Stock Code:2618

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

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

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Representation Letter

The entities that are required to be included in the combined financial statements of EVA Airways Corp. and subsidiaries as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVA Airways Corp. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: EVA AIRWAYS CORP.

Chairman: Bou-Shiu Lin

Date: March 19, 2019

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Independent Auditors' Report

To the Board of Directors
EVA Airways Corp.:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Contract liabilities—mileage redemption revenue

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

   Description of key audit matter:

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

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

How the matter was addressed in our audit:

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

2. The restoration obligation of leased aircraft

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

   Description of key audit matter:

   The estimated recovery costs are incurred through the lease of aircraft. The Group's restoration obligations are based on the necessary maintenance expenses under the lease contracts of the aircraft, in which the Group expects all of the maintenance expenses to be reimbursed when the Group returns back all its rented aircraft. The accuracy of restoration obligation is one of the key judgmental areas for our audit.

   How the matter was addressed in our audit:

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Readers

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

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent															
				Retained earnings				Other equity								
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges	Gains (losses) on hedging instruments	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2017	$ 40,518,923	-	6,237,027	643,643	2,314,892	2,743,831	5,702,366	46,069	-	989,845	(166,035)	-	869,879	53,328,195	6,008,086	59,336,281
Appropriation of prior year's earnings:																
Legal reserve	-	-	-	347,600	-	(347,600)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(2,314,892)	2,314,892	-	-	-	-	-	-	-	-	-	-
Cash dividends to common stockholders	-	-	-	-	-	(810,379)	(810,379)	-	-	-	-	-	-	(810,379)	-	(810,379)
Stock dividends to common stockholders	1,215,567	-	-	-	-	(1,215,567)	(1,215,567)	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds recognized in capital surplus-share options	-	-	402,913	-	-	-	-	-	-	-	-	-	-	402,913	-	402,913
Profit	-	-	-	-	-	5,752,067	5,752,067	-	-	-	-	-	-	5,752,067	558,867	6,310,934
Other comprehensive income	-	-	-	-	-	(756,238)	(756,238)	(56,920)	-	(170,587)	318,672	-	91,165	(665,073)	(104,610)	(769,683)
Total comprehensive income	-	-	-	-	-	4,995,829	4,995,829	(56,920)	-	(170,587)	318,672	-	91,165	5,086,994	454,257	5,541,251
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(260,558)	(260,558)
Balance on December 31, 2017	41,734,490	-	6,639,940	991,243	-	7,681,006	8,672,249	(10,851)	-	819,258	152,637	-	961,044	58,007,723	6,201,785	64,209,508
Effects of retrospective application	-	-	-	-	-	454,662	454,662	-	371,924	(819,258)	(152,637)	152,637	(447,334)	7,328	12	7,340
Balance on January 1, 2018 after adjustments	41,734,490	-	6,639,940	991,243	-	8,135,668	9,126,911	(10,851)	371,924	-	-	152,637	513,710	58,015,051	6,201,797	64,216,848
Appropriation of prior year's earnings:																
Legal reserve	-	-	-	575,207	-	(575,207)	-	-	-	-	-	-	-	-	-	-
Cash dividends to common stockholders	-	-	-	-	-	(834,689)	(834,689)	-	-	-	-	-	-	(834,689)	-	(834,689)
Stock dividends to common stockholders	2,086,725	-	-	-	-	(2,086,725)	(2,086,725)	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	-	49,662	20,505	-	-	-	-	-	-	-	-	-	-	70,167	-	70,167
Profit	-	-	-	-	-	6,552,827	6,552,827	-	-	-	-	-	-	6,552,827	661,686	7,214,513
Other comprehensive income	-	-	-	-	-	(395,610)	(395,610)	7,091	156,945	-	-	(261,993)	(97,957)	(493,567)	(49,928)	(543,495)
Total comprehensive income	-	-	-	-	-	6,157,217	6,157,217	7,091	156,945	-	-	(261,993)	(97,957)	6,059,260	611,758	6,671,018
Issuance of common stock	-	180,980	91,500	-	-	-	-	-	-	-	-	-	-	272,480	-	272,480
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(276,089)	(276,089)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(18,332)	(18,332)	-	18,332	-	-	-	18,332	-	-	-
Balance on December 31, 2018	**$ 43,821,215**	**230,642**	**6,751,945**	**1,566,450**	**-**	**10,777,932**	**12,344,382**	**(3,760)**	**547,201**	**-**	**-**	**(109,356)**	**434,085**	**63,582,269**	**6,537,466**	**70,119,735**

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

EVA Airways Corp (the "Company") was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Republic of China (R.O.C.) Ministry of Transportation and Communications. The address of the Company's registered office is No. 376, Sec. 1, Hsin-nan Road, Luchu Dist., Taoyuan City, Taiwan.

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

(a) civil aviation transportation and general aviation business;

(b) maintenance of aircraft, engine and parts;

(c) ground service at airports;

(d) catering service;

(e) air cargo entrepot;

(f) manufacture of aircraft parts;

(g) to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

The details are disclosed in note 14.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issuance by the Company's Board of Directors as of March 19, 2019.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018

(Continued)

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

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

(i) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

1) Rending of services

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

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

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

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impacts on financial statements

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

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

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

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(ii) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

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

2) Impairment of financial assets

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

3) Hedge accounting

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

4) Transition

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

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

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

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

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

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

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

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

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Note 2: These equity securities (including financial assets carried at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $8,608 in those assets recognized, and a decrease of $447,334 in the other equity, as well as the increase of $454,662 and $12 in retained earnings and non-controlling interest were recognized on January 1, 2018.

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ab).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16 "Leases"

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

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

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Determining whether an arrangement contains a lease

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

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

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

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

(Continued)

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

(4) Summary of significant accounting policies

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

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as "IFRSs endorsed by FSC").

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

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

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

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

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

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Control is achieved where to Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Principal activity	Shareholding percentage 2018.12.31	2017.12.31	Note
The Company	Evergreen Aviation Technologies Corp.	Maintenance of aircraft, engine and parts	80.00 %	80.00 %	Note 3
The Company	Evergreen Airline Services Corp.	Ground service at airport	56.33 %	56.33 %	-
The Company	Evergreen Sky Catering Corp.	Catering service	49.80 %	49.80 %	Note 1
The Company	Evergreen Air Cargo Services Corp.	Air cargo entrepot	60.625 %	60.625 %	-
The Company	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	40.00 %	40.00 %	Note 3
Evergreen Aviation Technologies Corp.	Evergreen Aviation Precision Corp.	Manufacture of aircraft parts	30.00 %	30.00 %	Note 3
The Company	Hsiang Li Investment Corp.	Investing business	100.00 %	100.00 %	-
The Company	Sky Castle Investment Ltd.	Investing business	100.00 %	100.00 %	-
The Company	Evergreen Airways Service (Macau) Ltd.	Investing business	99.00 %	99.00 %	-
The Company	RTW Air Services (S) Pte. Ltd.	Traveling agency	- %	49.00 %	Note 1、Note 2
The Company	PT Perdana Andalan Air Service	Traveling agency	51.00 %	51.00 %	-
The Company	EVA Flight Training Academy	Flight training	100.00 %	100.00 %	-

Note 1: The Company did not own more than half of the voting rights of the subsidiaries directly or indirectly. However, the Company has the right to appoint more than half of directors of board of directors of the subsidiaries and has control over the board of directors, these subsidiaries are deemed to be a subsidiary of the Company.

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

(Continued)

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

1) fair value through other comprehensive income (available-for-sale) equity investment;

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

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

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

The Group classifies an asset as current when:

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

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

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

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

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

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

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

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

The Group classifies all other liabilities as non-current.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

5) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses from financial assets measured at fair value through other comprehensive income”, in profit or loss.

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

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

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

1) Financial assets at fair value through profit or loss

These financial assets were acquired for the purpose of trading or is designated as financial assets at fair value through profit or loss.

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

2) Loans and receivables

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

(Continued)

3) Available-for-sale financial assets

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

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

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

4) Impairment of financial assets

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

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

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

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

The financial assets, which were assessed individually for any impairment and the impairment was recognized or being recognized, were not collectively assessed for impairment by grouping together. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

(Continued)

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(Continued)

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

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

Interest and gain or loss related to the financial liabilities are recognized in profit or loss, and are included in non-operating income and expenses.

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

2) Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

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

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

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

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in the fair value of the asset or liability or group, thereof that are attributable to the hedged risk, and are both presented under hedged items in the consolidated statement of comprehensive income as well.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. Under effective interest method, adjustments made for fair value of hedged items (which arises from risk to be managed) are amortized as profit or loss once the hedge accounting is discontinued. The amortization is based on the effective interest rate that is recalculated at the inception of amortization so that the adjustment in fair value will be fully amortized at maturity date.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other equity the effective portion of gains and losses from changes in fair value of cash flow hedges. Any gain or loss relating to an ineffective portion is recognized immediately under non-operating income and expenses in the statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

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

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

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group’ s interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group’ s share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Investment property

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Major inspection and overhaul cost

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

2) Buildings and structures: 5 to 55 years

3) Machinery and equipment: 1 to 18 years

4) Aircraft: 3 to 18 years

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

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

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

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(l) Leases

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

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

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

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

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

(m) Impairment of non-financial assets

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

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

(Continued)

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

(n) Provision

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

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

(o) Intangible assets

The Group entered into contracts with the government to provide public service in infrastructure.The Group is obliged to construct the public sector asset and provide operation service for 30 years since the public sector asset was contracted. At the end of the operating period, the public sector asset should be returned to the government for no incremental consideration. Based on the IFRIC 12 Service Concession Arrangements, the Group allocates the consideration received by reference to the relative fair values of the construction and operation services delivered. Subsequently, the Group recognizes and measures revenue in accordance with IAS 11 Construction Contacts and IAS 18 Revenue. The fair value of the services is determined as intangible assets or financial assets, by the nature of the consideration given by the grantor to the operator and by reference to the contract terms.

