

EVA AIRWAYS CORP.
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended
December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of 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, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2019 and 2018, 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 audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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(q) “Revenue recognition”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements, and note 6(x) “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 reverses when the member actually redeems the mileage or it is expected that the right is probable not to be redeemed.

The Company maintains information technology systems in order to calculate its mileage redemption revenue. And the Company also uses the systems to estimate the unit fair value of the mileage. Therefore, the cut off test of 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 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(o) “Provision”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements, and note 6(q) “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 the 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 Chia-Chien Tang and Yen-Ta Su.



KPMG

Taipei, Taiwan (Republic of China)
March 19, 2020

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets		2019.12.31		2018.12.31		Liabilities and Equity		2019.12.31		2018.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 41,856,135	13	39,930,700	19	2120	Financial liabilities at fair value through profit or loss — current (notes 6(b) and 6(o))	\$ 3,274	-	-	-
1110	Financial assets at fair value through profit or loss — current (note 6(b))	502,455	-	501,757	-	2126	Financial liabilities for hedging — current (notes 6(c), 6(p) and 7)	11,558,692	4	136,731	-
1139	Financial assets for hedging — current (note 6(c))	37,428	-	36	-	2130	Contract liabilities — current (note 6(x))	19,820,043	6	18,201,266	9
1150	Notes receivable, net (note 6(d))	842,287	-	933,343	-	2170	Accounts payable	4,727,977	1	6,735,360	3
1170	Accounts receivable, net (note 6(d))	5,515,785	2	6,178,314	3	2180	Accounts payable — related parties (note 7)	1,681,507	1	1,800,672	1
1180	Notes and Accounts receivable — related parties (notes 6(d) and 7)	512,325	-	273,750	-	2200	Other payables (notes 6(g), 6(y) and 7)	7,953,863	2	8,087,355	4
130x	Inventories (note 6(f))	1,427,891	1	1,576,677	1	2230	Current tax liabilities	755,149	-	434,201	-
1460	Non-current assets or disposal group classified as held for sale, net (notes 6(g), 6(l) and 9)	1,233,824	-	-	-	2260	Liabilities related to non-current assets or disposal group classified as held for sale (note 6(g))	140,810	-	-	-
1470	Other current assets (notes 6(e), 6(n) and 7)	772,709	-	1,593,355	1	2280	Lease liabilities — current (notes 6(p) and 7)	172,500	-	-	-
	Total current assets	<u>52,700,839</u>	<u>16</u>	<u>50,987,932</u>	<u>24</u>	2320	Current portion of long-term liabilities (notes 6(o) and 8)	21,431,599	7	12,699,748	6
Non-current assets:						2399	Other current liabilities (notes 6(o), 6(p) and 6(q))	4,942,707	2	5,498,552	3
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(b))	2,581,505	1	2,346,285	1		Total current liabilities	<u>73,188,121</u>	<u>23</u>	<u>53,593,885</u>	<u>26</u>
1550	Investments accounted for using equity method (notes 6(h), 6(i) and 7)	17,048,090	5	15,879,855	8	Non-current liabilities:					
1600	Property, plant and equipment (notes 6(j), 6(k), 6(l), 6(o), 6(q), 7, 8 and 9)	120,612,684	38	125,704,145	60	2500	Financial liabilities at fair value through profit or loss — non-current (notes 6(b) and 6(o))	-	-	6,234	-
1755	Right-of-use assets (notes 6(j), 6(k), 6(p), 6(q) and 7)	112,467,687	35	-	-	2511	Financial liabilities for hedging — non-current (notes 6(c), 6(p) and 7)	86,744,021	27	-	-
1760	Investment property, net (notes 6(g), 6(j) and 6(l))	-	-	183,054	-	2527	Contract liabilities — non-current (note 6(x))	3,220,551	1	2,908,958	1
1780	Intangible assets (note 6(m))	642,155	-	600,856	-	2530	Bonds payable (note 6(o))	4,250,000	1	15,107,923	7
1840	Deferred tax assets (note 6(t))	3,960,637	1	3,305,511	2	2540	Long-term borrowings (notes 6(o) and 8)	57,511,755	18	49,021,219	23
1900	Other non-current assets (notes 6(c), 6(n), 6(o), 7, 8 and 9)	11,849,736	4	11,279,779	5	2570	Deferred tax liabilities (note 6(t))	634,146	-	83,345	-
	Total non-current assets	<u>269,162,494</u>	<u>84</u>	<u>159,299,485</u>	<u>76</u>	2580	Lease liabilities — non-current (notes 6(p) and 7)	547,793	-	-	-
						2613	Lease obligations payable — non-current (notes 6(o) and 6(p))	-	-	1,279,618	1
						2640	Net defined benefit liabilities — non-current (note 6(s))	4,104,856	1	4,184,512	2
						2670	Other non-current liabilities (notes 6(p) and 6(q))	20,409,908	7	20,519,454	10
							Total non-current liabilities	<u>177,423,030</u>	<u>55</u>	<u>93,111,263</u>	<u>44</u>
							Total liabilities	<u>250,611,151</u>	<u>78</u>	<u>146,705,148</u>	<u>70</u>
						Equity (notes 6(b), 6(c), 6(i), 6(o), 6(s), 6(t), 6(u) and 6(v)):					
						3110	Ordinary share	48,535,695	15	43,821,215	21
						3140	Advance receipts for share capital	-	-	230,642	-
						3200	Capital surplus	7,849,700	2	6,751,945	3
						3300	Retained earnings	12,117,248	4	12,344,382	6
						3400	Other equity interest	2,749,539	1	434,085	-
							Total equity	<u>71,252,182</u>	<u>22</u>	<u>63,582,269</u>	<u>30</u>
						Total liabilities and equity		<u>\$ 321,863,333</u>	<u>100</u>	<u>210,287,417</u>	<u>100</u>
	Total assets	<u>\$ 321,863,333</u>	<u>100</u>	<u>210,287,417</u>	<u>100</u>						

See accompanying notes to parent-company-only financial statements.

EVA AIRWAYS CORP.
Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(x) and 7)	\$ 135,621,151	100	135,620,650	100
5000	Operating costs (notes 6(c), 6(f), 6(j), 6(k), 6(m), 6(p), 6(r), 6(s), 6(y) and 7)	<u>(117,477,282)</u>	<u>(87)</u>	<u>(117,631,167)</u>	<u>(87)</u>
	Gross profit from operations	18,143,869	13	17,989,483	13
6000	Operating expenses (notes 6(d), 6(j), 6(k), 6(m), 6(p), 6(r), 6(s), 6(v), 6(y) and 7)	<u>(12,027,003)</u>	<u>(9)</u>	<u>(11,994,341)</u>	<u>(9)</u>
	Net operating income	<u>6,116,866</u>	<u>4</u>	<u>5,995,142</u>	<u>4</u>
	Non-operating income and expenses (notes 6(c), 6(h), 6(p), 6(q), 6(z) and 7):				
7010	Other income	800,315	1	757,444	1
7020	Other gains and losses	469,232	-	724,667	-
7050	Finance costs	(5,101,704)	(4)	(1,798,071)	(1)
7375	Share of profit of subsidiaries and associates accounted for using equity method	<u>2,243,419</u>	<u>2</u>	<u>1,988,335</u>	<u>1</u>
	Total non-operating income and expenses	<u>(1,588,738)</u>	<u>(1)</u>	<u>1,672,375</u>	<u>1</u>
7900	Profit before tax	4,528,128	3	7,667,517	5
7950	Income tax expenses (note 6(t))	<u>(545,661)</u>	<u>-</u>	<u>(1,114,690)</u>	<u>-</u>
	Profit	<u>3,982,467</u>	<u>3</u>	<u>6,552,827</u>	<u>5</u>
8300	Other comprehensive income (notes 6(c), 6(h), 6(s), 6(t) and 6(u)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans	(461,849)	-	(551,659)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	167,319	-	157,677	-
8317	Gains (losses) on hedging instrument that will not be reclassified to profit or loss	(11,451)	-	366	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(82,321)	-	(58,057)	-
8349	Income tax benefit (expenses) related to components of other comprehensive income that will not be reclassified to profit or loss	<u>94,669</u>	<u>-</u>	<u>213,318</u>	<u>-</u>
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(293,633)</u>	<u>-</u>	<u>(238,355)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(36,486)	-	933	-
8368	Gains (losses) on hedging instrument	2,735,417	1	(320,961)	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(2,527)	-	6,158	-
8399	Income tax benefit (expenses) related to components of other comprehensive income that will be reclassified to profit or loss	<u>(547,083)</u>	<u>-</u>	<u>58,658</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>2,149,321</u>	<u>1</u>	<u>(255,212)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>1,855,688</u>	<u>1</u>	<u>(493,567)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 5,838,155</u>	<u>4</u>	<u>6,059,260</u>	<u>5</u>
	Earnings per share (note 6(w))				
9750	Basic earnings per share (in New Taiwan Dollars)	<u>\$ 0.83</u>		<u>1.45</u>	
9850	Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 0.76</u>		<u>1.32</u>	

See accompanying notes to parent-company-only financial statements.

EVA AIRWAYS CORP.
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest							Total equity
	Ordinary share	Advanced receipt for share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total	
Balance on January 1, 2018	\$ 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 appropriated	-	-	-	575,207	(575,207)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(834,689)	(834,689)	-	-	-	-	-	-	(834,689)
Stock dividends of ordinary share	2,086,725	-	-	-	(2,086,725)	(2,086,725)	-	-	-	-	-	-	-
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
Issue of shares	-	180,980	91,500	-	-	-	-	-	-	-	-	-	272,480
Conversion of convertible bonds	-	49,662	20,505	-	-	-	-	-	-	-	-	-	70,167
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
Appropriation of prior year's earnings:													
Legal reserve appropriated	-	-	-	655,282	(655,282)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,343,647)	(2,343,647)	-	-	-	-	-	-	(2,343,647)
Stock dividends of ordinary share	1,406,188	-	-	-	(1,406,188)	(1,406,188)	-	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	90,713	-	-	-	-	-	-	-	-	-	90,713
Changes in equity of associates accounted for using equity method	-	-	3,757	-	-	-	-	-	-	-	-	-	3,757
Profit	-	-	-	-	3,982,467	3,982,467	-	-	-	-	-	-	3,982,467
Other comprehensive income	-	-	-	-	(459,755)	(459,755)	(39,013)	175,283	-	-	2,179,173	2,315,443	1,855,688
Total comprehensive income	-	-	-	-	3,522,712	3,522,712	(39,013)	175,283	-	-	2,179,173	2,315,443	5,838,155
Issue of shares	3,000,000	(180,980)	900,000	-	-	-	-	-	-	-	-	-	3,719,020
Conversion of convertible bonds	308,292	(49,662)	103,285	-	-	-	-	-	-	-	-	-	361,915
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(11)	(11)	-	11	-	-	-	11	-
Balance on December 31, 2019	\$ 48,535,695	-	7,849,700	2,221,732	9,895,516	12,117,248	(42,773)	722,495	-	-	2,069,817	2,749,539	71,252,182

See accompanying notes to parent-company-only financial statements.

EVA AIRWAYS CORP.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>4,528,128</u>	<u>7,667,517</u>
Adjustments:		
Adjustments to reconcile profit:		
Expected credit loss (gain)	(9,000)	70,000
Depreciation expense	25,004,434	11,706,048
Amortization expense	237,627	225,600
Net gains on financial assets or liabilities at fair value through profit or loss	(6,106)	(15,050)
Interest expense	5,101,704	1,798,071
Interest income	(656,137)	(612,624)
Dividend income	(144,178)	(144,820)
Share-based payments transactions	-	91,500
Shares of profit of subsidiaries and associates accounted for using equity method	(2,243,419)	(1,988,335)
Gains on disposal of property, plant and equipment	(494,796)	(548,970)
Gains on disposal of investments	-	(14,612)
Unrealized foreign exchange losses (gains)	(201,367)	441,832
Others	<u>(300,507)</u>	<u>(199,483)</u>
Total adjustments to reconcile profit	<u>26,288,255</u>	<u>10,809,157</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	91,056	(181,809)
Accounts receivable, net	671,529	(455,886)
Notes and accounts receivable — related parties	(238,575)	204,994
Inventories	47,359	(374,741)
Other current assets	<u>(59,519)</u>	<u>(91,721)</u>
Total changes in operating assets	<u>511,850</u>	<u>(899,163)</u>
Changes in operating liabilities:		
Contract liabilities	1,930,370	21,110,224
Accounts payable	(2,007,383)	961,562
Accounts payable — related parties	(119,165)	(102,626)
Other payables	(200,656)	744,576
Unearned revenue	-	(16,316,960)
Other current liabilities	56,124	339,937
Net defined benefit liabilities — non-current	(531,937)	(742,221)
Other non-current liabilities	<u>61,721</u>	<u>(2,305,238)</u>
Total changes in operating liabilities	<u>(810,926)</u>	<u>3,689,254</u>
Total changes in operating assets and liabilities	<u>(299,076)</u>	<u>2,790,091</u>
Total adjustments	<u>25,989,179</u>	<u>13,599,248</u>
Cash inflow generated from operations	30,517,307	21,266,765
Income taxes paid	<u>(681,401)</u>	<u>(282,384)</u>
Net cash flows from operating activities	<u>29,835,906</u>	<u>20,984,381</u>

See accompanying notes to parent-company-only financial statements.

