

# 2009 ANNUAL REPORT

**Notice to readers**

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

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Financial Calendar

Year ended December 31, 2009

# Contents

<b>Financial and Operating Highlights</b>	1
<b>To Shareholders</b>	2
Results of Business Plan 2009	2
2010 Preview	5
Future Development Strategies	6
Competition, Legal Issues and Operating Environment	6
<b>The Company</b>	8
Major Milestones	8
Calendar of 2009 Events	10
Directors and Supervisors	11
Principal Officers	18
Capital and Shares	25
EVA Air People	29
The Fleet	31
The Network	34
Principal Subsidiaries	35
Important Resolutions by Shareholders and BOD	37
<b>Financial and Operating Results</b>	41
Financial Results	41
Operating Results	47
<b>Financial Statements</b>	48
Independent Auditors' Report	48
Balance Sheets	50
Statements of Operations	51
Statements of Changes in Stockholders' Equity	52
Statements of Cash Flows	53
Notes to Financial Statements	54
Consolidated Balance Sheets	102
Consolidated Statements of Operations	103
Consolidated Statements of Changes in Stockholders' Equity	104
Consolidated Statements of Cash Flows	105

## Financial and Operating Highlights

		2009	2008	% Change
<b>Financial</b>				
Income Statement				
Revenue	NT\$ thousand	73,279,511	90,655,666	-19.17%
Passenger Revenue	NT\$ thousand	43,950,215	50,057,013	-12.20%
Cargo Revenue	NT\$ thousand	24,207,472	35,310,448	-31.44%
Total Costs	NT\$ thousand	76,099,735	99,262,383	-23.33%
Operating Profit	NT\$ thousand	-2,820,224	-8,606,717	-67.23%
Net Profit	NT\$ thousand	-2,844,254	-16,889,684	-83.16%
EPS	NT\$	-1.14	-7.49	-84.78%
Profit Margin	%	-3.88%	-18.63%	14.75ppt
Balance Sheet				
Total Assets	NT\$ thousand	150,209,073	143,254,221	4.85%
Total Liabilities	NT\$ thousand	118,181,960	117,512,083	0.57%
Total Equity	NT\$ thousand	32,027,113	25,742,138	24.42%
Total Capital	NT\$ thousand	29,626,772	39,426,772	-24.86%
Book Value per Share	NT\$	10.81	6.53	65.55%
Debt Ratio	%	78.68%	82.03%	-3.35ppt
<b>Operating</b>				
Overall Capacity	Thousand	7,188,409	7,957,135	-9.66%
Overall Traffic	Thousand	5,672,316	6,141,532	-7.64%
Overall Load Factor	%	78.91%	77.18%	1.73ppt
Overall Yield	NT\$	12.02	13.90	-13.56%
Passenger Capacity	Thousand	29,311,228	28,852,754	1.59%
Passenger Traffic	Thousand	22,689,099	22,944,432	-1.11%
Passengers Carried	No. of Passengers	6,021,733	5,787,957	4.04%
Passenger Load Factor	%	77.41%	79.52%	-2.11ppt
Passenger Yield	NT\$	1.94	2.18	-11.01%
Cargo Capacity	Thousand	4,550,398	5,360,387	-15.11%
Cargo Traffic	Thousand	3,630,297	4,076,533	-10.95%
Cargo Carried	Tons	609,734	681,289	-10.50%
Cargo Load Factor	%	79.78%	76.05%	3.73ppt
Cargo Yield	NT\$	6.67	8.66	-22.98%
Unit Cost	NT\$	10.59	12.47	-15.14%
Number of Employees		4,486	4,772	-5.99%
Capacity per Employee	Thousand	1,602	1,667	-3.90%
Traffic per Employee	Thousand	1,264	1,287	-1.75%
Revenue per Employee	NT\$ thousand	16,335	18,997	-14.01%

# To Shareholders

## Results of Business Plan 2009

In 2009, we carried a total of 6.02 million passengers and 610,000 tons of cargoes, with a total load factor of 79%. According to audited financial statement, the annual operating revenue of this year was NT\$73.28 billion, a decrease of 19% compared to 2008, with an annual after-tax loss of NT\$2.8 billion.

### ■ Passenger revenue reached NT\$43.9 billion, a decrease of 12% to NT\$6.1 billion over 2008

With the global recession unsettling the business and tourist markets, although oil prices had started to stabilize, strong competition in ticket prices still significantly increased the operational risks for all airlines. However, following the government policies allowing cross-strait passenger charter flights, regular flights and Mainland tourists to Taiwan along with the subsequent increase in both cross-strait flights and destinations, the load factor was maintained at more than 80%, giving a boost to our company's passenger revenue and helping reduce the impact due to the economic downturn. In the future, in addition to maintaining a sound joint operation network with Europe, the United States and Asia, we will also actively expand the Mainland China market, strengthen the transit business in European and the American markets, get hold of the neighboring market niche, and coordinate with the Tourism Bureau of Taiwan (R.O.C.) in the Project Vanguard for Excellence in Tourism to win more passengers, achieving the goal of doubling the Mainland China tourists visiting Taiwan.

### ■ Cargo revenue reached NT\$24.2 billion , a decrease of 31% to NT\$11.1 billion over 2008

Affected by global economic slump, the cargo revenue declined significantly compared with the previous years. However, since the fourth quarter of 2009, air transport has started to revive due to gradual economic recovery. To meet the growing market demand, we have planned to increase the supply of freight space. Coupled with the officially opened cross-strait regular flights on August 31, 2009, we are able to expand the company's layout on Mainland air transport market and strengthen the global cargo sales network as well.

### ■ Continuing to dispose of old fleet with a total fleet number reaching 55

The company's fleet in 2009 has a total number of 55, including 38 passenger aircraft and 17 freighters. The aircraft types are shown on the table below, with major changes as follows:

- January 2009: Delivered one brand new B777-300ER passenger aircraft.
- April 2009: Converted an old B747-400 into freighter.
- August 2009: Returned one wet-leased A320-200 passenger aircraft.
- December 2009: Delivered two brand new 777-300ER passenger aircraft from Boeing.

Aircraft Type	Quantity
B747-400	3
B747-400 combi	4
B747-400 freighter	9
MD-11 freighter	8
MD-90	6
B777-300ER	14
A330-200	11
Total	55

The company's second-generation fleet will include eleven A330-200 in services and fifteen 777-300ER by the end of 2010.

### ■ Widely-acclaimed excellent aviation safety and premium services

We are dedicated to upgrading our service quality and have been credited with a good aviation safety record in the industry. In 2003, we brought in the new fleet A330-200 and again introduced the B777-300ER fleet in 2005. The advanced cabin equipment always brings comfort and amazement to our passengers in their every high-flying tour. The various services in Premium Laurel class are especially stunning, such as the exclusive ultra-long hard-shell seat with a 61-inch seat pitch, 10.4-inch LCD touch-screen AVOD, exclusive online meal order service, short message service and kiosk check-in service, etc. It is indeed a comprehensive upgrade in cabin space and service quality.

The company's excellent aviation safety record and professional carrying capability have received wide acclaim from both at home and aboard. Following the successful mission as the

“Panda Chartered Flight” carrying the national treasures “Tuan Tuan and Yuan Yuan” from Sichuan Province of China to Taiwan in December 2008, we have then opened up new opportunities of cross-strait interaction and cooperation. In 2009, we even had the honor to take charge in another exclusive flying task to carry the President Ma and the First Lady Mrs. Ma on the “Friendship Tour” to visit our allied countries in central America on June 29 - July 6, which is our another contribution towards Taiwan’s diplomatic performance. Meanwhile, appraised by both Taipei City Government and the public, we officially joined the 2010 Taipei International Flora EXPO in October 2009. Apart from assisting Taipei City Government in promoting this Taipei Flora Expo internationally and providing safety travel information and flight options for tourists and exhibitors, we have also help conveyed the Taipei Flora Expo messages and the country’s international image to every corner of the earth through our company and Evergreen Group’s global aerial network.

### **Results Compared to Projections**

The 2009 operating revenue forecast was NT\$ 68.26 billion, actual operating revenue was NT\$ 73.28 billion, and the achievement rate was 107.35%. The expected pre-tax net loss was NT\$ 5.66 billion, and the actual pre-tax net loss was NT\$3.73 billion.

### **Analysis of Financial Results and Profitability**

#### **Total revenue: NT\$74.40 billion**

Total revenue in 2009 reached NT\$73.28 billion, a decrease of 19% over 2008; due to the global economic recession which affected the business and tourist markets, passenger revenue fell with a revenue decline of 12% over the previous year; the cargo market slipped significantly due to global economic downturn, resulting in a fall of 31% in cargo revenue over the previous year.

#### **Total expenses: NT\$78.13 billion**

The annual operating expense in 2009 was NT\$76.1 billion, a decrease of 23.33% over 2008 due to a decrease in fuel cost. The annual non-business expense reached NT\$2.03, a decline of 79.19% over the previous year due mainly to a loss in evaluation of financial products.

