated impairment loss of notes and accounts receivable.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other equity 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, 2018, 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.

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. 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.

The Company determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. For hedging foreign currency risk on the cash flow of aviation transportation with a highly probable forecast transaction, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

(Continued)

2) Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, reprising dates and maturities and the notional or par amounts. The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Company's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- differences in reprising dates between the swaps and the borrowings.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading.

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.

(z) 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, 2018, there were no changes in the Company's approach to capital management.

(Continued)

(aa) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2018, were as follows:

Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **2018.1.1** | **Cash flows** | **Interest expense** | **Foreign exchange movement** | **Other** | **2018.12.31** |
| Bonds payable | $ 19,596,232 | (4,500,000) | 81,792 | - | (70,101) | 15,107,923 |
| Long-term borrowings | 59,134,480 | 2,502,929 | 20,100 | 63,458 | - | 61,720,967 |
| Lease liabilities | 3,427,353 | (1,275,885) | 2,572 | 50,864 | - | 2,204,904 |
| **Total liabilities from financing activities** | **$ 82,158,065** | **(3,272,956)** | **104,464** | **114,322** | **(70,101)** | **79,033,794** |

## (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 (Note) |
| 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 |

(Continued)

| Names of related parties | Relationship with the Company |
|---|---|
| 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 |

Note: RTW Air Services (S) Pte. Ltd. has completed liquidation process in August, 2018.

(c) Significant transactions with related parties

(i) Operating revenue

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

| | 2018 | 2017 |
|---|---|---|
| Subsidiaries | $ 180,812 | 170,660 |
| Associates | 1 | 1 |
| Other related parties | 2,666,566 | 2,546,215 |
| | **$ 2,847,379** | **2,716,876** |

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 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:

| | 2018 | 2017 |
|---|---|---|
| Subsidiaries | $ 9,133,004 | 9,301,495 |
| Associates | 20,378 | 4,202 |
| Other related parties | 528,195 | 572,679 |
| | **$ 9,681,577** | **9,878,376** |

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

(Continued)

(iii) Operating expenses

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

| | | 2018 | 2017 |
|---|---|---|---|
| Subsidiaries | $ | 180,562 | 255,639 |
| Associates | | 62,051 | 46,810 |
| Other related parties | | 170,603 | 154,841 |
| | $ | **413,216** | **457,290** |

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

(iv) Property transaction

For the years ended December 31, 2018 and 2017, the Company purchased equipment from its related parties amounting to $85,812 and $214,712, respectively.

For the years ended December 31, 2018 and 2017, the disposals of property, plant and equipment to related parties were summarized as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Disposal price** | **Gain from disposal** | **Disposal price** | **Gain from disposal** |
| Subsidiaries | $ **570** | **567** | **14,532** | **4,299** |

(v) Receivables from related parties

Receivables from related parties of the Company were as follows:

| Account | Class of related parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| | Subsidiaries | | |
| Accounts receivable | RTW Air Services (S) Pte.Ltd. | $ - | 185,959 |
| Accounts receivable | Other Subsidiaries | 17,679 | 18,864 |
| Accounts receivable | Associates | - | 2 |
| | Other related parties | | |
| Accounts receivable | UNI Airways Corp. | 252,103 | 262,947 |
| Accounts receivable | Other related parties | 3,968 | 10,972 |
| Other receivables | Subsidiaries | 30,739 | 46,632 |
| Other receivables | Associates | 1 | 1 |
| | Other related parties | | |
| Other receivables | UNI Airways Corp. | 285,960 | 319,022 |
| Other receivables | Other related parties | 9,312 | 9,152 |
| | | $ **599,762** | **853,551** |

(Continued)

(vi) Payables to related parties

Payables to related parties of the Company were as follows:

| Account | Class of related parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| | Subsidiaries | | |
| Accounts payable | Evergreen Aviation Technologies Corp. | $ 840,128 | 916,396 |
| Accounts payable | Evergreen Sky Catering Corp. | 423,030 | 414,595 |
| Accounts payable | Evergreen Airline Services Corp. | 417,417 | 413,860 |
| Accounts payable | Other Subsidiaries | 47,871 | 73,867 |
| Accounts payable | Associates | 3,809 | 1,328 |
| Accounts payable | Other related parties | 68,417 | 83,252 |
| | Subsidiaries | | |
| Other payables | Evergreen Aviation Technologies Corp. | 119,739 | 75,564 |
| Other payables | Evergreen Airline Services Corp. | 33,687 | 33,382 |
| Other payables | Other Subsidiaries | 22,802 | 51,620 |
| Other payables | Associates | 11,845 | 8,277 |
| | Other related parties | | |
| Other payables | UNI Airways Corp. | 41,015 | 47,102 |
| Other payables | Other related parties | 25,629 | 30,354 |
| | | $ 2,055,389 | 2,149,597 |

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

| | 2018 | 2017 |
|---|---|---|
| Short-term employee benefits | $ 78,698 | 80,342 |
| Post-employment benefits | 23,749 | 13,422 |
| Share-based payments | 845 | - |
| | $ 103,292 | 93,764 |

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

## (8) Pledged assets

The carrying amounts of the pledged assets were as follows:

| Pledged assets | Object | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Property, plant, and equipment | Long-term borrowings | $ 74,841,178 | 75,144,401 |
| Time deposit－included in other non-current assets | Letters of credit, customs duty, and contract performance guarantees | 81,921 | 75,656 |
| | | $ 74,923,099 | 75,220,057 |

(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, 2018, one Boeing 777 freighters had not yet been delivered by Boeing Company. The Company has partially paid the price of $1,685,027, which was included in other non-current assets.

(ii) 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, 2018, the eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of $6,896,243, which was included in other non-current assets.

(iii) 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, 2018, four Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $211,538, which was included in other non-current assets.

(iv) 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$64,591, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2018, the Company has partially paid the price of $421,989, which was included in property, plant and equipment and investment property.