EVA AIRWAYS CORP.
Statements of Cash Flows (continued)
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ (67,890)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	323,402
Acquisition of financial assets at fair value through profit or loss	(1,000,000)	(3,975,000)
Proceeds from disposal of financial assets at fair value through profit or loss	1,002,826	5,003,589
Acquisition of investments accounted for using equity method	(55,061)	(307,201)
Proceeds from disposal of investments accounted for using equity method	-	21,189
Acquisition of property, plant and equipment	(14,222,781)	(10,743,741)
Proceeds from disposal of property, plant and equipment	1,229,149	2,671,559
Acquisition of intangible assets	(278,926)	(333,053)
Decrease (increase) in other non-current assets	17,475	(37,300)
Increase in prepayments for business facilities	(7,821,723)	(5,676,696)
Interest received	656,549	584,352
Dividends received	1,266,300	931,632
Net cash flows used in investing activities	(19,274,082)	(11,537,268)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	462,072	-
Decrease in short-term borrowings	(462,072)	-
Repayments of bonds payable	-	(4,500,000)
Proceeds from long-term borrowings	22,829,700	18,332,000
Repayments of long-term borrowings	(16,190,171)	(15,829,071)
Decrease in lease obligations payable	-	(1,275,885)
Payments of lease liabilities	(12,282,912)	-
Increase (decrease) in other non-current liabilities	(24,823)	73,079
Cash dividends paid	(2,343,647)	(834,689)
Proceeds from issuing shares	3,719,020	180,980
Interest paid	(4,343,556)	(1,095,560)
Net cash flows used in financing activities	(8,636,389)	(4,949,146)
Net increase in cash and cash equivalents	1,925,435	4,497,967
Cash and cash equivalents at beginning of year	39,930,700	35,432,733
Cash and cash equivalents at end of year	\$ 41,856,135	39,930,700

See accompanying notes to parent-company-only financial statements.

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements
For the years ended December 31, 2019 and 2018
(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, 2020.

(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, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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:

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(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”.

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(m).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term or low-value leases of office equipment and leases of vehicles equipment.

For leases that were classified as operating leases under IAS 17, on transition to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use assets and the lease liabilities at January 1, 2019 are determined at the carrying amount of the lease assets and lease liabilities under IAS 17 immediately before that date.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. The Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

4) Sale-and-leaseback

Under IFRS 16, the Company continues to account for the sale-and-leaseback transaction for aircraft as a sale-and-leaseback transaction. The Company recognized a right-of-use asset and a lease liability for the leaseback on January 1, 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.

5) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$117,942,028 of right-of-use assets and \$100,135,097 of lease liabilities, recognizing the difference in property, plant and equipment \$19,132,091 decreased, other current assets \$879,744 decreased and lease obligations payable \$2,204,904 decreased. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.30%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

	<u>January 1, 2019</u>
Operating lease commitment as disclosed in the Company's financial statements at December 31, 2018	\$ 113,053,444
Recognition exemption for:	
short-term leases	(103,908)
leases of low-value assets	<u>(1,159)</u>
Amount included in lease liabilities of IFRS 16	<u>\$ 112,948,377</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 97,440,217
Finance lease liabilities recognized as at December 31, 2018	2,204,904
Extension and termination options reasonably certain to be exercised	<u>489,976</u>
Lease liabilities recognized at January 1, 2019 (included in financial liabilities for hedging – current, lease liabilities – current, financial liabilities for hedging – non-current and lease liabilities – non-current)	<u>\$ 100,135,097</u>

(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 IFRIC 23 would not result in any material impact.

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its parent-company-only financial statements.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

- (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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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.

(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) Financial assets at fair value through other comprehensive income 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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

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

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

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a 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 that the hedges are 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (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 date; 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 date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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 date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 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.

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(f) Financial instruments

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. 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.

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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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.

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 receivables, 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months 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.

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 asset 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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 or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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 as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, and included in other gains or losses under non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at FVTPL, 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.

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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(iii) Derivative financial instruments and hedge accounting

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 non-derivative 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.

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.

(Continued)

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Notes to the Parent-Company-Only Financial Statements

(g) Inventories

Inventories are measured at the lower of cost or 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 present location and condition.

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

(h) Non-current assets or disposal group classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount or fair value less costs to sell.

Once classified as held for sale, property, plant and equipment and investment property are no longer depreciated.

(i) 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 on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, 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 significant influence.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interests 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 of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(j) 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.

(k) 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.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Major inspection and overhaul cost

Major inspection and overhaul expenditures of self-owned and 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 leased aircraft are estimated and depreciated using the straight-line method over the lease term.

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EVA AIRWAYS CORP.
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(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) Building and structures:

Main Buildings	20 to 55 years
Others	5 to 15 years
- 3) Machinery and equipment:

Electro-mechanical equipment	3 to 18 years
Others	1 to 18 years
- 4) Aircraft:

Airframes	15 to 18 years
Aircraft cabins	12 years
Engines	15 to 18 years
- 5) Leased assets and improvements 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.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(m) Leases

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset:
 - The Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
 - In rare cases where the decision on how, and for what purpose, the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
 - the Company has the right to operate its asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Company designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. In addition, the Company has elected not to separate its non-lease components and lease accounts, but instead combine them as a single lease component by classifying their underlying assets.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

EVA AIRWAYS CORP.
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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate;
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
- there is a change in the assessment on whether it will have the option to exercise a purchase of the underlying asset;
- there is a change in the assessment on lease term as to whether it will be extended or terminated; and
- the modifications of the lease underlying asset, scope or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income over the lease term as part of income.

Policy applicable before January 1, 2019

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

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

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

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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

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

(n) Impairment of non-financial assets

The Company measures whether impairment occurred in non-financial assets (except for inventories and deferred tax assets), at each reporting date, 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 each reporting date 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.

(o) Provision

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

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

(p) 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.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Revenue recognition

(i) Revenue from contracts with customers

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.

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.

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EVA AIRWAYS CORP.
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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.

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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EVA AIRWAYS CORP.
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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.

(s) 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.

Grant date of a share-based payment award is the date which the board of directors authorized the Chairman of the Company to set up the exercise price.

(t) 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.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

- (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 at the reporting date.

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 at each 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.

- (u) 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.

- (v) 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.

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EVA AIRWAYS CORP.
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Management continues to monitor the accounting estimates and assumptions. 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.

There is no information about critical judgments in the parent-company-only financial statements.

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

(a) Contract liabilities — mileage redemption revenue

Please refer to note 4(q), 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(o), 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.

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).

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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 notes 6(g), 6(l) and 6(aa).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash on hand	\$ 82,178	82,179
Cash in bank	<u>41,773,957</u>	<u>39,848,521</u>
	<u>\$ 41,856,135</u>	<u>39,930,700</u>

Refer to note 6(aa) 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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Money market funds	\$ <u>502,455</u>	<u>501,757</u>
	<u>2019.12.31</u>	<u>2018.12.31</u>
Financial liabilities mandatorily measured at fair value through profit or loss:		
Convertible bonds with embedded derivatives	\$ <u>3,274</u>	<u>6,234</u>

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

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Equity investments at fair value through other comprehensive income:		
Publicly traded stocks	\$ 1,012,519	878,240
Non-publicly traded stocks	<u>1,568,986</u>	<u>1,468,045</u>
	<u>\$ 2,581,505</u>	<u>2,346,285</u>

(Continued)

EVA AIRWAYS CORP.
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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.

For the year ended December 31, 2019, the Company acquired the shares of UNI Airways Corp. from other related parties amounting to \$67,890. There was no such transaction for the year ended December 31, 2018.

For the years ended December 31, 2019 and 2018, the Company has sold its equity securities as at fair value through other comprehensive income. The shares sold had a fair value of \$50 and \$323,402, respectively. And the Company recognized a loss of \$11 and \$18,332, respectively, which were accounted for as other equity. The loss has been transferred to retained earnings.

(iii) For credit risk and market risk, please refer to note 6(aa).

(iv) The aforementioned financial assets were not pledged.

(c) Financial instruments used for hedging

The details of financial assets and liabilities for hedging were as follows:

Cash flow hedge:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Financial assets for hedging:		
Fuel option agreements	\$ 37,428	-
Forward exchange contracts	-	36
Total	<u>\$ 37,428</u>	<u>36</u>
Current	<u>\$ 37,428</u>	<u>36</u>
	<u>2019.12.31</u>	<u>2018.12.31</u>
Financial liabilities for hedging:		
Fuel swap agreements	\$ -	136,503
Forward exchange contracts	11,643	228
Foreign currency component of non-derivative lease liabilities	98,291,070	-
Total	<u>\$ 98,302,713</u>	<u>136,731</u>
Current	\$ 11,558,692	136,731
Non-current	86,744,021	-
	<u>\$ 98,302,713</u>	<u>136,731</u>

(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. The cash flow hedged items and derivative financial hedging instruments were as follows:

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<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Fair value of assigned hedging instrument</u>		<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>
		<u>2019.12.31</u>	<u>2018.12.31</u>		
Floating price of fuel	Fuel swap agreements	\$ -	(136,503)	2019	2019
Floating price of fuel	Option agreements	37,428	-	2020	2020
		<u>\$ 37,428</u>	<u>(136,503)</u>		

(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:

<u>2019.12.31</u>				
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average strike price</u>
Forward exchange purchased	USD\$ <u>31,000</u>	TWD to USD	2020/4/1-2020/10/5	USD29.717~30.717
<u>2018.12.31</u>				
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average strike price</u>
Forward exchange purchased	USD\$ <u>24,000</u>	TWD to USD	2019/05/02	USD30.33~30.45

(iii) The foreign currency component of non-derivative lease liabilities

The Company uses the foreign currency component of lease liabilities to hedge foreign currency risk on the cash inflow from aviation transportation revenue with a highly probable forecast transaction. As of December 31, 2019, the cash flow hedged items and non-derivative financial hedging instruments were as follows:

<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Lease liabilities of assigned hedging instrument</u>	<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>
Foreign currency of aviation transportation revenue	Foreign currency of lease liabilities	\$ <u>98,291,070</u>	2020~2031	2020~2031

There was no such transaction as of December 31, 2018.

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- (iv) The details arising from cash flow hedges for the years ended December 31, 2019 and 2018, were as follows:

<u>Account Item</u>	<u>2019</u>	<u>2018</u>
Recognized in other comprehensive income during the period	\$ <u>2,723,966</u>	<u>(320,595)</u>
Reclassification from equity to operating costs (income) for the period	\$ <u>(19,066)</u>	<u>(310,986)</u>
Reclassification from equity to other non-current assets for the period	\$ <u>(42,721)</u>	<u>(14,026)</u>
Reclassification from equity to exchange losses (gains) for the period	\$ <u>92,735</u>	<u>-</u>

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

- (d) Notes and accounts receivable

	<u>2019.12.31</u>	<u>2018.12.31</u>
Notes receivable (including related parties)	\$ 1,030,690	933,343
Accounts receivable (including related parties)	5,924,948	6,547,601
Less: allowance for impairment	<u>(85,241)</u>	<u>(95,537)</u>
	<u>\$ 6,870,397</u>	<u>7,385,407</u>

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. To measure the expected credit losses, notes and 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 was determined as follows:

	<u>2019.12.31</u>		
	<u>Notes and accounts receivable (including related parties) carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Not overdue	\$ 6,884,635	0.21%	14,238
Overdue within 30 days	45,111	100%	45,111
Overdue 31~60 days	1,089	100%	1,089
Overdue over 60 days but less than one year	6,667	100%	6,667
Overdue more than one year	<u>18,136</u>	100%	<u>18,136</u>
	<u>\$ 6,955,638</u>		<u>85,241</u>

(Continued)

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	2018.12.31		
	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

The movements in the allowance for notes and accounts receivable were as follow:

	2019	2018
Balance on January 1	\$ 95,537	34,145
Impairment losses recognized (reversed)	(9,000)	70,000
Amounts written off	(1,296)	(8,608)
Balance on December 31	\$ 85,241	95,537

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

(e) Other receivables

	2019.12.31	2018.12.31
Other receivables — related parties	\$ 334,404	326,012
Others	99,138	205,809
Less: allowance for impairment	-	-
	\$ 433,542	531,821

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

There is no change on the movement in the allowance for other receivables for the years ended December 31, 2019 and 2018.

(f) Inventories

(i) The components were as follows:

	2019.12.31	2018.12.31
Aircraft spare parts	\$ 111,651	217,806
Consumables for use and merchandise for in-flight sales	1,270,042	1,310,178
Fuel for aircraft and others	46,198	48,693
	\$ 1,427,891	1,576,677

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- (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:

	2019	2018
Losses on valuation of inventories and obsolescence (reversal of write-downs of inventories)	\$ (1,721)	(409,831)

As of December 31, 2019 and 2018, these inventories were not pledged.