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

(Continued)

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

(i) Operating concession: 30 years

(ii) Computer software: 2 to 5 years

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

(p) Revenue recognition

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

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

1) Aviation transportation revenue

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

2) Customer loyalty program

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

3) Maintenance services

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

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

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

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

4) Sale of goods

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

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

5) Financing components

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

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

1) Aviation transportation revenue

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

2) Unearned mileage redemption revenue

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

3) Services revenue

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The Group determines the stage of completion of a transaction in terms of services performed as a percentage of total services to be performed.

4) Goods sold

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

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

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfill a contract

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

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

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. A liability is recognized when the obligation can be estimated reliably.

(r) Share-based payment

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

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

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.

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

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

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

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

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share (EPS)

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

(u) Operating segment

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

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

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

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next year.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements is as follows:

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

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

(a) Contract liabilities－mileage redemption revenue

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

(b) Restoration obligations

Please refer to note 4(n), for the estimated recovery costs that were incurred through the lease of aircrafts. The Group’s restoration obligations are based on necessary maintenance expenses under the lease contracts of the aircraft, in which the Group expects all of the maintenance expenses to be reimbursed when the Group returns back all its rented aircraft. The amounts are estimated by gauging the maintenance experiences of similar types of aircraft, the actual maintenance expenses in the past, and the historical information on the usage of the aircraft. The Group is also continuing to monitor its accounting assumption and verify its appropriateness. Changes in judgment or estimations may have a material impact on the amounts of recovery costs.

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

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

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

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

(b) Financial assets and liabilities

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(vi) The aforementioned financial assets were not pledged.

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(c) Financial instruments used for hedging

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

Cash flow hedge:

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

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

(i) Fuel swap and option agreements

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

As of December 31, 2018 and 2017, the cash flow hedged items and derivative financial hedging instruments were as follows:

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

(ii) Forward exchange contracts

The Group's strategy is to use the forward exchange contracts to hedge its estimated foreign currency exposure in respect of forecasted purchases transactions. When actual purchase occurs, the amount accumulated in gains (losses) on the effective portion of cash flow hedge under other equity interest will be reclassified to non-current assets in the same period. The terms of forward foreign exchange contract are coordinated with the hedged item. The unexpired forward exchange contracts held by the Group were as follows:

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

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

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

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

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

(d) Notes and accounts receivable

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

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

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

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

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

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

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

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

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(e) Other receivables

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

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

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

The movement in allowance for other receivables was as follow:

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

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

(f) Inventories

(i) The components were as follows:

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

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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:

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

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

(g) Investments accounted for using equity method

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

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

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

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

(h) Subsidiaries with material non-controlling interests

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

Name of the subsidiary	Principal place of business or country of incorporation of the subsidiary	The proportion of ownership interests and voting rights held by non-controlling interests 2018.12.31	2017.12.31
Evergreen Sky Catering Corp.	Taiwan	50.2 %	50.2 %
Evergreen Aviation Technologies Corp.	Taiwan	20 %	20 %

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

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

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

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

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

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

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

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

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

(i) Property, plant and equipment

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

		Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Cost:								
Beginning balance as of January 1, 2018	$	5,581,805	15,695,975	27,436,583	29,755,803	122,206,441	5,510,139	206,186,746
Additions		-	368,421	483,898	1,168,303	10,235,749	1,985,730	14,242,101
Disposals		-	-	(1,410,884)	(146,922)	(15,527,908)	-	(17,085,714)
Reclassification (Note)		(56,381)	5,427,857	3,927,720	12,947	5,426,809	(5,021,528)	9,717,424
Effect of exchange rate changes		-	8,053	4,139	-	-	721	12,913
Balance as of December 31, 2018	$	**5,525,424**	**21,500,306**	**30,441,456**	**30,790,131**	**122,341,091**	**2,475,062**	**213,073,470**
Beginning balance as of January 1, 2017	$	5,535,074	14,051,586	27,122,373	31,018,767	123,743,083	3,119,666	204,590,549
Additions		46,731	164,873	947,304	3,279,424	9,099,672	2,942,372	16,480,376
Disposals		-	-	(1,220,049)	(4,955,767)	(15,741,953)	-	(21,917,769)
Reclassification (Note)		-	1,485,165	601,004	413,379	5,105,639	(537,052)	7,068,135
Effect of exchange rate changes		-	(5,649)	(14,049)	-	-	(14,847)	(34,545)
Balance as of December 31, 2017	$	**5,581,805**	**15,695,975**	**27,436,583**	**29,755,803**	**122,206,441**	**5,510,139**	**206,186,746**
Accumulated depreciation:								
Beginning balance as of January 1, 2018	$	-	7,271,248	14,645,408	7,692,686	41,560,025	-	71,169,367
Depreciation expense		-	686,338	2,151,950	2,809,127	7,261,527	-	12,908,942
Disposals		-	-	(1,108,275)	(146,576)	(13,681,515)	-	(14,936,366)
Reclassification (Note)		-	(1,705)	(33,236)	-	4,597	-	(30,344)
Effect of exchange rate changes		-	533	826	-	-	-	1,359
Balance as of December 31, 2018	$	**-**	**7,956,414**	**15,656,673**	**10,355,237**	**35,144,634**	**-**	**69,112,958**

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	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
Beginning balance as of January 1, 2017	$ -	6,801,933	13,891,374	8,665,244	49,750,151	-	79,108,702
Depreciation expense	-	469,985	2,061,341	3,983,055	7,422,377	-	13,936,758
Disposals	-	-	(850,486)	(4,955,613)	(15,569,444)	-	(21,375,543)
Reclassification (Note)	-	(437)	(450,884)	-	(43,059)	-	(494,380)
Effect of exchange rate changes	-	(233)	(5,937)	-	-	-	(6,170)
Balance as of December 31, 2017	$ -	7,271,248	14,645,408	7,692,686	41,560,025	-	71,169,367
Carrying amounts:							
Balance as of December 31, 2018	$ 5,525,424	13,543,892	14,784,783	20,434,894	87,196,457	2,475,062	143,960,512
Balance as of December 31, 2017	$ 5,581,805	8,424,727	12,791,175	22,063,117	80,646,416	5,510,139	135,017,379
Balance as of January 1, 2017	$ 5,535,074	7,249,653	13,230,999	22,353,523	73,992,932	3,119,666	125,481,847

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

(i) Leased aircraft

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets and the related restoration obligations are recognized as other current liabilities and other non-current liabilities and are amortized using interest method. Refer to note 6(n) for the movements of restoration obligations.

(ii) Sale and leaseback transactions

The Group leased aircraft under sale and leaseback arrangements, which were judged as finance leases. The unrealized gain on sale and leaseback, resulting from the difference between sale price and book value of the equipment, is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2018 and 2017, the unrealized gains from the sale and leaseback were $51,548, and $127,227, respectively and were recognized as other non-current liabilities.

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

(iv) Pledge

As of December 31, 2018 and 2017, the Group’s property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

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

(j) Investment property

The movement in cost of investment property were as follow:

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

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

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

(k) Intangible assets

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

		Operating concession	Computer software	Total
Cost:				
Beginning balance as of January 1, 2018	$	3,423,792	1,248,953	4,672,745
Additions		-	461,254	461,254
Disposals		-	(339,093)	(339,093)
Balance as of December 31, 2018	$	**3,423,792**	**1,371,114**	**4,794,906**
Beginning balance as of January 1, 2017	$	3,423,792	1,106,897	4,530,689
Additions		-	291,447	291,447
Disposals		-	(149,391)	(149,391)
Balance as of December 31, 2017	$	**3,423,792**	**1,248,953**	**4,672,745**
Accumulated amortization:				
Beginning balance as of January 1, 2018	$	1,935,490	658,582	2,594,072
Amortization expense		134,296	281,862	416,158
Disposals		-	(339,093)	(339,093)
Balance as of December 31, 2018	$	**2,069,786**	**601,351**	**2,671,137**

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	Operating concession	Computer software	Total
Beginning balance as of January 1, 2017	$ 1,801,193	558,715	2,359,908
Amortization expense	134,297	249,258	383,555
Disposals	-	(149,391)	(149,391)
Balance as of December 31, 2017	**$ 1,935,490**	**658,582**	**2,594,072**
Carrying amounts:			
Balance as of December 31, 2018	**$ 1,354,006**	**769,763**	**2,123,769**
Balance as of December 31, 2017	**$ 1,488,302**	**590,371**	**2,078,673**
Balance as of January 1, 2017	**$ 1,622,599**	**548,182**	**2,170,781**

(i) Amortization

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

(ii) Pledge

The aforementioned intangible assets were not pledged.

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

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

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

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

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

(m) Short-term borrowings, long-term borrowings, bonds payables and lease liabilities

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

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

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

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The details of convertible bonds were as follows:

		2018.12.31	2017.12.31
Total convertible bonds issued	$	7,000,000	7,000,000
Less: Unamortized discounted bonds payable		(318,577)	(403,768)
Cumulative converted amount		(73,500)	-
Convertible bonds issued balance	$	**6,607,923**	**6,596,232**
Embedded derivatives－put/call options (included in financial liabilities at fair value through profit or loss)	$	**6,234**	**16,800**
Equity components－conversion options (included in capital surplus－share options)	$	**398,682**	**402,913**

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

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

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

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

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

(iv) Coupon rate: 0%.

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

(vi) Conversion price: The price determination day was October 19, 2017; the conversion price shall be the simple arithmetical average closing price of the common shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 104.24% (rounded off to the 1st decimal place). If the ex-dividend or the ex-rights date happens before the pricing date, the closing price which was adopted to calculate the conversion price should be adjusted for the distribution of stock dividends or cash dividends; and if the ex-dividend or the ex-rights date happens between the conversion price determination date and the actual issuance date, the conversion price should be modified by the conversion price adjustment formula. As of December 31, 2018 and 2017, the conversion price was $14.8 and $15.5 per share, respectively. In addition, corporate bonds with a face value of $73,500 has been converted to 4,966 thousand shares of common stock.