### **Profitability analysis:**

Return on total assets: -0.93%

Return on shareholders’ equity: -9.85%

Ratio of operating profit to paid-in capital: -9.52%

Return on sales: -3.88%

Earnings per share: NT\$(1.14)

### **Research and development status**

- Under the continuous efforts from IATA in promoting and standardizing StB (Simplify the Business), the airline industry has been actively promoting the relevant application services in order to simplify operations and upgrade service quality with the aim to reduce costs. Following the completion of e-ticketing service in 2008, we continued to promote the 2DBC (two-dimensional bar code) system in 2009 for seat allocation and boarding operation to speed up the passenger seat allocation, customs clearance and boarding. These have not only simplified the airport operating process, but further enhanced the quality of check-in counters, allowing our StB service commitment to move one step further for our customers.
- Our company’s Evergreen Rapid Registration System in Taoyuan International Airport has set another milestone in the IATA’s StB service blueprint. The highly-integrated system’s simple interactive interface is capable of assisting passengers to complete the registration, seat selection and seat allocation procedures quickly to avoid long queues. Ever since this system has gone online in Taoyuan International Airport in December 2009, the passenger use rate has shot sky high. Not only can the simple and quick self-service registration/seat allocation services facilitate check-in procedures, but also can it win passengers’ hearts.
- In-flight boutique shopping has always been a good experience for most passengers, and the quality of these boutiques would be their first priority as they purchase for either their own use or as gifts. In order to prevent passengers from missing the opportunity to purchase these duty-free boutiques caused by limited in-flight service time and stock, our company has introduced the duty-free pre-order online service in October 2009. As long as you are our VIP ticket holders, you can pre-purchase the in-flight boutiques from our company’s official website ([www.evaair.com](http://www.evaair.com)). Our friendly flight attendants would then deliver the

well-packed boutiques to the VIP guests during the flight, allowing them to purchase the boutiques leisurely, and enjoy the exclusive service at the same time.

- Aviation safety has always been a consistent fundamental value of EVA Air and our company is committed to using technology to improve flight quality and safety. Following the completion in establishing and implementing the Flight Safety Margin and Risk Indicators on A330 fleet in 2008, our company has further completed the establishment and implementation of Flight Safety Margin and Risk Indicators on fleet 747, 777 and MD11 in 2009 to achieve an integral safety margin risk analysis to ensure aviation safety.
- To further understand the fuel consumption status of flying aircraft, our company has completed the fuel warning automation operation for flying aircraft in 2009. Through this method, the system is able to monitor the fuel consumption of aircraft, to give early response to abnormal conditions and alert the flight monitoring personnel immediately to take countermeasures as soon as possible. The system will also analyze the flight records to sum up the reasons and provide them for decision-making unit for reference to draw up operation procedures. This will not only reduce unnecessary fuel costs, but also enhance overall aviation safety.
- Amid the current harsh business environment, an effective way to control costs and master cash flow has become a must for enterprise to breakthrough the current economic downturn. Station expenses have always been a large operating cost for airlines. In 2009, our company has rounded up staff to complete a global e-billing system to strengthen costs and cash flow management, and at the same time, to improve management efficiency and competitiveness.
- To enhance passenger services, airlines must layout the global service system in all flight destinations. Hence, the proprietary network communication costs have always been a high IT cost for airlines. EVA Air has continued to upgrade the network quality over the years in order to improve the quality of passenger services through a stable and high-quality service system, and strive to use new technology to lower communication costs. In 2009, our company not only upgrades the global network but also cut

yearly communication expenses up to NT\$30,000,000 thanks to the IP-based network platform conversion and the Internet.

- The company adopts the database functionality of the latest generation to upgrade the existing EVA Air website, the device database host of flight information system, as well as the construction of multi-backup mechanism (data host, physical network, synchronous operation). They are able to assist in the company's future business development both in performance and in stability.
- To pursue business sustainability, enterprises must always keep up with the time and follow the trend. Business procedures, operations and products that are effective and successful demand continuous innovation in keeping with changing times to ensure competitiveness. In early 2008, EVA initiated a comprehensive review of all processes, including services, costs, business, logistics and cash flow, computerizing controls and management, enhancing technological capabilities and streamlining procedures, giving EVA a sharper competitive edge throughout its operations and gap away from the rivals.

## **2010 Preview**

### **Operations Guidelines**

EVA is keeping its long-standing commitment to flight safety, convenience, as well as philosophy of attentive service. To further upgrade the service quality, the B777-300ER fleet will be expanded up to a total of 15 aircrafts in 2010, providing passengers with greater safety and comfortable flight experiences. The idea is to utilize the fleet resources to enhance competitiveness and flexibility, and en-route to unleash earning.

### **Estimated Air Traffic and Basis**

Passenger service:

Passengers carried in 2010 are estimated 6.66 million, an increase of 10.6% compared to 6.02 million in 2009.

Estimation Basis:

The 2010 passenger market focus shall be expanding the Mainland market. We plan to serve new routes including Songshan, Taipei – Hongqiao, Shanghai, Songshan, Taipei – Haneda, Tokyo, route of Toronto of America and other routes, with one added daily flight to London in Europe to increase the revenue from accelerating traffic.

Currently, Mainland China has opened up 31 regular flight destinations, and EVA is serving six, including Beijing, Shanghai, Guangzhou, Hangzhou, Tianjin and Ningbo. In the future, we will continue to assess feasibility of introducing other destinations and increase frequency depending on market demands and the progress of cross-strait negotiations. In addition, besides managing cross-strait business/passenger sources continuously, we also strive to develop Taoyuan International Airport into a global hub.

Cargo service:

Cargo traffic: Cargos carried in 2010 are estimated 710,000 tons, an increase of 16.4% compared to 610,000 tons in 2009.

Estimation Basis:

The regular cross-strait flights had officially been initiated on August 31, 2009. Besides opening Taoyuan – Shanghai, and Taoyuan – Guangzhou cargo services with 3~4 flights weekly, we also utilize the bellyhold of passenger routes to Shanghai, Tianjin, Beijing, Hangzhou, Guangzhou and Ningbo to increase the cargo sales and expand the service network. In addition, our company will

actively seek joint operation partner to increase new Mainland destinations, explore cargo sources and consolidate our niche; meanwhile, we will continue to adjust freighters to achieve optimum-operating scale, play a competitive edge in freight network to schedule flights flexibly in order to maximize the flight benefits.

### **Key Marketing Strategies**

Passenger Service

- In 2010, the 777-300ER fleet will grow to a total scale of 15 aircrafts. In response to the global economic recovery, the fleet's fuel-saving advantage and advanced cabin facilities are expected to help improve operating profit.
- We will continue developing the e-services, such as EIBS and Taoyuan International Airport kiosk check-in service, etc. in order to reduce operating costs.
- We will adjust the destinations, aircraft and flights flexibly depending on the market demands. For example, we replaced B747-COMBI with B777-300ER to Amsterdam in order to save operating costs, and assigned the B747-COMBI to China cargo route. This will make full use of fleet transport capacity to increase route benefits.
- We will continue strengthening the cooperation with American Airlines, Continental Airlines, US Airways, All Nippon Airways, Qantas Airways, etc. and actively seeking strategic alliances with Mainland China carriers.
- We will correspond with the government's cross-strait open policies, operate Songshan, Taipei – Haneda, Tokyo, and Songshan, Taipei – Hongqiao, Shanghai ad-hoc charter services, initiate the Toronto route, as well as construct a East-West coast direct network between North America and Canada.

Cargo service

- Since the regular cross-strait flights have been initiated, we would make full use of ballyholds of passenger aircraft to increase possible destinations and routes, maintain cooperation with China Cargo Airlines (Air China Cargo) to swap cross-strait regular cargo space in Taoyuan – Shanghai, and Taoyuan – Guangzhou routes.
- In response to the economic recovery, EVA has reintroduced two mothballed B747



freighters in the first quarter to strengthen overall freight capacity.

- Continue to strengthen cooperation with British Airways (World Cargo), All Nippon Airways, Vietnam Airlines, FedEx, etc., and proactively seeking partnerships in China.
- Continue to cooperate with world-renowned freight forwarders and sign agreements in 2010 detailing a cooperative target tonnage in order to provide convenient and efficient services through our superior network.
- In response to environmental protection and reduce carbon footprint, EVA has become actively involved in “e-freight” program promoted by IATA. We have passed the e-freight operating standards to officially become an IATA “e-freight” airline. By means of the advanced electronic information technology, we have integrated the electronic data messages of the existing upstream, mid-stream and downstream air cargo services and successfully replace the current cumbersome traditional paper delivery operation, thereby improving the overall air cargo efficiency and reducing operating costs.

## **Future Development Strategies**

- Our company’s flight network has spread throughout the major cities in Europe, America, Asia and the Oceania. We will take advantages of our dense network to provide convenient flight services, and to pay long-term commitment in developing Taoyuan International Airport into a global hub.
- Regular flights between the strait have already been available since August 2009. In addition to actively coordinating with cross-strait regular flight policies, our company will also continue expanding cross-strait direct flight network and acting flexibly upon the amendment of the flight contracts to win the potential passenger and cargo markets in order to maintain utmost competitive status.
- Continue introducing the new-generation fuel-efficient B777-300ER aircraft and will be up to 15 aircraft by the end of 2010. We will also upgrade the cabin to provide passengers a safer and more comfortable flight services. Besides placing first priority on safety and services, we will also continue strengthening our cost management, making

full use of the fleet capacity, utilizing various route characteristics and seasonal market demands to flexibly coordinate between various routes and aircraft to maximize business benefits.

- Currently our company has established alliances with 11 airlines, including American Airlines, Continental Airlines, US Airways, All Nippon Airways, Qantas Airways, British Airways (World Cargo), International Cargo Transports Ltd. of China, FedEx, etc. We will continue expanding and strengthening our cooperation with other airlines, combining the flight network and beneficial advantages of both parties, cutting operating costs, diversifying risks and providing passengers with faster and more convenient flight services.