- (g) Non-current assets or disposal group classified as held for sale

A part of the office building in Los Angeles was presented as non-current assets or disposal group classified as held for sale following the expectation of the Company's management to sell part of the building. The efforts to sell the disposal group have commenced, and sales are expected in 2020. As of December 31, 2019, the non-current assets or disposal group classified as held for sale comprised the following assets and liabilities amounting to \$1,233,824 and \$140,810, respectively. The components were as follows:

	2019.12.31
Reclassification from investment property – Land	\$ 137,703
Reclassification from investment property – Building and structures	\$ 1,096,121
Liabilities related to non-current assets or disposal group classified as held for sale	\$ 140,810

The non-recurring fair value measurement for non-current assets or disposal group classified as held for sale of \$1,511,710 (before costs to sell of \$78,050) has been categorized as a Level 2 fair value based on the observable inputs with settled deals.

There was no such transaction as of December 31, 2018.

- (h) Investments accounted for using equity method

The components were as follows:

	2019.12.31	2018.12.31
Subsidiaries	\$ 16,877,937	15,768,190
Associates	170,153	111,665
	\$ 17,048,090	15,879,855

- (i) Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2019.

- (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.

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	2019	2018
Attributable to the Company:		
Profit	\$ 8,153	15,560
Other comprehensive income	(1,942)	(1,034)
Comprehensive income	\$ 6,211	14,526

In 2019, the Company gradually acquired the shares of EverFun Travel Service Corp. (hereinafter referred to as EverFun) in cash. The Company's shareholding percentage in EverFun has been increased from 0.05% to 26.48%. Therefore, the Company has significant influence on EverFun.

(iii) Pledged

As of December 31, 2019 and 2018, the investments accounted for using equity method were not pledged.

(i) Changes in a parent's ownership interest in subsidiaries

On August 13, 2018, a resolution was approved during the two separate board meetings of the Company's subsidiaries, Evergreen Aviation Technologies Corp. (hereinafter referred to as EGAT) and Evergreen Aviation Precision Corp. (hereinafter referred to as 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.

In first quarter of 2019, the Company disposed of equity share of EGAP to EGAT with a carrying amount of \$415,426. And the Company acquired 9,512 thousand shares of EGAT with a fair value of \$506,139. Besides, due to the merger of subsidiaries, the Company recognized capital surplus of difference between acquiring subsidiary's equity and carrying amount amounting to \$90,713. Since the aforementioned merger date, the Company's shareholding percentage in EGAT has decreased from 80.00% to 79.42%.

There was no such transaction for the year ended December 31, 2018.

(j) 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 and improvements	Aircraft	Unfinished construction	Total
Cost:							
Beginning balance as of January 1, 2019	\$ 3,009,859	7,374,353	19,417,246	30,747,228	122,341,091	442,687	183,332,464
Additions	-	-	607,023	6,191	13,544,812	150,265	14,308,291
Disposals	-	-	(711,125)	(112,028)	(4,291,171)	-	(5,114,324)
Reclassification (Note)	(81,322)	(25,068)	645,736	(28,935,213)	9,576,138	222,913	(18,596,816)
Balance as of December 31, 2019	\$ 2,928,537	7,349,285	19,958,880	1,706,178	141,170,870	815,865	173,929,615
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

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	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Leased assets and improvements</u>	<u>Aircraft</u>	<u>Unfinished construction</u>	<u>Total</u>
Accumulated depreciation:							
Beginning balance as of January 1, 2019	\$ -	3,007,688	9,159,494	10,316,504	35,144,633	-	57,628,319
Depreciation expense	-	240,813	1,449,245	264,529	7,711,332	-	9,665,919
Disposals	-	-	(579,806)	(112,028)	(3,688,137)	-	(4,379,971)
Reclassification (Note)	-	-	(95,800)	(9,501,536)	-	-	(9,597,336)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,248,501</u>	<u>9,933,133</u>	<u>967,469</u>	<u>39,167,828</u>	<u>-</u>	<u>53,316,931</u>
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	<u>\$ -</u>	<u>3,007,688</u>	<u>9,159,494</u>	<u>10,316,504</u>	<u>35,144,633</u>	<u>-</u>	<u>57,628,319</u>
Carrying amounts:							
Balance as of December 31, 2019	<u>\$ 2,928,537</u>	<u>4,100,784</u>	<u>10,025,747</u>	<u>738,709</u>	<u>102,003,042</u>	<u>815,865</u>	<u>120,612,684</u>
Balance as of December 31, 2018	<u>\$ 3,009,859</u>	<u>4,366,665</u>	<u>10,257,752</u>	<u>20,430,724</u>	<u>87,196,458</u>	<u>442,687</u>	<u>125,704,145</u>
Balance as of January 1, 2018	<u>\$ 3,066,240</u>	<u>2,985,649</u>	<u>9,373,358</u>	<u>22,056,040</u>	<u>80,647,897</u>	<u>1,352,707</u>	<u>119,481,891</u>

Note: Reclassifications are mainly the transfers of property, plant and equipment to operating costs, operating expenses, right-of-use assets, investment property, and the inventories as well as prepayments for business facilities being reclassified to property, plant and equipment.

(i) Leased aircraft

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets on December 31, 2018. The assets have been reassessed and recognized as right-to-use assets on December 31, 2019, please refer to note 6(k). 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(q) for the movements of restoration obligations.

The finance leases incurred by asset lease on December 31, 2018 had reassessed and recognized as right-to-use assets on December 31, 2019, please refer to note 6(k).

(ii) Pledge

As of December 31, 2019 and 2018, 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.

(iii) For the years ended December 31, 2019 and 2018, the Company capitalized the interest expenses amounted to \$137,157 and \$151,149, respectively. The ranges of the monthly interest rate used for capitalization calculation were 0.10%~0.11% and 0.11%~0.12%, respectively.

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(k) Right-of-use assets

The movements in the Company's leases on land, building and structures, as well as aircraft, were as follow:

	<u>Land</u>	<u>Building and structures</u>	<u>Aircraft</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:					
Beginning balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>372,064</u>	<u>1,088,703</u>	<u>125,681,063</u>	<u>47,248</u>	<u>127,189,078</u>
Balance as of January 1, 2019 after adjustments	372,064	1,088,703	125,681,063	47,248	127,189,078
Additions	10,271	122,856	13,652,892	25,353	13,811,372
Disposals	-	(24,756)	(365,782)	(3,722)	(394,260)
Reclassification to property, plant and equipment	-	-	<u>(7,248,359)</u>	-	<u>(7,248,359)</u>
Balance as of December 31, 2019	<u>\$ 382,335</u>	<u>1,186,803</u>	<u>131,719,814</u>	<u>68,879</u>	<u>133,357,831</u>
Accumulated depreciation:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>-</u>	<u>-</u>	<u>9,247,050</u>	<u>-</u>	<u>9,247,050</u>
Balance as of January 1, 2019 after adjustments	-	-	9,247,050	-	9,247,050
Depreciation expense	23,897	422,645	14,867,209	24,764	15,338,515
Disposals	-	(21,151)	(138,850)	(1,136)	(161,137)
Reclassification to property, plant and equipment	-	-	<u>(3,534,284)</u>	-	<u>(3,534,284)</u>
Balance as of December 31, 2019	<u>\$ 23,897</u>	<u>401,494</u>	<u>20,441,125</u>	<u>23,628</u>	<u>20,890,144</u>
Carrying amount:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Balance as of December 31, 2019	<u>\$ 358,438</u>	<u>785,309</u>	<u>111,278,689</u>	<u>45,251</u>	<u>112,467,687</u>

As of December 31, 2018, the Company leases aircraft classified as property, plant and equipment, please refer to note 6(j). The Company leases aircraft, offices, land, buildings, and parking lots under operating lease, please refer to note 6(r).

(l) Investment property

The movements in cost of investment property were as follows:

	<u>Land</u>	<u>Building and structures</u>	<u>Unfinished construction</u>	<u>Total</u>
Cost:				
Beginning balance as of January 1, 2019	\$ 56,381	-	126,673	183,054
Reclassification from property, plant and equipment	81,322	-	969,448	1,050,770
Reclassification to investment property – building and structures	-	1,096,121	(1,096,121)	-
Reclassification to non-current assets classified as held for sale	<u>(137,703)</u>	<u>(1,096,121)</u>	<u>-</u>	<u>(1,233,824)</u>
Balance as of December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	<u>Land</u>	<u>Building and structures</u>	<u>Unfinished construction</u>	<u>Total</u>
Balance as of January 1, 2018	\$ -	-	-	-
Reclassification from property, plant and equipment	56,381	-	126,673	183,054
Balance as of December 31, 2018	<u>\$ 56,381</u>	<u>-</u>	<u>126,673</u>	<u>183,054</u>
Carrying amounts:				
Balance as of December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of December 31, 2018	<u>\$ 56,381</u>	<u>-</u>	<u>126,673</u>	<u>183,054</u>
Balance as of January 1, 2018	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fair value:				
Balance as of December 31, 2019			<u>\$ -</u>	
Balance as of December 31, 2018			<u>\$ 592,137</u>	

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, 2019 and 2018, the investment property was not pledged.

(m) Intangible assets

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

	<u>Computer software</u>
Cost:	
Beginning balance as of January 1, 2019	\$ 1,037,507
Additions	278,926
Disposals	<u>(222,320)</u>
Balance as of December 31, 2019	<u>\$ 1,094,113</u>
Beginning balance as of January 1, 2018	\$ 980,627
Additions	333,053
Disposals	<u>(276,173)</u>
Balance as of December 31, 2018	<u>\$ 1,037,507</u>
Accumulated amortization:	
Beginning balance as of January 1, 2019	\$ 436,651
Amortization expense	237,627
Disposals	<u>(222,320)</u>
Balance as of December 31, 2019	<u>\$ 451,958</u>

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	Computer software
Beginning balance as of January 1, 2018	\$ 487,224
Amortization expense	225,600
Disposals	(276,173)
Balance as of December 31, 2018	\$ 436,651
Carrying amounts:	
Balance as of December 31, 2019	\$ 642,155
Balance as of December 31, 2018	\$ 600,856
Balance as of January 1, 2018	\$ 493,403

(i) Amortization

For the years ended December 31, 2019 and 2018, the amortization of intangible assets is included under operating costs and operating expenses in the statements of comprehensive income.

(ii) Pledge

The aforementioned intangible assets were not pledged.

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

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

	2019.12.31	2018.12.31
Prepaid expense	\$ 234,459	781,051
Other receivables (including related parties)	433,542	531,821
Others	104,708	280,483
Total	\$ 772,709	1,593,355

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

	2019.12.31	2018.12.31
Prepayments for business facilities	\$ 10,327,469	9,740,037
Refundable deposits	1,444,373	1,457,821
Pledged time deposits	77,894	81,921
Total	\$ 11,849,736	11,279,779

(o) Short-term borrowings, long-term borrowings, bonds payable and lease obligations payable

The details, conditions and terms of the Company's short-term borrowings, long-term borrowings, bonds payable and lease obligations payable were as follows:

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2019.12.31				
	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	<u>6,325,180</u>
Subtotal				14,825,180
Less: Current portion (included in current portion of long-term liabilities)				<u>(10,575,180)</u>
Total				<u><u>\$ 4,250,000</u></u>
Unsecured loans	TWD	1.12%~2.01%	2020/05/28~2024/07/23	\$ 13,953,333
Secured loans	TWD	1.15%~1.52%	2020/05/20~2031/12/27	<u>54,414,841</u>
Subtotal				68,368,174
Less: Current portion				<u>(10,856,419)</u>
Total				<u><u>\$ 57,511,755</u></u>

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	<u>6,607,923</u>
Subtotal				15,107,923
Less: Current portion (included in current portion of long-term liabilities)				<u>-</u>
Total				<u><u>\$ 15,107,923</u></u>
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	<u>47,997,634</u>
Subtotal				61,720,967
Less: Current portion				<u>(12,699,748)</u>
Total				<u><u>\$ 49,021,219</u></u>
Lease obligations payable	TWD, USD	2.03%~4.12%	2019/01/22~2024/06/21	\$ 2,204,904
Less: Current portion (included in other current liabilities)				<u>(925,286)</u>
Total				<u><u>\$ 1,279,618</u></u>

The details of convertible bonds were as follows:

	2019.12.31	2018.12.31
Total convertible bonds issued	\$ 7,000,000	7,000,000
Less: Unamortized discounted bonds payable	(223,720)	(318,577)
Cumulative converted amount	<u>(451,100)</u>	<u>(73,500)</u>
Convertible bonds issued balance	<u><u>\$ 6,325,180</u></u>	<u><u>6,607,923</u></u>
Embedded derivatives — put/call options (included in financial liabilities at fair value through profit or loss)	<u><u>\$ 3,274</u></u>	<u><u>6,234</u></u>
Equity components — conversion options (included in capital surplus — share options)	<u><u>\$ 376,948</u></u>	<u><u>398,682</u></u>

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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(z) for the valuation loss/profit of embedded derivatives – put/call options, which were recognized in net gains/losses 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: TWD 7,000,000
- (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: Ordinary 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, 2019 and 2018, the conversion price was \$13.7 and \$14.8 per share, respectively. In addition, corporate bonds with a face value of \$451,100 and \$73,500, respectively has been converted to 30,829 and 4,966 thousand shares of ordinary share, respectively.
- (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.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

- (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 and lease obligations payable will be settled in foreign currency. The details of foreign liabilities were as follows:

	2018.12.31
USD (in thousands)	\$ 49,153
Convert to TWD	\$ 1,509,738

There were no foreign long-term borrowings as of December 31, 2019.

