

**EVA AIRWAYS CORP.**  
**Parent-Company-Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended**  
**December 31, 2020 and 2019**

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

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安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

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

## Independent Auditors' Report

To the Board of Directors of EVA Airways Corp.:

### Opinion

We have audited the parent-company-only financial statements of EVA Airways Corp. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Contract liabilities — mileage redemption revenue

Please refer to note 4(q) “Revenue recognition”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and note 6(w) “Revenue from contracts with customers” of the financial statements.

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 revenues when the member actually redeems the mileage or it is expected that the right is probable not to be redeemed.

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

How the matter was addressed in our audit:

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

## 2. Impairment of long-term non-financial assets

Please refer to note 4(n) “Impairment of non-financial assets”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and note 6(j) “Property, plant and equipment” of the financial statements.

Description of key audit matter:

The Company periodically assesses for any indication of impairment on its long-term non-financial assets. If any indication thereof exists with long-term non-financial assets, the Company should estimate the recoverable amount for the assets’ cash-generating unit. The calculation for the assets’ cash-generating unit involved several assumptions and estimations made by the management. Therefore, the impairment test of long-term non-financial assets is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing the method used in measuring the recoverable amount, which is provided by the management of the Company, including evaluating the appropriateness of assumption and estimation on major parameters, such as the forecast of cash flow and discount rate; comparing with the historical accuracy of judgments, including inspecting the amount of forecast of cash flow in prior year and with reference to actual cash flow to evaluate the appropriateness of the assumptions, as well as performing the sensitivity analysis on major assumption.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chia-Chien Tang and Yen-Ta Su.



KPMG

Taipei, Taiwan (Republic of China)  
March 22, 2021

#### Notes to Readers

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

**EVA AIRWAYS CORP.**  
**Balance Sheets**  
**December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020.12.31		2019.12.31			2020.12.31		2019.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>									
<b>Current assets:</b>									
1100	\$	31,075,156	11	41,856,135	13	2120			
1110		1,687,508	1	502,455	-	2120	\$	-	3,274
1139		-	-	37,428	-	2126		11,564,988	4
1150		473	-	842,287	-	2130		4,510,802	2
1160		840	-	188,403	-	2170		2,490,358	1
1170		5,411,920	2	5,515,785	2	2180		835,267	-
1180		116,671	-	323,922	-	2200		4,300,632	1
130x		1,307,117	-	1,427,891	1	2230		433,564	-
1460		852,175	-	1,233,824	-	2260		1,142	-
1470		751,234	-	772,709	-	2280		164,820	-
		41,203,094	14	52,700,839	16	2320		16,437,386	6
<b>Total current assets</b>									
<b>Non-current assets:</b>									
1510		2,793	-	-	-	2399		512,303	-
1517		2,955,447	1	2,581,505	1	2399		4,942,707	2
1550		13,637,927	5	17,048,090	5	2399		41,251,262	14
1600		115,493,154	38	120,612,684	38	2511		77,067,827	26
1755		106,547,708	35	112,467,687	35	2527		2,517,482	1
1780		547,836	-	642,155	-	2530		3,082,941	1
1840		4,890,891	2	3,960,637	1	2530		3,082,941	1
1900		16,958,059	5	11,849,736	4	2540		80,075,379	26
		261,033,815	86	269,162,494	84	2570		1,624,345	1
<b>Total non-current assets</b>									
<b>Total assets</b>									
	\$	302,236,909	100	321,863,333	100				
<b>Liabilities and Equity</b>									
<b>Current liabilities:</b>									
2120						2120			
2126						2126			
2130						2130			
2170						2170			
2180						2180			
2200						2200			
2230						2230			
2260						2260			
2280						2280			
2320						2320			
2399						2399			
2511						2511			
2527						2527			
2530						2530			
2540						2540			
2570						2570			
2580						2580			
2640						2640			
2670						2670			
<b>Total current liabilities</b>									
<b>Non-current liabilities:</b>									
2511						2511			
2527						2527			
2530						2530			
2540						2540			
2570						2570			
2580						2580			
2640						2640			
2670						2670			
<b>Total non-current liabilities</b>									
<b>Total liabilities</b>									
<b>Equity (notes 6(b), 6(c), 6(i), 6(o), 6(r), 6(s), 6(t) and 6(u)):</b>									
3110						3110			
3200						3200			
3300						3300			
3400						3400			
<b>Total equity</b>									
<b>Total liabilities and equity</b>									
	\$	302,236,909	100	321,863,333	100		\$	302,236,909	100

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

**EVA AIRWAYS CORP.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)**

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(w) and 7)</b>	\$ 79,602,529	100	135,621,151	100
5000	<b>Operating costs (notes 6(c), 6(e), 6(f), 6(j), 6(k), 6(m), 6(p), 6(r), 6(x) and 7)</b>	<u>(73,088,704)</u>	<u>(92)</u>	<u>(117,477,282)</u>	<u>(87)</u>
5900	<b>Gross profit from operations</b>	6,513,825	8	18,143,869	13
6000	<b>Operating expenses (notes 6(d), 6(e), 6(j), 6(k), 6(m), 6(p), 6(r), 6(x) and 7)</b>	<u>(8,367,989)</u>	<u>(10)</u>	<u>(12,027,003)</u>	<u>(9)</u>
6900	<b>Net operating income (loss)</b>	<u>(1,854,164)</u>	<u>(2)</u>	<u>6,116,866</u>	<u>4</u>
<b>Non-operating income and expenses (notes 6(c), 6(e), 6(h), 6(p), 6(y) and 7):</b>					
7010	Other income	345,924	1	800,315	1
7020	Other gains and losses	1,084,895	1	469,232	-
7050	Finance costs	(4,789,246)	(6)	(5,101,704)	(4)
7375	Share of profit of subsidiaries and associates accounted for using equity method	<u>796,307</u>	<u>1</u>	<u>2,243,419</u>	<u>2</u>
	<b>Total non-operating income and expenses</b>	<u>(2,562,120)</u>	<u>(3)</u>	<u>(1,588,738)</u>	<u>(1)</u>
7900	<b>Profit (loss) before tax</b>	(4,416,284)	(5)	4,528,128	3
7950	<b>Income tax benefit (expenses) (note 6(s))</b>	<u>1,054,645</u>	<u>1</u>	<u>(545,661)</u>	<u>-</u>
	<b>Profit (loss)</b>	<u>(3,361,639)</u>	<u>(4)</u>	<u>3,982,467</u>	<u>3</u>
8300	<b>Other comprehensive income (notes 6(c), 6(h), 6(r) , 6(s) and 6(t)):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss:</b>				
8311	Remeasurements of defined benefit plans	312,233	-	(461,849)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	373,942	1	167,319	-
8317	Gains (losses) on hedging instrument that will not be reclassified to profit or loss	11,643	-	(11,451)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	52,428	-	(82,321)	-
8349	Income tax benefit (expenses) related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(65,207)</u>	<u>-</u>	<u>94,669</u>	<u>-</u>
	<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>685,039</u>	<u>1</u>	<u>(293,633)</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(37,217)	-	(36,486)	-
8368	Gains (losses) on hedging instrument	4,212,122	5	2,735,417	1
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(33,256)	-	(2,527)	-
8399	Income tax benefit (expenses) related to components of other comprehensive income that will be reclassified to profit or loss	<u>(842,424)</u>	<u>(1)</u>	<u>(547,083)</u>	<u>-</u>
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>3,299,225</u>	<u>4</u>	<u>2,149,321</u>	<u>1</u>
8300	<b>Other comprehensive income, net of tax</b>	3,984,264	5	1,855,688	1
8500	<b>Total comprehensive income</b>	<u>\$ 622,625</u>	<u>1</u>	<u>5,838,155</u>	<u>4</u>
<b>Earnings per share (note 6(v))</b>					
9750	<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ (0.69)</u>		<u>0.83</u>	
9850	<b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ (0.69)</u>		<u>0.76</u>	

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



**EVA AIRWAYS CORP.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity interest					Total equity
	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total	
<b>Balance on January 1, 2019</b>	\$ 43,821,215	230,642	6,751,945	1,566,450	10,777,932	12,344,382	(3,760)	547,201	(109,356)	434,085	63,582,269
Appropriation of prior year's earnings:											
Legal reserve appropriated	-	-	-	655,282	(655,282)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,343,647)	(2,343,647)	-	-	-	-	(2,343,647)
Stock dividends of ordinary share	1,406,188	-	-	-	(1,406,188)	(1,406,188)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	90,713	-	-	-	-	-	-	-	90,713
Changes in equity of associates accounted for using equity method	-	-	3,757	-	-	-	-	-	-	-	3,757
Profit	-	-	-	-	3,982,467	3,982,467	-	-	-	-	3,982,467
Other comprehensive income	-	-	-	-	(459,755)	(459,755)	(39,013)	175,283	2,179,173	2,315,443	1,855,688
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,522,712</u>	<u>3,522,712</u>	<u>(39,013)</u>	<u>175,283</u>	<u>2,179,173</u>	<u>2,315,443</u>	<u>5,838,155</u>
Issue of shares	3,000,000	(180,980)	900,000	-	-	-	-	-	-	-	3,719,020
Conversion of convertible bonds	308,292	(49,662)	103,285	-	-	-	-	-	-	-	361,915
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(11)	(11)	-	11	-	11	-
<b>Balance on December 31, 2019</b>	<u>48,535,695</u>	<u>-</u>	<u>7,849,700</u>	<u>2,221,732</u>	<u>9,895,516</u>	<u>12,117,248</u>	<u>(42,773)</u>	<u>722,495</u>	<u>2,069,817</u>	<u>2,749,539</u>	<u>71,252,182</u>
Appropriation of prior year's earnings:											
Legal reserve appropriated	-	-	-	352,270	(352,270)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,213,392)	(1,213,392)	-	-	-	-	(1,213,392)
Due to recognition of equity component of convertible bonds issued	-	-	135,973	-	-	-	-	-	-	-	135,973
Loss	-	-	-	-	(3,361,639)	(3,361,639)	-	-	-	-	(3,361,639)
Other comprehensive income	-	-	-	-	284,921	284,921	(70,473)	390,804	3,379,012	3,699,343	3,984,264
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,076,718)</u>	<u>(3,076,718)</u>	<u>(70,473)</u>	<u>390,804</u>	<u>3,379,012</u>	<u>3,699,343</u>	<u>622,625</u>
<b>Balance on December 31, 2020</b>	<u>\$ 48,535,695</u>	<u>-</u>	<u>7,985,673</u>	<u>2,574,002</u>	<u>5,253,136</u>	<u>7,827,138</u>	<u>(113,246)</u>	<u>1,113,299</u>	<u>5,448,829</u>	<u>6,448,882</u>	<u>70,797,388</u>

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

**EVA AIRWAYS CORP.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ <u>(4,416,284)</u>	<u>4,528,128</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Expected credit loss (gain)	(30,000)	(9,000)
Depreciation expense	25,763,420	25,004,434
Amortization expense	240,530	237,627
Net gains on financial assets or liabilities at fair value through profit or loss	(20,873)	(6,106)
Interest expense	4,789,246	5,101,704
Interest income	(208,793)	(656,137)
Dividend income	(137,131)	(144,178)
Shares of profit of subsidiaries and associates accounted for using equity method	(796,307)	(2,243,419)
Gains on disposal of property, plant and equipment	(39,699)	(494,796)
Gains on disposal of non-current assets classified as held for sale	(141,369)	-
Unrealized foreign exchange gains	(1,261,623)	(201,367)
Others	<u>(68,465)</u>	<u>(300,507)</u>
Total adjustments to reconcile profit	<u>28,088,936</u>	<u>26,288,255</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	841,814	91,056
Notes receivable—related parties	187,563	(188,403)
Accounts receivable, net	133,865	671,529
Accounts receivable—related parties	207,251	(50,172)
Inventories	91,968	47,359
Other current assets	<u>162,743</u>	<u>(59,519)</u>
Total changes in operating assets	<u>1,625,204</u>	<u>511,850</u>
Changes in operating liabilities:		
Contract liabilities	(16,012,310)	1,930,370
Notes and accounts payable	(2,237,619)	(2,007,383)
Accounts payable—related parties	(846,240)	(119,165)
Other payables	(3,695,984)	(200,656)
Other current liabilities	(4,545,862)	56,124
Net defined benefit liabilities—non-current	(791,619)	(531,937)
Other non-current liabilities	<u>19,857</u>	<u>61,721</u>
Total changes in operating liabilities	<u>(28,109,777)</u>	<u>(810,926)</u>
Total changes in operating assets and liabilities	<u>(26,484,573)</u>	<u>(299,076)</u>
Total adjustments	<u>1,604,363</u>	<u>25,989,179</u>
Cash inflow (outflow) generated from operations	(2,811,921)	30,517,307
Income taxes paid	<u>(358,902)</u>	<u>(681,401)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>(3,170,823)</u>	<u>29,835,906</u>

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

**EVA AIRWAYS CORP.**  
**Statements of Cash Flows (continued)**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(67,890)
Acquisition of financial assets at fair value through profit or loss	(1,500,000)	(1,000,000)
Proceeds from disposal of financial assets at fair value through profit or loss	320,152	1,002,826
Acquisition of investments accounted for using equity method	(1)	(55,061)
Proceeds from capital reduction of investments accounted for using equity method	2,382,515	-
Proceeds from disposal of non-current assets classified as held for sale	997,407	-
Acquisition of property, plant and equipment	(4,046,860)	(14,222,781)
Proceeds from disposal of property, plant and equipment	91,146	1,229,149
Acquisition of intangible assets	(146,211)	(278,926)
Decrease in other non-current assets	76,219	17,475
Increase in prepayments for business facilities	(7,003,851)	(7,821,723)
Interest received	231,745	656,549
Dividends received	1,954,840	1,266,300
<b>Net cash flows used in investing activities</b>	<b>(6,642,899)</b>	<b>(19,274,082)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	1,000,000	462,072
Decrease in short-term borrowings	(1,000,000)	(462,072)
Proceeds from issuance of bonds payable	2,995,016	-
Repayments of bonds payable	(10,566,000)	-
Proceeds from long-term borrowings	38,273,000	22,829,700
Repayments of long-term borrowings	(14,381,470)	(16,190,171)
Payments of lease liabilities	(11,982,299)	(12,282,912)
Decrease in other non-current liabilities	(86,235)	(24,823)
Cash dividends paid	(1,213,392)	(2,343,647)
Proceeds from issuing shares	-	3,719,020
Interest paid	(4,005,877)	(4,343,556)
<b>Net cash flows used in financing activities</b>	<b>(967,257)</b>	<b>(8,636,389)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	(10,780,979)	1,925,435
<b>Cash and cash equivalents at beginning of year</b>	41,856,135	39,930,700
<b>Cash and cash equivalents at end of year</b>	<b>\$ 31,075,156</b>	<b>41,856,135</b>

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

**EVA AIRWAYS CORP.**  
**Notes to the Parent-Company-Only Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

The Company’s business activities are

- (a) civil aviation transportation and general aviation business;
- (b) to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

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

The parent-company-only financial statements were authorized by the Company’s Board of Directors as of March 22, 2021.