(v) Unused letters of credit for the Company were as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Unused letters of credit | $ 2,320,404 | 2,731,565 |

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

(Continued)

## (12) Other

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

| By function / By item | 2018 Operating costs | 2018 Operating expenses | 2018 Total | 2017 Operating costs | 2017 Operating expenses | 2017 Total |
|---|---|---|---|---|---|---|
| Personnel expenses | | | | | | |
| Salaries | 8,291,503 | 5,759,385 | 14,050,888 | 7,893,792 | 5,384,447 | 13,278,239 |
| Labor and health insurance | 450,764 | 320,014 | 770,778 | 417,800 | 306,151 | 723,951 |
| Pension | 424,687 | 210,570 | 635,257 | 403,144 | 201,867 | 605,011 |
| Remuneration of directors | - | 19,983 | 19,983 | - | 19,298 | 19,298 |
| Others | 3,664,010 | 449,428 | 4,113,438 | 3,713,321 | 490,356 | 4,203,677 |
| Depreciation (Note) | 10,893,896 | 720,144 | 11,614,040 | 12,202,425 | 637,088 | 12,839,513 |
| Amortization | 207 | 225,393 | 225,600 | 688 | 200,163 | 200,851 |

As of December 31, 2018 and 2017, the Company had 11,321 and 11,303 employees, respectively, among then the number of directors who are not concurrently employed had both to 8.

Note: For the years ended December 31, 2018 and 2017, the depreciation expenses recognized were $11,706,048 and $12,956,693, respectively, less deferred gains of $92,008 and $117,180, respectively.

## (13) Other disclosures

(a) Information on significant transactions

The followings were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2018:

(i) Financings provided: None.

(ii) Guarantee and Endorsement provided: None.

(iii) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 1 attached.

(iv) Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 2 attached.

(v) Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 3 attached.

(vi) Disposition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 4 attached.

(Continued)

(vii) Total purchases from or sales to related parties with the dollar amount at least $100 million or 20% of paid-in capital : Please see Table 5 attached.

(viii) Accounts receivable from related parties for which the dollar amount at least $100 million or 20% of paid-in capital : Please see Table 6 attached.

(ix) Derivative transactions : Please refer to Note 6(c) for related information.

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2018: Please see Table 7 attached.

(c) Information on investment in Mainland China : Please see Table 8 attached.

**(14) Segment information**

Please refer to the consolidated financial statement for the year ended December 31, 2018.

# EVA AIRWAYS CORP.
## Notes to the Parent-Company-Only Financial Statements

Table 1 Market Securities Held (excluding investments in subsidiaries, associates and joint ventures)
(December 31, 2018)

(in shares)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2018 | | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Book value | Percentage of Ownership | Fair Value | |
| The Company | Mega Diamond Money Market Fund | None | Financial assets at fair value through profit or loss－current | 28,055,711 | 351,311 | | 351,311 | |
| The Company | Jih Sun Money Market Fund | None | Financial assets at fair value through profit or loss－current | 10,169,719 | 150,446 | | 150,446 | |
| Evergreen Air Cargo Services Corp. | Mega Diamond Money Market Fund | None | Financial assets at fair value through profit or loss－current | 9,984,016 | 125,019 | | 125,019 | |
| Evergreen Air Cargo Services Corp. | UPAMC James Bond Money Market Fund | None | Financial assets at fair value through profit or loss－current | 4,262,075 | 71,115 | | 71,115 | |
| Evergreen Air Cargo Services Corp. | Eastspring Investments Well Pool Money Market Fund | None | Financial assets at fair value through profit or loss－current | 5,237,554 | 71,148 | | 71,148 | |
| | | | | | 769,039 | | 769,039 | |
| The Company | Shares of Everest Investment Holdings Ltd. | None | Financial assets at fair value through other comprehensive income－non-current | 231,580 | 16,492 | 2.11 | 16,492 | |
| The Company | Shares of Trade-Van Information Services Co. | None | Financial assets at fair value through other comprehensive income－non-current | 8,502,418 | 278,029 | 5.67 | 278,029 | |
| The Company | Shares of Central Reinsurance Corporation | None | Financial assets at fair value through other comprehensive income－non-current | 35,203,008 | 600,211 | 5.96 | 600,211 | |
| The Company | Shares of UNI Airways Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income－non-current | 30,343,761 | 378,690 | 8.70 | 378,690 | |
| The Company | Shares of Evergreen Steel Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income－non-current | 38,201,625 | 1,034,882 | 9.42 | 1,034,882 | |
| The Company | Shares of Chung Hwa Express Corp. | None | Financial assets at fair value through other comprehensive income－non-current | 1,000,000 | 29,810 | 10.00 | 29,810 | |
| The Company | Star Alliance Services Gmbh | None | Financial assets at fair value through other comprehensive income－non-current | 1 | 8,171 | 4.55 | 8,171 | |
| Evergreen Airline Services Corp. | Shares of Evergreen Marine Corp.(Taiwan)Ltd. | The Company's shareholder's shareholder | Financial assets at fair value through other comprehensive income－non-current | 557,349 | 6,632 | 0.01 | 6,632 | |
| Evergreen Airline Services Corp. | Shares of Evergreen International Storage & Transport Corp. | The Company's shareholder's equity investment | Financial assets at fair value through other comprehensive income－non-current | 158,800 | 2,144 | 0.01 | 2,144 | |
| Hsiang Li Investment Corp. | Shares of Central Reinsurance Corporation | None | Financial assets at fair value through other comprehensive income－non-current | 2,740,542 | 46,726 | 0.46 | 46,726 | |
| Evergreen Airways Service (Macau) Ltd. | Shares of Air Macau Co., Ltd. | None | Financial assets at fair value through other comprehensive income－non-current | 500 | 1,210 | 0.0207 | 1,210 | |
| | | | | | 2,402,997 | | 2,402,997 | |

# EVA AIRWAYS CORP.
## Notes to the Parent-Company-Only Financial Statements

Table 2 Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital
(December 31, 2018)