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

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

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

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

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

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

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

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

As of December 31, 2018, the details of the future repayment periods and amounts of the Group’s long-term borrowings, bonds payable, and lease liabilities were as follows:

Year due	Amount
2019.1.1~2019.12.31	$ 16,562,430
2020.1.1~2023.12.31	60,290,084
2024.1.1 and thereafter	21,132,715
	$ 97,985,229

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

EVA AIRWAYS CORP. AND SUBSIDIARIES
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(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

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

(iii) Lease liabilities

The Group's lease liabilities were as follows:

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

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

(n) Restoration obligations

The movements of the restoration obligations were as follows:

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

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

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(o) Operating leases

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

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

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

The Group did not assume the residual value of the abovementioned lease items, and determined that the risk and return of those lease items are still assumed by the lessor. Hence, the Group treated the abovementioned lease as operating leases.

(p) Employee benefits

(i) Defined benefit plans

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

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

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the units based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Minimum earnings on such funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group’s labor pension reserve account balance in Bank of Taiwan amounted to $7,091,869 as of December 31, 2018. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

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

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

3) Movements in the fair value of the defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

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

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

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

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

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

6) Actuarial assumptions

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

a) the rate applied in calculating the present value of defined benefit obligations

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

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

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

The Group expects to make contributions of $860,290 to the defined benefit plans in the next year starting from December 31, 2018. The weighted average of the defined benefit plans is 11.2~20.25 years.

7) Sensitivity analysis

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

	Effects to the defined benefit obligation			
	Favorable		Unfavorable	
	2018.12.31	2017.12.31	2018.12.31	2017.12.31
Discount rate (0.25%)	316,787	305,750	333,785	332,648
Future salary increases (0.25%)	302,527	293,303	317,253	317,998

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

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

(ii) Defined contribution plans

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

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

(q) Income tax

(i) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20%.

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

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

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

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

(Continued)

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

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

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

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

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

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

According to the R.O.C. Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2018, the Group's loss carry-forwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

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

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

2) Recognized deferred tax assets and liabilities

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

	Loss carryforwards	Loss on valuation of inventories	Purchase of fixed assets in installments	Defined benefit plans	Restoration obligations	Mileage revenue	Unrealized foreign exchange losses	Others	Total
Deferred tax assets:									
Beginning balance as of January 1, 2018	$ 624,396	752,756	70,736	911,712	750,218	515,175	13,430	454,744	4,093,167
Recognized in profit or loss	(624,396)	49,205	(34,399)	(173,365)	80,545	215,406	(7,624)	154,747	(339,881)
Recognized in other comprehensive income	-	-	-	305,459	-	-	-	27,339	332,798
Balance as of December 31, 2018	**$ -**	**801,961**	**36,337**	**1,043,806**	**830,763**	**730,581**	**5,806**	**636,830**	**4,086,084**
Beginning balance as of January 1, 2017	$ 975,353	775,210	136,823	832,028	673,983	434,814	163,501	657,615	4,649,327
Recognized in profit or loss	(350,957)	(22,454)	(66,087)	(95,538)	76,235	80,361	(150,071)	(168,593)	(697,104)
Recognized in other comprehensive income	-	-	-	175,222	-	-	-	(34,278)	140,944
Balance as of December 31, 2017	**$ 624,396**	**752,756**	**70,736**	**911,712**	**750,218**	**515,175**	**13,430**	**454,744**	**4,093,167**

	Unrealized foreign exchange gains	Investment gains of foreign operations accounted for using equity method	Others	Total
Deferred tax liabilities:				
Beginning balance as of January 1, 2018	$ 42,798	58,784	54,104	155,686
Effects of retrospective application	-	-	1,267	1,267
Recognized in profit or loss	(39,916)	18,516	(6,804)	(28,204)
Recognized in other comprehensive income	-	-	(30,590)	(30,590)
Balance as of December 31, 2018	**$ 2,882**	**77,300**	**17,977**	**98,159**
Beginning balance as of January 1, 2017	$ 9,570	56,851	33,812	100,233
Recognized in profit or loss	33,228	1,933	(8,812)	26,349
Recognized in other comprehensive income	-	-	29,104	29,104
Balance as of December 31, 2017	**$ 42,798**	**58,784**	**54,104**	**155,686**

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

(r) Capital and other equity

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 45,000,000 and 4,500,000 thousand shares of common stock respectively, with par value of $10 (dollars) per share, of which the issued and outstanding share capital were $43,821,215 and $41,734,490 respectively.

(i) Common stock

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

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

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

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

(ii) Capital surplus

The details of capital surplus were as follows:

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

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

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

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

(iv) Other equity (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges	Gains (losses) on hedging instruments	Non-controlling interests	Total
Beginning balance as of January 1, 2018	$ (10,851)	-	819,258	152,637	-	10,846	971,890
Effects of retrospective application	-	371,924	(819,258)	(152,637)	152,637	12	(447,322)
Balance as of January 1, 2018 after adjustments	(10,851)	371,924	-	-	152,637	10,858	524,568
Exchange differences on translation of foreign financial statements	933	-	-	-	-	(15,739)	(14,806)
Exchange differences on associates accounted for using equity method	6,158	-	-	-	-	1,540	7,698
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	156,945	-	-	-	(875)	156,070
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	18,332	-	-	-	-	18,332
Changes in fair value of hedging instrument reclassified to profit or loss	-	-	-	-	(261,993)	-	(261,993)
Balance as of December 31, 2018	**$ (3,760)**	**547,201**	**-**	**-**	**(109,356)**	**(4,216)**	**429,869**
Beginning balance as of January 1, 2017	$ 46,069	-	989,845	(166,035)	-	14,932	884,811
Exchange differences on translation of foreign financial statements	(48,111)	-	-	-	-	(3,323)	(51,434)
Exchange differences on associates accounted for using equity method	(8,809)	-	-	-	-	(2,203)	(11,012)
Accumulated gains or losses of available-for-sale financial assets reclassified to profit or loss	-	-	(635,069)	-	-	(199)	(635,268)
Unrealized gains or losses on available-for-sale financial assets	-	-	464,482	-	-	1,639	466,121
Cash flow hedges, effective portion	-	-	-	318,672	-	-	318,672
Balance as of December 31, 2017	**$ (10,851)**	**-**	**819,258**	**152,637**	**-**	**10,846**	**971,890**

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(s) Share-based payment

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

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

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

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

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

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

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

(iv) Employee expense:

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

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(t) Earnings per share ("EPS")

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

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

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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

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

(ii) Contract balances

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

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

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

The contract liabilities primarily relate to deferred recognition of revenue relating to ticket services and customer loyalty programs, for which revenue is recognized when the ticket sales for passengers and award points are redeemed or when they expire.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Other significant changes during the period are as follows:

	2018 Contract liabilities
Changes in an estimate of the transaction price	$ 232,479

(iii) Transaction price allocated to the remaining performance obligations

As of 31 December 2018, the amount allocated to the customer loyalty program was $3,652,903. This will be recognized as revenue as the customer loyalty program points are redeemed or when they expire, which is expected to occur over the next three years.

The contract of maintenance services has an original expected duration of less than one year, thus the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

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

(v) Revenue

The components of revenue of the year ended December 31, 2017 were as follows:

	2017
Aviation transportation revenue	$ 117,278,580
Services revenue	36,774,848
Others	9,508,303
	$ 163,561,731

The Group has a customer loyalty program to improve its ticket sales. Upon purchasing, customers are awarded credits entitling them to exchange for an upgrade or free tickets.

As of December 31, 2017, the above-mentioned deferred revenue amounted to $3,030,444, were recorded as unearned revenue and other non-current liabilities.

For details on revenue for the year end December 31, 2018, please refer to note 6(u).

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(w) Remuneration to employees, directors and supervisors

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

According to the Company's Articles of Incorporation before June 25, 2017, once the Company has annual earnings, a minimum of 1% will be distributed as employees' remuneration and a maximum of 5% will be allotted for directors' and supervisors' remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

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

For the years ended December 31, 2018 and 2017, the Company's accrued and recognized employees' remuneration amounted to $237,552 and $221,020, respectively, the directors' and supervisors' remuneration amounted to $9,500 and $11,670, respectively. The employees' remuneration, and the directors' and supervisors' remuneration were included in the operating costs and operating expenses.

The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

There was no difference between the aforementioned employees' remuneration and directors' and supervisors' remuneration of 2017. The related information can be found on Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other income

	2018	2017
Interest income		
Interest income from bank deposits	$ 697,284	401,475
Other interest	8,115	9,855
Total interest income	705,399	411,330
Dividend income	144,976	131,461
Others	15,010	308
	$ 865,385	**543,099**

(Continued)

(ii) Other gains and losses

		2018	2017
Gains (losses) on disposal of property, plant and equipment	$	678,229	(70,311)
Gains on disposal of investments		-	625,974
Foreign exchange gains (losses), net		283,508	(294,397)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss		16,571	7,700
Subsidy revenue		32,497	101,584
Others gains and losses		191,266	204,097
	$	**1,202,071**	**574,647**

(iii) Finance costs

		2018	2017
Interest expense			
Bank borrowings	$	1,078,769	1,041,035
Bonds Payable		196,173	190,156
Lease liabilities		67,925	106,579
Others		836,003	846,941
Less: capitalized interest		(176,643)	(182,273)
	$	**2,002,227**	**2,002,438**

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers and regional distributions were decentralized. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Group continually evaluates each customer’ s financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals.

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3) Credit risk of receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and time deposits. For the details on loss allowance for the year ended December 31, 2017, please refer to notes 6(e) and 6(l).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

Equity investments at fair value through other comprehensive income include listed and unlisted equity securities (previously classified as available-for-sale financial assets on December 31, 2017). For the details of investments, please refer to note 6(b).