**(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 details of impact on the Company’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in note 4(m).

The Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$145,556.

(Continued)

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

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Company's parent-company-only financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

(Continued)

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(4) Summary of significant accounting policies**

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated. The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value; and
- 4) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, less, the fair value of plan assets.

(ii) Functional and presentation currency

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

(Continued)

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

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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.

(Continued)

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

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

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

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

(Continued)



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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(Continued)

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

3) Fair value through profit or loss (FVTPL)

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

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

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

4) Impairment of financial assets

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

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

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

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECLs.

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

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.

(Continued)

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

2) Financial liabilities at fair value through profit or loss

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency, interest rate and fuel price exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss 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.

(Continued)

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

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

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

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

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

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

(g) Inventories

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

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

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

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

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

(Continued)

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

(i) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

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

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

(j) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(k) Investment property

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

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

(Continued)

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Major inspection and overhaul cost

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

- 1) Land has unlimited useful life and therefore is not depreciated.
- 2) Building and structures:
 

Main Buildings	20 to 55 years
Others	5 to 15 years

(Continued)



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

- 3) Machinery and equipment:
- |                              |               |
|------------------------------|---------------|
| Electro-mechanical equipment | 3 to 18 years |
| Others                       | 1 to 18 years |
- 4) Aircraft:
- |                 |                |
|-----------------|----------------|
| Airframes       | 15 to 18 years |
| Aircraft cabins | 12 years       |
| Engines         | 15 to 18 years |
- 5) Leased improvements are depreciated over the shorter of the lease term or the estimated useful life.

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

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

(m) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset:
  - The Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
  - In rare cases where the decision on how, and for what purpose, the asset is used is predetermined, the Company has the right to direct the use of an asset if either:

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- the Company has the right to operate its asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the Company designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

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

(ii) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate;
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
- there is a change in the assessment on whether it will have the option to exercise a purchase of the underlying asset;

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- there is a change in the assessment on lease term as to whether it will be extended or terminated; and
- the modifications of the lease underlying asset, scope or other terms.

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

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

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

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

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS 15 to be accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS 15 to be accounted for as a sale of the asset, the Company will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

As a practical expedient, the Company elects not to assess all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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(iii) As a lessor

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

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

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

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

(n) Impairment of non-financial assets

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

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

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

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(o) Provision

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

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

(p) Intangible assets

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

The amortization amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of 3~5 years of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use.

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

(q) Revenue recognition

(i) Revenue from contracts with customers

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

1) Aviation transportation revenue

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

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2) Customer loyalty program

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

3) Sale of goods

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

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

4) Financing components

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

(r) Government grants

The Company recognizes an unconditional government grant related COVID-19 as reduction of expenses when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss in the periods in which the expenses or losses are recognized.

(s) 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.

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(ii) Defined benefit plans

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

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

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

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

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

(iii) Short-term employee benefits

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

(t) 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.

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

(u) 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 at the reporting date.

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

- (i) The Company has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

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(v) Earnings per share (EPS)

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

(w) Operating segment

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

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

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is as follow. Those assumptions and estimations have been updated to reflect the impact of COVID-19 pandemic:

(a) Contract liabilities—mileage redemption revenue

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; please refer to note 4(q) for further details on related matter. 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; please refer to note 6(w) for estimation of contract liabilities—mileage redemption revenue.

(b) Impairment of long-term non-financial assets

During the process of impairment assessment, the Company relies on subjective judgment to determine the individual cash flows of a specific group of assets, useful lives and estimates future gains and losses according to the usage of assets and business characteristics; please refer to note 4(n) for further details on related matter. Alteration of estimates from any change in economic conditions or business strategy may lead to impairment loss in the future; please refer to note 6(j) for further description of the key assumptions used to determine the recoverable amount.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Further information about the assumptions made in measuring fair values is included in notes 6(g), 6(l) and 6(z).

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 81,063	82,178
Cash in bank	30,994,093	41,773,957
	<u>\$ 31,075,156</u>	<u>41,856,135</u>

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

(b) Financial assets and liabilities

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<b>Financial assets mandatorily measured at fair value through profit or loss:</b>		
Money market funds	\$ 1,687,508	502,455
Convertible bonds with embedded derivatives	2,793	-
	<u>\$ 1,690,301</u>	<u>502,455</u>

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	<b>2020.12.31</b>	<b>2019.12.31</b>
<b>Financial liabilities mandatorily measured at fair value through profit or loss:</b>		
Convertible bonds with embedded derivatives	\$ <u>          -</u>	<u>          3,274</u>

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

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

	<b>2020.12.31</b>	<b>2019.12.31</b>
<b>Equity investments at fair value through other comprehensive income:</b>		
Publicly traded stocks	\$ 1,228,481	1,012,519
Non-publicly traded stocks	<u>1,726,966</u>	<u>1,568,986</u>
	<u>\$ 2,955,447</u>	<u>2,581,505</u>

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

For the year ended December 31, 2019, the Company acquired the shares of UNI Airways Corp. from other related parties amounting to \$67,890. There was no such transaction for the year ended December 31, 2020.

For the year ended December 31, 2019, the Company has sold its equity securities as at fair value through other comprehensive income. The shares sold had a fair value of \$50. And the Company recognized a loss of \$11, which was accounted for as other equity. The loss has been transferred to retained earnings. There was no such transaction for the year ended December 31, 2020.

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

(iv) The aforementioned financial assets were not pledged.

(c) Financial instruments used for hedging

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

**Cash flow hedge:**

	<b>2020.12.31</b>	<b>2019.12.31</b>
Financial assets for hedging:		
Fuel option agreements	\$ <u>          -</u>	<u>          37,428</u>

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	<b>2020.12.31</b>	<b>2019.12.31</b>
Financial liabilities for hedging:		
Forward exchange contracts	\$ -	11,643
Foreign currency component of non-derivative lease liabilities	88,632,815	98,291,070
Total	<b>\$ 88,632,815</b>	<b>98,302,713</b>
Current	\$ 11,564,988	11,558,692
Non-current	77,067,827	86,744,021
	<b>\$ 88,632,815</b>	<b>98,302,713</b>

(i) Fuel option agreements

The Company needs fuel for operating. However, cash flow risk will occur if the future cash flows for fuel fluctuate due to the floating market prices. The Company evaluates the risk as significant, and thus, hedges the risk by signing fuel option agreements. The cash flow hedged items and derivative financial hedging instruments were as follows:

<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Fair value of assigned hedging instrument</u>		<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>
		<u>2020.12.31</u>	<u>2019.12.31</u>		
Floating price of fuel	Option agreements	\$ -	37,428	2020	2020

(ii) Forward exchange contracts

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

	<b>2019.12.31</b>			
	<b>Contract Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Average strike price</b>
Forward exchange purchased	<b>USD\$ 31,000</b>	TWD to USD	2020/4/1-2020/10/5	USD29.7~30.7

There was no such transaction as of December 31, 2020.

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

The Company uses the foreign currency component of lease liabilities to hedge foreign currency risk on the cash inflow from operating revenue with a highly probable forecast transaction. As of December 31, 2020 and 2019, the cash flow hedged items and non-derivative financial hedging instruments were as follows:

<u>Hedged item</u>	<u>Hedging instrument</u>	<u>Lease liabilities of assigned hedging instrument</u>		<u>Period when cash flows are expected to occur</u>	<u>Period when profit or loss is affected</u>
		<u>2020.12.31</u>	<u>2019.12.31</u>		
Foreign currency of operating revenue	Foreign currency of lease liabilities	\$ 88,632,815	98,291,070	2020~2032	2020~2032

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- (iv) The details arising from cash flow hedges for the years ended December 31, 2020 and 2019, were as follows:

<u>Account Item</u>	<u>2020</u>	<u>2019</u>
Recognized in other comprehensive income during the period	\$ <u>4,223,765</u>	<u>2,723,966</u>
Reclassification from equity to increase (decrease) in operating costs for the period	\$ <u>1,523,195</u>	<u>(19,066)</u>
Reclassification from equity to other non-current assets for the period	\$ <u>21,902</u>	<u>(42,721)</u>
Reclassification from equity to exchange losses (gains) for the period	\$ <u>(561,963)</u>	<u>92,735</u>
Ineffective portion of forward exchange hedge recognized in profit or loss	\$ <u>2,574</u>	<u>-</u>

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

- (d) Notes and accounts receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable (including related parties)	\$ 1,313	1,030,690
Accounts receivable (including related parties)	5,583,167	5,924,948
Less: allowance for impairment	<u>(54,576)</u>	<u>(85,241)</u>
	<u>\$ 5,529,904</u>	<u>6,870,397</u>

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

	<u>2020.12.31</u>		
	<u>Notes and accounts receivable (including related parties) carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Not overdue	\$ 5,555,301	0.46%	25,397
Overdue within 30 days	4,060	100%	4,060
Overdue 31~60 days	-	-	-
Overdue over 60 days but less than one year	7,266	100%	7,266
Overdue more than one year	<u>17,853</u>	100%	<u>17,853</u>
	<u>\$ 5,584,480</u>		<u>54,576</u>

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

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

	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 85,241	95,537
Impairment losses recognized (reversed)	(30,000)	(9,000)
Amounts written off	(665)	(1,296)
Balance on December 31	<b>\$ 54,576</b>	<b>85,241</b>

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

(e) Other receivables

	<b>2020.12.31</b>	<b>2019.12.31</b>
Other receivables—related parties	\$ 226,715	334,404
Others	108,086	99,138
Less: allowance for impairment	-	-
	<b>\$ 334,801</b>	<b>433,542</b>

For the year ended December 31, 2020, the Company was awarded government grants amounting to \$1,025,826 due to COVID-19 pandemic. The grants that compensated the Company for expenses or losses incurred were recognized in profit or loss in the periods in which the expenses or losses were recognized. As of December 31, 2020, the receivables related to the abovementioned grant amounted to \$67,040. There was no such transaction for the year ended December 31, 2019.

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

There is no change on the movement in the allowance for other receivables for the years ended December 31, 2020 and 2019.

(Continued)

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

## (f) Inventories

(i) The components were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Aircraft spare parts	\$ 144,243	111,651
Consumables for use and merchandise for in-flight sales	1,143,990	1,270,042
Fuel for aircraft and others	<u>18,884</u>	<u>46,198</u>
	<u>\$ 1,307,117</u>	<u>1,427,891</u>

(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:

	<u>2020</u>	<u>2019</u>
Losses on (gain on reversal) valuation of inventories and obsolescence	\$ <u>(166,259)</u>	<u>(1,721)</u>

As of December 31, 2020 and 2019, these inventories were not pledged.

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

A part of the office building in Los Angeles was presented as non-current assets or disposal group classified as held for sale following the expectation of the Company's management to sell part of the building. The efforts to sell the disposal group have commenced, and sales are expected in 2020 to 2021. As of December 31, 2020 and 2019, the non-current assets or disposal group classified as held for sale comprised assets amounting to \$852,175 and \$1,233,824, respectively, and liabilities amounting to \$1,142 and \$140,810, respectively. The details were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Property, plant and equipment	\$ <u>852,175</u>	<u>1,233,824</u>
Other payables	\$ <u>1,142</u>	<u>140,810</u>

As of December 31, 2020 and 2019, the non-recurring fair value measurements for non-current assets or disposal group classified as held for sale of \$1,012,756 and \$1,511,710, respectively (before costs to sell amounted to \$52,373 and \$78,050, respectively) have been categorized as a Level 2 fair value based on the observable inputs with settled deals.

## (h) Investments accounted for using equity method

The components were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiaries	\$ 13,482,020	16,877,937
Associates	<u>155,907</u>	<u>170,153</u>
	<u>\$ 13,637,927</u>	<u>17,048,090</u>

(Continued)

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

(i) Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2020.

(ii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using equity method was as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

	<u>2020</u>	<u>2019</u>
Attributable to the Company:		
Profit (loss)	\$ (3,788)	8,153
Other comprehensive income	<u>2,215</u>	<u>(1,942)</u>
Comprehensive income	<u>\$ (1,573)</u>	<u>6,211</u>

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

(iii) Pledged

As of December 31, 2020 and 2019, the investments accounted for using equity method were not pledged.

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

On August 13, 2018, a resolution was approved during the two separate board meetings of the Company's subsidiaries, Evergreen Aviation Technologies Corp. (hereinafter referred to as EGAT) and Evergreen Aviation Precision Corp. (hereinafter referred to as EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28, 2019.

In first quarter of 2019, the Company disposed of equity share of EGAP to EGAT with a carrying amount of \$415,426. And the Company acquired 9,512 thousand shares of EGAT with a fair value of \$506,139. Besides, due to the merger of subsidiaries, the Company recognized capital surplus of difference between acquiring subsidiary's equity and carrying amount amounting to \$90,713. Since the aforementioned merger date, the Company's shareholding percentage in EGAT has decreased from 80.00% to 79.42%. There was no such transaction for the year ended December 31, 2020.

On November 18, 2020, a resolution was approved during the board meeting of EGAT for a capital reduction of 300,000 thousand shares amounting to \$3,000,000, wherein EGAT would refund cash to its shareholders thereafter. The Company received the amount of \$2,382,515 in cash according to the shareholding percentage on December 10, 2020 (the date of capital reduction) of EGAT. There was no such transaction for the year ended December 31, 2019.