(in shares)

| Company Name | Marketable Securities Type and Name | | Financial Statement Account | Counter - party | Relationship with the Company | Beginning balance | | Acquisition | | Disposal | | | | Ending balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Book value | Gain/Loss on Disposal | Shares/Units | Amount |
| The Company | Fund | Mega Diamond Money Market Fund | Financial assets at fair value through profit or loss－current－fund | Mega International Investment Trust Co.,Ltd. | None | 53,908,390 | 672,011 | 64,043,549 | 800,000 | 89,896,228 | 1,123,000 | 1,108,532 | 14,468 | 28,055,711 | 351,311 |
| The Company | Fund | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss－current－fund | JihSun Securities Investment Trust Co.,Ltd. | None | 54,515,207 | 802,873 | 94,901,956 | 1,400,000 | 139,247,444 | 2,054,540 | 2,050,992 | 3,548 | 10,169,719 | 150,446 |
| The Company | Fund | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss－current－fund | Taishin Securitites Investment Trust Co.,Ltd. | None | - | - | 80,538,808 | 1,085,000 | 80,538,808 | 1,085,075 | 1,085,000 | 75 | - | - |
| The Company | Fund | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss－current－fund | Yuanta Securities Investment Trust Co., Ltd. | None | - | - | 26,511,310 | 400,000 | 26,511,310 | 400,021 | 400,000 | 21 | - | - |
| The Company | Share | Taiwan High Speed Rail Corporation | Financial assets at fair value through other comprehensive income－non-current | | None | 13,882,000 | 326,227 | - | - | 13,882,000 | 323,222 | 341,071 | (17,849) | - | - |
| The Company | Equity | EVA Flight Training Academy | Investments accounted for using equity method | EVA Flight Training Academy | The Company's subsidiary | 10,000,000 | 624,850 | - | 307,200 | - | - | - | - | 10,000,000 | 932,050 |

# EVA AIRWAYS CORP.
# Notes To Parent Company Only Financial Statement

Table 3 Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital：
(December 31, 2018)

| Company Name | Types of Property | Transaction Date | Transaction Amount (USD in Thousands) | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Related Counter-party | | | | Price Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationships | Transfer Date | Amount | | | |
| The Company | Office building of Los Angeles | 2018.5.24 | USD 64,591 | As of December 31,2018, the Company has partially paid the price of $421,989. | DPR Construction, A General Partnership | Non-related party | - | - | - | - | The construction of the new office building on the own land, which was approved by the Board of Director's meeting. | Office building constructed by The Company | None |

# EVA AIRWAYS CORP.
# Notes To Parent Company Only Financial Statement

Table 4 Disposition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital：
(December 31, 2018)

| Company Name | Types of Property | Transaction Date | Acqusition Date | Book Value | Transaction Amount | Proceed Term | Losses(gains) on Disposal of PPE | Counter-party | Nature of Relationships | Purpose of Disposal | Price Reference | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Office building of Los Angeles | 2018.9.24~2018.12.7 | On construction | not been applied | 592,137 | not been applied | not been applied | (1)El Segundo Investments 2, LLC<br>(2)James Orland and Judith Orland<br>(3)Lil Nubbins Neighborhood, LLC<br>(4)Mardi Norman | Non-related party | The flexible application of Assets | Appraisal report | None |

# EVA AIRWAYS CORP.
## Notes To Parent Company Only Financial Statement

Table 5 Total purchases from or sales to related parties with the dollar amount at least $100 million or 20% of paid-in capital：
(December 31, 2018)

| Company Name | Related Party | Relationship | Transaction details | | | | Abnormal Transaction | | Account/note receivable(payable) | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | Percentage of total purchases/sales | Payment Terms | Unit price | Payment Terms | Balance | Percentage of total accounts/ notes receivable(payable) | |
| The Company | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 2,616,206 | 1.93 | 60 days | - | | 252,103 | 3.41 | |
| The Company | Evergreen Aviation Technologies Corp. | The company's subsidiary | Sales | 174,387 | 0.13 | 60 days | - | | 13,107 | 0.18 | |
| The Company | Evergreen Aviation Technologies Corp. | The company's subsidiary | Purchases | 3,647,688 | 3.10 | 60 days | - | | (840,128) | 9.84 | |
| The Company | Evergreen Sky Catering Corp. | The company's subsidiary | Purchases | 2,713,462 | 2.31 | 60 days | - | | (423,030) | 4.96 | |
| The Company | Evergreen Airline Services Corp. | The company's subsidiary | Purchases | 2,445,986 | 2.08 | 60 days | - | | (417,417) | 4.89 | |
| The Company | Evergreen Air Cargo Services Corp. | The company's subsidiary | Purchases | 366,931 | 0.31 | 60 days | - | | (47,871) | 0.56 | |
| The Company | Evergreen International Corp. | The company's shareholder | Purchases | 174,845 | 0.15 | 60 days | - | | (23,121) | 0.27 | |
| The Company | Evergreen International Storage & Transport Corp. | The company's shareholder | Purchases | 158,922 | 0.14 | 60 days | - | | (12,086) | 0.14 | |
| The Company | Evergreen Insurance Company Ltd. | The company's shareholder's equity investment | Purchases | 100,422 | 0.09 | 60 days | - | | - | - | |
| Evergreen Airline Services Corp. | The Company | Parent company | Sales | 2,445,986 | 79.60 | 60 days | - | | 431,745 | 85.07 | |
| Evergreen Airline Services Corp. | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 236,504 | 7.70 | 60 days | - | | 37,873 | 7.46 | |
| Evergreen Airline Services Corp. | Evergreen Aviation Technologies Corp. | Parent company's equity investment | Sales | 111,590 | 3.63 | 30 days | - | | 8,900 | 1.75 | |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | Sales | 3,645,421 | 8.16 | 60 days | - | | 965,052 | 10.82 | |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | Equity investment | Sales | 31,945,372 | 71.50 | 30 days | - | | 6,279,073 | 70.40 | |
| Evergreen Aviation Technologies Corp. | UNI Airways Corp. | The company's shareholder | Sales | 312,746 | 0.70 | 60 days | - | | 117,045 | 1.31 | |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | Purchases | 258,090 | 0.61 | 60 days | - | | (13,981) | 0.46 | |
| Evergreen Aviation Technologies Corp. | Evergreen Airline Services Corp. | Parent company's equity investment | Purchases | 111,590 | 0.27 | 60 days | - | | (8,900) | 0.29 | |
| Evergreen Sky Catering Corp. | The Company | Parent company | Sales | 2,713,462 | 78.95 | 60 days | - | | 427,894 | 82.39 | |
| Evergreen Sky Catering Corp. | UNI Airways Corp. | The company's shareholder's equity investment | Sales | 139,945 | 4.07 | 60 days | - | | 21,602 | 4.16 | |
| Evergreen Air Cargo Services Corp. | The Company | Parent company | Sales | 366,931 | 23.48 | 60 days | - | | 50,586 | 42.30 | |
| EVA Flight Training Academy | The Company | Parent company | Sales | 101,045 | 100.00 | 30 days | - | | 7,836 | 100.00 | |