As of December 31, 2019, the details of the future repayment periods and amounts of the Company's long-term borrowings and bonds payable were as follows:

Year due	Amount
2020.1.1~2020.12.31	\$ 21,431,599
2021.1.1~2024.12.31	37,608,416
2025.1.1 and thereafter	24,153,339
	\$ 83,193,354

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

- (i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

- (ii) Unused lines of credit

As of December 31, 2019 and 2018 the unused credit lines for short-term and long-term borrowings amounted to \$4,516,397 and \$6,250,950, respectively.

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Notes to the Parent-Company-Only Financial Statements

(iii) Lease obligations payable

The Company's lease obligations payable were as follows:

	2018.12.31		
	Future minimum rental payment	Interest	Present value of minimum rental payment
Within 1 year	\$ 1,005,415	80,129	925,286
1 to 5 years	1,179,456	21,911	1,157,545
More than 5 years	122,860	787	122,073
	\$ 2,307,731	102,827	2,204,904

The recognized interest expenses incurred by lease obligations payable for the year ended December 31, 2018 is disclosed in note 6(z).

(p) Lease liabilities

The components of lease liabilities were as follow:

Financial liabilities for hedging — current	2019.12.31 \$ 11,547,049
Financial liabilities for hedging — non-current	\$ 86,744,021
Lease liabilities — current	\$ 172,500
Lease liabilities — non-current	\$ 547,793

For the maturity analysis, please refer to note 6(aa).

The amounts recognized in profit or loss were as follows:

Interest on lease liabilities	2019 \$ 3,349,752
Variable lease payments not included in the measurement of lease liabilities	\$ 14,354
Expenses relating to short-term leases	\$ 104,887
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 857

The amounts recognized in the statement of cash flows were as follows:

Total cash outflow for leases	2019 \$ 15,710,384
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(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(i) The leases of the Company

The lease term was as follows:

Land: 3 to 19 years

Building and structures: 1 to 10 years

Aircraft: 4 to 12 years

Machinery and equipment: 1 to 5 years

The Company's lease contracts include an option to renew the lease for an additional period of the same duration after the end of the contract term or extension options. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors, in which the leases are not reasonably certain to be used as an optional extended lease term. Payments associated with the optional period are not included within lease liabilities.

The Company also leases its offices and vehicles equipment with lease terms ranging from 1 to 5 years. These leases are short-term leases or leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(ii) Sale and leaseback

The Company leased aircraft under sale and leaseback arrangements. The unrealized gain on sale and leaseback is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2019 and 2018, the unrealized gains from sale and leaseback amounted to \$0 and \$51,548, respectively, which were recognized as other non-current liabilities.

(iii) The lease liabilities were classified as lease obligations payable on December 31, 2018, please refer to note 6(o).

(q) Restoration obligations

The movements of the restoration obligations were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance as of January 1	\$ 19,576,977	17,411,564
Additions	1,080,789	1,897,487
Decreases	(555,677)	(59,586)
Effect of exchange rate changes	<u>(294,102)</u>	<u>327,512</u>
Balance as of December 31	<u><u>\$ 19,807,987</u></u>	<u><u>19,576,977</u></u>

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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.

(r) Operating leases

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

	2018.12.31
Within 1 year	\$ 14,068,833
1 to 5 years	51,949,273
More than 5 years	47,035,338
	\$ 113,053,444

For the year ended December 31, 2018, rental expenses included in operating costs and operating expenses were \$13,506,503.

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.

(s) 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:

	2019.12.31	2018.12.31
Total present value of defined benefit obligations	\$ 9,150,217	8,584,178
Fair value of plan assets	(5,045,361)	(4,399,666)
Recognized liabilities of net defined benefit obligations	\$ 4,104,856	4,184,512

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.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$4,977,472 as of December 31, 2019. 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:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations as of January 1	\$ 8,584,178	8,201,027
Benefits paid by the plan	(315,930)	(563,815)
Current service costs and interest	281,214	304,873
Net remeasurements of defined benefit liabilities		
— Experience adjustments	449,266	196,802
— Actuarial losses (gains) arising from changes in financial assumptions	<u>151,489</u>	<u>445,291</u>
Defined benefit obligations as of December 31	<u><u>\$ 9,150,217</u></u>	<u><u>8,584,178</u></u>

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:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets as of January 1	\$ 4,399,666	3,815,731
Contributions from plan participants	725,263	944,485
Benefits paid by the plan	(270,031)	(511,349)
Expected return on plan assets	51,557	60,365
Net remeasurements of defined benefit liabilities		
— Return on plan assets (excluding the amounts included in net interest expense)	<u>138,906</u>	<u>90,434</u>
Fair value of plan assets as of December 31	<u><u>\$ 5,045,361</u></u>	<u><u>4,399,666</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2019</u>	<u>2018</u>
Current services costs	\$ 186,373	183,939
Net interest on the net defined benefit liabilities	<u>43,284</u>	<u>60,569</u>
	<u><u>\$ 229,657</u></u>	<u><u>244,508</u></u>
Operating costs	\$ 173,751	182,675
Operating expenses	<u>55,906</u>	<u>61,833</u>
	<u><u>\$ 229,657</u></u>	<u><u>244,508</u></u>

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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

The Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated losses as of January 1	\$ (4,008,818)	(3,457,159)
Losses recognized during the period	<u>(461,849)</u>	<u>(551,659)</u>
Accumulated losses as of December 31	<u>\$ (4,470,667)</u>	<u>(4,008,818)</u>

- 6) Actuarial assumptions

The rate applied in calculating the present value of defined benefit obligations at the reporting date was as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Discount rate	1%	1.125%
Future salary increases	1.53%~5.11%	1.54%~6.92%

The Company expects to make contributions of \$716,559 to the defined benefit plans in the next year starting from December 31, 2019.

The weighted average of the defined benefit plans is 13.1 years.

- 7) Sensitivity analysis

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

	<u>Effects to the defined benefit obligations</u>			
	<u>Favorable</u>		<u>Unfavorable</u>	
	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Discount rate (0.25%)	210,390	206,767	217,982	214,415
Future salary increases (0.25%)	199,200	195,985	205,207	202,138

There is no change in other assumptions when performing the abovementioned 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 are the same as those of the prior year.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(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 \$502,345 and \$390,749 as pension costs under the defined contribution plans in 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(t) Income tax

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

	<u>2019</u>	<u>2018</u>
Current tax benefit (expenses)	\$ (1,102,400)	(748,511)
Deferred tax benefit (expenses)	<u>556,739</u>	<u>(366,179)</u>
Income tax benefit (expenses)	<u><u>\$ (545,661)</u></u>	<u><u>(1,114,690)</u></u>

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

	<u>2019</u>	<u>2018</u>
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	\$ 92,370	214,047
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	9	(673)
Gains or losses on hedging instruments	<u>2,290</u>	<u>(56)</u>
	<u><u>\$ 94,669</u></u>	<u><u>213,318</u></u>
Components of other comprehensive income that will be reclassified to profit or loss:		
Gains or losses on hedging instruments	<u><u>\$ (547,083)</u></u>	<u><u>58,658</u></u>

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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

	<u>2019</u>	<u>2018</u>
Profit before tax	\$ <u>4,528,128</u>	<u>7,667,517</u>
Income tax using the Company's domestic tax rate	\$ (905,626)	(1,533,504)
Adjustment in tax rate	-	487,483
Exempt income	461,636	455,040
Changes in unrecognized deductible temporary differences	170,112	(163,126)
Undistributed earnings additional tax	-	(149,921)
Others	<u>(271,783)</u>	<u>(210,662)</u>
Total	\$ <u><u>(545,661)</u></u>	<u><u>(1,114,690)</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Unrecognized deferred tax assets:		
Investment loss of foreign operations accounted for using equity method	\$ 38,311	33,862
Restoration obligations	<u>332,516</u>	<u>507,077</u>
Total	\$ <u><u>370,827</u></u>	<u><u>540,939</u></u>

The Company has no unrecognized deferred tax liabilities as of December 31, 2019 and 2018.

2) Recognized deferred tax assets and liabilities

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

	<u>Loss carryforwards</u>	<u>Loss on valuation of inventories</u>	<u>Rental expenses</u>	<u>Defined benefit plans</u>	<u>Restoration obligations</u>	<u>Mileage revenue</u>	<u>Expense payable</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:									
Beginning balance as of January 1, 2019	\$ -	391,632	-	850,457	830,763	730,581	116,453	385,625	3,305,511
Recognized in profit or loss	-	(200,859)	252,153	(106,388)	635,156	78,251	82,165	(150,383)	590,095
Recognized in other comprehensive income	-	-	-	92,370	-	-	-	(27,339)	65,031
Balance as of December 31, 2019	\$ <u>-</u>	<u>190,773</u>	<u>252,153</u>	<u>836,439</u>	<u>1,465,919</u>	<u>808,832</u>	<u>198,618</u>	<u>207,903</u>	<u>3,960,637</u>
Beginning balance as of January 1, 2018	\$ 624,396	406,304	-	755,284	750,218	515,175	154,212	246,115	3,451,704
Recognized in profit or loss	(624,396)	(14,672)	-	(118,874)	80,545	215,406	(37,759)	112,171	(387,579)
Recognized in other comprehensive income	-	-	-	214,047	-	-	-	27,339	241,386
Balance as of December 31, 2018	\$ <u>-</u>	<u>391,632</u>	<u>-</u>	<u>850,457</u>	<u>830,763</u>	<u>730,581</u>	<u>116,453</u>	<u>385,625</u>	<u>3,305,511</u>

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

	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, 2019	\$ 2,882	77,300	3,163	83,345
Recognized in profit or loss	32,601	755	-	33,356
Recognized in other comprehensive income	<u>512,297</u>	<u>-</u>	<u>5,148</u>	<u>517,445</u>
Balance as of December 31, 2019	<u>\$ 547,780</u>	<u>78,055</u>	<u>8,311</u>	<u>634,146</u>
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	<u>-</u>	<u>-</u>	<u>(30,590)</u>	<u>(30,590)</u>
Balance as of December 31, 2018	<u>\$ 2,882</u>	<u>77,300</u>	<u>3,163</u>	<u>83,345</u>

(iii) The Company's income tax returns for the years through 2017 were assessed by the local tax authorities.

(u) Capital and other equity

As of December 31, 2019 and 2018, the numbers of authorized ordinary shares of 7,000,000 and 4,500,000 thousand shares, respectively, had a par value of \$10 per share. The total value of the authorized ordinary shares amounted to \$70,000,000 and \$45,000,000, of which \$48,535,695 and \$43,821,215, respectively, were issued.

(i) Ordinary shares

The appropriation of 2018 earnings that was approved at the shareholders' meeting on June 24, 2019, in which the Company issued 140,619 thousand shares, had a par value of \$10 per share, with a total value of \$1,406,188. The date of capital increase was set on September 13, 2019, and all related registration procedure has been completed.

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, had a par value of \$10 per share, with a total value of \$2,086,725. The date of capital increase was set on September 17, 2018, and all related registration procedure has been completed.

A resolution was passed during the Board of Directors' meeting held on August 13, 2018 for the issuance of ordinary shares for cash. Subsequently, a resolution was passed for the issuance of 300,000 thousand ordinary shares, with par value of \$10 per share, amounting to \$3,000,000. The date of capital increase was set on January 24, 2019, and all related registration procedures have been completed.

For the years ended December 31, 2019 and 2018, convertible bonds issued by the Company amounting to \$258,630 and \$49,662, respectively, were converted into 25,863 and 4,966 thousand shares of ordinary shares, and all related registration procedure has been completed.

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(ii) Capital surplus

The details of capital surplus were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash subscription in excess of par value of shares	\$ 5,118,825	4,218,825
Stock options granted to employees	697,600	697,600
Additional paid-in capital from bond conversion	1,561,585	1,436,566
Additional paid-in capital from conversion option	376,948	398,682
Changes in equity of associates accounted for using equity method	3,757	-
Difference between actual acquiring subsidiary's equity and carrying amount	<u>90,985</u>	<u>272</u>
	<u><u>\$ 7,849,700</u></u>	<u><u>6,751,945</u></u>

In accordance with R.O.C. Company Act, 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, if the Company reports a surplus at the year end, after clearing taxes, the Company shall first offset accumulated losses (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 can be distributed wholly or partly in cash only after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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.

1) Legal reserve

If a company has no accumulated deficit, it may, as per Article 240 and 241 of the Company Act, distribute its legal reserve, in whole or in part, for the portion in excess of 25% of the paid-in capital, by issuing new shares or cash to its original shareholders in proportion to the number of shares being held by each of them. The distribution can be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting for approval.