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
As of December 31, 2018					
Non-derivative financial liabilities					
Long-term borrowings (including current portion of long-term liability)	$ 80,672,402	84,580,409	16,653,867	46,112,382	21,814,160
Bonds payable	15,107,923	15,653,875	90,950	15,562,925	-
Lease liabilities	2,204,904	2,307,731	1,005,415	1,179,456	122,860
Notes and accounts payable (including related parties)	10,393,231	10,393,231	10,393,231	-	-
Other payables (including related parties)	7,844,945	7,844,945	7,844,945	-	-
Subtotal	116,223,405	120,780,191	35,988,408	62,854,763	21,937,020
Derivative financial liabilities					
Embedded instruments	6,234	-	-	-	-
Fuel swap agreements for hedge purposes	136,503	136,503	136,503	-	-
Forward exchange contracts for hedge purposes:					
Outflow	228	182,651	182,651	-	-
Inflow	-	(182,423)	(182,423)	-	-
Subtotal	228	228	228	-	-
Total	**$ 116,366,370**	**120,916,922**	**36,125,139**	**62,854,763**	**21,937,020**

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	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
As of December 31, 2017					
Non-derivative financial liabilities					
Short-term and long-term borrowings (including current portion of long-term liability)	$ 75,163,694	78,759,919	15,934,759	44,598,036	18,227,124
Bonds payable	19,596,232	20,370,075	4,642,700	15,727,375	-
Lease liabilities	3,427,353	3,610,129	1,355,939	1,849,454	404,736
Notes and accounts payable (including related parties)	9,191,605	9,191,605	9,191,605	-	-
Other payables (including related parties)	7,067,358	7,067,358	7,067,358	-	-
Subtotal	114,446,242	118,999,086	38,192,361	62,174,865	18,631,860
Derivative financial liabilities					
Embedded instruments	16,800	-	-	-	-
Forward exchange contracts for hedge purposes:					
Outflow	558	178,996	178,996	-	-
Inflow	-	(178,438)	(178,438)	-	-
Subtotal	558	558	558	-	-
Total	**$ 114,463,600**	**118,999,644**	**38,192,919**	**62,174,865**	**18,631,860**

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

(iii) Currency risk

1) Exposure to currency risk

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

	2018.12.31				2017.12.31			
	Foreign Currency	Exchange rate		TWD	Foreign Currency	Exchange rate		TWD
Financial assets								
Monetary items								
USD	$ 1,027,275	USD/TWD=	30.72	31,552,752	$ 975,411	USD/TWD=	29.76	29,028,240
EUR	5,116	EUR/TWD=	35.20	180,075	6,298	EUR/TWD=	35.57	224,013
JPY	1,685,370	JPY/TWD=	0.2782	468,870	1,410,012	JPY/TWD=	0.2642	372,525
HKD	162,318	HKD/TWD=	3.9210	636,447	151,180	HKD/TWD=	3.8070	575,541
CNY	129,738	CNY/TWD=	4.4720	580,186	186,467	CNY/TWD=	4.5650	851,220
				$ 33,418,330				$ 31,051,539
Non-monetary items								
USD	$ 42,383	USD/TWD=	30.72	1,301,787	$ 32,214	USD/TWD=	29.76	958,689
CNY	62,401	USD/CNY=	6.8683	331,610	67,670	USD/CNY=	6.5192	359,834
SGD	-	SGD/TWD=	-	-	1,212	SGD/TWD=	22.2600	26,985
IDR	14,309,995	IDR/TWD=	0.0021	30,051	17,357,400	IDR/TWD=	0.0022	38,186
MOP	25,470	USD/MOP=	8.0664	96,985	23,455	USD/MOP=	8.1331	85,824
				$ 1,760,433				$ 1,469,518

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2018.12.31				2017.12.31			
	Foreign Currency	Exchange rate		TWD	Foreign Currency	Exchange rate		TWD
Financial liabilities								
Monetary items								
USD	$ 573,798	USD/TWD=	30.72	17,624,216	$ 689,873	USD/TWD=	29.76	20,530,612
EUR	8,696	EUR/TWD=	35.20	306,107	7,458	EUR/TWD=	35.57	265,291
JPY	1,727,097	JPY/TWD=	0.2782	480,478	1,768,812	JPY/TWD=	0.2642	467,320
HKD	28,997	HKD/TWD=	3.9210	113,696	19,093	HKD/TWD=	3.8070	72,688
CNY	169,715	CNY/TWD=	4.4720	758,966	171,283	CNY/TWD=	4.5650	781,905
				$ 19,283,463				$ 22,117,816

2) Sensitivity analysis

The Group's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), financial assets at fair value through other comprehensive income (available-for-sale financial assets－non-current), refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables, lease liabilities and restoration obligations (included in other current liabilities and other non-current liabilities) that are denominated in foreign currency. A 1% depreciation (appreciation) of the TWD against the USD, EUR, JPY, HKD and CNY as of December 31, 2018 and 2017, would have changed the profit by $141,349 and $89,337, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018 and 2017.

Due to the variety of the Group's functional currency, the Group discloses its exchange gains and losses of monetary items collectively. For years ended December 31, 2018 and 2017, the Group's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to $283,508 and $(294,397), respectively.

(iv) Interest rate risk

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

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates by 1% to the Group's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases (decreases) by 1% with all other variable factors that remain constant, the profit of the Group will change $812,176 and $762,968 for the years ended December 31, 2018 and 2017, respectively due to the Group's floating-interest borrowings.

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(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	2018 Other Comprehensive Income, net of tax	2018 Profit (losses)	2017 Other Comprehensive Income, net of tax	2017 Profit (losses)
increase 5%	$ 119,903	-	220,168	-
decrease 5%	$ (119,903)	-	(220,168)	-

(vi) Fair value

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	2018.12.31				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Money market funds	$ 769,039	769,039	-	-	769,039
Financial assets for hedging	36	-	36	-	36
Financial assets at fair value through other comprehensive income					
Publicly traded stock	933,742	933,742	-	-	933,742
Non-publicly traded stock	1,469,255	-	-	1,469,255	1,469,255
Subtotal	2,402,997	933,742	-	1,469,255	2,402,997
Financial assets measured at amortized cost					
Cash and cash equivalents	48,278,874	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	16,692,229	-	-	-	-
Other non-current assets	1,586,738	-	-	-	-
Subtotal	66,557,841	-	-	-	-
Total	$ 69,729,913	1,702,781	36	1,469,255	3,172,072

(Continued)

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Notes to the Consolidated Financial Statements

	2018.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	$ 6,234	-	6,234	-	6,234
Financial liabilities for hedging	136,731	-	136,731	-	136,731
Financial liabilities measured at amortized cost					
Long-term borrowings (including current portion of long-term liability)	80,672,402	-	80,674,150	-	80,674,150
Bonds payable	15,107,923	-	15,010,158	-	15,010,158
Lease liabilities	2,204,904	-	2,241,518	-	2,241,518
Notes and accounts payable (including related parties)	10,393,231	-	-	-	-
Other payables (including related parties)	7,844,945	-	-	-	-
Subtotal	116,223,405	-	97,925,826	-	97,925,826
Total	**$ 116,366,370**	**-**	**98,068,791**	**-**	**98,068,791**

	2017.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Derivative financial assets for hedge purposes	$ 184,458	-	184,458	-	184,458
Available-for-sale financial assets					
Money market funds	$ 1,845,223	1,845,223	-	-	1,845,223
Publicly traded stock	1,234,353	1,234,353	-	-	1,234,353
Non-publicly traded stock	1,325,317	-	-	1,325,317	1,325,317
Financial assets carried at cost	1,020	-	-	-	-
Subtotal	4,405,913	3,079,576	-	1,325,317	4,404,893
Loans and receivables					
Cash and cash equivalents	41,685,780	-	-	-	-
Notes and accounts receivable, and other receivables (including related parties)	14,353,344	-	-	-	-
Subtotal	56,039,124	-	-	-	-
Other non-current assets	1,545,011	-	-	-	-
Total	**$ 62,174,506**	**3,079,576**	**184,458**	**1,325,317**	**4,589,351**
Financial liabilities at fair value through profit or loss	$ 16,800	-	16,800	-	16,800
Derivative financial liabilities for hedge purposes	558	-	558	-	558
Amortized cost of financial liabilities					
Short-term and long-term borrowings (including current portion of long-term liability)	75,163,694	-	75,167,930	-	75,167,930
Bonds payable	19,596,232	-	19,487,983	-	19,487,983
Lease liabilities	3,427,353	-	3,451,848	-	3,451,848
Notes and accounts payable (including related parties)	9,191,605	-	-	-	-
Other payables (including related parties)	7,067,358	-	-	-	-
Subtotal	114,446,242	-	98,107,761	-	98,107,761
Total	**$ 114,463,600**	**-**	**98,125,119**	**-**	**98,125,119**

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
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2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

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

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

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

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

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

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

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

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

b) Derivative financial instruments

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

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3) Transfers between Level 1 and Level 2

For the years ended December 31, 2018 and 2017, the fair value hierarchy levels of financial instruments were not transferred.

4) Movements in fair value measurements of financial assets in Level 3

The following table shows the reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Fair value through other comprehensive income (Available-for-sale financial assets)
	Unquoted equity instruments
Beginning balance as of January 1, 2018	$ 1,325,317
Effects of retrospective application	8,608
Reclassified	1,020
Total gains or losses:	
Recognized in profit and loss	-
Recognized in other comprehensive income	134,310
Balance as of December 31, 2018	**$ 1,469,255**
Beginning balance as of January 1, 2017	$ 1,328,629
Total gains or losses:	
Recognized in profit and loss	(51,803)
Recognized in other comprehensive income	48,491
Balance as of December 31, 2017	**$ 1,325,317**

The amounts of total gains or losses for the periods were recognized in other gains and losses, and unrealized gains (losses) on available-for-sale financial assets and unrealized gains (losses) from financial assets measured at fair value through other comprehensive income. As of December 31, 2018 and 2017, the assets which were still held by the Group were as follows:

	2018	2017
Other comprehensive income (including in unrealized gains (losses) from financial assets measured at fair value through other comprehensive income)	$ 134,426	-
Other comprehensive income (including in unrealized gains (losses) on available-for-sale financial assets)	-	(3,312)

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

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

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

The significant unobservable inputs were as follows:

Items	Valuation techniques	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets – investments in equity securities)	Market approach—relevant information generated by publicly companies	• Price-book ratio (as of December 31, 2018 and 2017 were 0.80~2.64 and 0.39~2.64, respectively) • Market liquidity discount rate (as of December 31, 2018 and 2017 were 80%)	• The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value

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

The fair value measurements of the Group' s financial instruments are reasonable; However, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, a fluctuation in the valuation variable by 5% would have the following effect:

		Effects of changes in fair value on other comprehensive income			
		Favorable		Unfavorable	
Inputs	Increase (decrease)	2018.12.31	2017.12.31	2018.12.31	2017.12.31
Price-book ratio	5%	72,561	73,659	(73,605)	(59,688)
Market liquidity discount rate	5%	72,561	73,659	(73,605)	(59,688)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

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(z) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. In accordance with the Group's credit policy, each customer is analyzed individually for creditworthiness, and is required to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals before its credit terms and credit limit are offered. Credit limit is offered to each customer as the limit of transactions and is reviewed regularly.