# EVA AIRWAYS CORP.
## Notes To Parent Company Only Financial Statement

Table 6 Accounts receivable from related parties for which the dollar amount at least $100 million or 20% of paid-in capital：
(December 31, 2018)

| Company Name | Related Party | Relationship | Balance of receivables from related party | Turnover rate | Past - due receivables from related party | | Amounts Received in Subsequent Period | Allowances for impairment loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | UNI Airways Corp. | The company's shareholder's equity investment | 538,063 | Note 1 | - | | 537,412 | |
| Evergreen Airline Services Corp. | The Company | Parent company | 451,279 | 5.44 | - | | 451,279 | |
| Evergreen Sky Catering Corp. | The Company | Parent company | 431,503 | 6.35 | - | | 431,503 | |
| Evergreen Aviation Technologies Corp. | The Company | Parent company | 970,378 | 3.72 | - | | 970,378 | |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | Equity investment | 6,279,073 | 5.89 | - | | 6,279,073 | |
| Evergreen Aviation Technologies Corp. | UNI Airways Corp. | The company's shareholder | 117,161 | 2.80 | - | | 117,161 | |

Note 1: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.

# EVA AIRWAYS CORP.
## Notes To Parent Company Only Financial Statement

Table 7 Information on Investees(Excluding Investees in Mainland China)：
For the year ended December 31, 2018, the following is the information on investees

(in shares)

| Name of the Investor | Name of Investee | Location | Main Bussiness and Products | Initial Investment Amount | | Ending balance | | | Net Income (Losses)of the Investee | Share of Profits/Losses of Investee | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2018 | December 31, 2017 | Shares | Ratio of Shares | Book value | | | |
| The Company | Sky Castle Investment Ltd. | Maystar Chambers, P.O. Box 3269, Apia, Samoa | Investment business | 179,173 | 179,173 | 5,500,000 | 100.00% | 385,110 | 26,748 | 26,748 | Note 1 |
| The Company | Evergreen Airways Service (Macau) Ltd. | 398 Alameda Dr. Carlos D' Assumpcao.Edif CNAC 3 Andar K-M Macau | Investment business | 327 | 327 | no issue | 99.00% | 162,689 | 75,971 | 75,211 | Note 1 |
| The Company | RTW Air Services(S) Pte. Ltd. | 300 Tampines Avenue 5 #07-01 Income@Tampines Junction Singapore 529653 | Traveling agency | - | 13,217 | - | - | - | 4,516 | 2,213 | Notes 1 and 4 |
| The Company | PT Perdana Andalan Air Service | 10/F, Gedung Mega Plaza Jl. H.R Rasuna Said Kav. C-3 Jakarta 12920 Indonesia. | Traveling agency | 5,086 | 5,086 | 40,800 | 51.00% | 30,051 | 7,752 | 3,954 | Note 1 |
| The Company | EVA Flight Training Academy | 3745 Whitehead Street Mather, CA, 95655, USA | Flight training school | 932,050 | 624,850 | 10,000,000 | 100.00% | 753,988 | (29,166) | (29,166) | Note 1 |
| The Company | Evergreen Aviation Technologies Corp. | No. 6 Harng-Jann S.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan, Taoyuan City, Taiwan | Maintenance, manufacturing, processing and sales of aircraft, engine and parts | 2,000,450 | 2,000,450 | 508,928,512 | 80.00% | 9,473,422 | 1,993,732 | 1,613,613 | Notes 1 and 5 |
| The Company | Evergreen Airline Services Corp. | 6-1 Harng-Jann S.Rd., Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, 33758, Taiwan | Aviation grand service | 111,180 | 111,179 | 31,327,211 | 56.33% | 857,207 | 104,930 | 59,107 | Note 1 |
| The Company | Evergreen Sky Catering Corp. | No.3, Hangqin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan | The provision of in-flight meals in sky catering and the sales of food | 498,000 | 498,000 | 66,283,800 | 49.80% | 2,106,594 | 528,533 | 263,209 | Note 1 |
| The Company | Evergreen Air Cargo Services Corp. | No.8-1, Hangcin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan | Air cargo entrepot | 740,348 | 740,348 | 72,750,000 | 60.625% | 1,502,758 | 288,250 | 174,751 | Note 1 |
| The Company | Evergreen Aviation Precision Corp. | No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C) | Manufacture of aircraft parts | 1,200,000 | 1,200,000 | 120,000,000 | 40.00% | 438,718 | (554,214) | (221,686) | Notes 1 and 5 |
| The Company | Hsiang Li Investment Corp. | 1F,117,Sec. 2,Chang An E. Rd., Taipei, Taiwan | Investment business | 25,000 | 25,000 | 2,680,000 | 100.00% | 57,653 | 4,821 | 4,821 | Note 1 |
| The Company | Evergreen Security Corp. | 4-5F., No. 111, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan | Security services | 25,000 | 25,000 | 6,336,000 | 31.25% | 111,665 | 49,790 | 15,560 | Note 2 |
| Evergreen Aviation Technologies Corp. | Evergreen Aviation Precision Corp. | No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C) | Manufacture of aircraft parts | 900,000 | 900,000 | 90,000,000 | 30.00% | 329,039 | (554,214) | (166,264) | Notes 1 and 5 |
| Evergreen Aviation Technologies Corp. | GE Evergreen Engine Services Corp. | 6F., No. 8, Sec. 3, Minsheng E. Rd., Zhongshan Dist., Taipei City 104, Taiwan | Manufacture of aircraft and parts | 90,482 | 90,482 | 9,048,165 | 19.90% | 169,742 | 414,641 | 83,820 | Note 3 |
| Evergreen Airways Service (Macau) Ltd. | Menzies Macau Airport Services Ltd. | Airport Logistic Business Center Room 52 Macau International Airport Avenida do Aeroporto, Taipa, Macau | Ground handling | 8,032 | 8,032 | no issue | 20.00% | 96,985 | 374,362 | 74,873 | Note 3 |

Note 1: List of subsidiaries of the Company.
Note 2: Investments were accounted for using equity method.
Note 3: Investments of subsidiaries of the Company were accounted for using equity method.
Note 4: RTW Air Services(S) Pte. Ltd. has completed liquidation process in August, 2018.
Note 5: A resolution was approved during the two separate board meetings of Evergreen Aviation Technology Corp. (EGAT) and Evergreen Aviation Precision Corp. (EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28 , 2019.