## **Competition, Legal Issues and Operating Environment**

### **Competition**

- The global economic slump has resulted in corporate cost constraints, thereby affecting the business passenger markets, as well as passenger number and fare levels.
- Low-cost carriers are robbing the passenger market with their cheap fares, and the launching of high-speed railway has also forced domestic airlines to actively transform. The above phenomena are continuously affecting the competition situations and supply & demand balance of regional passenger and cargo markets. These have resulted in loss of passengers and affecting the regional short-haul supply and demand status of the passenger market.
- Countries are deregulating their aviation policies. For example, the United States and Japan have adopted the open sky policy. This is likely to increase the regional or intercontinental passengers and cargo air transport capacity significantly, thereby affecting the freight rates.

### **Legal Issues**

- Both political and economic status has a direct impact on passenger and cargo markets.
- As we are still in the initial stage of cross-strait open policies on direct flights when supporting measures are yet complete, the airline industry has to stay alert with any changes.
- Growing consumer awareness and the revision of relevant policies are adding burdens to the airline industry, such as the penalty of airline overselling enacted by the European Union.

### **Operating Environment**

- The financial crisis and liquidity crunch due to global economic slump have resulted in a decline in real demand and a sharp decline in global trade volumes. Only the economic development of Mainland China remains intact, more likely to serve as an economic

growth momentum. However, there is still a lack of confidence in the overall market.

- The sluggish economic recovery jacks up the oil prices, and combining with a faltered consumer spending. As a result, the airline industry now faces double worries of rising fuel costs and public travel falling.
- Extreme climate change cause frequent natural hazards and have a devastating impact on aviation sectors.

The airline industry is still facing a harsh test due to the sluggish global economic recovery. Besides actively expanding markets, strengthening business management process, and implementing cost and risk control, we will continue sustaining a steady growth of cross-strait direct flight business and coordinating with bullish expectations of this year's World Expo in Shanghai and Taipei Flora Expo. We are confident we will be able to survive the challenges of a harsh economic environment.

## The Company

EVA Air was founded in March 1989 as a 100% privately owned Taiwan-based airline. It is an affiliate of Evergreen Marine Corporation, the world's leading container-shipping line.

From its maiden flight on July 1, 1991, EVA Air has grown steadily and today, serves more than 40 major destinations on four continents and in Oceania with a fleet of 52 aircraft (as of December 2007). The carrier has flourished as it has continued to expand its fleet and operation network.

In 1997, after carefully nurturing an environment where faultless service quality and flight safety are the standard, EVA Air became the first airline in Taiwan to achieve official ISO 9002 Certification in three areas at the same time -- passenger, cargo and maintenance operations. Diligently upholding these objectives, EVA Air earned ISO-9001:2000 Certification for all categories of operation in 2001.

In addition, EVA has ensured quality, smooth ongoing operations and reduced costs by investing capital and expertise in airline-related companies, including Evergreen Sky Catering Corporation, Evergreen Airline Services Corporation, Evergreen Air Cargo Service Corporation, and other selected subsidiaries.

Operating strategies developed by the carrier are far-reaching. Company goals place equal importance on its passenger and cargo services, and it works in cooperation with affiliated carriers to maximize mutual efficiencies and effectively compete on a global scale. Its worldwide hub of operations at Taoyuan International Airport in Taiwan has proven to be both successful and strategic.

EVA Air listed its stock on Taiwan's TAISDAQ Market in October 1999, and moved to the main board, TSE, in September 2001.

## Major Milestones

### 1988~1990

On September 1, 1988 at the celebration for the 20<sup>th</sup> birthday of Evergreen Marine Corporation, Group Chairman Y. F. Chang announced that Evergreen would launch an international airline. EVA Air was officially formed in March 1989. After careful deliberation, the fledgling airline signed a contract with Boeing/McDonnell Douglas for 26 aircraft at a total purchase value of US\$3.6 billion, and immediately captured the attention of the global airline market.

### 1991

EVA Air accepted delivery of its first two B767-300ERs in April, and made its inaugural flight on July 1. Within that first week, the new airline opened five destinations in Asia -- Bangkok, Seoul, Jakarta, Kuala Lumpur and Singapore.

### 1992

The comprehensive EVA Training Center opened in July, and the carrier's first two all-passenger B747-400s were delivered in November. EVA used the first flights of the new aircraft to launch its Taipei-Los Angeles route and introduce its four classes of cabin service, including the debut of its trend-setting Evergreen Deluxe Class in-between Economy and Super Business.

### 1993

EVA Air set new standards and heightened expectations by expanding its network to more than half a dozen new destinations, and by launching service to London, Paris, Seattle, New York, San Francisco, Brisbane, Sydney and Dubai.

### 1994

EVA made the greatest number of new aircraft additions to its fleet this year, purchasing a total of eight, including three MD-11s, one B747-400 and four B767-200s. The airline also added Bali, Fukuoka and Auckland routes to its network.

**1995**

The carrier purchased three MD-11 freighters and began to vigorously develop air cargo operations. It set goals emphasizing passenger and cargo services equally. And it used joint operations and land transportation to successfully extend EVA Cargo services worldwide.

**1996**

Enhancing the high quality of its operations, EVA applied for ISO-9002 certification. Within the next year, its passenger service, cargo service and aviation maintenance operations were all three granted ISO-9002 international certifications simultaneously. EVA achieved ISO-9001:2000 certification in 2001.

**1997**

Ensuring consistent service quality, EVA and Singapore Air formed Evergreen Sky Catering Corporation as a joint venture and in February, began providing in-flight catering services.

**1998**

Promoting air safety, EVA signed a joint-venture contract with General Electric and established Evergreen Aviation Technologies Corporation on February 24. That same day, a powerful new engine test cell was placed in operation, and the new joint venture began an aggressive campaign to raise the standards of the aircraft maintenance business.

**1999**

Earning brilliant results with both passenger and cargo service, EVA produced outstanding operating performances for five successive years. The Securities and Futures Commission (SFC) of Taiwan approved its admission to the exchange, and on October 27, EVA Air shares began to be traded on the over-the-counter market.

**2000**

In anticipation of future needs and to expand its fleet, EVA signed a purchase contract in June with the Boeing Company for 15 B777-200X/300Xs that included a firm order for seven of the aircraft and an option for eight more. Deliveries began in 2005. The carrier relocated its hub to the brand-new Terminal 2 at Taoyuan International Airport at the end of July.

**2001**

EVA committed to add more new, technologically advanced aircraft to its fleet in March by signing a purchase contract for eight Airbus A330-200s and making plans to start taking deliveries in 2003. EVA Air also secured approval to transfer its stock listing from OTC and on 17 September, moved its shares to the Taiwan Security Exchange (TSE).

**2002**

EVA launched its online booking system on January 9. It gained approval to add 24 passenger flights on its thriving Hong Kong route and to begin new freighter service. It also introduced a new slogan "Just relax, your home in the air."

**2003**

EVA debuted stylish new cabin-crew uniforms on April 1, took delivery of its first A330-200 on June 26 and introduced its new generation of a top cabin class, Premium Laurel, along with an upgraded economy class and an awesome, state-of-the-art Audio/Video on Demand system.

**2004**

EVA Air exercised an option for eight B777s that was part of the firm purchase contract executed with Boeing in June 2000, expanding its fleet by a total of 15 brand-new B777s. Deliveries of the new aircraft started in 2005 and will continue through 2010.

**2005**

EVA took delivery of its first two of 15 B777s and introduced the extra-roomy, exceptionally comfortable new aircraft to passengers on the Bangkok and London with an inviting new slogan, "Sharing the World, Flying Together."

**2006**

EVA Air opened its new Southern China Cargo Center in Hong Kong, enabling it more efficiently and quickly to move air freight shipments in and out of the region.

**2007**

EVA Air received 2007 The Richard Teller Crane Founder's Award from the international Flight Safety Foundation for "its corporate leadership in aviation safety programs and its superb safety records." In the five years since the

coveted award was established, EVA is the first Asian airline and only the second airline among all recipients to receive it.

## **2008**

Readers selected EVA Air as the Best Airline for Premium Economy in Global Traveler magazine's fifth annual GT Tested Survey. The international business-travel publication surveyed its readers between Jan. 1 and Aug. 31, 2008, inviting them to identify "the best" in 55 categories of business and luxury travel. Readers returned 31,457 completed questionnaires.

## **Calendar of 2009 Events**

### **January**

EVA Air has resumed "Taipei – Paris" passenger route on 21<sup>st</sup> January 2009 equipped with fuel-efficiency B777-300ER.

### **March**

EVA Air had won the March issue of the German Aviation Magazine - AERO International ranking EVA Air as "Top 20 Safest Airline in the World in 2008".

### **July**

The Sixth Listed Company Information Assessment has awarded EVA Air with an A+ honor award for the consecutive four years.

### **August**

EVA Air has launched the regular cross-strait flights (30 flights per week) from August 31 2009 from Taipei, Taoyuan, and Kaohsiung to Beijing, Shanghai, Guanzhou, Hangzhou, Tianjin, and Ningbo

### **November**

EVA Air has officially become an IATA e-freight airline, set another milestone of paperless e-freight services.