The transaction amount of the majority of the Group's customers is not significant, leading to an insignificant influence of loss from credit risk arising from single customer on the Group. The Group set up the forward-looking "expected credit loss" model to reflect the estimated impairment loss of notes and accounts receivable.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other equity instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

3) Guarantees

As of December 31, 2018, the Group did not provide endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's finance department monitors the needs for cash flows, and plans optional return from investments of idle capital. The Group aims to maintain the level of its cash and cash equivalents at an amount to cope with expected cash outflows on operation, including meeting its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the TWD and USD. The currencies used in these transactions are principally denominated in TWD, CNY, EUR, USD, and JPY.

(Continued)

The Group hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary, the Group uses foreign currency financing and forward exchange contracts to hedge its currency risk. The financial department proactively collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information for securing the currency risk.

The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. For hedging foreign currency risk on the cash flow of aviation transportation with a highly probable forecast transaction, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Group’s own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

- changes in the timing of the hedged transactions.

2) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, reprising dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are：

- the effect of the counterparty and the Group’s own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- differences in reprising dates between the swaps and the borrowings.

(Continued)

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading.

The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(aa) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business.

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

As of December 31, 2018, there were no changes in the Group's approach to capital management.

(ab) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the year ended December 31, 2018, were as follows:

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	2018.1.1	**Cash flows**	**Interest expense**	**Foreign exchange movement**	**Other**	**2018.12.31**
Short-term borrowings	$ 100,000	(100,000)	-	-	-	-
Bonds payable	19,596,232	(4,500,000)	81,792	-	(70,101)	15,107,923
Long-term borrowings	75,063,694	5,525,144	20,106	63,458	-	80,672,402
Lease liabilities	3,427,353	(1,275,885)	2,572	50,864	-	2,204,904
Total liabilities from financing activities	**$ 98,187,279**	**(350,741)**	**104,470**	**114,322**	**(70,101)**	**97,985,229**

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship of related parties

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

Names of related parties	Relationship with the Group
Evergreen International S.A.	The Company's shareholder's major shareholder
Evergreen International Corp.	The Company's shareholder
Evergreen Marine Corp. (Taiwan) Ltd.	The Company's shareholder
Evergreen International Storage & Transport Corp.	The Company's shareholder's equity investment
UNI Airways Corp.	The Company's shareholder's equity investment
Ever Accord Construction Corp.	The Company's shareholder's equity investment
Evergreen Steel Corp.	The Company's shareholder's equity investment
Evergreen Insurance Company Limited	The Company's shareholder's equity investment
Evergreen Security Corp.	The Company's equity investment
GE Evergreen Engine Services Corp.	The consolidated subsidiary's equity investment
SATS Catering Private Limited	The consolidated subsidiary's shareholder's equity investment
Malaysia Airlines Berhad	The consolidated subsidiary's shareholder
Chang Yung-Fa Foundation	The Company's shareholder
Chang Yung-Fa Charity Foundation	The Company's shareholder

(c) Significant transactions with related parties

(i) Operating revenue

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

	2018	2017
Associates		
GE Evergreen Engine Services Corp.	$ 31,945,372	26,755,084
Other associates	628	628
Other related parties	3,417,833	3,253,909
	$ 35,363,833	**30,009,621**

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

The Group provided maintenance and other services to related parties. The transactions with related parties that were made have no significant differences from those of the non-related parties.

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions. There was no collateral on the accounts receivable from related parties.

(ii) Operating costs

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

	2018	2017
Associates	$ 117,993	94,363
Other related parties	729,256	781,262
	$ 847,249	**875,625**

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

(iii) Operating expenses

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

	2018	2017
Associates	$ 81,495	60,980
Other related parties	187,804	172,595
	$ 269,299	**233,575**

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

(iv) Property transaction

For the years ended December 31, 2018 and 2017, the Group purchased equipment from its related parties amounting to $256,783 and $263,637, respectively.

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(v) Construction commitment

In October 2014, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. both amounting to $1,312,371 for the purpose of the construction of its aircraft maintenance plants. As of December 31, 2018 and 2017, EGAT has partially paid the price of $1,311,798 and 1,180,982, respectively.

The consolidated subsidiary, Evergreen Airline Services Corp., (hereinafter refer to as EGAS), entered into a contract with Ever Accord Construction Corp. amounting to $712,381 for the purpose of the construction of its plants and employee dormitories. The amount of contract price was corrected to $728,007 due to changes of construction design in December, 2018. As of December 31, 2018 and 2017, EGAS has partially paid the price of $676,762 and 626,895, respectively.

In February 2017, EGAT, the consolidated subsidiary, entered into a contract with Ever Accord Construction Corp. both amounting to $786,058 for the purpose of the construction of its engine factory. As of December 31, 2018 and 2017, EGAT has partially paid the price of $529,017 and 222,455, respectively.

(vi) Receivables from related parties

Receivables from related parties of the Group were as follows:

Account	Class of related parties	2018.12.31	2017.12.31
	Associates		
Accounts receivable	GE Evergreen Engine Services Corp.	$ 6,279,073	4,572,587
Accounts receivable	Other associates	62	64
Accounts receivable	Other related parties	440,779	445,761
Other receivables	Associates	8	3,340
	Other related parties		
Other receivables	UNI Airways Corp.	286,403	320,026
Other receivables	Other related parties	9,344	9,776
		$ 7,015,669	**5,351,554**

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(vii) Payables to related parties

Payables to related parties of the Group were as follows:

Account	Class of related parties	2018.12.31	2017.12.31
Accounts payable	Associates	$ 11,598	9,080
	Other related parties		
Accounts payable	UNI Airways Corp.	34,238	30,784
Accounts payable	Evergreen International Corp.	27,382	35,544
Accounts payable	Evergreen International Storage & Transport Corp.	21,000	33,720
Accounts payable	Ever Accord Construction Corp.	2,074	85,915
Accounts payable	Other related parties	1	6
	Associates		
Other payables	Evergreen Security Corp.	26,047	15,085
	Other related parties		
Other payables	Ever Accord Construction Corp.	67,833	11,121
Other payables	UNI Airways Corp.	41,015	47,102
Other payables	Evergreen International Corp.	30,247	22,168
Other payables	Other related parties	4,496	8,714
		$ 265,931	**299,239**

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	2018	2017
Short-term employee benefits	$ 167,915	181,256
Post-employment benefits	27,883	20,134
Other long-term employee benefits	-	15
Share-based payments	845	-
	$ 196,643	**201,405**

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

(8) Pledged assets

The carrying amounts of the pledged assets were as follows:

Pledged assets	Object	2018.12.31	2017.12.31
Property, plant, and equipment	Long-term borrowings	$ 86,049,564	82,794,599
Time deposit－included in other non-current assets	Letters of credit, customs duty, and contract performance guarantees	120,332	111,058
		$ 86,169,896	**82,905,657**

(9) Significant contingent liabilities and unrecognized commitments

(a) Significant contingent liabilities: None.

(b) Significant commitments:

(i) In July 2015, the Company entered into aircraft purchase contracts amounting to US$1,620,000 with Boeing Company for five Boeing 777 freighters. As of December 31, 2018, one Boeing 777 freighter had not yet been delivered by Boeing Company. The Company has partially paid the price of $1,685,027, which was included in other non-current assets.

(ii) In November 2015, the Company entered into aircraft purchase contracts amounting to US$6,588,000 with Boeing Company for eighteen Boeing 787-10 aircraft. As of December 31, 2018, the eighteen Boeing 787-10 aircraft had not yet been delivered by Boeing Company. The Company has partially paid the price of $6,896,243, which was included in other non-current assets.

(iii) In November 2015, the Company entered into engine purchase contracts amounting to US$118,660 with General Electric Company for five Boeing 787 engines. As of December 31, 2018, four Boeing 787 engines had not yet been delivered by General Electric Company. The Company has partially paid the price of $211,538, which was included in other non-current assets.

(iv) The Company entered into a contract with DPR Construction, A General Partnership, for its Los Angeles land development case, with the approximate amount of US$64,591, which was approved during the Board of Directors' meeting on May 10, 2017. As of December 31, 2018, the Company has partially paid the price of $421,989, which was included in property, plant and equipment and investment property.

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

	2018.12.31	2017.12.31
Unused letters of credit	$ 2,426,803	2,776,627

(vi) The consolidated subsidiary, Evergreen Air Cargo Services Corp. (hereinafter referred to as EGAC), entered into a contract－Contract of Building and Operating Phase II Air Cargo Terminal－with Civil Aeronautics Administration, Ministry of Transportation and Communications (hereinafter referred to as CAA) in 1999 to obtain the right to build and operate phase II of air cargo terminal at Taoyuan International Airport (hereinafter referred to as terminal) during the concession period and to run the business of warehousing of air cargo. Some details of this contract are as follows:

1) Concession period

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

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

2) Right to build and operate

   a) EGAC should complete building terminal and acquire necessary licenses to start operation after obtaining approval from CAA. EGAC has acquired the right to operate since the date of approval of operation and is not allowed to transfer the running of all the business to third-party. However, the running of part of the business can be transferred to third-party if CAA approves.

   b) EGAC acquired an air cargo entrepot license issued by CAA on February 26, 2002 to obtain the right to operate terminal and start operations officially.