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EVA AIRWAYS CORP.
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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 2018 earnings was approved at the shareholders' meeting on June 24, 2019. The cash dividends and stock dividends were amounting to \$2,343,647 and \$1,406,188, respectively.

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 2019 earnings was approved at the Board meeting on March 19, 2020. The cash dividends were amounting to \$1,213,392.

(iv) Other equity interest (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2019	\$ (3,760)	547,201	(109,356)	434,085
Exchange differences on translation of foreign financial statements	(36,486)	-	-	(36,486)
Exchange differences on associates accounted for using equity method	(2,527)	-	-	(2,527)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	167,328	-	167,328
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	11	-	11
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	7,955	-	7,955
Changes in fair value of hedging instrument	-	-	2,154,415	2,154,415
Changes in fair value of hedging instrument reclassified to profit or loss/ other non-current assets	-	-	24,758	24,758
Balance as of December 31, 2019	<u>\$ (42,773)</u>	<u>722,495</u>	<u>2,069,817</u>	<u>2,749,539</u>

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EVA AIRWAYS CORP.
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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total
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	<u>(10,851)</u>	<u>371,924</u>	<u>-</u>	<u>-</u>	<u>152,637</u>	<u>513,710</u>
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 (losses) on 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 earnings	-	18,332	-	-	-	18,332
Unrealized gains (losses) on 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	-	-	-	-	(1,984)	(1,984)
Changes in fair value of hedging instrument reclassified to profit or loss/ other non-current assets	-	-	-	-	(260,009)	(260,009)
Balance as of December 31, 2018	<u>\$ (3,760)</u>	<u>547,201</u>	<u>-</u>	<u>-</u>	<u>(109,356)</u>	<u>434,085</u>

(v) Share-based payment

(i) As of December 31, 2019, 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 (in dollars)
	2019	2018	
Outstanding number as of January 1	27,352	-	\$ 13
Number of shares granted	-	30,000	13
Number of shares exercised	(15,985)	(2,648)	13
Number of shares abandoned	(11,367)	-	13
Outstanding number as of December 31	<u>-</u>	<u>27,352</u>	
Fair value per share at grant date (in dollars)	<u>\$ 3.05</u>	<u>\$ 3.05</u>	

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- (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:

	<u>Cash-settled share-based payment plan (reserved for employees to subscribe)</u>
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 for the year ended December 31, 2019.

- (w) 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:

	<u>2019</u>	<u>2018</u>
Basic earnings per share:		
Profit attributable to ordinary equity holders	<u>\$ 3,982,467</u>	<u>6,552,827</u>
Weighted-average number of shares outstanding during the period (thousand shares)	<u>4,826,530</u>	<u>4,512,869</u>
Basic earnings per share (in dollars)	<u>\$ 0.83</u>	<u>1.45</u>
Diluted earnings per share:		
Profit attributable to ordinary equity holders	<u>\$ 3,982,467</u>	<u>6,552,827</u>
Interest expense and other gains and losses on convertible bonds, net of tax	<u>60,970</u>	<u>57,033</u>
Profit attributable to ordinary equity holders (diluted)	<u>4,043,437</u>	<u>6,609,860</u>
Weighted-average number of shares outstanding during the period (thousand shares)	4,826,530	4,512,869
Effect of the potentially dilutive ordinary shares		
Effect of employee compensation (thousand shares)	23,939	18,173
Effect of conversion of convertible bonds (thousand shares)	<u>478,022</u>	<u>474,418</u>
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive ordinary shares) (thousand shares)	<u>5,328,491</u>	<u>5,005,460</u>
Diluted earnings per share (in dollars)	<u>\$ 0.76</u>	<u>1.32</u>

(Continued)

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 54,913,004	55,455,284
Asia	40,469,352	40,631,947
Europe	5,641,840	5,940,184
North America	33,959,536	33,105,001
Others	<u>637,419</u>	<u>488,234</u>
	<u><u>\$ 135,621,151</u></u>	<u><u>135,620,650</u></u>
Major products / services lines:		
Aviation transportation revenue	\$ 126,002,327	126,720,587
Others	<u>9,618,824</u>	<u>8,900,063</u>
	<u><u>\$ 135,621,151</u></u>	<u><u>135,620,650</u></u>
Type of contract:		
Fix price contract	<u><u>\$ 135,621,151</u></u>	<u><u>135,620,650</u></u>
Timing of revenue recognition:		
Products transferred at a point in time	<u><u>\$ 135,621,151</u></u>	<u><u>135,620,650</u></u>

(ii) Contract balances

	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2018.1.1</u>
Contract liabilities-tickets services, customer loyalty program and others	<u><u>\$ 23,040,594</u></u>	<u><u>21,110,224</u></u>	<u><u>18,664,259</u></u>

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were \$15,343,125 and \$13,163,955, respectively.

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:

	<u>2019</u>	<u>2018</u>
	<u>Contract</u>	<u>Contract</u>
	<u>liabilities</u>	<u>liabilities</u>
Changes in an estimate of the transaction price	<u><u>\$ (149,905)</u></u>	<u><u>232,479</u></u>

(Continued)

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(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2019 and 2018, the amounts allocated to the customer loyalty program were \$4,044,162 and \$3,652,903, respectively. These will be recognized as revenue as the customer loyalty program points are redeemed or when they expire, which are expected to occur over the next three years.

All consideration from contracts with customers is included in the transaction price presented above.

(y) Remuneration to employees and directors

According to the Company's Articles of Incorporation, 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.

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' remuneration.

For the years ended December 31, 2019 and 2018, the Company accrued and recognized its employees' remuneration of \$284,125 and \$237,552, respectively, and the directors' remuneration of \$9,500 and \$9,500, respectively. These remunerations 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' remuneration of 2018. There was a decrease of \$113,650 between the actual amounts of remuneration to employees, and directors distributed for the year 2019 determined by the Board of Directors and the estimated amounts mainly due to the adjustment of the Board of Directors' resolution. The differences shall be accounted for as changes in accounting estimates and recognized in profit or loss for the year 2020. The related information can be found on Market Observation Post System website.

(z) Non-operating income and expenses

(i) Other income

	<u>2019</u>	<u>2018</u>
Dividend income	\$ 144,178	144,820
Interest income		
Interest income from bank deposits	655,499	605,886
Other interest	<u>638</u>	<u>6,738</u>
Total interest income	<u>656,137</u>	<u>612,624</u>
	<u>\$ 800,315</u>	<u>757,444</u>

(Continued)

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(ii) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains (losses) on disposal of property, plant and equipment	\$ 494,796	548,970
Gains on disposal of investments	-	14,612
Foreign exchange gains (losses)	(181,235)	(4,861)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	6,106	15,050
Others gains and losses	<u>149,565</u>	<u>150,896</u>
	<u>\$ 469,232</u>	<u>724,667</u>

(iii) Finance costs

	<u>2019</u>	<u>2018</u>
Interest expense		
Bank borrowings	\$ 805,711	849,309
Bonds Payable	169,745	196,173
Lease liabilities (Lease obligations payable)	3,349,752	67,925
Others	913,653	835,813
Less: capitalized interest	<u>(137,157)</u>	<u>(151,149)</u>
	<u>\$ 5,101,704</u>	<u>1,798,071</u>

(aa) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers and regional distributions were decentralized. 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

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, please refer to notes 6(e) and 6(n).

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).

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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
As of December 31, 2019					
Non-derivative financial liabilities					
Long-term borrowings (including current portion of long-term liabilities)	\$ 68,368,174	71,932,598	11,642,875	35,294,889	24,994,834
Bonds payable	14,825,180	15,185,325	10,889,850	4,295,475	-
Lease liabilities and financial liabilities for hedging	99,011,363	113,189,380	14,877,913	54,837,015	43,474,452
Accounts payable (including related parties)	6,409,484	6,409,484	6,409,484	-	-
Other payables (including related parties)	6,534,057	6,534,057	6,534,057	-	-
Liabilities related to non-current assets or disposal group classified as held for sale	140,810	140,810	140,810	-	-
Subtotal	<u>195,289,068</u>	<u>213,391,654</u>	<u>50,494,989</u>	<u>94,427,379</u>	<u>68,469,286</u>
Derivative financial liabilities					
Convertible bonds with embedded derivatives	3,274	-	-	-	-
Forward exchange contracts for hedge purposes:					
Outflow	11,643	938,273	938,273	-	-
Inflow	-	(926,630)	(926,630)	-	-
Subtotal	<u>11,643</u>	<u>11,643</u>	<u>11,643</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 195,303,985</u>	<u>213,403,297</u>	<u>50,506,632</u>	<u>94,427,379</u>	<u>68,469,286</u>
As of December 31, 2018					
Non-derivative financial liabilities					
Long-term borrowings (including current portion of long-term liabilities)	\$ 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 obligations payable	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	<u>94,275,335</u>	<u>98,033,685</u>	<u>29,785,450</u>	<u>49,137,046</u>	<u>19,111,189</u>
Derivative financial liabilities					
Convertible bonds with embedded derivatives	6,234	-	-	-	-
Fuel swap agreements for hedge purposes	136,503	136,503	136,503	-	-
Subtotal	<u>142,737</u>	<u>136,503</u>	<u>136,503</u>	<u>-</u>	<u>-</u>
Forward exchange contracts for hedge purposes:					
Outflow	228	182,651	182,651	-	-
Inflow	-	(182,423)	(182,423)	-	-
Subtotal	<u>228</u>	<u>228</u>	<u>228</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 94,418,300</u>	<u>98,170,416</u>	<u>29,922,181</u>	<u>49,137,046</u>	<u>19,111,189</u>

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

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(iii) Currency risk

1) Exposure to currency risk

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

	2019.12.31			2018.12.31		
	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 602,556	29.98	18,064,621	\$ 612,157	30.72	18,802,401
EUR	4,121	33.59	138,414	4,993	35.20	175,745
JPY	1,639,535	0.2760	452,512	1,685,200	0.2782	468,823
HKD	166,285	3.8490	640,033	162,318	3.9210	636,447
CNY	143,392	4.3050	<u>617,301</u>	129,715	4.4720	<u>580,085</u>
			<u>\$ 19,912,881</u>			<u>\$ 20,663,501</u>
<u>Non-monetary items</u>						
USD	\$ 41,918	29.98	1,256,691	\$ 42,383	30.72	1,301,787
IDR	9,103,282	0.0022	<u>20,027</u>	14,309,995	0.0021	<u>30,051</u>
			<u>\$ 1,276,718</u>			<u>\$ 1,331,838</u>
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 3,798,042	29.98	113,865,297	\$ 534,225	30.72	16,408,733
EUR	10,405	33.59	349,505	8,696	35.20	306,095
JPY	2,141,775	0.2760	591,130	1,727,097	0.2782	480,478
HKD	24,435	3.8490	94,050	28,997	3.9210	113,696
CNY	188,354	4.3050	<u>810,866</u>	169,715	4.4720	<u>758,966</u>
			<u>\$ 115,710,848</u>			<u>\$ 18,067,968</u>

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, refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables (including related parties), lease liabilities (lease obligations payable) and restoration obligations (included in other current liabilities and other non-current liabilities) that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, HKD and CNY as of December 31, 2019 and 2018, would have changed the profit before tax by \$24,067 and \$25,955, and the equity by \$982,046 and \$0 due to cash flow hedges, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019 and 2018.

Due to the variety of the Company's functional currency, the Company discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2019 and 2018, the Company's foreign exchange losses, net (including realized and unrealized of monetary items) amounted to \$181,235 and \$4,861, respectively.

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(iv) Interest rate risk

The interest rate exposure of the Company's financial liabilities are illustrated in note 6(aa) 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 before tax of the Company would have changed \$683,182 and \$622,661 for the years ended December 31, 2019 and 2018, 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:

Price of the equity securities at the reporting date	2019		2018	
	Other Comprehensive Income, net of tax	Profit (losses)	Other Comprehensive Income, net of tax	Profit (losses)
increase 5%	\$ <u>128,829</u>	<u>-</u>	<u>117,068</u>	<u>-</u>
decrease 5%	\$ <u>(128,829)</u>	<u>-</u>	<u>(117,068)</u>	<u>-</u>

(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 is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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	2018.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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 liabilities)	61,720,967	-	61,722,715	-	61,722,715
Bonds payable	15,107,923	-	15,010,158	-	15,010,158
Lease obligations payable	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

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:

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- 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, 2019 and 2018, 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
	Unquoted equity instruments
Balance as of January 1, 2019	\$ 1,468,045
Total gains or losses:	
Recognized in other comprehensive income	33,051
Purchased	67,951
Disposed	(61)
Balance as of December 31, 2019	\$ 1,568,986
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

The amounts of total gains or losses for the periods were recognized in unrealized gains (losses) from financial assets measured at fair value through other comprehensive income. As of December 31, 2019 and 2018, the assets which were still held by the Company were as follows:

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	<u>2019</u>	<u>2018</u>
Other comprehensive income (including in unrealized gains (losses) on financial assets measured at fair value through other comprehensive income)	\$ 33,051	134,370

- 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 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:

<u>Items</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income	Market approach—relevant information generated by publicly companies	<ul style="list-style-type: none"> • Price-book ratio (as of December 31, 2019 and 2018 were 0.80~2.62 and 0.80~2.64, respectively) • Market liquidity discount rate (as of December 31, 2019 and 2018 were 80%) 	<ul style="list-style-type: none"> • The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value

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

The fair value measurements of the Company's financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. As of December 31, 2019 and 2018, for fair value measurements in Level 3, a fluctuation in the valuation variable by 5% would have the following effects:

<u>Inputs</u>	<u>Increase (decrease)</u>	<u>Effects of changes in fair value on other comprehensive income</u>			
		<u>Favorable</u>		<u>Unfavorable</u>	
		<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Price-book ratio	5%	77,308	72,561	(78,850)	(73,605)
Market liquidity discount rate	5%	77,308	72,561	(78,850)	(73,605)

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.