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**EVA AIRWAYS CORP.**  
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(j) Property, plant and equipment

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

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Leased improvements</u>	<u>Aircraft</u>	<u>Unfinished construction</u>	<u>Total</u>
<b>Cost:</b>							
Beginning balance as of January 1, 2020	\$ 2,928,537	7,349,285	19,958,880	1,706,178	141,170,870	815,865	173,929,615
Additions	-	39,891	879,298	4,903	3,136,511	2,655	4,063,258
Disposals	-	-	(1,011,770)	(80,055)	-	-	(1,091,825)
Reclassification (Note)	(55,852)	608,809	353,214	18,544	1,242,531	(818,520)	1,348,726
Balance as of December 31, 2020	<u>\$ 2,872,685</u>	<u>7,997,985</u>	<u>20,179,622</u>	<u>1,649,570</u>	<u>145,549,912</u>	<u>-</u>	<u>178,249,774</u>
Beginning balance as of January 1, 2019	\$ 3,009,859	7,374,353	19,417,246	30,747,228	122,341,091	442,687	183,332,464
Additions	-	-	607,023	6,191	13,544,812	150,265	14,308,291
Disposals	-	-	(711,125)	(112,028)	(4,291,171)	-	(5,114,324)
Reclassification (Note)	(81,322)	(25,068)	645,736	(28,935,213)	9,576,138	222,913	(18,596,816)
Balance as of December 31, 2019	<u>\$ 2,928,537</u>	<u>7,349,285</u>	<u>19,958,880</u>	<u>1,706,178</u>	<u>141,170,870</u>	<u>815,865</u>	<u>173,929,615</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2020	\$ -	3,248,501	9,933,133	967,469	39,167,828	-	53,316,931
Depreciation expense	-	250,483	1,410,441	177,667	8,647,397	-	10,485,988
Disposals	-	-	(960,323)	(80,055)	-	-	(1,040,378)
Reclassification (Note)	-	-	(5,800)	(121)	-	-	(5,921)
Balance as of December 31, 2020	<u>\$ -</u>	<u>3,498,984</u>	<u>10,377,451</u>	<u>1,064,960</u>	<u>47,815,225</u>	<u>-</u>	<u>62,756,620</u>
Beginning balance as of January 1, 2019	\$ -	3,007,688	9,159,494	10,316,504	35,144,633	-	57,628,319
Depreciation expense	-	240,813	1,449,245	264,529	7,711,332	-	9,665,919
Disposals	-	-	(579,806)	(112,028)	(3,688,137)	-	(4,379,971)
Reclassification (Note)	-	-	(95,800)	(9,501,536)	-	-	(9,597,336)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,248,501</u>	<u>9,933,133</u>	<u>967,469</u>	<u>39,167,828</u>	<u>-</u>	<u>53,316,931</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2020	<u>\$ 2,872,685</u>	<u>4,499,001</u>	<u>9,802,171</u>	<u>584,610</u>	<u>97,734,687</u>	<u>-</u>	<u>115,493,154</u>
Balance as of December 31, 2019	<u>\$ 2,928,537</u>	<u>4,100,784</u>	<u>10,025,747</u>	<u>738,709</u>	<u>102,003,042</u>	<u>815,865</u>	<u>120,612,684</u>
Balance as of January 1, 2019	<u>\$ 3,009,859</u>	<u>4,366,665</u>	<u>10,257,752</u>	<u>20,430,724</u>	<u>87,196,458</u>	<u>442,687</u>	<u>125,704,145</u>

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

(i) Leased aircraft

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

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**EVA AIRWAYS CORP.**  
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(ii) Impairment test

According to IAS 36 “Impairment of assets”, the Company periodically assesses for any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. When evaluating the recoverable amount of the CGU, the pre-tax discount rate is used to estimate the future cash flow. After performing the impairment test, the recoverable amount for the CGU turned out to be higher than its carry amounts. Therefore, there is no impairment loss to be recognized at December 31, 2020.

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

- 1) The cash flow period of twelve years, which was estimated on the basis of previous experience, actual operating result and management-approved financial budget.
- 2) The estimated operating revenue, operating costs, and operating expenses based on the future operation plan, taking into consideration the changes and business competitions within the industry.
- 3) The estimate discount rate of 3.28%.

(iii) Pledge

As of December 31, 2020 and 2019, the Company’s property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

- (iv) For the years ended December 31, 2020 and 2019, the Company capitalized the interest expenses amounted to \$123,111 and \$137,157, respectively. The ranges of the monthly interest rate used for capitalization calculation were 0.07%~0.10% and 0.10%~0.11%, respectively.

(k) Right-of-use assets

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

	<u>Land</u>	<u>Building and structures</u>	<u>Aircraft</u>	<u>Machinery and equipment</u>	<u>Total</u>
<b>Cost:</b>					
Beginning balance as of January 1, 2020	\$ 382,335	1,186,803	131,719,814	68,879	133,357,831
Additions	-	328,431	9,009,567	24,940	9,362,938
Decrease	-	(79,748)	-	(4,971)	(84,719)
Balance as of December 31, 2020	<u>\$ 382,335</u>	<u>1,435,486</u>	<u>140,729,381</u>	<u>88,848</u>	<u>142,636,050</u>
Beginning balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>372,064</u>	<u>1,088,703</u>	<u>125,681,063</u>	<u>47,248</u>	<u>127,189,078</u>
Balance as of January 1, 2019 after adjustments	372,064	1,088,703	125,681,063	47,248	127,189,078
Additions	10,271	122,856	13,652,892	25,353	13,811,372
Decrease	-	(24,756)	(365,782)	(3,722)	(394,260)
Reclassification to property, plant and equipment	-	-	(7,248,359)	-	(7,248,359)
Balance as of December 31, 2019	<u>\$ 382,335</u>	<u>1,186,803</u>	<u>131,719,814</u>	<u>68,879</u>	<u>133,357,831</u>

(Continued)

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

	<u>Land</u>	<u>Building and structures</u>	<u>Aircraft</u>	<u>Machinery and equipment</u>	<u>Total</u>
<b>Accumulated depreciation:</b>					
Beginning balance as of January 1, 2020	\$ 23,897	401,494	20,441,125	23,628	20,890,144
Depreciation expense	26,938	425,416	14,797,505	27,573	15,277,432
Decrease	-	(74,612)	-	(4,622)	(79,234)
Balance as of December 31, 2020	<u>\$ 50,835</u>	<u>752,298</u>	<u>35,238,630</u>	<u>46,579</u>	<u>36,088,342</u>
Beginning balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	-	-	9,247,050	-	9,247,050
Balance as of January 1, 2019 after adjustments	-	-	9,247,050	-	9,247,050
Depreciation expense	23,897	422,645	14,867,209	24,764	15,338,515
Decrease	-	(21,151)	(138,850)	(1,136)	(161,137)
Reclassification to property, plant and equipment	-	-	(3,534,284)	-	(3,534,284)
Balance as of December 31, 2019	<u>\$ 23,897</u>	<u>401,494</u>	<u>20,441,125</u>	<u>23,628</u>	<u>20,890,144</u>
<b>Carrying amount:</b>					
Balance as of December 31, 2020	<u>\$ 331,500</u>	<u>683,188</u>	<u>105,490,751</u>	<u>42,269</u>	<u>106,547,708</u>
Balance as of December 31, 2019	<u>\$ 358,438</u>	<u>785,309</u>	<u>111,278,689</u>	<u>45,251</u>	<u>112,467,687</u>
Balance as of January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(l) Investment property

The movements in cost of investment property were as follows:

	<u>Land</u>	<u>Building and structures</u>	<u>Unfinished construction</u>	<u>Total</u>
<b>Cost:</b>				
Beginning balance as of January 1, 2019	\$ 56,381	-	126,673	183,054
Reclassification from property, plant and equipment	81,322	-	969,448	1,050,770
Reclassification to investment property – building and structures	-	1,096,121	(1,096,121)	-
Reclassification to non-current assets classified as held for sale	(137,703)	(1,096,121)	-	(1,233,824)
Balance as of December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying amounts:</b>				
Balance as of December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of January 1, 2019	<u>\$ 56,381</u>	<u>-</u>	<u>126,673</u>	<u>183,054</u>
<b>Fair value:</b>				
Balance as of December 31, 2019				<u>\$ -</u>
Balance as of January 1, 2019				<u>\$ 592,137</u>

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

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**EVA AIRWAYS CORP.**  
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The investment property was not pledged. There was no such transaction for the year ended December 31, 2020.

(m) Intangible assets

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

	<u>Computer software</u>
<b>Cost:</b>	
Beginning balance as of January 1, 2020	\$ 1,094,113
Additions	146,211
Disposals	<u>(173,120)</u>
Balance as of December 31, 2020	<u><b>\$ 1,067,204</b></u>
Beginning balance as of January 1, 2019	\$ 1,037,507
Additions	278,926
Disposals	<u>(222,320)</u>
Balance as of December 31, 2019	<u><b>\$ 1,094,113</b></u>
<b>Accumulated amortization:</b>	
Beginning balance as of January 1, 2020	\$ 451,958
Amortization expense	240,530
Disposals	<u>(173,120)</u>
Balance as of December 31, 2020	<u><b>\$ 519,368</b></u>
Beginning balance as of January 1, 2019	\$ 436,651
Amortization expense	237,627
Disposals	<u>(222,320)</u>
Balance as of December 31, 2019	<u><b>\$ 451,958</b></u>
<b>Carrying amounts:</b>	
Balance as of December 31, 2020	<u><b>\$ 547,836</b></u>
Balance as of December 31, 2019	<u><b>\$ 642,155</b></u>
Balance as of January 1, 2019	<u><b>\$ 600,856</b></u>

(i) Amortization

For the years ended December 31, 2020 and 2019, the amortization of intangible assets is included under operating costs and operating expenses in the statements of comprehensive income.

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**EVA AIRWAYS CORP.**  
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## (ii) Pledge

The aforementioned intangible assets were not pledged.

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Prepaid expense	\$ 355,490	234,459
Other receivables (including related parties)	334,801	433,542
Others	<u>60,943</u>	<u>104,708</u>
Total	<u>\$ 751,234</u>	<u>772,709</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Prepayments for business facilities	\$ 15,512,012	10,327,469
Refundable deposits	1,053,257	1,444,373
Pledged time deposits	<u>392,790</u>	<u>77,894</u>
Total	<u>\$ 16,958,059</u>	<u>11,849,736</u>

## (o) Long-term borrowings and bonds payable

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

	<u>2020.12.31</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amount</u>
Secured bonds payable	TWD	1.07%	2021/12/29	\$ 4,250,000
Unsecured convertible bonds	TWD	-	2022/10/27~2025/10/21	<u>3,082,941</u>
Subtotal				7,332,941
Less: Current portion (included in current portion of long-term liabilities)				<u>(4,250,000)</u>
Total				<u>\$ 3,082,941</u>
Unsecured loans	TWD	0.90%~1.27%	2021/01/26~2025/12/21	\$ 35,306,667
Secured loans	TWD	0.97%~1.37%	2021/02/03~2032/11/24	<u>56,956,098</u>
Subtotal				92,262,765
Less: Current portion				<u>(12,187,386)</u>
Total				<u>\$ 80,075,379</u>

(Continued)

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

2019.12.31				
	Currency	Interest rate	Maturity date	Amount
Secured bonds payable	TWD	1.07%	2020/12/29~2021/12/29	\$ 8,500,000
Unsecured convertible bonds	TWD	-	2022/10/27	<u>6,325,180</u>
Subtotal				14,825,180
Less: Current portion (included in current portion of long-term liabilities)				<u>(10,575,180)</u>
Total				<u>\$ 4,250,000</u>
Unsecured loans	TWD	1.12%~2.01%	2020/05/28~2024/07/23	\$ 13,953,333
Secured loans	TWD	1.15%~1.52%	2020/05/20~2031/12/27	<u>54,414,841</u>
Subtotal				68,368,174
Less: Current portion				<u>(10,856,419)</u>
Total				<u>\$ 57,511,755</u>

The details of convertible bonds were as follows:

	2020.12.31	2019.12.31
Total convertible bonds issued	\$ 10,000,000	7,000,000
Less: Unamortized discounted bonds payable	(149,959)	(223,720)
Cumulative converted amount	(451,100)	(451,100)
Cumulative put amount	<u>(6,316,000)</u>	<u>-</u>
Convertible bonds issued balance	<u>\$ 3,082,941</u>	<u>6,325,180</u>
Embedded derivatives – put/call options (included in financial assets/(liabilities) at fair value through profit or loss)	<u>\$ 2,793</u>	<u>(3,274)</u>
Equity components – conversion options (included in capital surplus – share options)	<u>\$ 512,921</u>	<u>376,948</u>

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% and 1.04%, respectively. Please refer to note 6(y) for the valuation loss/profit of embedded derivatives – put/call options, which were recognized in net gains/losses on financial assets and 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: Ordinary shares of the Company.

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**EVA AIRWAYS CORP.**  
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- (vi) Conversion price: The price determination day was October 19, 2017; the conversion price shall be the simple arithmetical average closing price of the ordinary 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, 2020 and 2019, the conversion price was \$13.4 and \$13.7 per share, respectively. In addition, corporate bonds with a face value of \$451,100 and \$451,100, respectively has been converted to 30,829 and 30,829 thousand shares of ordinary share, respectively.
- (vii) Conversion period: The bondholder can convert its bonds into shares at any time between 3 months after the issuance date and the day before the maturity day, except for the following:
- 1) The closing period in accordance with the applicable laws;
  - 2) The period that starts from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;
  - 3) The period starts from the date of record of the capital decrease and ends one day prior to the reissuance of the trading of shares after the capital decrease.
- (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. As of October 27, 2020, the bondholders exercised the put option, wherein the Company paid the amount of \$6,316,000 to the bondholders who actually exercised the put option.
- (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.