3) Royalty

   EGAC should pay CAA royalties with the amount of a certain percentage (originally set at 6.00% before being adjusted to 6.10% on July 1, 2005 and adjusted subsequently to 6.00% in October 2008 until December 2020) of operating revenue, plus business tax, for each two-month period during the operating period. At the end of each accounting year, the adjustments will be made based on the differences between the amount of royalties EGAC has to pay, which is calculated as the total revenue (inclusive of operating revenue and non-operating income but exclusive of rental income from subletting operating facilities to Fedex) disclosed in the financial statements audited by the certified public accountants and multiplied by the aforementioned percentage, and adjusted by the amount of royalties EGAC has already paid during the same period. EGAC has to make up for the difference if the amount of royalties EGAC has to pay is more than those already paid; the difference will be deducted from the amount EGAC has to pay in the following period if the situation is the opposite.

4) Transfer of assets at the end of concession period

   At the end of concession period, the lease agreement of the land is terminated and the land has to be returned to the government. EGAC is allowed to transfer with remuneration to the government the operating assets, in their status quo at the end of concession period, whose addition has been approved by CAA during the 5-year period before the expiration of concession period. The operating assets (in their status quo at the end of concession period, and acquired prior to the 5-year period before the expiration of concession period) have to be transferred without remuneration to the government, unless otherwise agreed. The transferred object consists of all the operating assets as well as other assets necessary to operations which were acquired by building and operating in accordance with the concession contract during the concession period.

5) Taoyuan International Airport of Civil Aeronautics Administration of the Ministry of transportation and Communications had been reorganized into Taoyuan International Airport Corporation (hereinafter refer to as TIAC) on November 1, 2010. The contracts that EGAC signed with CAA had been received by TIAC since the establishment. The royalty, penalty, and the commercial paper of land rent of the counterparty had been changed to TIAC. For the years ended December 31, 2018, the estimated royalty amounted to \$96,283, which was recorded as operating costs. Besides, as of December 31, 2018, the promissory notes for the performance of the concession contract issued by EGAC amounted to \$695,563.

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) The consolidated subsidiary, EGAS signed a contract for renting land and entered into a construction commitment with Best-Giving Construction Corp., which amounted to \$1,182,190. As of December 31, 2018, Evergreen Airline Services Corp. has partially paid the price of \$1,021,413, which was included in property, plant and equipment.

(viii) EGAS the consolidated subsidiary, entered into equipment purchase contract amounting to \$481,424. As of December 31, 2018, EGAS has partially paid the price of \$374,297, which was included in property, plant and equipment and other non-current assets.

(ix) EGAT, the consolidated subsidiary, had entered into an agreement regarding it sales of drone aircrafts to the R.O.C. Ministry of National Defense. However, there was a controversy between the two parties about the extent of warranty for the maintenance services and the refund of guarantee deposits. In order to settle the above controversy, both parties entered into an out-court agreement, wherein EGAT has to entrust a third party to fix all the damage parts of the drone aircrafts. Once repaired, the said controversy between them will no longer exist. All relevant information will be disclosed upon verification of the said matter.

(x) The consolidated subsidiary, Evergreen Aviation Precision Corp. (hereinafter refer to as EGAP), entered into equipment purchase contracts amounting to \$155,130. As of December 31, 2018, EGAP has partially paid the price of \$74,324, which was included in other non-current assets.

(xi) The consolidated subsidiary, Evergreen Sky Catering Corp. (hereinafter refer to as EGSC) entered into a construction commitment of a factory with Best-Giving Construction Corp. amounting to \$2,569,697. As of December 31, 2018, EGSC has partially paid the price of the construction amounting to \$2,468,303, which was included in property, plant and equipment. Moreover, EGSC entered into a construction supervision proposal with H.C. Chen Architects and Associates, with a contract price of 2.5% of the abovementioned construction commitment. As of December 31, 2018, EGSC has partially paid the price of the construction supervision proposal of \$48,600, which was included in property, plant and equipment.

(xii) EGSC, the consolidated subsidiary, entered into an air-conditioning system construction commitment of a factory with Toppal Engineering Co., Ltd. amounting to \$271,800. As of December 31, 2018, EGSC has partially paid the price of the \$239,728, which was included in property, plant and equipment.

(xiii) EGSC, the consolidated subsidiary, entered into a remodeling construction commitment of a factory amounting to \$132,300. As of December 31, 2018, EGSC has partially paid the price of \$109,908, which was included in property, plant and equipment.

(xiv) EGSC, the consolidated subsidiary, entered into equipment purchase contracts amounting to \$833,212. As of December 31, 2018, EGSC has partially paid the price of \$781,352, which was included in property, plant and equipment and other non-current assets.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

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

By function / By item	2018 Operating costs	2018 Operating expenses	2018 Total	2017 Operating costs	2017 Operating expenses	2017 Total
Personnel expenses						
Salaries	14,253,733	6,295,931	20,549,664	13,452,916	5,915,096	19,368,012
Labor and health insurance	966,021	365,942	1,331,963	901,092	350,269	1,251,361
Pension	734,250	239,011	973,261	686,860	235,631	922,491
Remuneration of directors	-	52,931	52,931	-	58,330	58,330
Others	4,280,945	523,073	4,804,018	4,291,859	546,341	4,838,200
Depreciation (Note)	11,917,045	899,889	12,816,934	13,067,832	751,746	13,819,578
Amortization	149,250	266,908	416,158	153,311	230,244	383,555

Note: For the years ended December 31, 2018 and 2017, the depreciation expenses recognized were $12,908,942 and $13,936,758, respectively, less deferred gains of $92,008 and $117,180, respectively.

(13) Other disclosures

(a) Information on significant transactions

The followings were the information on significant transactions required by the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2018:

(i) Financings provided: None.

(ii) Guarantee and Endorsement provided: None.

(iii) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 1 attached.

(iv) Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 2 attached.

(v) Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 3 attached.

(vi) Disposition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital : Please see Table 4 attached.

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 5 attached.

(viii) Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 6 attached.

(ix) Derivative transactions : Please refer to Note 6(c) for related information.

(x) Business relationships and important transactions between parent company and subsidiary: Please see Table 7 attached.

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2018: Please see Table 8 attached.

(c) Information on investment in Mainland China : Please see Table 9 attached.

(14) Segment information

(a) General information

The Group has three reportable segments: aviation transportation segment, maintenance segment and catering segment. Aviation transportation segment is involved in aviation transportation of passengers and cargo. Maintenance segment is involved in maintenance of aircraft, engine, and aircraft parts. Catering segment is involved in catering services.

Other operating segments are mainly involved in ground handling services, travel agency, distribution of cargo, investment, manufacture of aircraft parts, and flight training. For the years ended December 31, 2018 and 2017, the above segments do not meet the quantitative thresholds to be reportable.

(b) Profit or loss data of the reportable segments (including specific revenues and expenses), assets and liabilities of the reportable segments, the basis of measurement and the related eliminations

The Group allocates its resources and evaluates performance based on the internal management report, including profit which is reviewed by chief operating decision maker. The reportable amount is the same as that in the report used by the chief operating decision maker.

The accounting policies of operating segments are the same as those described in note 4 “significant accounting policies”. The Group treats intersegment sales and transfers as third-party transactions, which are measured at market price.

EVA AIRWAYS CORP. AND SUBSIDIARIES
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The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2018					
	Aviation transportation segment	**Maintenance segment**	**Catering segment**	**Other segments**	**Reconciliation and elimination**	**Total**
Revenue:						
Revenue from external customers	$ 135,439,838	40,692,837	722,691	3,154,160	(102,194)	179,907,332
Intersegment revenue	180,812	3,988,420	2,714,104	3,096,224	(9,979,560)	-
Interest income	612,624	68,375	3,606	20,794	-	705,399
Total revenue	$ **136,233,274**	**44,749,632**	**3,440,401**	**6,271,178**	**(10,081,754)**	**180,612,731**
Interest expense	$ **(1,798,071)**	**(124,430)**	**(10,629)**	**(69,097)**	**-**	**(2,002,227)**
Depreciation and amortization	$ **(11,839,640)**	**(585,004)**	**(207,988)**	**(612,256)**	**11,796**	**(13,233,092)**
Shares of profit (loss) of associates accounted for using equity method	$ **1,988,335**	**(82,444)**	**-**	**-**	**(1,704,317)**	**201,574**
Reportable segment profit or loss	$ **5,995,142**	**2,264,179**	**678,596**	**17,377**	**(66,166)**	**8,889,128**
Assets:						
Investments accounted for using equity method	$ **15,879,855**	**498,781**	**-**	**428,595**	**(16,097,229)**	**710,002**
Capital expenditures of non-current assets	$ **16,753,490**	**1,029,106**	**1,122,904**	**1,318,534**	**-**	**20,224,034**
Reportable segment assets	$ **210,287,417**	**28,054,148**	**6,443,192**	**14,667,457**	**(18,258,311)**	**241,193,903**
Reportable segment liabilities	$ **146,705,148**	**15,984,997**	**2,213,084**	**8,150,123**	**(1,979,184)**	**171,074,168**

	For the year ended December 31, 2017					
	Aviation transportation segment	**Maintenance segment**	**Catering segment**	**Other segments**	**Reconciliation and elimination**	**Total**
Revenue:						
Revenue from external customers	$ 125,143,500	35,642,842	700,682	2,163,544	(88,837)	163,561,731
Intersegment revenue	170,660	4,625,165	2,602,902	3,070,921	(10,469,648)	-
Interest income	359,659	30,989	4,367	16,315	-	411,330
Total revenue	$ **125,673,819**	**40,298,996**	**3,307,951**	**5,250,780**	**(10,558,485)**	**163,973,061**
Interest expense	$ **(1,839,812)**	**(110,525)**	**(5)**	**(52,096)**	**-**	**(2,002,438)**
Depreciation and amortization	$ **(13,040,364)**	**(546,433)**	**(89,569)**	**(538,563)**	**11,796**	**(14,203,133)**
Shares of profit (loss) of associates accounted for using equity method	$ **1,518,572**	**(88,376)**	**-**	**-**	**(1,264,298)**	**165,898**
Reportable segment profit or loss	$ **5,942,518**	**2,088,557**	**768,314**	**(43,555)**	**(60,920)**	**8,694,914**
Assets:						
Investments accounted for using equity method	$ **14,415,673**	**633,678**	**-**	**445,658**	**(14,813,817)**	**681,192**
Capital expenditures of non-current assets	$ **18,816,493**	**1,268,095**	**1,775,122**	**1,687,900**	**-**	**23,547,610**
Reportable segment assets	$ **201,146,068**	**25,561,207**	**5,374,875**	**13,285,845**	**(17,160,767)**	**228,207,228**
Reportable segment liabilities	$ **143,138,345**	**14,832,700**	**1,534,059**	**6,627,182**	**(2,134,566)**	**163,997,720**

(Continued)

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Entity-wide information

(i) Information about the products and services

Since the reportable segments of the Group are presented by the products, services and revenue from external customers that are disclosed therefore, information about the products and services will not be disclosed in this paragraph.

(ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment non-current assets that are based on the geographical location of the assets. For the information on revenue from external customers for the year ended December 31, 2018, please refer note 6(u).

Revenue from external customers:

	2017
Taiwan	$ 91,418,358
Asia	36,391,365
Europe	4,924,846
North America	30,325,905
Others	501,257
	$ 163,561,731

Non-current assets:

	2018	2017
Taiwan	$ 154,932,588	149,586,847
Asia	234,020	229,021
Others	1,245,041	519,418
	$ 156,411,649	150,335,286

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

(iii) Information about revenue from major customers

The Group is involved in international aviation transportation with its major customers being the masses.

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 1 Market Securities Held (excluding investments in subsidiaries, associates and joint ventures)
(December 31, 2018)

(in shares)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Highest shareholding in the period or capital contribution	Notes
				Shares/Units	Book value	Percentage of Ownership	Fair Value		
The Company	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss －current	28,055,711	351,311		351,311	68,077,227	
The Company	Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss －current	10,169,719	150,446		150,446	91,793,994	
Evergreen Air Cargo Services Corp.	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss －current	9,984,016	125,019		125,019	12,390,012	
Evergreen Air Cargo Services Corp.	UPAMC James Bond Money Market Fund	None	Financial assets at fair value through profit or loss －current	4,262,075	71,115		71,115	6,061,281	
Evergreen Air Cargo Services Corp.	Eastspring Investments Well Pool Money Market Fund	None	Financial assets at fair value through profit or loss －current	5,237,554	71,148		71,148	7,815,400	
					769,039		769,039		
The Company	Shares of Everest Investment Holdings Ltd.	None	Financial assets at fair value through other comprehensive income －non-current	231,580	16,492	2.11	16,492	231,580	
The Company	Shares of Trade-Van Information Services Co.	None	Financial assets at fair value through other comprehensive income －non-current	8,502,418	278,029	5.67	278,029	8,502,418	
The Company	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income －non-current	35,203,008	600,211	5.96	600,211	35,203,008	
The Company	Shares of UNI Airways Corp.	The Company's shareholder's equity investment	Financial assets at fair value through other comprehensive income －non-current	30,343,761	378,690	8.70	378,690	30,343,761	
The Company	Shares of Evergreen Steel Corp.	The Company's shareholder's equity investment	Financial assets at fair value through other comprehensive income －non-current	38,201,625	1,034,882	9.42	1,034,882	38,201,625	
The Company	Shares of Chung Hwa Express Corp.	None	Financial assets at fair value through other comprehensive income －non-current	1,000,000	29,810	10.00	29,810	1,000,000	
The Company	Star Alliance Services Gmbh	None	Financial assets at fair value through other comprehensive income －non-current	1	8,171	4.55	8,171	1	
Evergreen Airline Services Corp.	Shares of Evergreen Marine Corp.(Taiwan)Ltd.	The Company's shareholder's shareholder	Financial assets at fair value through other comprehensive income －non-current	557,349	6,632	0.01	6,632	557,349	
Evergreen Airline Services Corp.	Shares of Evergreen International Storage & Transport Corp.	The Company's shareholder's equity investment	Financial assets at fair value through other comprehensive income －non-current	158,800	2,144	0.01	2,144	158,800	
Hsiang Li Investment Corp.	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income －non-current	2,740,542	46,726	0.46	46,726	2,740,542	
Evergreen Airways Service (Macau) Ltd.	Shares of Air Macau Co., Ltd.	None	Financial assets at fair value through other comprehensive income －non-current	500	1,210	0.0207	1,210	500	
					2,402,997		2,402,997		

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Accumulated buying/selling of the same marketable securities for which the dollar amount at least $300 million or 20% of paid-in capital (December 31, 2018)

(in shares)

Company Name	Marketable Securities Type and Name		Financial Statement Account	Counter - party	Relationship with the Company	Beginning balance		Acquisition		Disposal				Ending balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Book value	Gain/Loss on Disposal	Shares/Units	Amount
The Company	Fund	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss－current－fund	Mega International Investment Trust Co.,Ltd.	None	53,908,390	672,011	64,043,549	800,000	89,896,228	1,123,000	1,108,532	14,468	28,055,711	351,311
The Company	Fund	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss－current－fund	JihSun Securities Investment Trust Co.,Ltd.	None	54,515,207	802,873	94,901,956	1,400,000	139,247,444	2,054,540	2,050,992	3,548	10,169,719	150,446
The Company	Fund	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss－current－fund	Taishin Securitites Investment Trust Co.,Ltd.	None	-	-	80,538,808	1,085,000	80,538,808	1,085,075	1,085,000	75	-	-
The Company	Fund	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss－current－fund	Yuanta Securities Investment Trust Co., Ltd.	None	-	-	26,511,310	400,000	26,511,310	400,021	400,000	21	-	-
The Company	Share	Taiwan High Speed Rail Corporation	Financial assets at fair value through other comprehensive income－non-current		None	13,882,000	326,227	-	-	13,882,000	323,222	341,071	(17,849)	-	-
The Company	Equity	EVA Flight Training Academy	Investments accounted for using equity method	EVA Flight Training Academy	The Company's subsidiary	10,000,000	624,850	-	307,200	-	-	-	-	10,000,000	932,050

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3 Acquisition of real estate for which the dollar amount at least $300 million or 20% of paid-in capital：
(December 31, 2018)

Company Name	Types of Property	Transaction Date	Transaction Amount (USD in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Office building of Los Angeles	2018.5.24	USD 64,591	As of December 31,2018, the Company has partially paid the price of $421,989.	DPR Construction, A General Partnership	Non-related party	-	-	-	-	The construction of the new office building on the own land, which was approved by the Board of Director's meeting.	Office building constructed by The Company	None

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated 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, 2018)

Company Name	Types of Property	Transaction Date	Acqusition Date	Book Value	Transaction Amount	Proceed Term	Losses(gains) on Disposal of PPE	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other Terms
The Company	Office building of Los Angeles	2018.9.24~2018.12.7	On construction	not been applied	592,137	not been applied	not been applied	(1)El Segundo Investments 2, LLC (2)James Orland and Judith Orland (3)Lil Nubbins Neighborhood, LLC (4)Mardi Norman	Non-related party	The flexible application of Assets	Appraisal report	None

EVA AIRWAYS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Total purchases from or sales to related parties with the dollar amount at least $100 million or 20% of paid-in capital:
(December 31, 2018)

Company Name	Related Party	Relationship	Transaction details				Abnormal Transaction		Account/note receivable(payable)		Notes
			Purchases/ Sales	Amount	Percentage of total purchases/sales	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts/ notes receivable(payable)	
The Company	UNI Airways Corp.	The company's shareholder's equity investment	Sales	2,616,206	1.93	60 days	-		252,103	3.41	
The Company	Evergreen Aviation Technologies Corp.	The company's subsidiary	Sales	174,387	0.13	60 days	-		13,107	0.18	Note 1
The Company	Evergreen Aviation Technologies Corp.	The company's subsidiary	Purchases	3,647,688	3.10	60 days	-		(840,128)	9.84	Note 1
The Company	Evergreen Sky Catering Corp.	The company's subsidiary	Purchases	2,713,462	2.31	60 days	-		(423,030)	4.96	Note 1
The Company	Evergreen Airline Services Corp.	The company's subsidiary	Purchases	2,445,986	2.08	60 days	-		(417,417)	4.89	Note 1
The Company	Evergreen Air Cargo Services Corp.	The company's subsidiary	Purchases	366,931	0.31	60 days	-		(47,871)	0.56	Note 1
The Company	Evergreen International Corp.	The company's shareholder	Purchases	174,845	0.15	60 days	-		(23,121)	0.27	
The Company	Evergreen International Storage & Transport Corp.	The company's shareholder	Purchases	158,922	0.14	60 days	-		(12,086)	0.14	
The Company	Evergreen Insurance Company Ltd.	The company's shareholder's equity investment	Purchases	100,422	0.09	60 days	-		-	-	
Evergreen Airline Services Corp.	The Company	Parent company	Sales	2,445,986	79.60	60 days	-		431,745	85.07	Note 1
Evergreen Airline Services Corp.	UNI Airways Corp.	The company's shareholder's equity investment	Sales	236,504	7.70	60 days	-		37,873	7.46	
Evergreen Airline Services Corp.	Evergreen Aviation Technologies Corp.	Parent company's equity investment	Sales	111,590	3.63	30 days	-		8,900	1.75	Note 1
Evergreen Aviation Technologies Corp.	The Company	Parent company	Sales	3,645,421	8.16	60 days	-		965,052	10.82	Note 1
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	Equity investment	Sales	31,945,372	71.50	30 days	-		6,279,073	70.40	
Evergreen Aviation Technologies Corp.	UNI Airways Corp.	The company's shareholder	Sales	312,746	0.70	60 days	-		117,045	1.31	
Evergreen Aviation Technologies Corp.	The Company	Parent company	Purchases	258,090	0.61	60 days	-		(13,981)	0.46	Note 1
Evergreen Aviation Technologies Corp.	Evergreen Airline Services Corp.	Parent company's equity investment	Purchases	111,590	0.27	60 days	-		(8,900)	0.29	Note 1
Evergreen Sky Catering Corp.	The Company	Parent company	Sales	2,713,462	78.95	60 days	-		427,894	82.39	Note 1
Evergreen Sky Catering Corp.	UNI Airways Corp.	The company's shareholder's equity investment	Sales	139,945	4.07	60 days	-		21,602	4.16	
Evergreen Air Cargo Services Corp.	The Company	Parent company	Sales	366,931	23.48	60 days	-		50,586	42.30	Note 1
EVA Flight Training Academy	The Company	Parent company	Sales	101,045	100.00	30 days	-		7,836	100.00	Note 1