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(ab) Management of financial risk

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk management framework

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the Audit Committee.

(iii) Credit risk

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

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.

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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, 2019, 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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

The Company hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary, the Company uses 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.

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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

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.

(ac) 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 (ordinary share, capital surplus, retained earnings and other equity) and net debt.

As of December 31, 2019, there were no changes in the Company's approach to capital management.

(ad) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

	<u>2019.1.1</u>	<u>Effects of retrospective application</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>2019.12.31</u>
				<u>Interest expense</u>	<u>Foreign exchange movement</u>	<u>Other</u>	
Bonds payable	\$ 15,107,923	-	-	78,795	-	(361,538)	14,825,180
Long-term borrowings	61,720,967	-	6,639,529	7,678	-	-	68,368,174
Lease liabilities (lease obligations payable) and financial liabilities for hedging	2,204,904	100,135,097	(15,590,286)	3,349,752	128,125	8,783,771	99,011,363
Total liabilities from financing activities	\$ 79,033,794	100,135,097	(8,950,757)	3,436,225	128,125	8,422,233	182,204,717

	<u>2018.1.1</u>	<u>Cash flows</u>	<u>Interest expense</u>	<u>Non-cash changes</u>		<u>2018.12.31</u>
				<u>Foreign exchange movement</u>	<u>Other</u>	
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 obligations payable	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

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(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 the Company's subsidiaries and entities that have transactions with the Company during the periods covered in the financial statements.

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Evergreen Aviation Technologies Corp. (Note 1)	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. (Note 1)	The Company's subsidiary
Hsiang Li Investment Corp.	The Company's subsidiary
Sky Castle Investment Ltd.	The Company's subsidiary
Evergreen Airways Service (Macau) Ltd.	The Company's subsidiary
RTW Air Services (S) Pte. Ltd. (Note 2)	The Company's subsidiary
PT Perdana Andalan Air Service	The Company's subsidiary
EVA Flight Training Academy	The Company's subsidiary
Evergreen International S.A.	The Company's shareholder's major shareholder
Evergreen International Corp.	The Company's shareholder
Evergreen Marine Corp. (Taiwan) Ltd.	The Company's shareholder
Evergreen International Storage & Transport Corp.	The Company's shareholder
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 Shipping Agency (Europe) GMBH SP. Z.O.O.	The Company's shareholder's equity investment
Ever Shine (Shenzhen) Enterprise Management Consulting Co., Ltd.	The Company's shareholder's equity investment
Ever Shine (Shanghai) Enterprise Management Consulting Co., Ltd.	The Company's shareholder's equity investment
Evergreen Shipping Agency (Japan) Corporation	The Company's shareholder's major shareholder's equity investment

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Evergreen Insurance Co. Ltd.	The Company's shareholder's equity investment
Evergreen Security Corp.	The Company's equity investment
EverFun Travel Services Corp. (Note 3)	The Company's equity investment
Chang Yung-Fa Foundation	The Company's shareholder
Chang Yung-Fa Charity Foundation	The Company's shareholder

Note 1: On August 13, 2018, a resolution was approved during the two separate board meetings of Evergreen Aviation Technologies 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. Please refer to note 6(i).

Note 2: RTW Air Services (S) Pte. Ltd. has completed liquidation process in August, 2018.

Note 3: The Company subscribed for its new shares contribution in April 2019, and has significant influence over its financial and operating policies. Please refer to note 6(h).

(c) Significant transactions with related parties

(i) Operating revenue

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

	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 162,363	180,812
Associates	6,626	1
Other related parties	<u>2,665,734</u>	<u>2,666,566</u>
	<u>\$ 2,834,723</u>	<u>2,847,379</u>

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

The Company provided aviation transportation services. The transportation services and ticket prices provided to related party, which is travel agency, were the same as those provided to general travel agencies. The Company received collateralized notes for receivables from aforementioned related party. No expected credit loss was required after the assessment by the management.

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. Besides aforementioned collateralized notes, receivables from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(ii) Operating costs

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

	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 9,002,598	9,133,004
Associates	41,366	20,378
Other related parties	<u>546,579</u>	<u>528,195</u>
	<u><u>\$ 9,590,543</u></u>	<u><u>9,681,577</u></u>

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:

	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 190,955	180,562
Associates	134,681	62,051
Other related parties	<u>269,034</u>	<u>170,603</u>
	<u><u>\$ 594,670</u></u>	<u><u>413,216</u></u>

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

(iv) Property transaction

For the years ended December 31, 2019 and 2018, the Company purchased equipment from its related parties amounting to \$59,943 and \$85,812, respectively.

For the years ended December 31, 2019 and 2018, the disposals of equipment to related parties were summarized as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Subsidiaries	<u>\$ 740</u>	<u>712</u>	<u>570</u>	<u>567</u>

(v) Leases

The Company rented its offices from other related enterprise. The Company applied IFRS 16 with a date of initial application on January 1, 2019. These lease transactions recognized an additional amount of \$80,898 and \$80,898 of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Company recognized the amount of \$1,802 as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$53,651.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(vi) Receivables from related parties

Receivables from related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Accounts receivable	Subsidiaries	\$ 16,329	17,679
Accounts receivable	Associates	4,243	-
Accounts receivable	Other related parties	303,350	256,071
Notes receivables	Associates	188,403	-
Other receivables	Subsidiaries	55,228	30,739
Other receivables	Associates	102	1
	Other related parties		
Other receivables	UNI Airways Corp.	278,336	285,960
Other receivables	Other related parties	738	9,312
		<u>\$ 846,729</u>	<u>599,762</u>

(vii) Payables to related parties

Payables to related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
	Subsidiaries		
Accounts payable	Evergreen Aviation Technologies Corp.	\$ 652,079	840,128
Accounts payable	Other Subsidiaries	962,503	888,318
Accounts payable	Associates	4,444	3,809
Accounts payable	Other related parties	62,481	68,417
Other payables	Subsidiaries	73,956	176,228
Other payables	Associates	13,053	11,845
Other payables	Other related parties	85,490	66,644
		<u>\$ 1,854,006</u>	<u>2,055,389</u>

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 81,786	78,698
Post-employment benefits	2,787	23,749
Share-based payments	-	845
	<u>\$ 84,573</u>	<u>103,292</u>

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

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EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(8) Pledged assets

The carrying amounts of the pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Property, plant, and equipment	Long-term borrowings	\$ 85,367,003	74,841,178
Time deposit – included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	<u>77,894</u>	<u>81,921</u>
		<u>\$ 85,444,897</u>	<u>74,923,099</u>

(9) Significant contingent liabilities and unrecognized commitments

(a) Significant contingent liabilities: None.

(b) Significant commitments:

(i) 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, 2019, fifteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of \$9,708,925, which was included in other non-current assets.

(ii) 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, 2019, three Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of \$164,293, which was included in other non-current assets.

(iii) 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, 2019, the Company has partially paid the price of \$1,532,829, which was included in non-current asset classified as held for sale and property, plant and equipment.

(iv) Unused letters of credit for the Company were as follows:

Unused letters of credit	<u>2019.12.31</u>	<u>2018.12.31</u>
	<u>\$ 2,375,736</u>	<u>2,320,404</u>

(10) Losses due to major disasters: None.

(11) Subsequent events:

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment in China and has impacted the Company's operations, including cancellation or restriction of flights. However, the Company could not estimate affected amounts on its operations and financial statements due to the uncertainty of coronavirus outbreak. The Company will continue to follow the abovementioned matter and will evaluate its impacts at once.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

(12) Other

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

By item	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salaries	8,469,141	5,577,838	14,046,979	8,291,503	5,759,385	14,050,888
Labor and health insurance	472,991	340,154	813,145	450,764	320,014	770,778
Pension	435,891	296,111	732,002	424,687	210,570	635,257
Remuneration of directors	-	19,463	19,463	-	19,983	19,983
Others	3,734,874	559,770	4,294,644	3,664,010	449,428	4,113,438
Depreciation (Note)	24,046,844	889,713	24,936,557	10,893,896	720,144	11,614,040
Amortization	-	237,627	237,627	207	225,393	225,600

Note: For the years ended December 31, 2019 and 2018, the depreciation expenses recognized were \$25,004,434 and \$11,706,048, respectively, less deferred gains of \$67,877 and \$92,008, respectively.

As of December 31, 2019 and 2018, the additional information for employee numbers and employee benefits were as follows:

	<u>2019</u>	<u>2018</u>
Employee numbers	<u>11,335</u>	<u>11,321</u>
Directors numbers without serving concurrently as employee	<u>8</u>	<u>8</u>
Average employee benefits	<u>\$ 1,756</u>	<u>1,730</u>
Average employee salaries	<u>\$ 1,240</u>	<u>1,242</u>
Average adjustment rate of employee salaries	<u>(0.16)%</u>	

(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, 2019:

- (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.

(Continued)

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

- (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.
 - (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 (excluding investees in Mainland China):
- The followings are the information on investees for the year ended December 31, 2019: 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, 2019.

EVA AIRWAYS CORP.
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Table 1 Marketable Securities Held (excluding investments in subsidiaries, associates and joint ventures)
(December 31, 2019)

(in shares)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019				Notes
				Shares/Units	Book value	Percentage of Ownership	Fair Value	
The Company	Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss— current	33,772,569	502,455		502,455	
Evergreen Air Cargo Services Corp.	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss— current	11,964,636	150,648		150,648	
Evergreen Air Cargo Services Corp.	UPAMC James Bond Money Market Fund	None	Financial assets at fair value through profit or loss— current	9,933,297	166,663		166,663	
Evergreen Air Cargo Services Corp.	Eastspring Investments Well Pool Money Market Fund	None	Financial assets at fair value through profit or loss— current	10,368,032	141,590		141,590	
					961,356		961,356	
The Company	Shares of Everest Investment Holdings Ltd.	None	Financial assets at fair value through other comprehensive income— non-current	231,580	17,755	2.11	17,755	
The Company	Shares of Trade-Van Information Services Co.	None	Financial assets at fair value through other comprehensive income— non-current	8,502,418	313,739	5.67	313,739	
The Company	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income— non-current	35,203,008	698,780	5.96	698,780	
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	36,510,949	454,561	9.98	454,561	
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	1,057,039	9.56	1,057,039	
The Company	Shares of Chung Hwa Express Corp.	None	Financial assets at fair value through other comprehensive income— non-current	1,000,000	32,770	10.00	32,770	
The Company	Star Alliance Services Gmbh	None	Financial assets at fair value through other comprehensive income— non-current	1	6,861	4.55	6,861	
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	6,911	0.01	6,911	
Evergreen Airline Services Corp.	Shares of Evergreen International Storage & Transport Corp.	The Company's shareholder's shareholder	Financial assets at fair value through other comprehensive income— non-current	158,800	2,279	0.01	2,279	
Hsiang Li Investment Corp.	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income— non-current	2,740,542	54,400	0.46	54,400	
Evergreen Airways Service (Macau) Ltd.	Shares of Air Macau Co., Ltd.	None	Financial assets at fair value through other comprehensive income— non-current	500	1,228	0.0207	1,228	
					2,646,323		2,646,323	

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, 2019)

(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	28,055,711	351,311	-	-	28,055,711	352,394	350,000	2,394	-	-
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	10,169,719	150,446	34,377,696	510,000	10,774,846	160,000	159,653	347	33,772,569	502,455
The Company	Fund	First Securities Investment Trust Company Taiwan Money Market.	Financial assets at fair value through profit or loss— current — fund	First Securities Investment Trust Company Limitd.	None	-	-	22,844,015	350,000	22,844,015	350,320	350,000	320	-	-
Evergreen Aviation Technologies Corp.	Equity	GE Evergreen Engine Services Corp.	Investments accounted for using equity method	GE Evergreen Engine Services Corp.	Equity investment	9,048,165	90,482	194,236,380	1,942,363	-	-	-	-	203,284,545	2,032,845

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only 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, 2019)

Company Name	Types of Property	Transaction Date	Transaction Amount	Status of payment	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Evergreen Aviation Technologies Corp.	Component repair shop	2019.10.24	370,700	31,880	Ever Accord Construction Corp.	Parent company's shareholder's equity investment	-	-	-	-	The construction of the new component repair shop on its own land, which was approved by the Board of Director ' s meeting.	Improve the capability of components repair to satisfy the requirement of business and increase the revenue and profitability.	None

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only Financial Statements

Table 4 Disposition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital :
(December 31, 2019)

Company Name	Types of Property	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Proceed Term	Gains(losses) on Disposal of PPE	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other Terms
The Company	Office building of Los Angeles	2019.2.13~2019.9.5	2019.12.18	728,912	919,572 (note)	not been applied	not been applied	(1)Headstart International PTY. LTD (2)AMA Consulting Engineers, P.C. (3)Steve Gautreau and Kristen VanCott (4)Mardi Norman (5)El Segundo Investments 2, LLC (6)Lil Nubbins Neighborhood, LLC (7)Hermosa House LLC (8>Welcome El Segundo LLC	Non-related party	The flexible application of Assets	Appraisal report	None
Evergreen Aviation Technologies Corp.	Engine test cell factory	2019.11.8	1998.8.31	251,812	752,742	Received	500,930	GE Evergreen Engine Services Corp.	Related party	With the increase of GE Evergreen Engine Services Corp.'s production capacity and profit rates, the investment income of Evergreen Aviation Technologies Corp. can as well increase.	Appraisal report	None
Evergreen Aviation Technologies Corp.	Engine factory	2019.11.8	2003.4.30	187,877	540,980	Received	353,103	GE Evergreen Engine Services Corp.	Related party	With the increase of GE Evergreen Engine Services Corp.'s production capacity and profit rates, the investment income of Evergreen Aviation Technologies Corp. can as well increase.	Appraisal report	None

Note: The transaction amount is based on its contract price. The related transaction has not finished yet.