On October 21, 2020, the Company issued the fourth unsecured domestic convertible bonds amounting to \$3,000,000. The major terms are as follows:

- (i) Total issue amount: TWD3,000,000
- (ii) Issue price: At par value
- (iii) Maturity date: Five years, with the maturity date on October 21, 2025.
- (iv) Coupon rate: 0%.

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

- (v) Conversion target: Ordinary shares of the Company.
- (vi) Conversion price: The price determination day was October 13, 2020; the conversion price shall be the simple arithmetical average closing price of the ordinary shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 104% (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, 2020, the conversion price was \$11.2.
- (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.
  - 4) The period from the date of the suspension of the conversion in respect of the change of par value of the Issuer's shares to one day prior to the first trading date of shares reissued after the change of par value.
- (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 100.75% 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.

(Continued)



**EVA AIRWAYS CORP.**  
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As of December 31, 2020, the details of the future repayment periods and amounts of the Company's long-term borrowings and bonds payable were as follows:

<u>Year due</u>	<u>Amount</u>
2021.1.1~2021.12.31	\$ 16,437,386
2022.1.1~2025.12.31	59,789,820
2026.1.1 and thereafter	<u>23,368,500</u>
	<u>\$ 99,595,706</u>

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2020 and 2019 the unused credit lines for short-term and long-term borrowings amounted to \$5,193,027 and \$4,516,397, respectively.

(iii) Guarantee from the government for loans

In accordance with "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications, the Company applied to financial institutions for project loans amounting to \$20,000,000, which was guaranteed by the government. As of December 31, 2020, all credit lines have been used. The guarantee loans shall be repaid within two years from the initial withdrawal.

(p) Lease liabilities

The components of lease liabilities were as follow:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Financial liabilities for hedging— current	\$ <u>11,564,988</u>	<u>11,547,049</u>
Financial liabilities for hedging— non-current	\$ <u>77,067,827</u>	<u>86,744,021</u>
Lease liabilities— current	\$ <u>164,820</u>	<u>172,500</u>
Lease liabilities— non-current	\$ <u>417,564</u>	<u>547,793</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u>3,107,395</u>	<u>3,349,752</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>12,042</u>	<u>14,354</u>
Expenses relating to short-term leases	\$ <u>94,697</u>	<u>104,887</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>995</u>	<u>857</u>
COVID-19-related rent concessions	\$ <u>145,556</u>	<u>-</u>

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

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ <u>15,160,279</u>	<u>15,710,384</u>

The Company leases land, building and structures as well as aircraft for its office space and operating needs. The leases of building and structures typically run for a period of 1 to 10 years, and of aircraft for 12 years. The Company's lease contracts include an option to renew the lease for an additional period of the same duration after the end of the contract term or extension options. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors, in which the leases are not reasonably certain to be used as an optional extended lease term. Payments associated with the optional period are not included within lease liabilities.

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

(q) Restoration obligations

The movements of the restoration obligations were as follows:

	<b>2020</b>	<b>2019</b>
Beginning balance as of January 1	\$ 19,807,987	19,576,977
Additions	3,060,238	1,080,789
Decreases	(265,678)	(555,677)
Effect of exchange rate changes	<u>(702,264)</u>	<u>(294,102)</u>
Balance as of December 31	\$ <u>21,900,283</u>	<u>19,807,987</u>

(Continued)

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

(r) 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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total present value of defined benefit obligations	\$ 8,742,471	9,150,217
Fair value of plan assets	<u>(5,741,468)</u>	<u>(5,045,361)</u>
Recognized liabilities of net defined benefit obligations	<u>\$ 3,001,003</u>	<u>4,104,856</u>

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

1) Composition of plan assets

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

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$5,667,966 as of December 31, 2020. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Defined benefit obligations as of January 1	\$ 9,150,217	8,584,178
Benefits paid by the plan	(517,050)	(315,930)
Current service costs and interest	278,840	281,214
Net remeasurements of defined benefit liabilities		
— Experience adjustments	(441,670)	449,266
— Actuarial losses (gains) arising from changes in financial assumptions	<u>272,134</u>	<u>151,489</u>
Defined benefit obligations as of December 31	<u>\$ 8,742,471</u>	<u>9,150,217</u>

(Continued)

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

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

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

	<u>2020</u>	<u>2019</u>
Fair value of plan assets as of January 1	\$ 5,045,361	4,399,666
Contributions from plan participants	968,698	725,263
Benefits paid by the plan	(467,295)	(270,031)
Expected return on plan assets	52,007	51,557
Net remeasurements of defined benefit liabilities		
— Return on plan assets (excluding the amounts included in net interest expense)	<u>142,697</u>	<u>138,906</u>
Fair value of plan assets as of December 31	<u>\$ 5,741,468</u>	<u>5,045,361</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Current services costs	\$ 189,367	186,373
Net interest on the net defined benefit liabilities	<u>37,466</u>	<u>43,284</u>
	<u>\$ 226,833</u>	<u>229,657</u>
Operating costs	\$ 178,059	173,751
Operating expenses	<u>48,774</u>	<u>55,906</u>
	<u>\$ 226,833</u>	<u>229,657</u>

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

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

	<u>2020</u>	<u>2019</u>
Accumulated losses as of January 1	\$ (4,470,667)	(4,008,818)
Gains (losses) recognized during the period	<u>312,233</u>	<u>(461,849)</u>
Accumulated losses as of December 31	<u>\$ (4,158,434)</u>	<u>(4,470,667)</u>

6) Actuarial assumptions

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.625%	1%
Future salary increases	1.04%~4.25%	1.53%~5.11%

(Continued)

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

The Company expects to make contributions of \$638,936 to the defined benefit plans in the next year starting from December 31, 2020.

The weighted average of the defined benefit plans is 12.52 years.

7) Sensitivity analysis

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

	<b>Effects to the defined benefit obligations</b>			
	<b>Favorable</b>		<b>Unfavorable</b>	
	<b>2020.12.31</b>	<b>2019.12.31</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Discount rate (0.25%)	188,165	210,390	194,690	217,982
Future salary increases (0.25%)	177,195	199,200	182,279	205,207

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

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

(ii) Defined contribution plans

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

The Company set aside \$489,739 and \$502,345 as pension costs under the defined contribution plans in 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(s) Income tax

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

	<b>2020</b>	<b>2019</b>
Current tax benefit (expenses)	\$ 206,959	(1,102,400)
Deferred tax benefit (expenses)	847,686	556,739
Income tax benefit (expenses)	<u>\$ 1,054,645</u>	<u>(545,661)</u>

(Continued)

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

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

	<u>2020</u>	<u>2019</u>
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	\$ (62,447)	92,370
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(431)	9
Gains or losses on hedging instruments	<u>(2,329)</u>	<u>2,290</u>
	<u>\$ (65,207)</u>	<u>94,669</u>
Components of other comprehensive income that will be reclassified to profit or loss:		
Gains or losses on hedging instruments	<u>\$ (842,424)</u>	<u>(547,083)</u>

Reconciliations of income tax benefit (expenses) and profit (loss) before tax were as follows:

	<u>2020</u>	<u>2019</u>
Profit (loss) before tax	<u>\$ (4,416,284)</u>	<u>4,528,128</u>
Income tax using the Company's domestic tax rate	\$ 883,257	(905,626)
Exempt income	397,102	461,636
Changes in unrecognized deductible temporary differences	219,000	170,112
Unavailable tax deduction	(389,183)	-
Others	<u>(55,531)</u>	<u>(271,783)</u>
Total	<u>\$ 1,054,645</u>	<u>(545,661)</u>

- (iii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unrecognized deferred tax assets:		
Investment loss of foreign operations accounted for using equity method	\$ 41,935	38,311
Restoration obligations	<u>109,892</u>	<u>332,516</u>
Total	<u>\$ 151,827</u>	<u>370,827</u>

(Continued)

**EVA AIRWAYS CORP.**  
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According to the R.O.C Income Tax Act., the net loss as assessed by the tax authorities can be carry forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2020, the Company's loss carry-forward recognized and unrecognized as deferred tax assets and the expiry year were as follows:

<u>Filing year</u>	<u>Recognized un-deducted loss</u>	<u>Unrecognized un-deducted loss</u>	<u>Total</u>	<u>Expiry year</u>
2020	<u>\$ 5,503,160</u>	<u>-</u>	<u>5,503,160</u>	2030

The Company has no unrecognized deferred tax liabilities as of December 31, 2020 and 2019.

2) Recognized deferred tax assets and liabilities

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

	<u>Loss carryforwards</u>	<u>Loss on valuation of inventories</u>	<u>Defined benefit plans</u>	<u>Restoration obligations</u>	<u>Mileage revenue</u>	<u>Expense payable</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>								
Beginning balance as of January 1, 2020	\$ -	190,773	836,439	1,465,919	808,832	198,618	460,056	3,960,637
Recognized in profit or loss	1,100,632	(61,029)	(156,513)	635,681	(74,614)	(174,480)	(276,976)	992,701
Recognized in other comprehensive income	-	-	(62,447)	-	-	-	-	(62,447)
Balance as of December 31, 2020	<u>\$ 1,100,632</u>	<u>129,744</u>	<u>617,479</u>	<u>2,101,600</u>	<u>734,218</u>	<u>24,138</u>	<u>183,080</u>	<u>4,890,891</u>
Beginning balance as of January 1, 2019	\$ -	391,632	850,457	830,763	730,581	116,453	385,625	3,305,511
Recognized in profit or loss	-	(200,859)	(106,388)	635,156	78,251	82,165	101,770	590,095
Recognized in other comprehensive income	-	-	92,370	-	-	-	(27,339)	65,031
Balance as of December 31, 2019	<u>\$ -</u>	<u>190,773</u>	<u>836,439</u>	<u>1,465,919</u>	<u>808,832</u>	<u>198,618</u>	<u>460,056</u>	<u>3,960,637</u>
			<u>Unrealized foreign exchange gains</u>	<u>Investment gains of foreign operations accounted for using equity method</u>		<u>Others</u>		<u>Total</u>
<b>Deferred tax liabilities:</b>								
Beginning balance as of January 1, 2020		\$ 547,780		78,055		8,311		634,146
Recognized in profit or loss		160,313		(15,298)		-		145,015
Recognized in other comprehensive income		849,910		-		(4,726)		845,184
Balance as of December 31, 2020		<u>\$ 1,558,003</u>		<u>62,757</u>		<u>3,585</u>		<u>1,624,345</u>
Beginning balance as of January 1, 2019		\$ 2,882		77,300		3,163		83,345
Recognized in profit or loss		32,601		755		-		33,356
Recognized in other comprehensive income		512,297		-		5,148		517,445
Balance as of December 31, 2019		<u>\$ 547,780</u>		<u>78,055</u>		<u>8,311</u>		<u>634,146</u>

- (iv) The Company's income tax returns for the years through 2018 were assessed by the local tax authorities.

(Continued)

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

(t) Capital and other equity

As of December 31, 2020 and 2019, the numbers of authorized ordinary shares of both 7,000,000 thousand shares had a par value of \$10 per share. The total value of the authorized ordinary shares amounted to both \$70,000,000, of which \$48,535,695, were issued.

(i) Ordinary shares

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

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

For the year ended December 31, 2019, convertible bonds issued by the Company amounting to \$258,630, were converted 25,863 thousand shares of ordinary shares, and all related registration procedure has been completed. There was no such transaction for the year ended December 31, 2020.

(ii) Capital surplus

The details of capital surplus were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash subscription in excess of par value of shares	\$ 5,118,825	5,118,825
Stock options granted to employees	697,600	697,600
Additional paid-in capital from bond conversion	1,561,585	1,561,585
Additional paid-in capital from conversion option	512,921	376,948
Changes in equity of associates accounted for using equity method	3,757	3,757
Difference between actual acquiring subsidiary's equity and carrying amount	<u>90,985</u>	<u>90,985</u>
	<u>\$ 7,985,673</u>	<u>7,849,700</u>

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

(Continued)



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

(iii) Retained earnings

According to the Company's Articles of Incorporation, if the Company reports a surplus at the year end, after clearing taxes, the Company shall first offset accumulated losses (if any), then set aside 10% of the balance as the statutory surplus reserve, and set aside or reverse special surplus reserve per the provisions. After that, the Board of Directors shall propose a surplus distribution plan of the balance plus the retained earnings accrued from prior years, submit the distribution plan to the shareholders' meeting for approval, and then distribute it. The dividends can be distributed wholly or partly in cash only after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

1) Legal reserve

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

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

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

(Continued)

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

(iv) Other equity interest (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
<b>Balance as of January 1, 2020</b>	\$ (42,773)	722,495	2,069,817	2,749,539
Exchange differences on translation of foreign financial statements	(37,217)	-	-	(37,217)
Exchange differences on associates accounted for using equity method	(33,256)	-	-	(33,256)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	373,511	-	373,511
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	17,293	-	17,293
Changes in fair value of hedging instrument	-	-	2,590,446	2,590,446
Changes in fair value of hedging instrument reclassified to profit or loss/ other non-current assets	-	-	788,566	788,566
<b>Balance as of December 31, 2020</b>	<u>\$ (113,246)</u>	<u>1,113,299</u>	<u>5,448,829</u>	<u>6,448,882</u>
<b>Balance as of January 1, 2019</b>	\$ (3,760)	547,201	(109,356)	434,085
Exchange differences on translation of foreign financial statements	(36,486)	-	-	(36,486)
Exchange differences on associates accounted for using equity method	(2,527)	-	-	(2,527)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	167,328	-	167,328
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	11	-	11
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	7,955	-	7,955
Changes in fair value of hedging instrument	-	-	2,154,415	2,154,415
Changes in fair value of hedging instrument reclassified to profit or loss/ other non-current assets	-	-	24,758	24,758
<b>Balance as of December 31, 2019</b>	<u>\$ (42,773)</u>	<u>722,495</u>	<u>2,069,817</u>	<u>2,749,539</u>

(Continued)

**EVA AIRWAYS CORP.**  
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## (u) Share-based payment

(i) As of December 31, 2019, the Company's share-based payment transaction was as follow:

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

There was no such transaction for the year ended December 31, 2020.