Note 1: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

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Table 6 Accounts receivable from related parties for which the dollar amount at least $100 million or 20% of paid-in capital：
(December 31, 2018)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for impairment loss
					Amount	Action taken		
The Company	UNI Airways Corp.	The company's shareholder's equity investment	538,063	(Note 1)	-		537,412	
Evergreen Airline Services Corp.	The Company	Parent company	451,279	5.44 (Note 2)	-		451,279	
Evergreen Sky Catering Corp.	The Company	Parent company	431,503	6.35 (Note 2)	-		431,503	
Evergreen Aviation Technologies Corp.	The Company	Parent company	970,378	3.72 (Note 2)	-		970,378	
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	Equity investment	6,279,073	5.89	-		6,279,073	
Evergreen Aviation Technologies Corp.	UNI Airways Corp.	The company's shareholder	117,161	2.80	-		117,161	

Note 1: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.
Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

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Table 7 Business relationships and important transactions between parent company and subsidiary:
(December 31, 2018)

Number	Trader	Company Name	Nature of Relationship	Transaction details			
				Financial Statements Item	Amount	Transaction terms	Percentage of consolidated net revenue or total assets
0	The Company	Evergreen Aviation Technologies Corp.	1	Operating revenue	174,387	as general transactions	0.10
0	The Company	Evergreen Aviation Technologies Corp.	1	Operating costs	3,647,688	as general transactions	2.03
0	The Company	Evergreen Sky Catering Corp.	1	Operating costs	2,713,462	as general transactions	1.51
0	The Company	Evergreen Airline Services Corp.	1	Operating costs	2,445,986	as general transactions	1.36
0	The Company	Evergreen Air Cargo Services Corp.	1	Operating costs	366,931	as general transactions	0.20
0	The Company	EVA Flight Training Academy	1	Operating expenses	101,045	as general transactions	0.06
0	The Company	Evergreen Aviation Technologies Corp.	1	Accounts payable－related patries	840,128	as general transactions	0.35
0	The Company	Evergreen Sky Catering Corp.	1	Accounts payable－related patries	423,030	as general transactions	0.18
0	The Company	Evergreen Airline Services Corp.	1	Accounts payable－related patries	417,417	as general transactions	0.17

Note 1:The number is filled in as follows:
1.0 represents the parent company.
2.Subsidiaries are numbered sequentially by the number 1 according to the company.

Note 2:The types of relationships with the company are as follows:
1.Parent company to subsidiary.
2.Subsidiary to parent company .
3.Subsidiary to subsidiary .

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Table 8 Information on Investees(Excluding Investees in Mainland China)：
For the year ended December 31, 2018, the following is the information on investees

(in shares)

Name of the Investor	Name of Investee	Location	Main Business and Products	Initial Investment Amount		Ending balance			Highest shareholding in the period or capital contribution	Net Income (Losses)of the Investee	Share of Profits/Losses of Investee	Notes
				December 31, 2018	December 31, 2017	Shares	Ratio of Shares	Book value				
The Company	Sky Castle Investment Ltd.	Maystar Chambers, P.O. Box 3269, Apia, Samoa	Investment business	179,173	179,173	5,500,000	100.00%	385,110	5,500,000	26,748	26,748	Note 1
The Company	Evergreen Airways Service (Macau) Ltd.	398 Alameda Dr. Carlos D' Assumpcao.Edif CNAC 3 Andar K-M Macau	Investment business	327	327	no issue	99.00%	162,689	-	75,971	75,211	Note 1
The Company	RTW Air Services(S) Pte. Ltd.	300 Tampines Avenue 5 #07-01 Income@Tampines Junction Singapore 529653	Traveling agency	-	13,217	-	-	-	735,000	4,516	2,213	Notes 1 and 4
The Company	PT Perdana Andalan Air Service	10/F, Gedung Mega Plaza Jl. H.R Rasuna Said Kav. C-3 Jakarta 12920 Indonesia.	Traveling agency	5,086	5,086	40,800	51.00%	30,051	40,800	7,752	3,954	Note 1
The Company	EVA Flight Training Academy	3745 Whitehead Street Mather, CA, 95655, USA	Flight training school	932,050	624,850	10,000,000	100.00%	753,988	10,000,000	(29,166)	(29,166)	Note 1
The Company	Evergreen Aviation Technologies Corp.	No. 6 Harng-Jann S.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan, Taoyuan City, Taiwan	Maintenance, manufacturing, processing and sales of aircraft, engine and parts	2,000,450	2,000,450	508,928,512	80.00%	9,473,422	508,982,512	1,993,732	1,613,613	Notes 1 and 5
The Company	Evergreen Airline Services Corp.	6-1 Harng-Jann S.Rd., Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, 33758, Taiwan	Aviation grand service	111,180	111,179	31,327,211	56.33%	857,207	31,327,211	104,930	59,107	Note 1
The Company	Evergreen Sky Catering Corp.	No.3, Hangqin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan	The provision of in-flight meals in sky catering and the sales of food	498,000	498,000	66,283,800	49.80%	2,106,594	66,283,800	528,533	263,209	Note 1
The Company	Evergreen Air Cargo Services Corp.	No.8-1, Hangcin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan	Air cargo entrepot	740,348	740,348	72,750,000	60.625%	1,502,758	72,750,000	288,250	174,751	Note 1
The Company	Evergreen Aviation Precision Corp.	No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C)	Manufacture of aircraft parts	1,200,000	1,200,000	120,000,000	40.00%	438,718	120,000,000	(554,214)	(221,686)	Notes 1 and 5
The Company	Hsiang Li Investment Corp.	1F,117,Sec. 2,Chang An E. Rd., Taipei, Taiwan	Investment business	25,000	25,000	2,680,000	100.00%	57,653	2,680,000	4,821	4,821	Note 1
The Company	Evergreen Security Corp.	4-5F., No. 111, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan	Security services	25,000	25,000	6,336,000	31.25%	111,665	6,336,000	49,790	15,560	Note 2
Evergreen Aviation Technologies Corp.	Evergreen Aviation Precision Corp.	No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 32844, Taiwan(R.O.C)	Manufacture of aircraft parts	900,000	900,000	90,000,000	30.00%	329,039	90,000,000	(554,214)	(166,264)	Notes 1 and 5
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	6F., No. 8, Sec. 3, Minsheng E. Rd., Zhongshan Dist., Taipei City 104, Taiwan	Manufacture of aircraft and parts	90,482	90,482	9,048,165	19.90%	169,742	9,048,165	414,641	83,820	Note 3
Evergreen Airways Service (Macau) Ltd.	Menzies Macau Airport Services Ltd.	Airport Logistic Business Center Room 52 Macau International Airport Avenida do Aeroporto, Taipa, Macau	Ground handling	8,032	8,032	no issue	20.00%	96,985	-	374,362	74,873	Note 3

Note 1: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.
Note 2: Investments were accounted for using equity method.
Note 3: Investments of subsidiaries of the Company were accounted for using equity method.
Note 4: RTW Air Services(S) Pte. Ltd. has completed liquidation process in August, 2018.
Note 5: A resolution was approved during the two separate board meetings of Evergreen Aviation Technology Corp. (EGAT) and Evergreen Aviation Precision Corp. (EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28 , 2019.

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Table 9 Information on Investment in Mainland China：

1.Information on Investment in Mainland China：

Investee Company	Main Business and Products	Total Amount of Paid-in Capital (RMB in Thousands)		Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses)of the Investee	Highest shareholding in the period or capital contribution	Direct/Indirect Shareholding (%)by the Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31,2018	Accumulated Inward Remittance of Earnings as of December 31,2018
						Outflow	Inflow							
Airport Air Cargo Terminal(Xiamen) Co., Ltd.	Forwarding and storage of air cargo	RMB	254,480	2	138,784	-	-	138,784	80,429	14.00%	14.00%	11,260	223,856	85,129
Airport Air Cargo Service(Xiamen) Co., Ltd.	Forwarding and storage of air cargo, truck freight transportation, other transportation auxiliary industry	RMB	14,000	2	61,418	-	-	61,418	114,723	14.00%	14.00%	16,061	107,754	38,399

(Note 1)Ways to Invest in Mainland China：

1.Investment in Mainland China companies by remittance through a third region.

2.Investment in Mainland China companies through a company invested and established in a third region.

3.Investment in Mainland China companies through an existing company established in a third region.

4.Direct investment in Mainland China.

5.Other methods of investing in Mainland China. EX：Entrusted investment.

(Note 2)The financial statements of the investee company were audited by the global accounting firm in a cooperation with R.O.C. accounting firm.
The Company recognized share of profit of subsidiaries and associates accounted for using equity method by how many shares the Company holds.

(Note 3)The investment in Shanghai Airlines Cargo Intl.Co.,Ltd was authorized by the Investment Commission. The amount of investment was $748,721(USD23,361thousand dollars).
Shanghai Airlines Cargo Intl.Co.,Ltd has completed liquidation process in July, 2014.

(Note 4)The investment in China Cargo Airlines Co.,Ltd was authorized by the Investment Commission. The amount of investment was $1,453,728(USD50,337thousand dollars).
China Cargo Airlines Co.,Ltd has completed shares transfer in January, 2016.

2.Limitation on investment in Mainland China：

Accumulated Outward Remittance for Investment in Mainland China as of December 31,2018 (USD in Thousands)	Investment Amounts Aurthorized by Investment Commission,MOEA (Note) (USD in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
NTD 2,402,651 (USD 79,781)	NTD 2,456,862 (USD 80,562)	38,149,361

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

3. Significant transactions：None.