# EVA AIRWAYS CORP.
# Notes To Parent Company Only Financial Statement

Table 8 Information on Investment in Mainland China：

1.Information on Investment in Mainland China：

| Investee Company | Main Business and Products | Total Amount of Paid-in Capital (RMB in Thousands) | | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of January1, 2018 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2018 | Net Income (Losses)of the Investee | Direct/Indirect Shareholding (%)by the Company | Share of Profits/Losses (Note 2) | Carrying Amount as of December 31,2018 | Accumulated Inward Remittance of Earnings as of December 31,2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Outflow | Inflow | | | | | | |
| Airport Air Cargo Terminal(Xiamen) Co., Ltd. | Forwarding and storage of air cargo | RMB | 254,480 | 2 | 138,784 | - | - | 138,784 | 80,429 | 14.00% | 11,260 | 223,856 | 85,129 |
| Airport Air Cargo Service(Xiamen) Co., Ltd. | Forwarding and storage of air cargo, truck freight transportation, other transportation auxiliary industry | RMB | 14,000 | 2 | 61,418 | - | - | 61,418 | 114,723 | 14.00% | 16,061 | 107,754 | 38,399 |

(Note 1)Ways to Invest in Mainland China：

1.Investment in Mainland China companies by remittance through a third region.

2.Investment in Mainland China companies through a company invested and established in a third region.

3.Investment in Mainland China companies through an existing company established in a third region

4.Direct investment in Mainland China.

5.Other methods of investing in Mainland China. EX：Entrusted investment

(Note 2)The financial statements of the investee company were audited by the global accounting firm in a cooperation with R.O.C. accounting firm.
The Company recognized share of profit of subsidiaries and associates accounted for using equity method by how many shares the Company holds.

(Note 3)The investment in Shanghai Airlines Cargo Intl.Co.,Ltd was authorized by the Investment Commission. The amount of investment was $748,721(USD23,361thousand dollars).
Shanghai Airlines Cargo Intl.Co.,Ltd has completed liquidation process in July, 2014.

(Note 4)The investment in China Cargo Airlines Co.,Ltd was authorized by the Investment Commission. The amount of investment was $1,453,728(USD50,337thousand dollars).
China Cargo Airlines Co.,Ltd has completed shares transfer in January, 2016.

2.Limitation on investment in Mainland China：

| Accumulated Outward Remittance for Investment in Mainland China as of December 31,2018 (USD in Thousands) | Investment Amounts Aurthorized by Investment Commission,MOEA (Note) (USD in Thousands) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| NTD 2,402,651 (USD 79,781) | NTD 2,456,862 (USD 80,562) | 38,149,361 |

Note：Investment amounts in Mainland China were translated to TWD at the exchange rates of the dates of the remittance;
investment amounts aurthorized by Investment Commission, MOEA were translated to TWD at the exchange rates of the dates of the aurthorization.

3. Significant transactions：None.

**EVA AIRWAYS CORP.**

**Statement of cash and cash equivalents**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Cash on hand | $ 9 |
| Petty cash | 82,170 |
| Demand deposit | 2,685,962 |
| Check deposit | 128,336 |
| Time deposit (Note) | 37,034,223 |
| Total | $ 39,930,700 |

Note: the period of time deposit was 1~3 months; the range of interest rate was 0.46%~3.55%.

**Statement of financial assets at fair value through profit or loss－current**

**(Expressed in Thousands of New Taiwan Dollars/Units)**

| | | Book Value | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| Name of financial instrument | Description | Units | Unit price (dollar) | Acquisition cost | Gains on valuation | Total amount | Unit price (dollar) | Total amount |
| Mega Diamond Money Market Fund | Monetary Market Fund／Issurd by Mega International Investment Trust Co.,Ltd. | 28,056 | 12.48 | $ 350,000 | 1,311 | 351,311 | 12.52 | 351,311 |
| Jih Sun Money Market Fund | Monetary Market Fund／Issued by JihSun Securities Investment Trust Co.,Ltd. | 10,170 | 14.76 | 150,069 | 377 | 150,446 | 14.79 | 150,446 |
| | | | | $ 500,069 | 1,688 | 501,757 | | 501,757 |

## EVA AIRWAYS CORP.

## Statement of notes receivable

## December 31, 2018

## (Expressed in Thousands of New Taiwan Dollars)

| Item | Amount |
|---|---|
| A Company | $ 328,368 |
| B Company | 194,311 |
| C Company | 166,118 |
| D Company | 129,556 |
| Others (Note 1) | 114,990 |
| Total | **$ 933,343** |

Note 1: The amount of individual client included in others did not exceed 5% of the account balance.

## Statement of accounts receivable

| Item | Amount |
|---|---|
| E Company | $ 948,810 |
| Others (Note 1) | 5,325,041 |
| Subtotal | 6,273,851 |
| Less: allowance for impairment | (95,537) |
| Total | **$ 6,178,314** |

Note 1: The amount of individual client included in others did not exceed 5% of the account balance.

**EVA AIRWAYS CORP.**

**Statement of inventories**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Cost | Net realizable value |
|---|---|---|
| Aircraft spare parts | $ 217,806 | 503,003 |
| Consumables for use and merchandise for in-flight sales | 1,310,178 | 1,310,178 |
| Fuel for aircraft and others | 48,693 | 48,693 |
| | **$ 1,576,677** | |

**Statement of other current assets**

| Items | Amount |
|---|---|
| Prepaid expenses: | |
| Prepaid rental of aircraft | $ 502,172 |
| Tax overpaid retained for offsetting the future tax payable | 127,401 |
| Prepaid tax | 24,866 |
| Others | 126,612 |
| Subtotal | 781,051 |
| | |
| Other current assets－others: | |
| Receivables for payment on behalf of others | $ 34,999 |
| Others | 245,484 |
| Subtotal | 280,483 |
| Other receivables: | |
| Other receivable－related parties | $ 326,012 |
| Others | 205,809 |
| Subtotal | 531,821 |
| Total | **$ 1,593,355** |