## Directors and Supervisors

April 30, 2010

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses, Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relation-ship
Chairman	Lin Bou-Shiu (Note 1)	2009.06.16	3 Years	2004.06.15	750,571,262	19.04	572,257,481	19.32	14,079	0.00	0	0.00	Tamkang University President, EVA Airways Corp.	Director, Uni Airways Corp. Director, Evergreen Sky Catering Corp. Director, Evergreen Aviation Technologies Corp. Director, Evergreen Airline Services Corp. Chairman, Hsiang-Li Investment Corp.	-	-	-
Director	Chang Yung-Fa	2009.06.16	3 Years	1989.03.31	155,810,004	3.95	89,418,364	3.02	14,867,731	0.50	0	0.00	Taipei Commercial High School Chairman, Evergreen Marine Corp.	Director, Evergreen Marine Corp. Director, Evergreen International Corp.	Director	Chang Kuo-Hua	Son
Director	Lin Sun-San (Note 2)	2009.06.16	3 Years	2009.06.16	100,000	0.00	116,000	0.00	0	0.00	0	0.00	National Taipei University Chairman, Evergreen Marine Corp.	Director, Evergreen Marine Corp. Director, Evergreen International Storage & Transport Corp.	-	-	-
Director	Lin Long-Hwa (Note 1)	2009.06.16	3 Years	2009.08.27	750,571,262	19.04	572,257,481	19.32	189,106	0.00	0	0.00	National Taipei University of Education Executive Vice President, Evergreen (America) Corp.	Director, Evergreen Security Corp.	Director	Chang Yung-Fa	Second-degree relatives
Director	Chang Ming-Yuh (Note 2)	2009.06.16	3 Years	2009.06.16	100,000	0.00	116,000	0.00	0	0.00	0	0.00	National Chiao-Tung University President, Evergreen International Corp.	Chairman, Evergreen International Corp. Director, GRETEC Construction Corp. Director, Evergreen International Engineering Corp.	-	-	-

Director	Jeng Kung-Yeun (Note 2)	2009.06.16	3 Years	2009.06.16	100,000	0.00	116,000	0.00	0	0.00	0	0.00	National Chiao-Tung University Chairman, Uni Airways	Director, Evergreen Sky Catering Corp. Director, Evergreen Aviation Technologies Corp. Director, Evergreen International Storage & Transport Corp. Director, Hsiang-Li Investment Corp.	-	-	-
Director	Chang Kuo-Hua (Note 1)	2009.06.16	3 Years	1989.03.31	750,571,262	19.04	572,257,481	19.32	15,500,064	0.52	0	0.00	Taipei College of Maritime Technology Vice Chairman, Evergreen Marine Corp.	Director, Evergreen Marine Corp. Director, Evergreen International Storage & Transport Corp. Director, Evergreen International Corp. Director, Evergreen Sky Catering Corp. Director, Hsin-Tao Power Corp.	Director	Chang Yung-Fa	Father
Supervisor	Ko Li-Ching (Note 3)	2009.06.16	3 Years	1992.05.02	408,289,450	10.36	375,824,138	12.69	0	0.00	0	0.00	Keelung Girls' Senior High School Executive Vice President, Evergreen International Corp.	Director, Taiwan High Speed Rail Corp. Supervisor, Evergreen Marine Corp. Supervisor, Evergreen International Storage & Transport Corp. Supervisor, Evergreen International Corp. Supervisor, Uni Airways Corp. Supervisor, Hsin-Tao Power Corp.	-	-	-
Supervisor	Owng Rong-Jong (Note 3)	2009.06.16	3 Years	1996.03.21	408,289,450	10.36	375,824,138	12.69	0	0.00	0	0.00	National Taipei University Executive Vice President, Evergreen Marine Corp.	Chief Financial Officer, Evergreen Marine Corp. Supervisor, Evergreen International Storage & Transport Corp. Supervisor, Central Reinsurance Corp.	-	-	-

Supervisor	Chen Cheng-Pang (Note 3)	2009.06.16	3 Years	2001.04.19	408,289,450	10.36	375,824,138	12.69	4,545	0.00	0	0.00	Soochow University Senior Vice President, Uniglory Marine Corp.	Senior VP, Italia Marittima S.p.A.	-	-	-
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Note 1: Representative of Evergreen Marine Corp.

Note 2: Representative of Chang Yung-Fa Foundation

Note 3: Representative of Evergreen International Corp

Note 4: As of April 30, 2010, the Company has issued 2,962,677,277 shares



## Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2010

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp.	Evergreen International S.A.(Panama)(10.97%), Chang Kuo-Hua (7.79%), Chang Yung-Fa (6.19%), Ultra International Investments Ltd. (4.38%), Falcon Investment Services Ltd. (4.37%), Chang Kuo-Cheng (4.37%), Chang Kuo-Ming (3.27%), Evergreen International Corp. (3.23%), Cheng Shen-Chin (2.18%), Chang Shu-Hua (2.08%)
Chang Yung-Fa Foundation	Non-profit organization
Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua(12.90%), Chang Kuo-Ming(12.19%), Lee Yu-Mei(7.14%), Chen Hui-Chu(5.81%), Yang Mei-Chen (5.10%), Chang, Lin Ching-Chi (5.00%), Chang Yung-Fa(5.00%), Tseng Chiung-Hui (1.33%)

**If the Above-mentioned Shareholders of Major Shareholder of EVA Air's Institutional Shareholder are Corporations, the Principal Shareholders of these Corporations are as follows:**

April 30, 2010

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Evergreen International S.A.(Panama)	Chang Yung-Fa (20%), Chang Kuo-Hua (20%), Chang Kuo-Ming (20%), Chang Kuo-Cheng (20%), Pieca Corp. (20%)
Ultra International Investments Ltd.	100% shareholders of bearer share certificates
Falcon Investment Services Ltd.	100% shareholders of bearer share certificates
Chang Yung-Fa Foundation	Non-profit organization

## Criteria for Expertise and Independence of Directors and Supervisors

Qualifications	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Concurrently Serving as an Independent Director/ Number of Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Lin Bou-Shiu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chang Yung-Fa			✓	✓					✓			✓	✓	0
Lin, Sun-San			✓	✓		✓	✓		✓	✓	✓	✓		0
Lin, Long-Hwa			✓	✓		✓		✓	✓	✓		✓		0
Chang, Ming-Yuh			✓	✓		✓	✓		✓		✓	✓		0
Jeng, Kung-Yeun			✓			✓	✓	✓	✓	✓	✓	✓		0
Chang, Kuo-Hua			✓	✓					✓			✓		0
Ko Li-Ching			✓	✓		✓	✓		✓		✓	✓		0
Owng Rong-Jong			✓	✓		✓	✓		✓	✓	✓	✓		0
Chen Cheng-Pang			✓	✓		✓	✓	✓	✓	✓	✓	✓		0

- (1) Not an employee of the Company or any of affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in case where the person is an independent director of the company, its parent company or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or any affiliate of the company, or a spouse thereof.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Code.
- (10) Not a government, institutional person or its representative as defined in Article 27 of the Company Code.

# Compensation for Directors

December 31, 2009  
NT\$(Thousand)

Title	Name	Remuneration Paid to Directors								Directors Salary, Pension, Compensation, and Allowance as % 2009 Net Profit		Compensation Earned as Employee of EVA or EVA Subsidiary Affiliates								Total Compensation Paid to Directors as % 2009 Net Profit		Other Compensation from Non-Subsidiary Affiliates		
		Salary		Pension		Compensation		Allowance				Salary, Bonus etc.		Pension		Employee Profit Sharing		Employee Stock Option						
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	Cash	Stock	Cash	Stock	EVA	Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA
Chairman	Evergreen Marine Corp. Lin Bou-Shiu	3,462	3,462	-	-	-	300	-	-	(0.12)	(0.15)	-	-	-	-	-	-	-	-	-	-	(0.12)	(0.15)	Yes
Director	Chang Yung-Fa	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	-	-	-	-	0	0	No
Director	Chang Yung-Fa Foundation Lin, Sun-San	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	-	-	-	-	0	0	No
Director	Evergreen Marine Corp. Lin Long-Hwa	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	-	-	-	-	0	0	No
Director	Chang Yung-Fa Foundation Chang Ming-Yuh	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	-	-	-	-	0	0	No
Director	Chang Yung-Fa Foundation Jeng Kung-Yeun	-	-	-	-	-	200	-	-	0	(0.01)	3,300	3,300	406	406	-	-	-	-	-	-	(0.13)	(0.15)	No
Director	Evergreen Marine Corp. Chang Kuo-Hua	-	-	-	-	-	200	-	-	0	(0.01)	-	-	-	-	-	-	-	-	-	-	0	(0.01)	Yes

## Compensation for Supervisors

December 31, 2009  
NT\$ (Thousand)

Title	Name	Remuneration paid to Directors								Supervisors Salary, Pension, Compensation, and Allowance as % of 2009 Net Profit		Other Compensation from Non-Subsidiary Affiliates
		Salary		Pension		Compensation		Allowance		EVA	Consolidated Subsidiaries of EVA	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			
Supervisor	Evergreen International Corp. Ko Li-Ching	-	-	-	100	-	-	-	-	0%	0%	Yes
Supervisor	Evergreen International Corp. Owng Rong-Jong	-	-	-	-	-	-	-	-	0%	0%	Yes
Supervisor	Evergreen International Corp. Chen Cheng-Pang	-	-	-	-	-	-	-	-	0%	0%	No