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

<u>2018 Cash-settled share-based payment plan (reserved for employees to subscribe)</u>	<u>Number of options (thousand shares)</u>	<u>Exercise price (in dollars)</u>
	<u>2019</u>	
Outstanding number as of January 1	27,352	\$ 13
Number of shares exercised	(15,985)	13
Number of shares abandoned	(11,367)	13
Outstanding number as of December 31	-	
Fair value per share at grant date (in dollars) \$	<u>3.05</u>	

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

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

(Continued)

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

## (v) Earnings per share ("EPS")

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

	2020		
	<u>Amount net of tax</u>	<u>Weighted-average number of shares outstanding during the period (thousand shares)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(3,361,639)</u>	<u>4,853,569</u>	\$ <u>(0.69)</u>
Diluted earnings per share:			
Loss attributable to ordinary equity holders	\$ <u>(3,361,639)</u>	<u>4,853,569</u>	\$ <u>(0.69)</u>
		2019	
	<u>Amount net of tax</u>	<u>Weighted-average number of shares outstanding during the period (thousand shares)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>3,982,467</u>	<u>4,826,530</u>	\$ <u>0.83</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>3,982,467</u>	<u>4,826,530</u>	
Effect of the potentially dilutive ordinary shares			
Effect of employee compensation	\$ -	23,939	
Effect of conversion of convertible bonds	<u>60,970</u>	<u>478,022</u>	
Profit attributable to ordinary equity holders after adjusting the potential dilutive ordinary shares	\$ <u>4,043,437</u>	<u>5,328,491</u>	\$ <u>0.76</u>

As of December 31, 2020, 4,249 thousand shares of employee compensation and 70,074 thousand shares of conversion of all convertible bonds have an anti-dilutive effect, and hence they are not included in the calculation of the weighted average number of shares (diluted).

(Continued)

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## (w) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	\$ 22,431,993	54,913,004
Asia	39,013,200	40,469,352
Europe	3,096,538	5,641,840
North America	14,615,024	33,959,536
Others	<u>445,774</u>	<u>637,419</u>
	<u><u>\$ 79,602,529</u></u>	<u><u>135,621,151</u></u>
Major products / services lines:		
Aviation transportation revenue	\$ 74,523,726	126,002,327
Others	<u>5,078,803</u>	<u>9,618,824</u>
	<u><u>\$ 79,602,529</u></u>	<u><u>135,621,151</u></u>

## (ii) Contract balances

	<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2019.1.1</u>
Contract liabilities-tickets services, customer loyalty program and others	<u>\$ 7,028,284</u>	<u>23,040,594</u>	<u>21,110,224</u>

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$11,194,108 and \$15,343,125, respectively.

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

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

	<u>2020</u>	<u>2019</u>
	<u>Contract liabilities</u>	<u>Contract liabilities</u>
Changes in an estimate of the transaction price	<u>\$ (266,496)</u>	<u>(149,905)</u>

(Continued)

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(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2020 and 2019, the amounts allocated to the customer loyalty program were \$3,671,091 and \$4,044,162, respectively. These will be recognized as revenue as the customer loyalty program points are redeemed or when they expire, which are expected to occur over the next three years.

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

(x) Remuneration to employees and directors

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

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

For the years ended December 31, 2020 and 2019, the Company accrued and recognized its employees' remuneration of \$0 and \$284,125, respectively, and the directors' remuneration of \$0 and \$9,500, respectively. These remunerations were included in the operating costs and operating expenses.

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

For the year ended December 31, 2020, the Company's actual distributed amounts and recognized amounts of its employees' remuneration and directors' remuneration were both \$0. There was a decrease of \$113,650 between the actual amounts of remuneration to employees, and directors distributed for the year 2019 determined by the Board of Directors and the estimated amounts mainly due to the adjustment of the Board of Directors' resolution. The differences shall be accounted for as changes in accounting estimates and recognized in profit or loss for the year 2020. The related information can be found on Market Observation Post System website.

(y) Non-operating income and expenses

(i) Other income

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 137,131	144,178
Interest income		
Interest income from bank deposits	208,185	655,499
Other interest	<u>608</u>	<u>638</u>
Total interest income	<u>208,793</u>	<u>656,137</u>
	<u><u>\$ 345,924</u></u>	<u><u>800,315</u></u>

(Continued)

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## (ii) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposal of property, plant and equipment	\$ 39,699	494,796
Foreign exchange gains (losses)	893,725	(181,235)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	20,873	6,106
Losses on financial liabilities measured at amortized cost	(153,800)	-
Gains on disposal of non-current assets classified as held for sale	141,369	-
Others gains and losses	<u>143,029</u>	<u>149,565</u>
	<u>\$ 1,084,895</u>	<u>469,232</u>

## (iii) Finance costs

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 742,651	805,711
Bonds Payable	161,101	169,745
Lease liabilities	3,107,395	3,349,752
Others	901,210	913,653
Less: capitalized interest	<u>(123,111)</u>	<u>(137,157)</u>
	<u>\$ 4,789,246</u>	<u>5,101,704</u>

## (z) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

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

## 2) Circumstances of concentration of credit risk

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

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3) Credit risk of receivables

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>As of December 31, 2020</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings (including current portion of long-term liabilities)	\$ 92,262,765	95,670,927	13,135,221	58,580,998	23,954,708
Bonds payable	7,332,941	7,528,375	4,295,475	3,232,900	-
Lease liabilities and financial liabilities for hedging	89,215,199	97,673,508	13,880,134	50,137,458	33,655,916
Notes and accounts payable (including related parties)	3,325,625	3,325,625	3,325,625	-	-
Other payables (including related parties)	4,300,632	4,300,632	4,300,632	-	-
Liabilities related to non-current assets or disposal group classified as held for sale	1,142	1,142	1,142	-	-
<b>Total</b>	<b>\$ 196,438,304</b>	<b>208,500,209</b>	<b>38,938,229</b>	<b>111,951,356</b>	<b>57,610,624</b>
<b>As of December 31, 2019</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings (including current portion of long-term liabilities)	\$ 68,368,174	71,932,598	11,642,875	35,294,889	24,994,834
Bonds payable	14,825,180	15,185,325	10,889,850	4,295,475	-
Lease liabilities and financial liabilities for hedging	99,011,363	113,189,380	14,877,913	54,837,015	43,474,452
Accounts payable (including related parties)	6,409,484	6,409,484	6,409,484	-	-
Other payables (including related parties)	6,534,057	6,534,057	6,534,057	-	-
Liabilities related to non-current assets or disposal group classified as held for sale	140,810	140,810	140,810	-	-
Subtotal	195,289,068	213,391,654	50,494,989	94,427,379	68,469,286
<b>Derivative financial liabilities</b>					
Convertible bonds with embedded derivatives	3,274	-	-	-	-
Forward exchange contracts for hedge purposes:					
Outflow	11,643	938,273	938,273	-	-
Inflow	-	(926,630)	(926,630)	-	-
Subtotal	11,643	11,643	11,643	-	-
<b>Total</b>	<b>\$ 195,303,985</b>	<b>213,403,297</b>	<b>50,506,632</b>	<b>94,427,379</b>	<b>68,469,286</b>

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

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## (iii) Currency risk

## 1) Exposure to currency risk

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

	2020.12.31			2019.12.31		
	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 517,860	28.48	14,748,657	\$ 602,556	29.98	18,064,621
EUR	3,249	35.02	113,770	4,121	33.59	138,414
JPY	639,281	0.2763	176,633	1,639,535	0.2760	452,512
HKD	221,429	3.6730	813,307	166,285	3.8490	640,033
CNY	279,418	4.3770	<u>1,223,012</u>	143,392	4.3050	<u>617,301</u>
			<b><u>\$ 17,075,379</u></b>			<b><u>\$ 19,912,881</u></b>
<u>Non-monetary items</u>						
USD	\$ 39,668	28.48	1,129,732	\$ 41,918	29.98	1,256,691
IDR	7,687,425	0.0020	<u>15,375</u>	9,103,282	0.0022	<u>20,027</u>
			<b><u>\$ 1,145,107</u></b>			<b><u>\$ 1,276,718</u></b>
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 3,602,897	28.48	102,610,508	\$ 3,798,042	29.98	113,865,297
EUR	5,855	35.02	205,040	10,405	33.59	349,505
JPY	1,414,638	0.2763	390,864	2,141,775	0.2760	591,130
HKD	36,069	3.6730	132,482	24,435	3.8490	94,050
CNY	141,168	4.3770	<u>617,892</u>	188,354	4.3050	<u>810,866</u>
			<b><u>\$ 103,956,786</u></b>			<b><u>\$ 115,710,848</u></b>

## 2) Sensitivity analysis

The Company's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable and accounts receivable (including related parties), refundable deposits (included in other non-current assets), accounts payable (including related parties), other payables (including related parties), lease liabilities and restoration obligations (included in other current liabilities and other non-current liabilities) that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, HKD and CNY as of December 31, 2020 and 2019, would have changed the profit (loss) before tax by \$16,289 and \$24,067, and the equity by \$885,103 and \$982,046 due to cash flow hedges, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020 and 2019.

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Due to the variety of the Company's functional currency, the Company discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2020 and 2019, the Company's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to \$893,725 and \$(181,235), respectively.

(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 1% with all other variable factors that remain constant, the profit (loss) before tax of the Company would have changed \$917,628 and \$683,182 for the years ended December 31, 2020 and 2019, respectively due to the Company's floating-interest borrowings.

(v) Other market price risk

If the price of the equity securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on comprehensive income will be as follows:

Price of the equity securities at the reporting date	2020		2019	
	Other Comprehensive Income, net of tax	Profit (losses)	Other Comprehensive Income, net of tax	Profit (losses)
increase 5%	\$ 147,505	-	128,829	-
decrease 5%	\$ (147,505)	-	(128,829)	-

(vi) Fair value

1) Categories and fair values of financial instruments

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

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	2019.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings (including current portion of long-term liabilities)	68,368,174	-	68,368,582	-	68,368,582
Bonds payable	14,825,180	-	14,892,652	-	14,892,652
Lease obligations payable	720,293	-	-	-	-
Accounts payable (including related parties)	6,409,484	-	-	-	-
Other payables (including related parties)	6,534,057	-	-	-	-
Liabilities related to non-current assets or disposal group classified as held for sale	140,810	-	-	-	-
Subtotal	<u>96,997,998</u>	<u>-</u>	<u>83,261,234</u>	<u>-</u>	<u>83,261,234</u>
Total	<u>\$ 195,303,985</u>	<u>-</u>	<u>83,276,151</u>	<u>-</u>	<u>83,276,151</u>

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.

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

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

b) Derivative financial instruments

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

3) Transfers between Level 1 and Level 2

For the years ended December 31, 2020 and 2019, 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:

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance as of January 1, 2020	\$ 1,568,986
Total gains or losses:	
Recognized in other comprehensive income	157,980
Balance as of December 31, 2020	<b>\$ 1,726,966</b>
Balance as of January 1, 2019	\$ 1,468,045
Total gains or losses:	
Recognized in other comprehensive income	33,051
Purchased	67,951
Disposed	(61)
Balance as of December 31, 2019	<b>\$ 1,568,986</b>

The amounts of total gains or losses for the periods were recognized in unrealized gains (losses) from financial assets measured at fair value through other comprehensive income. As of December 31, 2020 and 2019, the assets which were still held by the Company were as follows:

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	<u>2020</u>	<u>2019</u>
Other comprehensive income (including in unrealized gains (losses) on financial assets measured at fair value through other comprehensive income)	\$ 157,980	33,051

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

The Company classified a partial of its financial assets at fair value through other comprehensive income investment in equity securities that do not have a quoted market price in an active market as Level 3 of the fair value hierarchy.

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

The significant unobservable inputs were as follows:

<u>Items</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income	Market approach—relevant information generated by publicly companies	<ul style="list-style-type: none"> <li>• Price-book ratio (as of December 31, 2020 and 2019 were 0.80~3.46 and 0.80~2.62, respectively)</li> <li>• Market liquidity discount rate (as of December 31, 2020 and 2019 were 80% of market price)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-book ratio, the higher the fair value</li> <li>• The higher the market liquidity discount rate, the lower the fair value</li> </ul>

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

The fair value measurements of the Company's financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. As of December 31, 2020 and 2019, for fair value measurements in Level 3, a fluctuation in the valuation variable by 5% would have the following effects:

<u>Inputs</u>	<u>Increase (decrease)</u>	<u>Effects of changes in fair value on other comprehensive income</u>			
		<u>Favorable</u>		<u>Unfavorable</u>	
		<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Price-book ratio	5%	87,822	77,308	(84,196)	(78,850)
Market liquidity discount rate	5%	87,822	77,308	(84,196)	(78,850)

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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(aa) Management of financial risk

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

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

2) Investments

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

3) Guarantees

As of December 31, 2020, the Company did not provide endorsements and guarantees.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

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

- the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

2) Interest rate risk

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

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

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

- the effect of the counterparty and the Company's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in reprising dates between the swaps and the borrowings.

(Continued)

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

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The management of the Company monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(ab) Capital management

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

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

As of December 31, 2020, there were no changes in the Company's approach to capital management.