## EVA AIRWAYS CORP.

## Statement of changes in financial assets at fair value through other comprehensive income－non-current

## For the year ended December 31, 2018

## (Expressed in Thousands of New Taiwan Dollars/ Shares)

| Name of financial instrument | Description | Beginning balance | | Effects of retrospective application | Addition | | Decrease | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Ending balance | | Collateral |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share | Fair value | | Share | Amount | Share | Amount | | Share | Fair value | |
| Share | Everest Investment Holdings Ltd. | Note 1 | $ 15,021 | - | - | - | - | - | 1,471 | Note 1 | 16,492 | None |
| Share | Trade-Van Information Services Co. | 8,502 | 265,275 | - | - | - | - | - | 12,754 | 8,502 | 278,029 | None |
| Share | Central Reinsurance Corporation | 33,527 | 586,717 | - | 1,676 | - | - | - | 13,494 | 35,203 | 600,211 | None |
| Share | Taiwan High Speed Rail Corporation | 13,882 | 326,227 | - | - | - | (13,882) | (341,071) | 14,844 | - | - | None |
| Share | UNI Airways Corp | 28,899 | 357,479 | - | 1,445 | - | - | - | 21,211 | 30,344 | 378,690 | None |
| Share | Evergreen Steel Corp | 38,202 | 921,041 | - | - | - | - | - | 113,841 | 38,202 | 1,034,882 | None |
| Share | Chung Hwa Express Corp | 1,000 | 31,660 | - | - | - | - | - | (1,850) | 1,000 | 29,810 | None |
| Share | Pan-Pacific Venture Capital Co., Ltd | 13 | 116 | - | - | - | (13) | (663) | 547 | - | - | None |
| Share | Star Alliance Services Gmbh | - | - | 8,474 | - | - | - | - | (303) | - | 8,171 | None |
| | | | $ 2,503,536 | 8,474 | | - | | (341,734) | 176,009 | | 2,346,285 | |

Note 1: Including 211 thousand shares of common stock and 21 thousand shares of preferred stock.

# EVA AIRWAYS CORP.

## Statement of changes in investments accounted for using equity method

## For the year ended December 31, 2018

## (Expressed in Thousands of New Taiwan Dollars/ Shares)

| Name | Beginning balance | | Addition | | Decrease | | Exchange differences on translation of investee's financial statement | Unrealized gains (losses) on financial instrument | Capital surplus | Remeasurements of the net defined benefit plans | Ending balance | | | Market price or net assets value | | Collateral |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | | Amount | Share holdings (%) | Shares | Unit price | Amount | |
| Sky Castle Investment. Ltd. | 5,500 | $ 362,586 | - | 26,748 | - | - | (4,224) | - | - | - | 385,110 | 100 | 5,500 | - | 385,110 | None |
| Evergreen Airways Service (Macau) Ltd. | No issue | 134,368 | - | 76,354 | - | (54,226) | 6,174 | 19 | - | - | 162,689 | 99 | No issue | - | 162,689 | None |
| RTW Air Services (S) Pte. Ltd. | 735 | 26,985 | - | 16,825 | - | (29,289) | (14,521) | - | - | - | - | - | - | - | - | None (Note 1) |
| PT Perdana Andalan Air Service | 41 | 38,186 | - | 3,954 | - | (11,730) | (716) | - | - | 357 | 30,051 | 51 | 41 | - | 30,051 | None |
| EVA Flight Training Academy | 10,000 | 461,734 | - | 307,200 | - | (29,166) | 14,220 | - | - | - | 753,988 | 100 | 10,000 | - | 753,988 | None |
| Evergreen Aviation Technologies Corp. | 508,929 | 8,370,422 | - | 1,625,471 | - | (508,929) | 6,158 | - | - | (19,700) | 9,473,422 | 80 | 508,929 | - | 9,655,321 | None |
| Evergreen Airline Services Corp. | 28,479 | 828,309 | - | 59,108 | - | (8,544) | - | (1,128) | - | (20,538) | 857,207 | 56.33 | 31,327 | - | 857,207 | None |
| Evergreen Sky Catering Corp. | 60,258 | 1,912,727 | - | 263,209 | - | (60,258) | - | - | - | (9,084) | 2,106,594 | 49.8 | 66,284 | - | 2,106,594 | None |
| Evergreen Air Cargo Services Corp. | 72,750 | 1,423,330 | - | 174,751 | - | (87,300) | - | - | - | (8,023) | 1,502,758 | 60.625 | 72,750 | - | 1,502,758 | None |
| Evergreen Aviation Precision Corp. | 120,000 | 660,379 | - | - | - | (221,686) | - | - | - | 25 | 438,718 | 40 | 120,000 | - | 438,718 | None |
| Hsiang Li Investment Corp. | 2,680 | 99,507 | - | 4,821 | - | (47,725) | - | 1,050 | - | - | 57,653 | 100 | 2,680 | - | 57,653 | None |
| Evergreen Security Corp. | 6,336 | 97,140 | - | 15,560 | - | - | - | - | - | (1,035) | 111,665 | 31.25 | 6,336 | - | 111,665 | None |
| Total | | $ 14,415,673 | | 2,574,001 | | (1,058,853) | 7,091 | (59) | - | (57,998) | 15,879,855 | | | | | |

Note 1: RTW Air Services(s) Pte. Ltd. has completed liquidation process in August, 2018.

**EVA AIRWAYS CORP.**

**Statement of accounts payable**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| F Company | $ 1,125,220 |
| G Company | 660,891 |
| H Company | 548,270 |
| I Company | 349,759 |
| Others (Note 1) | 4,051,220 |
| Total | **$ 6,735,360** |

Note 1: The amount of individual vendor included in others did not exceed 5% of the account balance.

**Statement of other payables**

| Item | Amount |
|---|---|
| Accrued expenses: | |
| Airport fee payable | 1,066,658 |
| Salary and wage payable | 1,046,750 |
| Other maintenance payable | 726,086 |
| Commission payable | 655,169 |
| Ground service fee payable | 448,788 |
| Others (Note 1) | 3,251,063 |
| Subtotal | 7,194,514 |
| Other payables: | |
| Payables on property, plant and equipment purchased | 632,032 |
| Others (Note 1) | 260,809 |
| Subtotal | 892,841 |
| Total | **$ 8,087,355** |

Note 1: The amount of each item in others did not exceed 5% of the account balance.