# Principal Officers

April 30, 2010

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
President	Jeng Kung-Yeun	2008.09.01	90,182	0.003	0	0	0	0	PhD in Traffic and Transportation, National Chiao-Tung University Chairman, Uni Airways	Director, Evergreen Sky Catering Corp. Director, Evergreen Air Cargo Service Corp. Director, Evergreen Aviation Technologies Corp. Director, Hsiang-Li Investment Corp.	-	-	-
Executive Vice President, Flight Operations Div.	Yuen Ping-Yu	2004.01.01	30,023	0.001	0	0	0	0	Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	-
Executive Vice President, Public Relations Div.	Nieh Kuo-Wei	2005.01.01	8,870	0	71	0	0	0	Master degree in Communications, Shih Hsin University Manager, Evergreen International (UK) Ltd.	-	-	-	-
Executive Vice President, Safety and Security Div.	Ho Ching-Sheng	2005.01.01	223,259	0.008	0	0	0	0	Master degree in Flight Safety, University of Missouri	-	-	-	-
Executive Vice President, Legal & Insurance Div.	Tai Jiin-Chyuan	2005.07.01	19,750	0.001	0	0	0	0	Master degree in Maritime Law, National Taiwan Ocean University Manager, Evergreen Intl. Cop.	-	-	-	-
Executive Vice President, Finance Div.	Wu Kuang-Hui	2006.07.01	30,167	0.001	0	0	0	0	MBA, Sun Yat Sen University Junior Vice President, Evergreen Intl. Corp.	Supervisor, Central Reinsurance Corp. Supervisor, Evergreen Sky Catering Corp. Supervisor, Hsiang-Li Investment Corp.	-	-	-
Executive Vice President, Computer Div.	Fang Gwo-Shiang	2007.01.01	120,133	0.004	0	0	0	0	Bachelor degree in Computer Science, Feng Chia University Deputy Junior Vice President, Evergreen IT Corp.	-	-	-	-

Executive Vice President, International Biz Div.	Li Shyn-Liang	2008.01.01	24,797	0.001	12	0	0	0	Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Executive Vice President, Project Div.	Lin Jyh-Jong	2008.09.01	47,668	0.002	0	0	0	0	Master degree in Ocean, Chinese Cultural University Deputy Manager, Evergreen (America) Corp.	-	-	-	-
Executive Vice President, Engineering & Maintenance Div.	Liou Jen-Chih	2010.01.01	47,427	0.002	0	0	0	0	Bachelor degree in Marine Engineering, National Taiwan Ocean University Vice Chairman, Evergreen Aviation Technologies Corp.	Director, Evergreen Aviation Technologies Corp.			
Senior Vice President, Flight Operations Div.	Han Jei-Li	2003.01.01	60,547	0.002	0	0	0	0	Department of Soil & Water Conservation, Tamkang College of Arts and Sciences	-	-	-	-
Senior Vice President, Personnel Div.	Lu Yu-Chuan	2006.01.01	18,967	0.001	0	0	0	0	Bachelor degree in Business Administration, Fu Jen University Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Senior Vice President, Project Div.	Lee Jen-Ling	2006.01.01	12,000	0	0	0	0	0	Bachelor degree in Industrial & Business Management, National Taiwan University	-	-	-	-
Senior Vice President, Cargo Div.	Yang Yung-Heng	2006.04.15	25,000	0.001	0	0	0	0	Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-
Senior Vice President, Finance Div.	Tsai Ta-Wei	2006.07.01	535	0	592	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	Supervisor, Evergreen Aviation Technologies Corp.	-	-	-
Senior Vice President, Corporate Coordination Div.	Soong Allen	2007.01.01	177	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-
Senior Vice President, Auditing Div.	Li Ping-Yin	2008.01.01	86,730	0.003	637	0	0	0	Master degree in Management, Yuan Ze University Manager, Evergreen Heavy Industry Corp.	-	-	-	-
Senior Vice President, Passenger Div.	Tsai Ming-Fang	2008.01.01	10,218	0	0	0	0	0	Bachelor degree in Sociology, Tunghai University	-	-	-	-
Senior Vice President, Taoyuan Airport Div.	Chen Yeou-Yuh	2008.09.01	13,094	0	0	0	0	0	Bachelor degree in Maritime Science, Tamkang University	-	-	-	-
Deputy Senior Vice President, Passenger Div.	Wu Su-Shin	2006.01.01	104,415	0.004	0	0	0	0	Bachelor degree in Sociology, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Taoyuan Airport Div.	Chen Shen-Chi	2007.01.01	8,734	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-

Deputy Senior Vice President, Computer Div.	Hou Hsien-Yu	2007.01.01	1,000	0	0	0	0	0	0	Master degree in Information Management, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Corporate Coordination Div.	Tao Shin-Chien	2008.01.01	6,657	0	0	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-
Deputy Senior Vice President, Cargo Div.	Lin Tsung-Yen	2008.01.01	0	00	0	0	0	0	0	Department of Navigation Technology, National Taiwan College of Marine Science and Technology.	-	-	-	-
Deputy Senior Vice President, Engineering & Maintenance Div.	Yeh Ching-Far	2008.01.11	106,919	0.004	5,217	0	0	0	0	Master degree in Business Administrations , National Cheng Chi University Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	-
Deputy Senior Vice President, Inflight Service Div.	Liu Ying	2008.08.04	80,487	0.003	0	0	0	0	0	Department of Secretary Science Ming Chuan College	-	-	-	-
Deputy Senior Vice President, International Biz Div.	Chen Chi-Hung	2008.09.15	16,000	0.001	0	0	0	0	0	Department of Mechanical Engineering Hsinpu Institute of Technology	-	-	-	-

## Compensation for President and Executive Vice Presidents

December 31, 2009

NT\$ (Thousand)

Title	Name	Salary		Pension		Bonus & Perquisite		Employee Profit Sharing				Total Compensation to President & EVPs as % of 2009 Net Profit		Employee Stock Options		Compensation from Investments Other than Subsidiaries
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	
								Cash	Stock	Cash	Stock					
President	Jeng Kung-Yeun	17,275	17,275	2,311	2,311	4,001	4,001	0	0	0	0	(0.83)	(0.91)	0	0	Yes
Executive Vice President	Yuen Ping-Yu															
Executive Vice President	Nieh Kuo-Wei															
Executive Vice President	Ho Ching-Sheng															
Executive Vice President	Tai Jiin-Chyuan															
Executive Vice President	Wu Kuang-Hui															
Executive Vice President	Kuo Sheng-Yih															
Executive Vice President	Fang Gwo-Shiang															
Executive Vice President	Li Shyn-Liang															
Executive Vice President	Lin Jyh-Jong															



## Net Changes in Shareholdings and Shares Pledged by Directors, Supervisors, Managers and Major Shareholders

Title	Name	2009		As of April 30, 2010	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Evergreen Marine Corp.	141,509,434 (319,823,215)	0	0	0
	Representative: Lin Bou-Shiu	57,186 (171,559)	0	0	0
Director	Evergreen Marine Corp.	141,509,434 (319,823,215)	0	0	0
	Representative: Lin Long-Hwa	6,109 (1,308,330)	0	0	0
	Representative: Chang Kuo-Hua	0 (35,441,135)	0	0	0
Director	Chang Yung-Fa	0 (66,391,640)	0	0	0
Director	Chang Yung-Fa Foundation	0 (42,611)	0	58,611 (0)	0
	Representative: Lin Sun-San	0	0	0	0
	Representative: Chang Ming-Yuh	0	0	0	0
	Representative: Jeng Kung-Yeun	90,036 (110)	0	0	0
Supervisor	Evergreen International Corp.	141,509,434 (173,974,746)	0	0	0
	Representative: Ko Li-Ching	0 (61,151)	0	0	0
	Representative: Owng Rong-Jong	0	0	0	0
	Representative: Chen Cheng-Pang	908 (2,727)	0	0	0
Major Shareholder	Evergreen Marine Corp.	141,509,434 (319,823,215)	0	0	0
Major Shareholder	Evergreen International Corp.	141,509,434 (173,974,746)	0	0	0
President	Jeng Kung-Yeun	90,036 (110)	0	0	0

Executive Vice President	Yuen Ping-Yu	80,000 (87,018)	0	0	0
Executive Vice President	Nieh Kuo-Wei	0 (6,586)	0	0	0
Executive Vice President	Ho Ching-Sheng	120,920 (239,762)	0	0	0
Executive Vice President	Tai Jiin-Chyuan	80,545 (37,638)	0	0 (27,000)	0
Executive Vice President	Wu Kuang-Hui	84,397 (85,194)	0	0	0
Executive Vice President	Fang Gwo-Shiang	87,962 (23,887)	0	0	0
Executive Vice President	Li Shyn-Liang	0 (35,837)	0	0	0
Executive Vice President	Lin Jyh-Jong	0 (35,393)	0	0	0
Executive Vice President	Liou Jen-Chih (note 1)	0	0	0	0
Senior Vice President	Han Jei-Li	70,108 (326)	0	0 (10,000)	0
Senior Vice President	Lu Yu-Chuan	0 (14,083)	0	0	0
Senior Vice President	Lee Jen-Ling	70,000 (126,000)	0	0 (8,000)	0
Senior Vice President	Yang Yung-Heng	25,000 (57,652)	0	0	0
Senior Vice President	Tsai Ta-Wei	70,106 (70,320)	0	0	0
Senior Vice President	Soong Allen	0 (12,133)	0	0	0
Senior Vice President	Li Ping-Yin	86,413 (115,241)	0	0	0
Senior Vice President	Tsai Ming-Fang	70,043 (131)	0	0 (60,000)	0
Senior Vice President	Chen Yeou-Yuh	33,415 (21,247)	0	0 (2,000)	0
Deputy Senior Vice President	Wu Su-Shin	84,763 (84,292)	0	0	0
Deputy Senior Vice President	Chen Shen-Chi	70,000 (65,773)	0	0 (2,000)	0
Deputy Senior Vice President	Hou Hsien-Yu	70,000	0	0	0

Vice President		(69,000)			
Deputy Senior Vice President	Tao Shin-Chien	0 (4,944)	0	0	0
Deputy Senior Vice President	Lin Tsung-Yen	0	0	0	0
Deputy Senior Vice President	Yeh Ching-Far	77,324 (21,974)	0	0	0
Deputy Senior Vice President,	Liu Ying	79,222 (27,669)	0	0 (36,000)	0
Deputy Senior Vice President,	Chen Chi-Hung	26,000 (51,437)	0	0 (10,000)	0

Note 1: Executive Vice President Liou Jen-Chih was inaugurated on January 1, 2010.