(ac) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

	<u>2020.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>2020.12.31</u>
			<u>Interest expense</u>	<u>Foreign exchange movement</u>	<u>Other</u>	
Bonds payable	\$ 14,825,180	(7,570,984)	70,518	-	8,227	7,332,941
Long-term borrowings	68,368,174	23,891,530	3,061	-	-	92,262,765
Lease liabilities and financial liabilities for hedging	99,011,363	(15,052,545)	3,107,395	(561,963)	2,710,949	89,215,199
<b>Total liabilities from financing activities</b>	<b>\$ 182,204,717</b>	<b>1,268,001</b>	<b>3,180,974</b>	<b>(561,963)</b>	<b>2,719,176</b>	<b>188,810,905</b>

  

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

(Continued)

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

**(7) Related-party transactions**

(a) Names and relationship of related parties

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Evergreen Aviation Technologies Corp. (Note 1)	The Company's subsidiary
Evergreen Airline Services Corp.	The Company's subsidiary
Evergreen Sky Catering Corp.	The Company's subsidiary
Evergreen Air Cargo Services Corp.	The Company's subsidiary
Evergreen Aviation Precision Corp. (Note 1)	The Company's subsidiary
Hsiang Li Investment Corp.	The Company's subsidiary
Sky Castle Investment Ltd.	The Company's subsidiary
Evergreen Airways Service (Macau) Ltd.	The Company's subsidiary
PT Perdana Andalan Air Service	The Company's subsidiary
EVA Flight Training Academy	The Company's subsidiary
Evergreen International S.A.	The Company's shareholder's major shareholder
Evergreen International Corp.	The Company's shareholder
Evergreen Marine Corp. (Taiwan) Ltd.	The Company's shareholder
Evergreen International Storage & Transport Corp.	The Company's shareholder
Evergreen Logistics Corp.	The Company's shareholder
UNI Airways Corp.	The Company's shareholder's equity investment
Ever Accord Construction Corp.	The Company's shareholder's equity investment
Evergreen Steel Corp.	The Company's shareholder's equity investment
Evergreen Shipping Agency (Europe) GMBH SP. Z.O.O.	The Company's shareholder's equity investment
Ever Shine (Shenzhen) Enterprise Management Consulting Co., Ltd.	The Company's shareholder's equity investment
Ever Shine (Shanghai) Enterprise Management Consulting Co., Ltd.	The Company's shareholder's equity investment
Evergreen Shipping Agency (Japan) Corporation	The Company's shareholder's major shareholder's equity investment
Evergreen Insurance Co. Ltd.	The Company's shareholder's equity investment
GE Evergreen Engine Services Corp.	The Consolidated subsidiary's equity investment
Evergreen Security Corp.	The Company's equity investment
EverFun Travel Services Corp. (Note 2)	The Company's equity investment
Chang Yung-Fa Foundation	The Company's shareholder
Chang Yung-Fa Charity Foundation	The Company's shareholder
Arport Air Cargo Terminal (Xiamen) Co., Ltd.	The Consolidated subsidiary's equity investment

(Continued)

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

Note 1: On August 13, 2018, a resolution was approved during the two separate board meetings of Evergreen Aviation Technologies Corp. (EGAT) and Evergreen Aviation Precision Corp. (EGAP) to merge EGAT and EGAP, with EGAT being the surviving company, and EGAP, the dissolved entity. The merger date was set on February 28, 2019. Please refer to note 6(i).

Note 2: The Company subscribed for its new shares contribution in April 2019, and has significant influence over its financial and operating policies. Please refer to note 6(h).

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 61,475	162,363
Associates	7,069	6,626
Other related parties	<u>1,799,539</u>	<u>2,665,734</u>
	<u>\$ 1,868,083</u>	<u>2,834,723</u>

Related parties leased aircraft from the Company. The rental is charged by actual flight hours and recorded under operating revenue.

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

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions. Besides aforementioned collateralized notes, receivables from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(ii) Operating costs

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

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 5,149,343	9,002,598
Associates	24,230	41,366
Other related parties	<u>309,599</u>	<u>546,579</u>
	<u>\$ 5,483,172</u>	<u>9,590,543</u>

(Continued)

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

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

(iii) Operating expenses

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

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 149,217	190,955
Associates	100,702	134,681
Other related parties	<u>170,913</u>	<u>269,034</u>
	<u>\$ 420,832</u>	<u>594,670</u>

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

(iv) Property transaction

For the years ended December 31, 2020 and 2019, the Company purchased equipment from its related parties amounting to \$15,191 and \$59,943, respectively.

For the years ended December 31, 2020 and 2019, the disposals of equipment to related parties were summarized as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Subsidiaries	<u>\$ 1,596</u>	<u>914</u>	<u>740</u>	<u>712</u>

(v) Leases

The Company rented its offices from other related enterprise. For the years ended December 31, 2020 and 2019, the Company recognized the amount of \$2,046 and \$1,802, respectively, as interest expense. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$65,590 and \$53,651, respectively.

(Continued)

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

## (vi) Receivables from related parties

Receivables from related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivables	EverFun Travel Services Corp.	\$ 840	188,403
Accounts receivable	Subsidiaries	3,827	16,329
Accounts receivable	Associates	2,209	4,243
Accounts receivable	Other related parties	<u>110,635</u>	<u>303,350</u>
Subtotal		<u>117,511</u>	<u>512,325</u>
Other receivables	Subsidiaries	6,173	55,228
Other receivables	Associates	-	102
	Other related parties		
Other receivables	UNI Airways Corp.	138,028	278,336
Other receivables	Evergreen Insurance Company Limited	82,470	685
Other receivables	Other related parties	<u>44</u>	<u>53</u>
Subtotal		<u>226,715</u>	<u>334,404</u>
Total		<u>\$ 344,226</u>	<u>846,729</u>

## (vii) Payables to related parties

Payables to related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
	Subsidiaries		
Accounts payable	Evergreen Aviation Technologies Corp.	\$ 471,879	652,079
Accounts payable	Other Subsidiaries	346,787	962,503
Accounts payable	Associates	6,397	4,444
Accounts payable	Other related parties	<u>10,204</u>	<u>62,481</u>
Subtotal		<u>835,267</u>	<u>1,681,507</u>
Other payables	Subsidiaries	51,199	73,956
Other payables	Associates	12,388	13,053
Other payables	Other related parties	<u>46,175</u>	<u>85,490</u>
Subtotal		<u>109,762</u>	<u>172,499</u>
Total		<u>\$ 945,029</u>	<u>1,854,006</u>

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 61,165	81,786
Post-employment benefits	3,148	2,787
	<u>\$ 64,313</u>	<u>84,573</u>

**(8) Pledged assets**

The carrying amounts of the pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Property, plant, and equipment	Long-term borrowings	\$ 80,117,104	85,367,003
Time deposit – included in other non-current assets	Letters of credit and contract performance guarantees	392,790	77,894
		<u>\$ 80,509,894</u>	<u>85,444,897</u>

**(9) Significant contingent liabilities and unrecognized commitments**

(a) Significant contingent liabilities: None.

(b) Significant commitments:

(i) In November 2015, the Company entered into aircraft purchase contracts with Boeing Company for eighteen Boeing 787-10 aircraft. In August 2020, the Company made amendments to the contracts and changed seven Boeing 787-10 aircraft (not yet delivered) into four Boeing 787-9 aircraft and three Boeing 777 freighters at a price of US\$6,444,000. As of December 31, 2020, fourteen Boeing aircraft had not yet been delivered by Boeing Company. The Company has partially prepaid the price of \$13,918,948, which was included in other non-current assets.

(ii) In November 2015, the Company entered into engine purchase contracts with General Electric Company for five Boeing 787 engines. In September 2020, the Company made amendments to the contracts and changed one Boeing 787 engine (not yet delivered) into one Boeing 777 engine at a price of US\$139,110. As of December 31, 2020, two Boeing engines had not yet been delivered by General Electric Company. The Company has partially prepaid the price of \$353,483, which was included in other non-current assets.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unused letters of credit	\$ <u>2,216,261</u>	<u>2,375,736</u>

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

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other

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

By item	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salaries	6,936,025	4,247,404	11,183,429	8,469,141	5,577,838	14,046,979
Labor and health insurance	447,590	327,241	774,831	472,991	340,154	813,145
Pension	452,176	264,396	716,572	435,891	296,111	732,002
Remuneration of directors	-	9,682	9,682	-	19,463	19,463
Others	1,651,465	463,185	2,114,650	3,734,874	559,770	4,294,644
Depreciation (Note)	24,742,607	858,929	25,601,536	24,046,844	889,713	24,936,557
Amortization	-	240,530	240,530	-	237,627	237,627

Note: For the years ended December 31, 2020 and 2019, the depreciation expenses recognized were \$25,763,420 and \$25,004,434, respectively, less deferred gains of \$16,328 and \$67,877, respectively, and subsidy and rent concession of \$145,556 and \$0, respectively.

(b) COVID-19 outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment at each destination around the globe and has impacted the Company's operations, including cancellation or restriction of flights. Facing the impact of the pandemic, the Company continuously reviews its flight status, implements flight suspensions and raises the daily utilization rates of its freighters, in order to maximize its operating revenue. Meanwhile, the Company simplified its service and selling process, reduced personnel cost, postponed unnecessary capital expenditures, as well as performed other cost-controlling activities. The Company has applied for operating and interest subsidies from the government. Notably, the Company has received a government bailout loan amounting to \$20 billion. In addition, the Company has also acquired additional loans from banks, and will promptly raise fund from capital market, in order to meet the future demand of working capital.

(c) As of December 31, 2020 and 2019, the additional information for employee numbers and employee benefits were as follows:

	<b>2020</b>	<b>2019</b>
Employee numbers	<u><u>11,289</u></u>	<u><u>11,335</u></u>
Directors numbers without serving concurrently as employee	<u><u>7</u></u>	<u><u>8</u></u>
Average employee benefits	<u><u>\$ 1,311</u></u>	<u><u>1,756</u></u>
Average employee salaries	<u><u>\$ 991</u></u>	<u><u>1,240</u></u>
Average adjustment rate of employee salaries	<u><u>(20.08)%</u></u>	
Supervisor's remuneration	<u><u>\$ -</u></u>	<u><u>-</u></u>

(Continued)



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

(d) The information of the Company's salary and remuneration policy (including directors, managers and employees) are as follow:

(i) The principle of remuneration policy

The Company's remuneration policy is determined by the natures of each position, the Company's operating performance, industry average, economic variables, government regulations as well as future operating risks, and is formulated based on the principles of fairness, reasonableness, balance, and incentives. There is no issue on age, gender, race, religion, political stance, marital status, union affiliation etc.

(ii) Remuneration policy

The Company determines the job title based on the organizational structure, business categories and job natures. It considers internal and external factors according to each position, except for the positions of chairman and vice chairman, to set upper and lower limits as the salary assessment standard for each position.

(iii) Remuneration portfolios of directors and managers

The directors' remuneration is stipulated according to the Company's articles of incorporation, authorizing the Board of Directors to determine the remuneration by its participation and contribution, as well as that of other company's data. The remuneration of managers is handled in accordance with the "Payment Regulation of Managers" of the Company. The remuneration of directors and managers are stipulated by Remuneration Committee of the Company and should be approved by Board of Directors. The bonus would be considered and distributed based on the operation results of the Company and each individual performance.

(iv) Remuneration composition of employees

Fixed remuneration :

The employees' fixed remuneration, including salary and allowances, is based on the Company's salary structure standard for each position; also, the employees salary raise will be based on their working performance assessment and the Company's overall annual salary policy.

Variable remuneration :

- 1) Year-end bonus : In order to motivate employees, year-end bonus is distributed based on each year's operating performance and employee contribution.
- 2) Employee remuneration : According to the Company's articles of incorporation, if the Company incurs profit in a fiscal year, the earnings shall first be used to offset against any deficit, then, a portion of the remainder, if any, will be distributed as employee remuneration.

(Continued)

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

**(13) Other disclosures**

## (a) Information on significant transactions

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2020:

- (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: None.
- (vi) Disposition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital: None.
- (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 3 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 4 attached.
- (ix) Derivative transactions: Please refer to note 6(c) for related information.

## (b) Information on investees:

The followings are the information on investees for the year ended December 31, 2020 (excluding investees in Mainland China): Please see Table 5 attached.

## (c) Information on investment in Mainland China : Please see Table 6 attached.

## (d) Major shareholders:

(in shares)

Shareholder's Name	Shareholding	Shares	Percentage
Evergreen Marine Corp. (Taiwan) Ltd.		776,541,111	16.00 %
Evergreen International Corp.		549,262,304	11.32 %
Falcon Investment Services Ltd.		512,027,482	10.55 %

**(14) Segment information**

Please refer to the consolidated financial statements for the year ended December 31, 2020.

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

Table 1 Marketable Securities Held (excluding investments in subsidiaries, associates and joint ventures)  
(December 31, 2020)

(in shares)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020				Notes
				Shares/Units	Book value	Percentage of ownership	Fair value	
The Company	Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss – current	45,187,711	675,556	-	675,556	
"	FSITC Taiwan Money Market Fund	None	Financial assets at fair value through profit or loss – current	12,995,958	200,573	-	200,573	
"	FSITC Money Market Fund	None	Financial assets at fair value through profit or loss – current	2,564,182	461,168	-	461,168	
"	Yuanta De-Li Money Market Fund	None	Financial assets at fair value through profit or loss – current	6,086,687	100,059	-	100,059	
"	Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss – current	3,666,549	50,033	-	50,033	
"	Taishin Ta-Chong Money Market Fund	None	Financial assets at fair value through profit or loss – current	13,974,385	200,119	-	200,119	
Evergreen Air Cargo Services Corp.	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss – current	7,611,392	96,283	-	96,283	
"	UPAMC James Bond Money Market Fund	None	Financial assets at fair value through profit or loss – current	5,477,678	92,249	-	92,249	
"	Eastspring Investments Well Pool Money Market Fund	None	Financial assets at fair value through profit or loss – current	7,453,782	102,211	-	102,211	
					<b>1,978,251</b>		<b>1,978,251</b>	
The Company	Shares of Everest Investment Holdings Ltd.	None	Financial assets at fair value through other comprehensive income – non-current	231,580	19,702	2.11	19,702	
"	Shares of Trade-Van Information Services Co.	None	Financial assets at fair value through other comprehensive income – non-current	8,502,418	429,372	5.67	429,372	
"	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income – non-current	35,203,008	799,109	5.96	799,109	
"	Shares of UNI Airways Corp.	The Company's shareholder's equity investment	Financial assets at fair value through other comprehensive income – non-current	37,606,277	470,830	9.98	470,830	
"	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	1,194,565	9.56	1,194,565	
"	Shares of Chung Hwa Express Corp.	None	Financial assets at fair value through other comprehensive income – non-current	1,000,000	34,800	10.00	34,800	
"	Star Alliance Services Gmbh	None	Financial assets at fair value through other comprehensive income – non-current	1	7,069	4.55	7,069	
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	22,684	0.01	22,684	
"	Shares of Evergreen International Storage & Transport Corp.	The Company's shareholder's shareholder	Financial assets at fair value through other comprehensive income – non-current	158,800	3,216	0.01	3,216	
Hsiang Li Investment Corp.	Shares of Central Reinsurance Corporation	None	Financial assets at fair value through other comprehensive income – non-current	2,740,542	62,210	0.46	62,210	
Evergreen Airways Service (Macau) Ltd.	Shares of Air Macau Co., Ltd.	None	Financial assets at fair value through other comprehensive income – non-current	500	1,237	0.0207	1,237	
					<b>3,044,794</b>		<b>3,044,794</b>	