**EVA AIRWAYS CORP.**

**Statement of contract liablities－current and other current liabilities**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Amount |
| --- | --- |
| Contract liablities－current: | |
| Customer loyalty program and others | **$ 18,201,266** |
| Other current liabilities: | |
| Payables for receipts on behalf of others | $ 4,489,123 |
| Lease liabilities | 925,286 |
| Others | 84,143 |
| Total | **$ 5,498,552** |

**EVA AIRWAYS CORP.**

**Statement of bonds payable**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| | Description | | | | | Balance |
|---|---|---|---|---|---|---|
| | Guarantee bank | Annual interest rate | Issue Date | Repayment method | Total issue | 2018.12.31 |
| The 19th unsecured bond | The Shanghai Commercial & Savings Bank, Ltd. | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 1,000,000 | $ 1,000,000 |
| | Bank of Taiwan | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 2,500,000 | 2,500,000 |
| | Mega International Commercial Bank | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 1,000,000 | 1,000,000 |
| | Taiwan Cooperative Bank | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 1,000,000 | 1,000,000 |
| | Hua Nan Commercial Bank | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 2,000,000 | 2,000,000 |
| | Chang Hwa Commercial Bank | 1.07 % | 2016/12 | Loan principal repay half on the 4th and 5th year respectively. | 1,000,000 | 1,000,000 |
| The third convertible bond | | | 2017/10 | Loan principal repay on the 5th year at expiry date. | 7,000,000 | 6,607,923 |
| Subtotal | | | | | 15,500,000 | 15,107,923 |
| Less: Current portion | | | | | | - |
| | | | | | | $ 15,107,923 |

**EVA AIRWAYS CORP.**

**Statement of long-term borrowings (1)**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Bank | Interest | Period | Amount |
|---|---|---|---|---|
| Mortgage loan: | | | | |
| Land construction mortgage loan | KGI Bank | 1.36%~1.41% | 2015/12/23~2022/12/23 | $ 870,000 |
| Land construction mortgage loan | Bank of Taiwan | 1.34%~1.34% | 2016/01/18~2023/01/18 | 3,150,000 |
| Subtotal | | | | 4,020,000 |
| Aircraft mortgage loan | Hua Nan Commercial Bank | 1.49%~1.54% | 2014/05/21~2026/05/21 | 2,591,250 |
| Aircraft mortgage loan | Hua Nan Commercial Bank | 1.46%~1.51% | 2015/10/27~2027/10/27 | 2,969,250 |
| Aircraft mortgage loan | Bank of Taiwan | 1.19%~1.19% | 2008/05/20~2020/05/20 | 698,708 |
| Aircraft mortgage loan | Bank of Taiwan | 1.41%~1.51% | 2016/08/30~2028/08/30 | 4,092,500 |
| Aircraft mortgage loan | Bank of Taiwan | 1.41%~1.51% | 2014/06/25~2026/06/25 | 2,491,250 |
| Aircraft mortgage loan | Taiwan Cooperative Bank | 1.46%~1.51% | 2014/09/01~2026/09/01 | 2,468,000 |
| Aircraft mortgage loan | Mega International Commercial Bank | 1.51%~1.52% | 2015/03/27~2027/03/27 | 3,116,667 |
| Aircraft mortgage loan | Mega International Commercial Bank | 1.21%~1.22% | 2017/12/28~2029/12/28 | 2,910,417 |
| Aircraft mortgage loan | Chang Hwa Commercial Bank | 1.46%~1.51% | 2015/09/30~2027/09/30 | 2,935,500 |
| Aircraft mortgage loan | Bank of China | 1.46%~1.46% | 2016/10/28~2028/10/28 | 400,000 |
| Aircraft mortgage loan | Bank of China | 1.46%~1.46% | 2016/10/28~2028/10/28 | 400,000 |
| Aircraft mortgage loan | Cathay United Bank | 1.20%~1.21% | 2017/09/22~2029/09/22 | 2,917,475 |
| Aircraft mortgage loan | Mega International Commercial Bank and other bank group (Note 1) | 1.11%~1.11% | 2007/02/27~2019/02/27 | 216,543 |
| Aircraft mortgage loan | Mega International Commercial Bank and other bank group (Note 2) | 1.11%~1.11% | 2007/09/04~2019/09/04 | 466,044 |
| Aircraft mortgage loan | First Commercial Bank and other bank group (Note 3) | 1.16%~1.16% | 2008/06/12~2020/06/12 | 697,298 |
| Aircraft mortgage loan | First Commercial Bank and other bank group (Note 3) | 1.50%~1.50% | 2010/11/25~2022/11/25 | 1,914,424 |
| Aircraft mortgage loan | Taiwan Cooperative Bank and other bank group (Note 4) | 1.16%~1.16% | 2009/02/03~2021/02/03 | 1,162,767 |
| Aircraft mortgage loan | Bank of Taiwan | 1.28%~1.28% | 2018/06/29~2030/06/29 | 3,583,208 |
| Aircraft mortgage loan | E.SUN Bank | 1.15%~1.15% | 2018/02/23~2030/02/23 | 3,833,333 |
| Aircraft mortgage loan | Chang Hwa Commercial Bank | 1.26%~1.26% | 2018/12/11~2030/12/11 | 4,113,000 |
| Subtotal | | | | 43,977,634 |

Note 1: Syndicated Loan by Mega International Commercial Bank and other 12 banks.
Note 2: Syndicated Loan by Mega International Commercial Bank and other 15 banks.
Note 3: Syndicated Loan by First Commercial Bank and other 11 banks.
Note 4: Syndicated Loan by Taiwan Cooperative Bank and other 11 banks.