**Information on Stock Transfer: Nil**

**Information on Stock Pledged: Nil**

## Capital and Shares

As of December 31, 2009, EVA Air had authorized share capital of 4,000,000,000 in common stock at NT\$10 par value per share with 2,962,677,277 shares issued and outstanding.

### History of Capitalization

Month/Year	Price	Authorized Capital		Issued Capital		Sources of Capital (‘000)	Non-Monetary Capital Expansion
		Shares (‘000)	Amount (‘000)	Shares (‘000)	Amount (‘000)		
03/2005	10	4,000,000	40,000,000	3,304,390	33,043,895	Corporate bond conversion 329,636	-
06/2005	10	4,000,000	40,000,000	3,356,745	33,567,445	Corporate bond conversion 523,550	-
08/2005	10	4,000,000	40,000,000	3,389,667	33,896,675	Capitalization of profit 329,230	-
12/2005	10	4,000,000	40,000,000	3,389,887	33,898,869	Corporate bond conversion 2,194	-
03/2006	10	4,000,000	40,000,000	3,749,887	37,498,869	Cash offering 3,600,000	-
09/2006	10	4,000,000	40,000,000	3,874,979	38,749,794	Corporate bond conversion 1,250,925	-
03/2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate bond conversion 318,356	-
04/2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate bond conversion 358,623	-
07/2009	10	4,000,000	40,000,000	2,262,677	22,626,773	Capital Reduction 16,800,000	-
09/2009	10	4,000,000	40,000,000	2,962,677	29,626,773	Cash offering 7,000,000	-

## Status of Shareholders

As of April 16, 2010

	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution or Individual	Total
Number of Shareholders	7	13	145	113,037	776	113,978
Shareholdings	8,914,847	12,319,269	1,096,378,815	1,024,070,575	820,993,771	2,962,677,277
Holding Percentage	0.30	0.42	37.00	34.57	27.71	100.00

## Distribution of Common Shares

As of April 16, 2010

Range of Shareholdings	Number of Shareholders	Number of Shares	%
1-999	39,613	13,915,490	0.47
1,000-5,000	45,412	100,941,224	3.41
5,001-10,000	14,657	102,606,129	3.46
10,001-15,000	5,246	64,576,519	2.18
15,001-20,000	2,368	41,899,792	1.41
20,001-30,000	2,641	65,493,239	2.21
30,001-40,000	1,151	40,191,835	1.36
40,001-50,000	665	30,056,011	1.01
50,001-100,000	1,259	86,576,187	2.92
100,001-200,000	512	70,884,938	2.39
200,001-400,000	178	49,226,741	1.66
400,001-600,000	62	29,937,274	1.01
600,001-800,000	41	28,756,213	0.97
800,001-1,000,000	17	15,010,601	0.51
1,000,001 and above	156	2,222,605,084	75.03
Total	113,978	2,962,677,277	100.00

## Market Price, Net Worth, Earnings and Dividends per Share for Most Recent Two Years

Year		2008	2009	As of April 30, 2010	
Items		(Distributed in 2009)	(Distributed in 2010)		
Market Price per Share	Highest	NT\$20.85	NT\$15.00	NT\$17.30	
	Lowest	NT\$5.71	NT\$5.90	NT\$11.80	
	Average	NT\$12.93	NT\$9.83	NT\$14.27	
Net Worth per Share	Before Distribution	NT\$6.53	NT\$10.81	NT\$11.31	
	After Distribution	-	-	-	
Earnings per Share	Weighted Average Shares		2,253,695,000 shares	2,496,011,000 shares	2,962,677,000 shares
	Earnings per Share	Before Adjustment	NT\$(4.30)	NT\$(1.14)	NT\$0.42
		After Adjustment	NT\$(7.49)	-	-
Dividends per Share	Cash Dividends		-	-	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
Return on Investment	Price/Earnings Ratio (Note 1)		-	-	-
	Price/Dividend Ratio (Note 2)		-	-	-
	Cash Dividend Yield Rate (Note 3)		-	-	-

Note 1: Price/Earnings Ratio = Average Share Price at Market Close for Current Fiscal Year/Earnings per Share

Note 2: Price/Dividend Ratio = Average Share Price at Market Close for Current Fiscal Year/Cash Dividend per Share.

Note 3: Cash Dividend Yield Rate = Cash Dividend per Share/Average Market Closing Share Price for Current Fiscal Year.

## **Dividend Policy and Implementation Status**

### **Dividend Policy**

In accordance with Article 26 of EVA's Articles of Incorporation, any earning from the annual settlement should first be used to offset accumulated deficits from previous years, after deducting all applicable taxes and, second, 10% of the balance should be set aside in a legal reserve; any remainder will be added to undistributed earnings from the prior period for distribution after the board of directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

Since achieving growth status, EVA has adopted a remainder appropriation method as its dividend policy to accommodate future operations and expansion, distributing cash dividends that range from 0 to 50% and stock dividends from 100% to 50% alternately. To maintain profitability and govern the impact of stock dividends on its operating performance, EVA may adjust the distribution rate for cash dividends to 100%~50% and stock dividends to 0~50% in accordance with capital status if estimated earnings per share for the current fiscal year are 20% lower than those of the previous year.

### **Dividend Distribution in Current Year**

The board adopted a proposal for 2009 dividend distribution at its meeting on April 28, 2010 that no dividend will be distributed to shareholders.

## **Employee Bonuses and Compensation Paid to Directors and Supervisors**

Range or Percentage of Employee Bonuses and Compensation Paid to Directors and Supervisors Specified in Article 26 of EVA's Articles of Incorporation: Earnings, if any, from the annual settlement should first offset accumulated deficits for previous years after all applicable taxes are deducted and, second, 10% of the balance should be set aside in a legal reserve; any remainder will be added to undistributed earnings from the prior period for distribution after the board of directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

### **Proposed Employee Bonus Plan Approved by Board of Directors**

Employee Cash Bonus: Nil

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: Nil

Number of shares proposed for distribution to employees and the percentage of the shares above capitalized earnings: 0 share, 0%

Estimated EPS after deduction of employee bonuses and compensation to directors and supervisors: Not applicable.

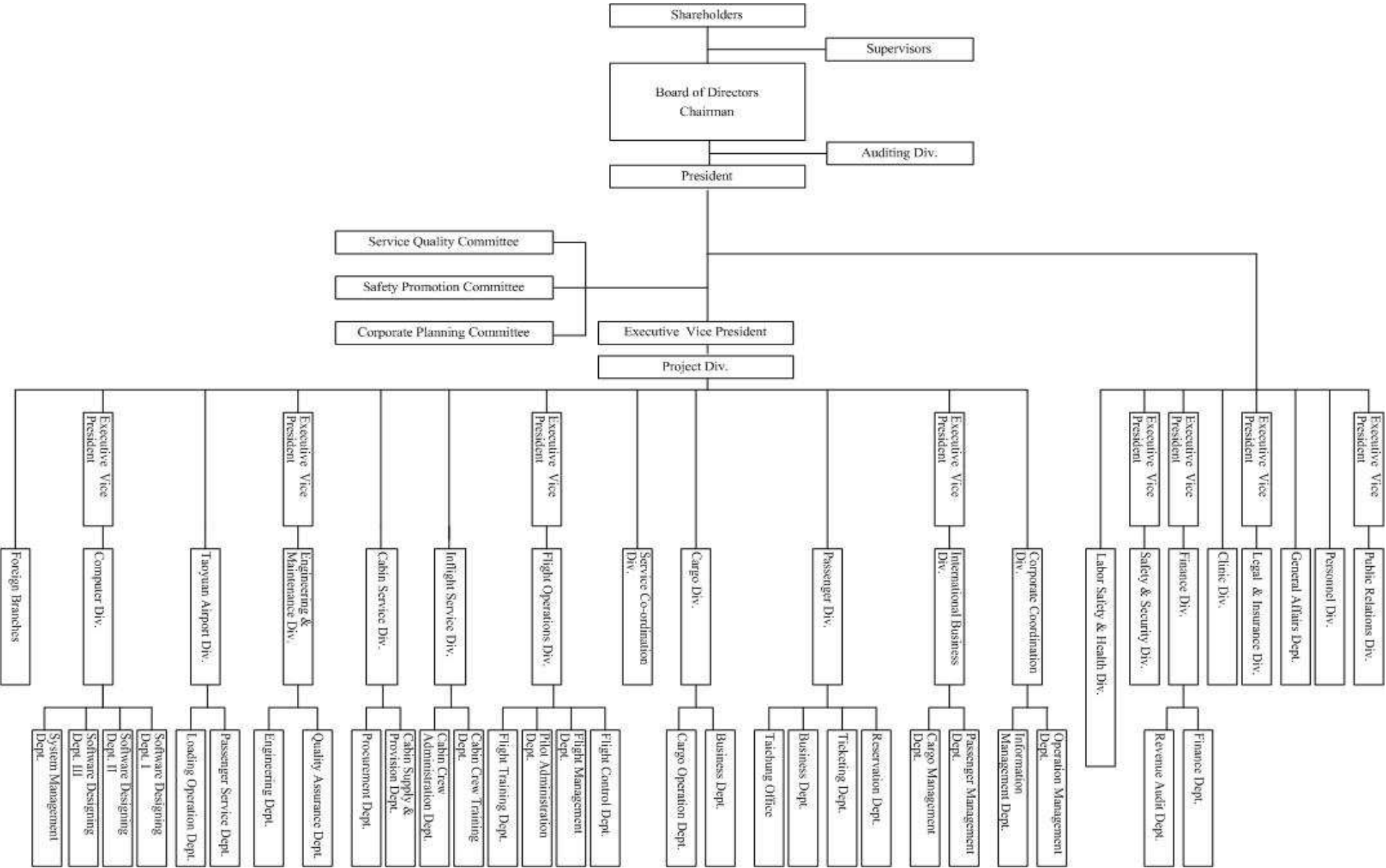
**Status of Stock Repurchased by EVA: N/A**