(Continued)

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

Table 2 Accumulated buying/selling of the same marketable securities for which the dollar amount at least \$300 million or 20% of paid-in capital (December 31, 2020)

(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	FSITC Money Market Fund	Financial assets at fair value through profit or loss — current — fund	First Securities Investment Trust Co., Ltd.	None	-	-	2,675,591	480,000	111,409	20,000	19,977	23	2,564,182	461,168
"	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss — current — fund	Yuanta Securities Investment Trust Co., Ltd.	None	-	-	24,387,591	400,000	18,300,904	300,152	300,000	152	6,086,687	100,059
"	Evergreen Aviation Technologies Corp.	Investments accounted for using equity method	Evergreen Aviation Technologies Corp.	Subsidiary	518,440,696	10,799,290	-	-	238,251,455	2,382,515	2,382,515	-	280,189,241	7,744,694
Evergreen Air Cargo Services Corp.	Mega Diamond Money Market Fund	Financial assets at fair value thorough profit or loss — current — fund	Mega International Investment Trust Co., Ltd.	None	11,964,636	150,619	22,572,601	285,000	26,925,845	340,025	339,166	860	7,611,392	96,283
"	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss — current — fund	Uni-President Assets Management Corp.	None	9,933,297	166,663	25,271,487	425,000	29,727,106	500,000	498,962	1,038	5,477,678	92,249
"	Eastspring Investments Well Pool Money Market Fund	Financial assets at fair value through profit or loss — current — fund	Eastspring Securities Investment Trust Co. Ltd	None	10,368,032	141,590	28,495,051	390,000	31,409,301	430,000	429,127	873	7,453,782	102,211

(Continued)

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

Table 3 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid-in capital  
(December 31, 2020)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Notes
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Balance	Percentage of Total Accounts/Notes Receivable (Payable)	
The Company	UNI Airways Corp.	The company's shareholder's equity investment	Sales	1,539,966	1.93	60 days	-		109,055	1.97	
"	Evergreen Logistics Corp.	The company's shareholder	Sales	248,573	0.31	60 days	-		-	-	
"	Evergreen Airline Services Corp.	The company's subsidiary	Purchases	1,408,566	1.93	60 days	-		(223,287)	6.71	
"	Evergreen Sky Catering Corp.	The company's subsidiary	Purchases	669,866	0.92	60 days	-		(44,549)	1.34	
"	Evergreen Aviation Technologies Corp.	The company's subsidiary	Purchases	2,749,774	3.76	60 days	-		(471,879)	14.19	
"	Evergreen Air Cargo Services Corp.	The company's subsidiary	Purchases	368,922	0.50	60 days	-		(76,154)	2.29	
"	Evergreen Insurance Company Ltd.	The company's shareholder's equity investment	Purchases	106,490	0.15	60 days	-		-	-	
Evergreen Airline Services Corp.	The Company	Parent company	Sales	1,408,566	77.50	60 days	-		233,052	80.75	
"	UNI Airways Corp.	The company's shareholder's equity investment	Sales	185,533	10.21	60 days	-		28,788	9.98	
Evergreen Aviation Technologies Corp.	The Company	Parent company	Sales	2,759,968	25.82	60 days	-		472,541	31.70	
"	GE Evergreen Engine Services Corp.	The company's equity investment	Sales	607,620	5.69	120 days	-		115,380	7.74	
"	UNI Airways Corp.	The company's shareholder	Sales	331,286	3.10	60 days	-		127,848	8.58	
Evergreen Sky Catering Corp.	The Company	Parent company	Sales	669,866	75.99	60 days	-		56,138	64.00	
Evergreen Air Cargo Services Corp.	The Company	Parent company	Sales	368,922	25.79	60 days	-		79,964	54.23	

(Continued)

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

Table 4 Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid-in capital  
(December 31, 2020)

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	247,083	(Note 1)	-		247,083	-
Evergreen Airline Services Corp.	The Company	Parent company	248,195	4.00	-		248,195	-
Evergreen Aviation Technologies Corp.	The Company	Parent company	473,565	4.87	-		473,565	-
"	GE Evergreen Engine Services Corp.	The Company's equity investment	135,709	8.09	-		135,709	-
"	UNI Airways Corp.	The company's shareholder	128,024	2.78	-		128,024	-

Note1 : Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.

(Continued)

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

Table 5 Information on investees (excluding investees in Mainland China)  
(For the year ended December 31, 2020)

(in shares)

Name of investor	Name of investee	Location	Main Businesses and Products	Initial Investment Amount		Ending Balance			Net Income (Losses) of Investee	Share of Profit (Losses) of Investee	Notes
				December 31, 2020	December 31, 2019	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 %	369,047	21,807	21,807	(Note 1)
The Company	Evergreen Airways Service (Macau) Ltd.	398 Alameda Dr. Carlos D' Assumpcao.Edif CNAC 3 Andar K-M Macau	Investment business	327	327	None	99.00 %	99,521	(22,100)	(21,879)	(Note 1)
The Company	PT Perdana Andalan Air Service	10/F, Gedung Mega Plaza Jl. H.R Rasuna Said Kav. C-3 Jakarta 12920 Indonesia	Traveling agency	5,086	5,086	40,800	51.00 %	15,375	(5,830)	(2,973)	(Note 1)
The Company	EVA Flight Training Academy	3745 Whitehead Street Mather, CA, 95655, USA	Flight training school	932,050	932,050	10,000,000	100.00 %	661,164	(18,119)	(18,119)	(Note 1)
The Company	Evergreen Aviation Technologies Corp.	No.6 Hangzhan S.Rd., Dayuan Dist., Taiwan Taoyuan Int'L Airport, Taoyuan City, Taiwan	Maintenance, manufacturing, processing and sales of aircraft, engine and parts	-	3,200,450	280,189,241	79.42 %	7,744,694	1,173,028	931,478	(Note 1)
The Company	Evergreen Airline Services Corp.	No.608 Harg-Jann N.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, Taiwan	Aviation ground service	111,181	111,180	36,183,106	56.33 %	870,451	(66,898)	(37,687)	(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	76,557,790	49.80 %	2,098,549	(424,530)	(211,416)	(Note 1)
The Company	Evergreen Air Cargo Services Corp.	No.8-1, Hang-Chin N. Rd.,Dayuan Dist., Taoyuan City, Taiwan	Air cargo entrepot	740,348	740,348	72,750,000	60.625 %	1,551,997	225,453	136,681	(Note 1)
The Company	Hsiang Li Investment Corp.	1F,No. 117,Sec. 2,Chang An E. Rd., Taipei 104 Taiwan	Investment business	448,280	448,280	2,680,000	100.00 %	71,222	2,204	2,204	(Note 1)
The Company	Evergreen Security Corp.	4-5F., No. 111, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan	Security services	25,000	25,000	6,336,000	31.25 %	114,257	36,918	11,070	(Note 2)
The Company	EverFun Travel Services Corp.	3F., No. 100,Sec. 2, Chang An E. Rd., Zhongshan Dist., Taipei City 104, Taiwan(R.O.C)	Traveling agency	55,061	55,061	5,505,000	26.48 %	41,650	(56,112)	(14,859)	(Note 2)
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	No.8 Harg-Jann S.Rd.,Taiwan Taoyuan Int'L Airport, Dayuan Dist., Taoyuan City, Taiwan	Maintenance, manufacturing, and sales of aircraft, engine and engine components	2,032,845	2,032,845	203,284,545	49.00 %	1,542,194	289,933	176,399	(Note 3)
Evergreen Airways Service (Macau) Ltd.	Menzies Macau Airport Services Ltd.	Airport Logistic Business Center Room 52 Macau International Airport Avenida do Aeroporto, Taipa, Macau	Ground handling	8,032	8,032	None	20.00 %	80,377	(111,685)	(22,332)	(Note 3)

Note1: List of subsidiaries of the Company.

Note2: Investments were accounted for using equity method.

Note3: Investments of subsidiaries of the Company were accounted for using equity method.

(Continued)

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

**Table 6 Information on investment in Mainland China**  
(December 31, 2020)

1. Information on Investment in Mainland China:

Investee Company	Main Business and Products	Total Amount of Paid-in Capital (CNY in Thousands)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of Investee	Direct/Indirect Shareholding (%) by the Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Arport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	CNY 254,480	2	138,784	-	-	138,784	91,458	14.00 %	12,804	242,444	106,670
Arport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo, truck freight transportation, other transportation auxiliary industry	CNY 14,000	2	61,418	-	-	61,418	68,382	14.00 %	9,574	125,022	58,498

(Note 1) Ways to Invest in Mainland China:

1. Investment in Mainland China companies by remittance through a third region.
2. Investment in Mainland China companies through a company invested and established in a third region.
3. Investment in Mainland China companies through an existing company 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 associates accounted for using equity method by how many shares the Company holds.

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

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

2. Limitation on investment in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (USD in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (Note) (USD in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
NTD 2,402,651 (USD 79,781 )	NTD 2,456,862 (USD 80,562 )	45,995,717

Note : Investment amounts in Mainland China were translated to TWD at the exchange rates of the dates of the remittance;

investment amounts authorized by Investment Commission, MOEA were translated to TWD at the exchange rates of the dates of the authorization.

3. Significant transactions : None.



## EVA AIRWAYS CORP.

## Statement of cash and cash equivalents

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Cash on hand	\$ 9
Petty cash	81,054
Demand deposit	2,951,030
Check deposit	103,607
Time deposit (Note)	<u>27,939,456</u>
Total	<u>\$ 31,075,156</u>

Note: the period of time deposit was 1~3 months; the range of interest rate was 0.27%~2.91%.

## Statement of financial assets at fair value through profit or loss — current and non-current

(Expressed in Thousands of New Taiwan Dollars/Units)

## (1) Money Market Fund

Name of financial instrument	Description	Book Value				Fair value		
		Units	Unit price (dollar)	Acquisition cost	Gains on valuation	Total amount	Unit price (dollar)	Total amount
Jih Sun Money Market Fund	Monetary Market Fund/ Issued by Jih Sun Securities Investment Trust Co., Ltd.	45,188	14.84	\$ 670,416	5,140	675,556	14.95	675,556
FSITC Taiwan Money Market Fund	Monetary Market Fund/ Issued by First Securities Investment Trust Co., Ltd.	12,996	15.39	200,000	573	200,573	15.43	200,573
FSITC Money Market Fund	Monetary Market Fund/ Issued by First Securities Investment Trust Co., Ltd.	2,564	179.40	460,023	1,145	461,168	179.85	461,168
Yuanta De-Li Money Market Fund	Monetary Market Fund/ Issued by Yuanta Securities Investment Trust Co., Ltd.	6,087	16.43	100,000	59	100,059	16.44	100,059
Taishin 1699 Money Market Fund	Monetary Market Fund/ Issued by Taishin Securities Investment Trust Co., Ltd.	3,667	13.64	50,000	33	50,033	13.65	50,033
Taishin Ta-Chong Money Market Fund	Monetary Market Fund/ Issued by Taishin Securities Investment Trust Co., Ltd.	13,974	14.31	200,000	119	200,119	14.32	200,119
				<u>\$ 1,680,439</u>	<u>7,069</u>	<u>1,687,508</u>		<u>1,687,508</u>

## (2) Others

Name of financial instruments	Amount
Convertible bonds with embedded derivatives	<u>\$ 2,793</u>

**EVA AIRWAYS CORP.****Statement of notes receivable****December 31, 2020****(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
A Company	\$ 213
B Company	132
C Company	95
Others (Note 1)	<u>33</u>
Total	<u>\$ 473</u>

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

**Statement of accounts receivable**

<u>Item</u>	<u>Amount</u>
Others (Note 1)	\$ 5,466,496
Less: allowance for impairment	<u>(54,576)</u>
Total	<u>\$ 5,411,920</u>

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

## EVA AIRWAYS CORP.

## Statement of inventories

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Aircraft spare parts	\$ 1,213,519	353,133
Consumables for use and merchandise for in-flight sales	1,226,656	1,143,990
Fuel for aircraft and others	<u>18,884</u>	<u>18,884</u>
Subtotal	2,459,059	<u><b>1,516,007</b></u>
Less: Loss on valuation of inventories	<u>(1,151,942)</u>	
	<u><b>\$ 1,307,117</b></u>	

## Statement of other current assets

<u>Items</u>	<u>Amount</u>
Prepaid expenses:	
Tax overpaid retained for offsetting the future tax payable	\$ 40,916
Prepaid tax	204,892
Others	<u>109,682</u>
Subtotal	<u>355,490</u>
Other current assets — others:	
Receivables for payment on behalf of others	\$ 40,824
Others	<u>20,119</u>
Subtotal	<u>60,943</u>
Other receivables:	
Other receivable — related parties	\$ 226,715
Others	<u>108,086</u>
Subtotal	<u>334,801</u>
Total	<u><b>\$ 751,234</b></u>

## EVA AIRWAYS CORP.

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

For the year ended December 31, 2020

(Expressed in Thousands of New Taiwan Dollars/ Shares)

Name of financial instrument	Description	Beginning balance		Addition		Decrease		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Ending balance		Collateral
		Share	Fair value	Share	Amount	Share	Amount		Share	Fair value	
Share	Everest Investment Holdings Ltd.	Note 1	\$ 17,755	-	-	-	-	1,947	Note 1	19,702	None
Share	Trade-Van Information Services Co.	8,502	313,739	-	-	-	-	115,633	8,502	429,372	None
Share	Central Reinsurance Corporation	35,203	698,780	-	-	-	-	100,329	35,203	799,109	None
Share	UNI Airways Corp.	36,511	454,561	1,095	-	-	-	16,269	37,606	470,830	None
Share	Evergreen Steel Corp.	38,202	1,057,039	-	-	-	-	137,526	38,202	1,194,565	None
Share	Chung Hwa Express Corp.	1,000	32,770	-	-	-	-	2,030	1,000	34,800	None
Share	Star Alliance Services GmbH	-	6,861	-	-	-	-	208	-	7,069	None
			<u>\$ 2,581,505</u>		<u>-</u>		<u>-</u>	<u>373,942</u>		<u>2,955,447</u>	