## EVA AIRWAYS CORP.

### Statement of long-term borrowings (2)

### December 31, 2018

### (Expressed in Thousands of New Taiwan Dollars)

| Item | Bank | Interest | Period | Amount |
|---|---|---|---|---|
| Medium and long-term credit loan | Cathay United Bank | 1.26%~1.26% | 2017/09/19~2022/09/19 | $ 500,000 |
| | Bank of Taiwan | 2.01%~2.01% | 2015/05/28~2020/05/28 | 150,000 |
| | Bank of Taiwan | 1.21%~1.21% | 2018/08/14~2023/08/14 | 1,000,000 |
| | Hua Nan Commercial Bank | 1.38%~1.38% | 2014/02/18~2019/02/18 | 25,000 |
| | Taiwan Cooperative Bank | 1.31%~1.31% | 2014/05/29~2019/05/29 | 166,666 |
| | Chang Hwa Commercial Bank | 1.36%~1.36% | 2014/04/17~2019/04/17 | 50,000 |
| | Chang Hwa Commercial Bank | 1.31%~1.31% | 2014/09/30~2019/09/30 | 100,000 |
| | Chang Hwa Commercial Bank | 1.31%~1.31% | 2014/11/17~2019/11/17 | 100,000 |
| | Chang Hwa Commercial Bank | 1.26%~1.26% | 2017/05/26~2022/05/26 | 1,500,000 |
| | Bank of Communications | 1.22%~1.23% | 2016/02/25~2019/02/25 | 100,000 |
| | Bank of Communications | 1.22%~1.23% | 2016/03/04~2019/03/04 | 200,000 |
| | Sunny Bank | 1.16%~1.16% | 2016/08/26~2019/08/26 | 500,000 |
| | O-Bank | 1.20%~1.28% | 2016/11/25~2021/11/10 | 360,000 |
| | Bank of China | 1.21%~1.21% | 2016/12/05~2019/12/05 | 200,000 |
| | First Commercial Bank | 1.19%~1.19% | 2016/12/23~2019/12/23 | 166,667 |
| | First Commercial Bank | 1.19%~1.19% | 2017/06/19~2020/06/19 | 250,000 |
| | JihSun International Bank | 1.21%~1.22% | 2016/12/28~2019/12/28 | 500,000 |
| | Bank SinoPac | 1.16%~1.17% | 2017/06/29~2022/06/29 | 468,750 |
| | Taiwan Business Bank | 1.21%~1.21% | 2017/06/07~2022/06/07 | 700,000 |
| | Mega International Commercial Bank | 1.21%~1.21% | 2017/08/25~2022/08/25 | 800,000 |
| | E.SUN Bank | 1.21%~1.21% | 2017/07/12~2020/07/12 | 500,000 |
| | Land Bank of Taiwan | 1.24%~1.33% | 2018/01/12~2022/01/12 | 406,250 |
| | Far Eastern Int'l Bank | 1.21%~1.22% | 2018/03/30~2023/03/30 | 500,000 |
| | Bank SinoPac | 1.17%~1.17% | 2018/09/28~2023/09/28 | 500,000 |
| | Yuanta Commercial Bank | 1.23%~1.23% | 2018/11/05~2021/11/05 | 1,000,000 |
| | Bank of Kaohsiung | 1.26%~1.26% | 2018/11/09~2023/11/09 | 500,000 |
| | CTBC Bank | 1.16%~1.16% | 2018/11/28~2021/11/28 | 480,000 |
| | KGI Bank | 1.16%~1.16% | 2018/12/12~2021/09/12 | 1,000,000 |
| | Taishin International Bank | 1.25%~1.25% | 2018/01/26~2021/01/26 | 1,000,000 |
| Subtotal | | | | 13,723,333 |
| Total | | | | 61,720,967 |
| Less: Current portion | | | | (12,699,748) |
| Total | | | | $ **49,021,219** |

**EVA AIRWAYS CORP.**

**Statement of lease liabilities**

**December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Aircraft name | Unit(s) | Lease terms | Amount |
|---|---|---|---|
| B-16703 | 1 | 2006/06~2024/06 | $ 1,509,738 |
| B-16707 | 1 | 2007/05~2019/05 | 232,429 |
| B-16709 | 1 | 2007/12~2019/12 | 462,737 |
| | | | 2,204,904 |
| Less: Current portion | | | (925,286) |
| | | | $ 1,279,618 |

**Statement of contract liabilities－non-current and other non-current liabilities**

| Item | Amount |
|---|---|
| Contract liabilities－non-current: | |
| Customer loyalty program | $ 2,908,958 |
| Restoration obligations | $ 19,576,977 |
| Unrealized gains on disposal of property, plant and equipment | 51,548 |
| Unrealized gains | 222,487 |
| Others | 668,442 |
| Total | $ 20,519,454 |

**EVA AIRWAYS CORP.**

**Statement of operating revenue**

**For the year ended December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Operating revenue: | |
| Revenue from passenger services | $ 99,077,690 |
| Revenue from cargo services | 27,642,897 |
| Others | 8,900,063 |
| Total | **$ 135,620,650** |

**Statement of operating costs**

| Item | Amount |
|---|---|
| Cost of air freight services | $ 72,451,273 |
| Airport operating cost | 15,306,176 |
| Traveler service cost | 16,983,945 |
| Maintenance cost | 9,736,892 |
| Others | 3,152,881 |
| Total | **$ 117,631,167** |

**EVA AIRWAYS CORP.**

**Statement of operating expense**

**For the year ended December 31, 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Salary expense | $ 5,759,385 |
| Commission expense | 1,362,903 |
| Advertising expense | 775,820 |
| Depreciation expense | 720,144 |
| Others (Note 1) | 3,376,089 |
| Total | **$ 11,994,341** |

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Financial assets and liabilities at fair value through profit or loss were disclosed in note 6(b).

Financial assets and liabilities for hedging－current were disclosed in note 6(c).

Accounts receivable－related parties, other receivable－related parties, accounts payable－related parties and other payable－related parties were disclosed in note 6(d), 7 and 13.

Statement of changes in property, plant and equipment and statement of accumulated depreciation were disclosed in note 6(h).

Statement of changes in investment property and statement of accumulated depreciation were disclosed in note 6(i).

Statement of changes in intangible assets was disclosed in note 6(j).

Statement of other non-current assets was disclosed in note 6(k).

Statement of change in restoration obligations was disclosed in note 6(m).

Statement of deferred tax assets and liabilities was disclosed in note 6(p).

Statement of net defined benefit liabilities－non-current was disclosed in note 6(o).

Statement of other income was disclosed in note 6(w).

Statement of other gains and losses was disclosed in note 6(w).

Statement of finance costs was disclosed in note 6(w).

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