## EVA Air People

		2008	2009
No. of Employees	Pilots	719	668
	Cabin Crew	1,338	1,289
	Dispatchers	33	32
	Maintenance	82	84
	Other	2,600	2,413
	Total	4,772	4,486
Average Age		34.8	36.1
Average Seniority		10.1	11.3
Education	Doctorate	0.10%	0.11%
	Master's	4.17%	4.42%
	Bachelor's	88.69%	88.27%
	High School	6.60%	6.71%
	Other	0.44%	0.49%



# Organization



## The Fleet

- January 2009 - took delivery of 12<sup>th</sup> B777-300ER.
- April 2009 - completed the sixth B747-400 freighter conversion.
- August 2009 - ended a lease of one A320-200.
- December 2009 - took delivery of 13<sup>th</sup> 、 14<sup>th</sup> B777-300ER.

As of Dec. 2009

Aircraft Type	Owned	Capital Lease	Operating Lease	Total	On Order (Delivery date)
B747-400	3	0	0	3	
B747-400 Combi	4	0	0	4	
A330-200	3	0	8	11	
MD-90	0	0	6	6	
MD-11 Freighter	7	0	1	8	
B747-400 Freighter	5	4	0	9	
B777-300ER	8	2	4	14	1 (2010/Oct)
Total	30	6	19	55	

## The Market

### Passenger Operations

	No. of Passenger			RPK (Million)			Revenue (Million)		
	2009	2008	%	2009	2008	%	2009	2008	%
America	1,085,038	1,151,270	-5.75%	11,351	11,869	-4.36%	17,521	20,699	-15.35%
Europe	543,575	502,052	8.27%	4,255	3,743	13.68%	6,731	7,439	-9.52%
Asia	4,332,535	4,053,418	6.89%	6,674	6,733	-0.88%	19,067	20,784	-8.26%
Oceania	60,585	81,217	-25.40%	409	599	-31.72%	631	1,135	-44.41%
Total	6,021,733	5,787,957	4.04%	22,689	22,944	-1.11%	43,950	50,057	-12.20%

### Cargo Operations

	Cargo carried ( Tons)			FTK ( Million)			Revenue (Million)		
	2009	2008	%	2009	2008	%	2009	2008	%
America	217,943	236,273	-7.76%	2,526	2,741	-7.84%	15,145	21,716	-30.26%
Europe	54,932	68,507	-19.82%	529	635	-16.69%	3,541	5,653	-37.36%
Asia	334,891	373,903	-10.43%	562	682	-17.60%	5,446	7,801	-30.19%
Oceania	1,968	2,606	-24.48%	13	19	-31.58%	75	140	-46.43%
Total	609,734	681,289	-10.50%	3,630	4,077	-10.96%	24,207	35,310	-31.44%

### Major Competitors and Market Shares

Item/Year		2009	2008
Number of Flights	EVA Airways	28,599	27,741
	Taiwan	127,973	135,489
	Market Share (%)	22.35	20.47
Number of Passengers	EVA Airways	5,507,837	5,455,971
	Taiwan	24,339,515	25,762,508
	Market Share (%)	22.63	21.18
Tons of Cargo	EVA Airways	438,679	517,329
	Taiwan	1,240,226	1,535,554
	Market Share (%)	35.37	33.69

Data Source: Monthly Digest of Statistics, CAA

## **2010 Outlook**

As the frequent cross-strait trading activities and the lifting restrictions on Chinese visiting Taiwan and flying regular cross-strait flights contribute to more consumers having trips on business or vacation, we would like to give you a forecast on the main operating flights of our company:

### **American routes**

We started the Toronto, Canada routes on March 29, 2010 flying B777-300ER aircraft three times weekly. By then, our company will have 45 direct passenger flights per week to the United States and Canada, including 18 to Los Angeles, 4 to New York, 12 to San Francisco, 5 to Seattle, 3 to Vancouver and 3 to Toronto. In addition, we still maintain code-share with American Airlines, Continental Airlines and US Airways, etc. to provide a convenient transit service for passengers traveling to the United States and Canada.

As the freighter routes to America are our major revenue source, we have arranged 35 flights per week since the summer schedule in 2010. In addition to the existing destinations in east-west coasts of the U.S. and the central U.S. (including Los Angeles, Atlanta, Chicago, Dallas, Houston, New York, etc.), our company will add the destination of Seattle or San Francisco to the existing freighter routes to meet customer demands, strengthening the dense cargo network services among Asia, the United States and Canada. We will also decently increase the number of American freighter routes depending on market status to upgrade the operational performance.

### **European routes**

On March 29, 2010, we increased the weekly flights on London route from 6 to 7. By then, our company will have 16 direct passenger flights per week to Europe, including 3 to Amsterdam, 3 to Vienna, 3 to Paris, and 7 to London. In addition, in response to holidays and seasonal demands, the weekly flights on Amsterdam route will increase from the previous 3 to 4 flights in July and August to provide a convenient and fast flight services for local residents traveling to European countries. We provide 5 freighter flights since the summer schedule in 2010 mainly to London, Brussels,

Frankfurt and other destinations; we also have collaborated with global renowned airlines such as British Airways to offer regular all-cargo joint services to expand the European cargo network and to upgrade the overall operational performance of European routes.

### **Australian routes**

Taking demands and operating costs into consideration, EVA will maintain 3 Taipei – Brisbane flights per week and cooperate with Qantas Airlines.

### **Asian routes**

Upon the inauguration of cross-strait regular flights in August 31, 2009, EVA and UNI Air have operated 55 flights per week, including 15 destinations to Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Xiamen, Hanzhou, Nanjing, Ningbo, Tianjin, Dalian, Qingdao, Chongqing, Wuhan and Kunming. We have also increased 3-4 regular freighter services per week to Shanghai and Guangzhou respectively. Such services are sure to form a substantial and positive contribution for cross-strait cultural, economic, tourism and logistics efficiency. Because of the regular weekday cross-strait charter flights, our total flight schedules have doubled. These are indeed the company's important profit growth source.

In addition, as Taiwan is located in the crucial position between America and Southeast Asia, in order to give a full play of this geographical advantage and to correspond to the government's plan to promote Taiwan as an Asia-Pacific Operation Center, EVA has already drawn up a network layout connecting between the United States and Southeast Asia with anticipated potential.


In summary, following the gradual economic recovery that started in the second half of last year, and coupled with the official opening of regular cross-strait flights, our company will continue to uphold an optimistic attitude by optimizing the route network, and building a denser network via cooperation with other carriers to uplift profitability.

## The Network

- EVA Air resumed Taipei - Paris passenger service in January 2009.
- EVA Air launched Taipei-Kunming passenger service in February 2009.
- EVA Air resumed Taipei- Kaohsiung international connecting passenger service in April 2009
- EVA Air suspended Taipei-Osaka-Los Angeles passenger service in June 2009.
- EVA Air launched Kaohsiung-Shanghai, Kaohsiung-Ningbo and Kaohsiung-Chengdu passenger service in August 2009.
- EVA Air launched Taipei-Tianjin passenger service in September 2009.
- EVA Air suspended Taipei- Miyazaki passenger service in October 2009.