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

**EVA AIRWAYS CORP.**  
**Statement of changes in investments accounted for using the equity method**  
**For the year ended December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars/ Shares)**

Name	Beginning balance		Addition		Decrease		Exchange differences on translation of investee's financial statement	Unrealized gains (losses) on financial instrument	Capital surplus	Remeasurements of the net defined benefit plans	Ending balance			Market price or net assets value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Amount	Share holdings (%)	Shares	Unit price	Amount	
Sky Castle Investment. Ltd.	5,500	\$ 344,524	-	21,807	-	-	2,716	-	-	-	369,047	100	5,500	-	369,047	None
Evergreen Airways Service (Macau) Ltd.	No issue	197,798	-	-	-	(95,320)	(3,026)	69	-	-	99,521	99	No issue	-	99,521	None
PT Perdana Andalan Air Service	41	20,027	-	-	-	(2,973)	(1,821)	-	-	142	15,375	51	41	-	15,375	None
EVA Flight Training Academy	10,000	714,369	-	-	-	(18,119)	(35,086)	-	-	-	661,164	100	10,000	-	661,164	None
Evergreen Aviation Technologies Corp. (Note 1)	518,441	10,799,290	-	943,274	(238,252)	(3,937,837)	(33,256)	-	-	(26,777)	7,744,694	79.42	280,189	-	7,903,953	None
Evergreen Airline Services Corp.	34,460	865,796	1,723	1	-	(44,578)	-	9,413	-	39,819	870,451	56.33	36,183	-	870,451	None
Evergreen Sky Catering Corp.	72,912	2,340,651	3,646	-	-	(247,872)	-	-	-	5,770	2,098,549	49.8	76,558	-	2,098,549	None
Evergreen Air Cargo Services Corp.	72,750	1,532,300	-	136,681	-	(130,950)	-	-	-	13,966	1,551,997	60.625	72,750	-	1,551,997	None
Hsiang Li Investment Corp.	2,680	63,182	-	2,204	-	(1,975)	-	7,811	-	-	71,222	100	2,680	-	71,222	None
Evergreen Security Corp.	6,336	114,172	-	11,070	-	(12,672)	-	-	-	1,687	114,257	31.25	6,336	-	114,257	None
EverFun Travel Service Corp.	5,505	55,981	-	-	-	(14,859)	-	-	-	528	41,650	26.48	5,505	-	41,650	None
<b>Total</b>		<b>\$ 17,048,090</b>		<b>1,115,037</b>		<b>(4,507,155)</b>	<b>(70,473)</b>	<b>17,293</b>	<b>-</b>	<b>35,135</b>	<b>13,637,927</b>					

Note 1: On November 18, 2020, a resolution was approved during the board meeting of EGAT for capital reduction of 300,000 thousand shares with a total value of \$3,000,000 and EGAT refunded cash to shareholders thereafter. The Company received \$2,382,515 in cash according to the shareholding percentage on December 10, 2020 (the date of capital reduction) in EGAT.

**EVA AIRWAYS CORP.**  
**Statement of notes payable**  
**December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
D Company	\$ <u><u>858</u></u>

**Statement of accounts payable**

<b>Item</b>	<b>Amount</b>
E Company	\$ 287,586
Others (Note 1)	<u>2,201,914</u>
Total	<u>\$ <u>2,489,500</u></u>

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

**EVA AIRWAYS CORP.**  
**Statement of other payables**  
**December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Accrued expenses:	
Airport fee payable	\$ 602,741
Salary and wage payable	659,548
Other maintenance payable	1,051,853
Commission payable	258,028
Ground service fee payable	240,269
Others (Note 1)	<u>1,488,193</u>
Total	<u><u>\$ 4,300,632</u></u>

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

**Statement of contract liabilities—current and  
other current liabilities**

<u>Item</u>	<u>Amount</u>
Contract liabilities – current:	
Deferred ticket services, customer loyalty program and others	<u><u>\$ 4,510,802</u></u>
Other current liabilities:	
Payables for receipts on behalf of others	\$ 151,654
Restoration obligations	211,146
Others	<u>149,503</u>
Total	<u><u>\$ 512,303</u></u>

## EVA AIRWAYS CORP.

## Statement of bonds payable

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

	Description				Balance	
	Guarantee bank	Annual interest rate	Issue Date	Repayment method	Total issue	2020.12.31
The 19th unsecured bond	The Shanghai Commercial & Savings Bank, Ltd.	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	1,000,000	\$ 500,000
	Bank of Taiwan	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	2,500,000	1,250,000
	Mega International Commercial Bank	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	1,000,000	500,000
	Taiwan Cooperative Bank	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	1,000,000	500,000
	Hua Nan Commercial Bank	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	2,000,000	1,000,000
	Chang Hwa Commercial Bank	1.07 %	2016/12	Loan principal repay half on the 4th and 5th year respectively.	1,000,000	500,000
The third convertible bond			2017/10	Loan principal repay on the 5th year at expiry date.	7,000,000	227,734
The fourth convertible bond			2020/10	Loan principal repay on the 5th year at expiry date.	3,000,000	<u>2,855,207</u>
Subtotal						7,332,941
Less: Current portion						<u>(4,250,000)</u>
						<u>\$ 3,082,941</u>



## EVA AIRWAYS CORP.

## Statement of long-term borrowings (1)

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Bank</u>	<u>Interest</u>	<u>Period</u>	<u>Amount</u>
Mortgage loan:				
Land construction mortgage loan	Bank of Taiwan	1.10%~1.10%	2020/09/26~2027/09/26	\$ 5,250,000
Land construction mortgage loan	KGI Bank	1.08%~1.08%	2020/12/31~2027/12/31	<u>1,800,000</u>
Subtotal				<u>7,050,000</u>
Aircraft mortgage loan	Taiwan Cooperative Bank (Note 1)	0.98%~1.17%	2009/02/03~2021/02/03	233,166
Aircraft mortgage loan	Hua Nan Commercial Bank	1.18%~1.37%	2014/05/21~2026/05/21	1,900,250
Aircraft mortgage loan	Bank of Taiwan	1.12%~1.31%	2014/06/25~2026/06/25	1,826,917
Aircraft mortgage loan	Mega International Commercial Bank	1.18%~1.37%	2015/03/27~2027/03/27	1,618,627
Aircraft mortgage loan	Chang Hwa Commercial Bank	1.18%~1.37%	2015/09/30~2027/09/30	2,283,167
Aircraft mortgage loan	Hua Nan Commercial Bank	1.18%~1.37%	2015/10/27~2027/10/27	2,309,417
Aircraft mortgage loan	Bank of Taiwan	1.12%~1.31%	2016/08/30~2028/08/30	3,274,000
Aircraft mortgage loan	Cathay United Bank	1.02%~1.21%	2017/09/22~2029/09/22	2,387,025
Aircraft mortgage loan	Mega International Commercial Bank	1.03%~1.22%	2017/12/28~2029/12/28	2,381,250
Aircraft mortgage loan	E.SUN Bank	0.97%~1.16%	2018/02/23~2030/02/23	3,166,667
Aircraft mortgage loan	Bank of Taiwan	1.10%~1.29%	2018/06/29~2030/06/29	2,960,042
Aircraft mortgage loan	Chang Hwa Commercial Bank	1.08%~1.27%	2018/12/11~2030/12/11	3,427,500
Aircraft mortgage loan	Taiwan Business Bank	1.03%~1.23%	2019/01/30~2031/01/30	3,500,000
Aircraft mortgage loan	Bank of Taiwan	0.99%~1.19%	2019/06/25~2031/06/25	3,475,237
Aircraft mortgage loan	Bank of Taiwan	1.00%~1.19%	2019/08/15~2031/08/15	2,985,583
Aircraft mortgage loan	Yuanta Commercial Bank	0.99%~1.19%	2019/09/25~2031/09/25	3,249,583
Aircraft mortgage loan	Hua Nan Commercial Bank	1.00%~1.19%	2019/12/27~2031/12/27	3,204,667
Aircraft mortgage loan	Sunny Bank	1.10%~1.10%	2020/07/29~2024/07/28	1,000,000
Aircraft mortgage loan	Chang Hwa Commercial Bank	1.08%~1.08%	2020/11/24~2032/11/24	3,323,000
Aircraft mortgage loan	Bank of Taiwan	1.15%~1.15%	2020/12/17~2025/12/17	<u>1,400,000</u>
Subtotal				<u>49,906,098</u>

Note 1: Syndicated Loan by Taiwan Cooperative Bank and other 10 banks.

## EVA AIRWAYS CORP.

## Statement of long-term borrowings (2)

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Item	Bank	Interest	Period	Amount
Medium and long-term credit loan	Chang Hwa Commercial Bank	1.08%~1.27%	2017/05/26~2022/05/26	\$ 750,000
	Taiwan Business Bank	1.03%~1.22%	2017/06/07~2022/06/07	300,000
	Bank SinoPac	0.98%~1.17%	2017/06/29~2022/06/29	187,500
	Mega International Commercial Bank	1.03%~1.22%	2017/08/25~2022/08/25	400,000
	Cathay United Bank	0.98%~1.17%	2017/09/19~2022/09/19	250,000
	Land Bank of Taiwan	1.05%~1.25%	2018/01/12~2022/01/12	156,250
	Taishin International Bank	0.97%~1.26%	2018/01/26~2021/01/26	1,000,000
	Far Eastern Int'l Bank	1.12%~1.22%	2018/03/30~2023/03/30	312,500
	Bank of Taiwan	1.03%~1.22%	2018/08/14~2023/08/14	600,000
	Bank SinoPac	0.98%~1.17%	2018/09/28~2023/09/28	343,750
	Yuanta Commercial Bank	1.04%~1.24%	2018/11/05~2021/11/05	500,000
	Bank of Kaohsiung	1.08%~1.27%	2018/11/09~2023/11/09	330,000
	CTBC Bank	0.98%~1.17%	2018/11/28~2021/11/28	480,000
	KGI Bank	0.98%~1.17%	2018/12/12~2021/09/12	400,000
	The Export-Import Bank of Republic of China	0.96%~1.16%	2019/03/21~2022/03/21	300,000
	Sunny Bank	0.91%~1.16%	2019/03/28~2022/03/28	800,000
	Taipei Fubon Bank	0.93%~1.13%	2019/07/04~2022/07/04	306,667
	Agricultural Bank of Taiwan	0.96%~1.15%	2019/07/23~2024/07/23	500,000
	DBS Bank (Taiwan) Ltd.	0.93%~1.12%	2019/11/18~2022/11/18	500,000
	Bank of Communications	0.93%~1.13%	2019/11/22~2022/11/22	1,200,000
	Bank of China	0.98%~1.17%	2019/12/05~2022/12/05	400,000
	Chang Hwa Comercial Bank	1.03%~1.22%	2020/01/30~2025/01/30	1,000,000
	O-Bank	0.96%~1.16%	2020/03/13~2025/03/13	540,000
	First Commercial Bank	0.94%~0.94%	2020/03/23~2023/03/23	750,000
	Bank of Taiwan and other bank group (Note 1)	1.16%~1.16%	2020/06/30~2022/06/30	10,000,000
	Hua Nan Commercial Bank	1.18%~1.18%	2020/09/18~2025/09/18	1,000,000
	The Export-Import Bank of Republic of China	1.14%~1.14%	2020/09/21~2023/09/21	500,000
	Bank of Taiwan and other bank group (Note 1)	1.16%~1.16%	2020/09/30~2022/06/30	6,000,000
	Bank of Taiwan and other bank group (Note 1)	1.16%~1.16%	2020/10/23~2022/06/30	4,000,000
	EnTie Commercial Bank	0.90%~0.90%	2020/12/10~2021/06/08	500,000
	Bank of Taiwan	1.20%~1.20%	2020/12/21~2025/12/21	1,000,000
Subtotal				<u>35,306,667</u>
Total				92,262,765
Less: Current portion				<u>(12,187,386)</u>
Total				<u>\$ 80,075,379</u>

Note 1: Syndicated Loan by Bank of Taiwan and other 9 banks.

## EVA AIRWAYS CORP.

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

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Contract liabilities — non-current:	
Customer loyalty program	\$ <u>2,517,482</u>
Other non-current liabilities:	
Restoration obligations	\$ 21,689,137
Others	<u>712,581</u>
Total	\$ <u>22,401,718</u>

## Statement of lease liabilities

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>
Land	2 to 18 years	1.15%~1.21%	\$ 341,377
Building and structures	1 to 10 years	1.15%~3.30%	665,377
Aircraft	2 to 12 years	1.25%~3.32%	88,166,228
Machinery and equipment	1 to 5 years	1.15%~3.30%	<u>42,217</u>
Total			\$ <u>89,215,199</u>

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

**EVA AIRWAYS CORP.**  
**Statement of operating revenue**  
**For the year ended December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Operating revenue:	
Revenue from passenger services	\$ 24,505,345
Revenue from cargo services	50,018,381
Others	<u>5,078,803</u>
Total	<u><u>\$ 79,602,529</u></u>

**Statement of operating costs**

<u>Item</u>	<u>Amount</u>
Cost of air freight services	\$ 49,521,505
Airport and transportation operating costs	8,926,624
Traveler service costs	5,610,193
Maintenance costs	8,299,641
Others	<u>730,741</u>
Total	<u><u>\$ 73,088,704</u></u>

**EVA AIRWAYS CORP.**  
**Statement of operating expenses**  
**For the year ended December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Salary expense	\$ 4,247,404
Depreciation expense	858,929
Insurance expense	465,901
Others (Note 1)	<u>2,795,755</u>
Total	<u>\$ 8,367,989</u>

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

Financial assets and liabilities at fair value through profit or loss were disclosed in note 6(b).

Financial assets and liabilities for hedging were disclosed in note 6(c).

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

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

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

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

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

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

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

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

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

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

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

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