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only 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, 2019)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts 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	2,633,030	1.94	60 days	-		299,600	4.48	
The Company	UNI Airways Corp.	The company's shareholder's equity investment	Purchases	105,902	0.09	60 days	-		(37,177)	0.58	
The Company	Evergreen Aviation Technologies Corp.	The company's subsidiary	Sales	155,819	0.11	60 days	-		7,529	0.11	(Note)
The Company	Evergreen Aviation Technologies Corp.	The company's subsidiary	Purchases	3,355,095	2.86	60 days	-		(652,079)	10.17	(Note)
The Company	Evergreen Sky Catering Corp.	The company's subsidiary	Purchases	2,787,596	2.37	60 days	-		(478,605)	7.47	
The Company	Evergreen Airline Services Corp.	The company's subsidiary	Purchases	2,545,400	2.17	60 days	-		(420,496)	6.56	
The Company	Evergreen Air Cargo Services Corp.	The company's subsidiary	Purchases	355,162	0.30	60 days	-		(63,186)	0.99	
The Company	Evergreen International Corp.	The company's shareholder	Purchases	173,876	0.15	60 days	-		(22,350)	0.35	
The Company	Evergreen International Storage and Transport Corp.	The company's shareholder	Purchases	149,583	0.13	60 days	-		(2,590)	0.04	
The Company	Evergreen Insurance Company Ltd.	The company's shareholder's equity investment	Purchases	113,093	0.10	60 days	-		-	-	
Evergreen Airline Services Corp.	The Company	Parent company	Sales	2,545,400	78.54	60 days	-		434,885	84.45	
Evergreen Airline Services Corp.	UNI Airways Corp.	The company's shareholder's equity investment	Sales	246,212	7.60	60 days	-		40,971	7.96	
Evergreen Airline Services Corp.	Evergreen Aviation Technologies Corp.	Parent company's equity investment	Sales	110,797	3.42	30 days	-		8,312	1.61	(Note)
Evergreen Aviation Technologies Corp.	The Company	Parent company	Sales	3,435,495	7.36	60 days	-		653,963	5.33	(Note)
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	Equity investment	Sales	1,132,179	2.43	30 days	-		129	0.00	(Note)
Evergreen Aviation Technologies Corp.	UNI Airways Corp.	The company's shareholder	Sales	331,730	0.71	60 days	-		109,968	0.90	(Note)
Evergreen Aviation Technologies Corp.	Evergreen Airline Services Corp.	Parent company's equity investment	Purchases	110,797	0.25	30 days	-		(8,312)	0.18	(Note)
Evergreen Sky Catering Corp.	The Company	Parent company	Sales	2,787,596	77.94	60 days	-		485,135	84.41	
Evergreen Sky Catering Corp.	UNI Airways Corp.	The company's shareholder's equity investment	Sales	136,496	3.82	60 days	-		21,619	3.76	
Evergreen Air Cargo Services Corp.	The Company	Parent company	Sales	355,162	22.86	60 days	-		66,615	44.83	
EVA Flight Training Academy	The Company	Parent company	Sales	106,926	93.77	30 days	-		-	-	

Note : For the purpose of reorganization, the shares of Evergreen Aviation Precision Corp., which was previously owned by EVA Airways Corp., was transferred to Evergreen Aviation Technologies Corp. in February 2019.

The income statement accounts of the Evergreen Aviation Precision Corp. were disclosed after the merger.

Evergreen Aviation Precision Corp. was dissolved due to the merger with Evergreen Aviation Technologies Corp. in February 2019. The balance sheet accounts have all been consolidated into Evergreen Aviation Technologies Corp.

EVA AIRWAYS CORP.
Notes to the Parent-Company-Only 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, 2019)

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	577,936	(Note)	-		571,612	
The Company	EverFun Travel Services Corp.	The Company's equity investment	192,694	(Note)	-		132,154	
Evergreen Airline Services Corp.	The Company	Parent company	455,241	5.62	-		455,241	
Evergreen Sky Catering Corp.	The Company	Parent company	493,373	6.03	-		493,373	
Evergreen Aviation Technologies Corp.	The Company	Parent company	660,922	4.21	-		660,922	
Evergreen Aviation Technologies Corp.	UNI Airways Corp.	The company's shareholder	110,017	2.92	-		110,017	

Note : 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 the Parent-Company-Only Financial Statements

Table 7 Information on Investees (excluding investees in Mainland China) :
For the year ended December 31, 2019, 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			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Notes
				December 31, 2019	December 31, 2018	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%	344,524	14,953	14,953	(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	None.	99.00%	197,798	113,973	112,833	(Note 1)
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%	20,027	(44)	(22)	(Note 1)
The Company	EVA Flight Training Academy	3745 Whitehead Street Mather, CA, 95655, USA	Flight training school	932,050	932,050	10,000,000	100.00%	714,369	(22,246)	(22,246)	(Note 1)
The Company	Evergreen Aviation Technologies Corp.	No.6 Harng-Jann S.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, Taiwan	Maintenance, manufacturing, processing and sales of aircraft, engine and parts	3,200,450	2,000,450	518,440,696	79.42%	10,799,290	2,022,479	1,606,284	(Note 1) (Note 4)
The Company	Evergreen Airline Services Corp.	No.608 Harng-Jann N.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, Taiwan	Aviation grand service	111,180	111,180	34,459,973	56.33%	865,796	102,652	57,824	(Note 1)
The Company	Evergreen Sky Catering Corp.	No.3, Hang-Chin 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	72,912,180	49.80%	2,340,651	614,861	306,201	(Note 1)
The Company	Evergreen Air Cargo Services Corp.	No.8-1, Hang-Chin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan	Air cargo entrepot	740,348	740,348	72,750,000	60.625%	1,532,300	297,794	180,537	(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	-	-	-	(58,231)	(23,292)	(Note 1) (Note 4)
The Company	Hsiang Li Investment Corp.	1F,No. 117,Sec. 2,Chang An E. Rd., Taipei 104 Taiwan	Investment business	25,000	25,000	2,680,000	100.00%	63,182	2,194	2,194	(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%	114,172	43,185	13,962	(Note 2)
The Company	EverFun Travel Services Corp.	3F., No. 100,Sec. 2, Chang An E. Rd., Zhongshan Dist., Taipei City 104, Taiwan(R.O.C)	Traveling agency	55,061	-	5,505,000	26.48%	55,981	(18,875)	(5,809)	(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	-	-	-	(58,231)	(17,469)	(Note 1) (Note 4)
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	6F., No. 8, Sec. 3, Minsheng E. Rd., Zhongshan Dist., Taipei City 104, Taiwan	Maintenance, manufacturing, and sales of aircraft, engine and engine components	2,032,845	90,482	203,284,545	49.00%	1,411,860	(50,078)	(9,213)	(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	None.	20.00%	130,927	563,226	112,646	(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: On August 13, 2018, a resolution was approved during the two separate board meetings of Evergreen Aviation Technologies 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 the Parent-Company-Only Financial Statements

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 (CNY in Thousands)		Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee	Direct/Indirect Shareholding (%) by the Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
						Outflow	Inflow						
Airport Air Cargo Terminal(Xiamen) Co., Ltd.	Forwarding and storage of air cargo	CNY	254,480	2	138,784	-	-	138,784	76,466	14%	10,705	225,867	106,670
Airport Air Cargo Service(Xiamen) Co., Ltd.	Forwarding and storage of air cargo, truck freight transportation, other transportation auxiliary industry	CNY	14,000	2	61,418	-	-	61,418	89,287	14%	12,500	116,413	58,498

(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 No.3, Hang-Chin N. Rd., Dayuan Dist., Taoyuan City, Taiwan
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 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(USD23,361 thousand 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(USD50,337 thousand 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, 2019 (USD in Thousands)	Investment Amounts Authorized 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)	42,751,309

Note : Investment amounts in Mainland China were translated to TWD at the exchange rates of the dates of the remittance;
investment amounts authorized by Investment Commission, MOEA were translated to TWD at the exchange rates of the dates of the authorization.

3. Significant transactions : None.

EVA AIRWAYS CORP.

Statement of cash and cash equivalents

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Cash on hand	\$ 10
Petty cash	82,168
Demand deposit	2,159,016
Check deposit	114,202
Time deposit (Note)	<u>39,500,739</u>
Total	<u>\$ 41,856,135</u>

Note: the period of time deposit was 1~3 months; the range of interest rate was 0.46%~3.25%.

**Statement of financial assets at fair value through
profit or loss - current**

(Expressed in Thousands of New Taiwan Dollars/Units)

Name of financial instrument	Description	Book Value				Fair value		
		Units	Unit price (dollar)	Acquisition cost	Gains on valuation	Total amount	Unit price (dollar)	Total amount
Jih Sun Money Market Fund	Monetary Market Fund/ Issued by Jih Sun Securities Investment Trust Co.,Ltd.	33,773	14.82	\$ <u>500,417</u>	2,038	<u>502,455</u>	14.88	<u>502,455</u>

EVA AIRWAYS CORP.
Statement of notes receivable
December 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
A Company	\$ 410,568
B Company	177,583
C Company	135,908
Others (Note 1)	<u>118,228</u>
Total	<u>\$ 842,287</u>

Note 1: The amount of individual client included in others did not exceed 5% of the account balance.

Statement of accounts receivable

Item	Amount
D Company	\$ 995,082
Others (Note 1)	<u>4,605,944</u>
Subtotal	5,601,026
Less: allowance for impairment	<u>(85,241)</u>
Total	<u>\$ 5,515,785</u>

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, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Aircraft spare parts	\$ 111,651	268,138
Consumables for use and merchandise for in-flight sales	1,270,042	1,270,042
Fuel for aircraft and others	<u>46,198</u>	46,198
	<u>\$ 1,427,891</u>	

Statement of other current assets

<u>Items</u>	<u>Amount</u>
Prepaid expenses:	
Tax overpaid retained for offsetting the future tax payable	\$ 88,770
Prepaid tax	40,420
Others	<u>105,269</u>
Subtotal	<u>234,459</u>
Other current assets — others:	
Receivables for payment on behalf of others	\$ 32,081
Others	<u>72,627</u>
Subtotal	<u>104,708</u>
Other receivables:	
Other receivable — related parties	\$ 334,404
Others	<u>99,138</u>
Subtotal	<u>433,542</u>
Total	<u>\$ 772,709</u>

EVA AIRWAYS CORP.

Statement of changes in financial assets at fair value through
other comprehensive income – non-current

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars/ Shares)

Name of financial instrument	Description	Beginning balance		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	\$ 16,492	-	-	-	-	1,263	Note 1	17,755	None
Share	Trade-Van Information Services Co.	8,502	278,029	-	-	-	-	35,710	8,502	313,739	None
Share	Central Reinsurance Corporation	35,203	600,211	-	-	-	-	98,569	35,203	698,780	None
Share	UNI Airways Corp	30,344	378,690	6,167	67,890	-	-	7,981	36,511	454,561	None
Share	Evergreen Steel Corp	38,202	1,034,882	-	-	-	-	22,157	38,202	1,057,039	None
Share	Chung Hwa Express Corp	1,000	29,810	-	-	-	-	2,960	1,000	32,770	None
Share	Star Alliance Services Gmbh	-	8,171	-	-	-	-	(1,310)	-	6,861	None
Share	EverFun Travel Service Corp. (Note 2)	-	-	5	61	(5)	(61)	-	-	-	None
			<u>\$ 2,346,285</u>		<u>67,951</u>		<u>(61)</u>	<u>167,330</u>		<u>2,581,505</u>	

Note 1: Including 211 thousand shares of common stock and 21 thousand shares of preferred stock.

Note 2: In 2019, the Company gradually acquired the shares of EverFun in cash. The Company's shareholding percentage in EverFun has been increased from 0.05% to 26.48%. Therefore, the Company has significant influence on EverFun.

EVA AIRWAYS CORP.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2019

(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	\$ 385,110	-	14,953	-	(41,641)	(13,898)	-	-	-	344,524	100	5,500	-	344,524	None
Evergreen Airways Service (Macau) Ltd.	No issue	162,689	-	112,833	-	(71,636)	(6,136)	48	-	-	197,798	99	No issue	-	197,798	None
PT Perdana Andalan Air Service	41	30,051	-	-	-	(10,733)	921	-	-	(212)	20,027	51	41	-	20,027	None
EVA Flight Training Academy	10,000	753,988	-	-	-	(22,246)	(17,373)	-	-	-	714,369	100	10,000	-	714,369	None
Evergreen Aviation Technologies Corp. (Note 1)	508,929	9,473,422	9,512	2,124,446	-	(777,661)	(2,527)	-	3,757	(22,147)	10,799,290	79.42	518,441	-	10,970,346	None
Evergreen Airline Services Corp.	31,327	857,207	3,133	57,824	-	(9,398)	-	233	-	(40,070)	865,796	56.33	34,460	-	865,796	None
Evergreen Sky Catering Corp.	66,284	2,106,594	6,628	306,201	-	(66,284)	-	-	-	(5,860)	2,340,651	49.8	72,912	-	2,340,651	None
Evergreen Air Cargo Services Corp.	72,750	1,502,758	-	180,537	-	(130,950)	-	-	-	(20,045)	1,532,300	60.625	72,750	-	1,532,300	None
Evergreen Aviation Precision Corp. (Note 1)	120,000	438,718	-	-	(120,000)	(438,718)	-	-	-	-	-	-	-	-	-	None
Hsiang Li Investment Corp.	2,680	57,653	-	2,194	-	(4,339)	-	7,674	-	-	63,182	100	2,680	-	63,182	None
Evergreen Security Corp.	6,336	111,665	-	13,963	-	(9,504)	-	-	-	(1,952)	114,172	31.25	6,336	-	114,172	None
EverFun Travel Service Corp. (Note 2)	-	-	5,505	61,780	-	(5,809)	-	-	-	10	55,981	26.48	5,505	-	55,981	None
Total		<u>\$ 15,879,855</u>		<u>2,874,731</u>		<u>(1,588,919)</u>	<u>(39,013)</u>	<u>7,955</u>	<u>3,757</u>	<u>(90,276)</u>	<u>17,048,090</u>					

Note 1: On August 13, 2018, a resolution was approved during the two separate board meetings of Evergreen Aviation Technologies 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.

Note 2: In 2019, the Company gradually acquired the shares of EverFun in cash. The Company's shareholding percentage in EverFun has increased from 0.05% to 26.48%. Therefore, the Company has significant influence on EverFun.

EVA AIRWAYS CORP.
Statement of accounts payable
December 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
E Company	\$ 478,765
F Company	252,197
Others (Note 1)	<u>3,997,015</u>
Total	<u><u>\$ 4,727,977</u></u>

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	\$ 1,202,415
Salary and wage payable	1,020,665
Other maintenance payable	767,056
Commission payable	725,871
Ground service fee payable	470,736
Others (Note 1)	<u>3,514,902</u>
Subtotal	<u>7,701,645</u>
Other payables:	
Payables on property, plant and equipment purchased	\$ 74,084
Others (Note 1)	<u>178,134</u>
Subtotal	<u>252,218</u>
Total	<u><u>\$ 7,953,863</u></u>

Note 1: The amount of each item in others did not exceed 5% of the account balance.

EVA AIRWAYS CORP.**Statement of contract liabilities— current and
other current liabilities****December 31, 2019****(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Contract liabilities – current:	
Deferred ticket services, customer loyalty program and others	<u>\$ 19,820,043</u>
Other current liabilities:	
Payables for receipts on behalf of others	\$ 4,535,848
Restoration obligations	313,317
Others	<u>93,542</u>
Total	<u>\$ 4,942,707</u>

EVA AIRWAYS CORP.

Statement of bonds payable

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Description				Balance	
	Guarantee bank	Annual interest rate	Issue Date	Repayment method	Total issue	2019.12.31
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	6,325,180
Subtotal					15,500,000	14,825,180
Less: Current portion						(10,575,180)
						<u>\$ 4,250,000</u>

EVA AIRWAYS CORP.

Statement of long-term borrowings (1)

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Bank</u>	<u>Interest</u>	<u>Period</u>	<u>Amount</u>
Mortgage loan:				
Land construction mortgage loan	KGI Bank	1.26%~1.36%	2015/12/23~2022/12/23	\$ 660,000
Land construction mortgage loan	Bank of Taiwan	1.24%~1.35%	2016/01/18~2023/01/18	<u>2,450,000</u>
Subtotal				<u>3,110,000</u>
Aircraft mortgage loan	Hua Nan Commercial Bank	1.37%~1.50%	2014/05/21~2026/05/21	2,245,750
Aircraft mortgage loan	Hua Nan Commercial Bank	1.37%~1.47%	2015/10/27~2027/10/27	2,639,333
Aircraft mortgage loan	Bank of Taiwan	1.19%~1.20%	2008/05/20~2020/05/20	232,975
Aircraft mortgage loan	Bank of Taiwan	1.31%~1.41%	2016/08/30~2028/08/30	3,683,250
Aircraft mortgage loan	Bank of Taiwan	1.31%~1.41%	2014/06/25~2026/06/25	2,159,083
Aircraft mortgage loan	Taiwan Cooperative Bank	1.46%~1.47%	2014/09/01~2026/09/01	1,159,500
Aircraft mortgage loan	Mega International Commercial Bank	1.37%~1.52%	2015/03/27~2027/03/27	1,867,647
Aircraft mortgage loan	Mega International Commercial Bank	1.21%~1.22%	2017/12/28~2029/12/28	2,645,833
Aircraft mortgage loan	Chang Hwa Commercial Bank	1.37%~1.46%	2015/09/30~2027/09/30	2,609,333
Aircraft mortgage loan	Cathay United Bank	1.20%~1.21%	2017/09/22~2029/09/22	2,652,250
Aircraft mortgage loan	First Commercial Bank and other bank group (Note 1)	1.16%~1.17%	2008/06/12~2020/06/12	232,499
Aircraft mortgage loan	Taiwan Cooperative Bank and other bank group (Note 2)	1.16%~1.17%	2009/02/03~2021/02/03	697,967
Aircraft mortgage loan	Bank of Taiwan	1.28%~1.29%	2018/06/29~2030/06/29	3,271,625
Aircraft mortgage loan	E.SUN Bank	1.15%~1.16%	2018/02/23~2030/02/23	3,500,000
Aircraft mortgage loan	Chang Hwa Commercial Bank	1.26%~1.27%	2018/12/11~2030/12/11	3,770,250
Aircraft mortgage loan	Hua Nan Commercial Bank	1.19%~1.19%	2019/12/27~2031/12/27	3,496,000
Aircraft mortgage loan	Taiwan Business Bank	1.22%~1.23%	2019/01/30~2031/01/30	3,833,333
Aircraft mortgage loan	Bank of Taiwan	1.19%~1.19%	2019/06/25~2031/06/25	3,806,213
Aircraft mortgage loan	Bank of Taiwan	1.19%~1.19%	2019/08/15~2031/08/15	3,257,000
Aircraft mortgage loan	Yuanta Commercial Bank	1.19%~1.19%	2019/09/25~2031/09/25	<u>3,545,000</u>
Subtotal				<u>51,304,841</u>

Note 1: Syndicated Loan by First Commercial Bank and other 11 banks.

Note 2: Syndicated Loan by Taiwan Cooperative Bank and other 11 banks.

EVA AIRWAYS CORP.

Statement of long-term borrowings (2)

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Bank</u>	<u>Interest</u>	<u>Period</u>	<u>Amount</u>
Medium and long-term credit loan	Cathay United Bank	1.16%~1.26%	2017/09/19~2022/09/19	\$ 375,000
	Bank of Taiwan	2.01%~2.01%	2015/05/28~2020/05/28	50,000
	Bank of Taiwan	1.21%~1.22%	2018/08/14~2023/08/14	800,000
	Chang Hwa Commercial Bank	1.26%~1.27%	2017/05/26~2022/05/26	1,250,000
	O-Bank	1.16%~1.20%	2016/11/25~2021/11/10	240,000
	First Commercial Bank	1.19%~1.19%	2017/06/19~2020/06/19	83,333
	Bank SinoPac	1.16%~1.17%	2017/06/29~2022/06/29	312,500
	Taiwan Business Bank	1.21%~1.22%	2017/06/07~2022/06/07	500,000
	Mega International Commercial Bank	1.21%~1.22%	2017/08/25~2022/08/25	600,000
	E.SUN Bank	1.21%~1.22%	2017/07/12~2020/07/12	375,000
	Land Bank of Taiwan	1.24%~1.25%	2018/01/12~2022/01/12	281,250
	Far Eastern Int'l Bank	1.21%~1.22%	2018/03/30~2023/03/30	437,500
	Bank SinoPac	1.16%~1.17%	2018/09/28~2023/09/28	468,750
	Yuanta Commercial Bank	1.23%~1.24%	2018/11/05~2021/11/05	1,000,000
	Bank of Kaohsiung	1.26%~1.27%	2018/11/09~2023/11/09	440,000
	CTBC Bank	1.16%~1.17%	2018/11/28~2021/11/28	480,000
	KGI Bank	1.16%~1.17%	2018/12/12~2021/09/12	700,000
	Taishin International Bank	1.16%~1.26%	2018/01/26~2021/01/26	1,000,000
	The Export-Import Bank of Republic of China	1.16%~1.16%	2019/03/21~2022/03/21	500,000
	Sunny Bank	1.16%~1.16%	2019/03/28~2022/03/28	800,000
	Taipei Fubon Bank	1.13%~1.13%	2019/07/04~2022/07/04	460,000
	Agricultural Bank of Taiwan	1.15%~1.15%	2019/07/23~2024/07/23	500,000
	DBS Bank (Taiwan) Ltd.	1.12%~1.12%	2019/11/18~2022/11/18	500,000
	Bank of China	1.17%~1.17%	2019/12/05~2022/12/05	600,000
	Bank of Communications	1.13%~1.13%	2019/11/22~2022/11/22	1,200,000
Subtotal				<u>13,953,333</u>
Total				68,368,174
Less: Current portion				<u>(10,856,419)</u>
Total				<u>\$ 57,511,755</u>

EVA AIRWAYS CORP.

Statement of contract liabilities — non-current and
other non-current liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Contract liabilities — non-current:	
Customer loyalty program	\$ <u>3,220,551</u>
Restoration obligations	\$ 19,494,670
Unrealized gains	171,620
Others	<u>743,618</u>
Total	<u>\$ 20,409,908</u>

Statement of lease liabilities

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>
Land	3 to 19 years	1.15%~1.21%	\$ 360,488
Building and structures	1 to 10 years	1.15%~3.30%	767,794
Aircraft	4 to 12 years	2.03%~3.32%	97,838,190
Machinery and equipment	1 to 5 years	1.15%~3.32%	<u>44,891</u>
			<u>\$ 99,011,363</u>

Note: The financial statement accounts and amounts of lease liabilities were disclosed in note 6(p).

EVA AIRWAYS CORP.
Statement of operating revenue
For the year ended December 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Operating revenue:	
Revenue from passenger services	\$ 100,623,028
Revenue from cargo services	25,379,299
Others	<u>9,618,824</u>
Total	<u><u>\$ 135,621,151</u></u>

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Cost of air freight services	\$ 69,408,305
Airport operating cost	15,793,571
Traveler service cost	17,343,850
Maintenance cost	10,574,026
Others	<u>4,357,530</u>
Total	<u><u>\$ 117,477,282</u></u>

EVA AIRWAYS CORP.
Statement of operating expenses
For the year ended December 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Salary expense	\$ 5,577,838
Commission expense	1,371,244
Advertising expense	904,732
Depreciation expense	889,713
Others (Note 1)	<u>3,283,476</u>
Total	<u>\$ 12,027,003</u>

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 were disclosed in note 6(c).

Notes and accounts receivable – related parties, other receivables – related parties, accounts payable – related parties and other payables – related parties were disclosed in notes 6(d), 6(e), 7 and 13.

Non-current assets or disposal group classified as held for sale, net and liabilities related to non-current assets or disposal group classified as held for sale were disclosed in note 6(g).

Statement of changes in property, plant and equipment was disclosed in note 6(j).

Statement of changes in right-of-use assets was disclosed in note 6(k).

Statement of changes in investment property was disclosed in note 6(l).

Statement of changes in intangible assets was disclosed in note 6(m).

Other current assets and other non-current assets were disclosed in note 6(n).

Statement of changes in restoration obligations was disclosed in note 6(q).

Statement of deferred tax assets and liabilities was disclosed in note 6(t).

Statement of net defined benefit liabilities – non-current was disclosed in note 6(s).

Statement of other income was disclosed in note 6(z).

Statement of other gains and losses was disclosed in note 6(z).

Statement of finance costs was disclosed in note 6(z).