As of Dec. 2009

North America	Los Angeles	San Francisco	Seattle	Anchorage	Atlanta	Chicago
	Dallas	Vancouver	JFK	Newark	Houston	
South Pacific	Brisbane					
Europe	Vienna	London	Frankfurt	Amsterdam	Brussels	Paris
Asia	Osaka	Fukuoka	Taipei	Kaohsiung	Hong Kong	Macau
	Bangkok	Kuala Lumpur	Penang	Jakarta	Denpasar Bali	Surabaya
	Singapore	Ho Chi Minh City	Seoul	Manila	Tokyo	Sapporo
	Phnom Penh	Sendai	Hanoi	Delhi	Nagoya	Komatsu
	Beijing	Shanghai -PVG	Guangzhou	Hangzhou	Tianjin	Ningbo
	Chengdu					
Middle East	Dubai					

 Air cargo destination only

Total 50 destinations

## Principal Subsidiaries

As of Dec. 2009

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT\$379.83 million	56.33%
Evergreen Aviation Technologies Co., Ltd.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT\$3.94 billion	80.00%
Evergreen Air Cargo Service Corp.	Cargo terminal operation	Taiwan	Mar. 2000	NT\$1.2 billion	60%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct. 1993	NT\$1 billion	49.80%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT\$0.46 billion	100%
Evergreen Airways Service (Macau) Ltd.	Air transport and investment business	Macau	Dec. 1994	US\$12,488	99.00%
Green Siam Air Services Co., Ltd.	Travel business	Thailand	May 1990	THB20 million	49.00%
RTW Air Services(S) Pte. Ltd.	Travel business	Singapore	Oct. 1989	SG\$1.5 million	49.00%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR 1.6 billion	51%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb. 2005	USD 5.5 million	100%
Concord Pacific Ltd.	Investment business	Samoa	Apr. 2005	USD 23.8 million	100%

Sino Gain Limited	Aircraft Leasing	Samoa	Aug. 2009	USD \$25,000	100%
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## Important Resolutions by Shareholders and BOD

### Important Shareholders' Resolutions

Date of Meeting	Summary of Important Proposals	Result of Resolutions	Execution
June 16, 2009	<p>1. Distribution of retained earnings:</p> <p>The amount of the accumulated deficit in 2008 is NT\$ 16,889,683,875. After offset by the legal reserve of NT\$18,863,498, the available retained earnings for distribution is NT\$ (16,870,820,377). To stabilize the Company's financial status, retained earnings will not be distributed for dividends, remuneration for directors and supervisors and employee bonuses.</p>	<p>All shareholders present agreed unanimously.</p>	<p>Being executed in accordance with the resolution.</p>
	<p>2. To reduce capital to offset accumulated deficit</p> <p>(1) Reduce capital of NT\$16.8 billion to offset accumulated deficit and enhance financial structure. The paid-in capital was decreased to NT\$22,626,772,770 from NT\$39,426,772,770 after the capital reduction.</p> <p>(2) Shareholders were entitled to exchange 1 share for 0.573893605 share according to</p>	<p>All shareholders present agreed unanimously.</p>	<p>The capital reduction was filed and approved by Jin-Guan-Zheng-Fa-Zi Document No. 0980034032 dated July 15, 2009 from Financial Supervisory Commission, Executive Yuan. On July 16, 2009, the Board of Directors set July 17, 2009 as the record date for capital reduction. The change in capital was approved by Jing-Shou-Shang-Zi Document No. 09801165370 dated July 24, 2009 from Ministry of Economic Affairs, R.O.C.</p>



	appropriation of shares on the record date of the capital reduction. The capital reduction ratio was around 42.6%.		
	3. To amend the Procedures for Loaning Funds to others and Endorsements/ Guarantees.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Procedures for Loaning Funds to others and Endorsements/ Guarantees.
	4. To amend Procedures for Engaging in Derivatives Trading.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Engaging in Derivatives Trading.
	5. To re-elect Directors and Supervisors	Seven Directors and three Supervisors were elected.	The change in directors and supervisors was approved by Jing-Shou-Shang-Zi Document No. 09801139180 dated July 2, 2009 from Ministry of Economic Affairs, R.O.C. The newly-elected directors and supervisors have been performing their duties according to the Company's articles and related laws.
	6. To discharge newly-elected directors and their representatives from non-compete restrictions	All shareholders present agreed unanimously.	Being executed in accordance with the resolution.
	7. To amend the proposal arrangement in the rule of Shareholders' Meeting.	All shareholders present agreed unanimously.	Shareholder meeting will proceed according to the amended "Regulations for Shareholder Meeting Procedure."

## Important Resolutions by the Board of Directors

Date of Meeting	Important Proposals
March 24, 2009	<ol style="list-style-type: none"> <li>1. To accept 2008 Report of Operation and 2008 financial statements.</li> <li>2. Complete self-assessment of 2008 internal control and present a Declaration of Internal Control.</li> <li>3. To accept 2009 Operation Plan.</li> <li>4. To rescind the proposal of 2008 rights issue of NT\$5 billion.</li> <li>5. To stipulate the date and the location of Shareholders' Meeting.</li> </ol>
April 24, 2009	<ol style="list-style-type: none"> <li>1. To accept 2008 consolidated financial statements.</li> <li>2. To offset against 2008 accumulated losses.</li> <li>3. To reduce capital to offset accumulated losses.</li> <li>4. To issue new shares NT\$7 billion.</li> <li>5. To amend Internal Control Procedures and Detailed Rules for the Internal Auditor.</li> <li>6. To amend the proposal arrangement in the rule of Shareholders' Meeting.</li> <li>7. To amend the Procedures for Loaning Funds to others and Endorsements/ Guarantees.</li> <li>8. To amend Procedures for Engaging in Derivative Trading.</li> <li>9. To elect Directors and Supervisors</li> <li>10. To discharge directors and their representatives elected in 2009 shareholder meeting from non-compete restriction.</li> <li>11. To add proposals and elections to the meeting agenda for shareholder meeting on June 16, 2009.</li> <li>12. To invest US\$7,500,000 in subsidiary, Concord Pacific Limited, and participate in the capital increase plan of Shanghai Airlines Cargo Intl. Co., Ltd.</li> </ol>
June 16, 2009	<ol style="list-style-type: none"> <li>1. To elect Lin Bao-Shui as the chairman.</li> <li>2. To accept the proposal of chairman's remuneration.</li> <li>3. To cancel a B747-400 aircraft lease contract from Taiwan Life Finance Company Ltd. and purchase the aircraft.</li> <li>4. To sale and buy-back installment two simulators from FCB Leasing Co., Ltd.</li> </ol>
July 16, 2009	<ol style="list-style-type: none"> <li>1. To set up schedule and share swap plan for capital reduction.</li> <li>2. To enter buy-back agreement with "Octostar B777-09 Limited" to procure 1 new B777-300ER passenger aircraft (nationality No. B-16716).</li> </ol>
August 14, 2009	To set issue price, offering record date and capital increase record date for rights issue.
August 27, 2009	<ol style="list-style-type: none"> <li>1. To accept 2009 1H Financial Report and Consolidated Financial Report.</li> <li>2. To issue domestic unsecured corporate bond.</li> </ol>

<b>Date of Meeting</b>	<b>Important Proposals</b>
October 13, 2009	<ol style="list-style-type: none"> <li>1. To recognize retrospectively the terms of the first 2009 domestic unsecured corporate bond by private placement.</li> <li>2. To cancel a B747-400 aircraft lease contract from Hwa Hon Finance Company Ltd. and purchase the aircraft.</li> <li>3. To recognize retrospectively the purchase of one offshore company “SINO GAIN LIMITED” located in Samoa.</li> <li>4. To enter buy-back agreement with 100% owned offshore subsidiary company “SINO GAIN LIMITED” to procure 2 B747-400 aircrafts (nationality No. B-16403 and B-16411).</li> <li>5. To become joint guarantor for the subsidiary “SINO GAIN LIMITED.”</li> </ol>
December 29, 2009	To amend 2010 Internal Audit Plan.

# Financial and Operating Results

## Financial Results

### Balance Sheet

NT\$ (Thousand)

Item	Year		Difference	
	2009	2008	Amount	%
Current Assets	25,588,374	21,412,287	4,176,087	19.50
Funds and Investments	11,211,034	10,201,360	1,009,674	9.90
Fixed Assets	102,606,655	97,874,037	4,732,618	4.84
Intangible Assets	238,093	81,888	156,205	190.75
Other Assets	10,564,917	13,684,649	(3,119,732)	(22.80)
<b>Total Assets</b>	<b>150,209,073</b>	<b>143,254,221</b>	<b>6,954,852</b>	<b>4.85</b>
Current Liabilities	37,732,901	41,227,680	(3,494,779)	(8.48)
Long-Term Liabilities	77,370,796	74,084,621	3,286,175	4.44
Other Liabilities	3,078,263	2,199,782	878,481	39.93
<b>Total Liabilities</b>	<b>118,181,960</b>	<b>117,512,083</b>	<b>669,877</b>	<b>0.57</b>
Common Stock	29,626,772	39,426,772	(9,800,000)	(24.86)
Capital Surplus	5,564,505	4,866,753	697,752	14.34
Retained Earnings	(2,915,074)	(16,870,820)	13,955,746	(82.72)
Other Adjustments	(249,090)	(1,680,567)	1,431,477	(85.18)
<b>Total Stockholders' Equity</b>	<b>32,027,113</b>	<b>25,742,138</b>	<b>6,284,975</b>	<b>24.42</b>

## Income Statement

NT\$ (Thousand)

Year Item	2009	2008	Increase (Decrease) Amount	Change (%)
Operating Revenue	73,279,511	90,655,666	(17,376,155)	(19.17)
Operating Cost	70,191,396	92,755,242	(22,563,846)	(24.33)
Gross Profit from Operations	3,088,115	(2,099,576)	5,187,691	(247.08)
Operating Expenses	5,908,339	6,507,141	(598,802)	(9.20)
Operating Income	(2,820,224)	(8,606,717)	5,786,493	(67.23)
Non-Operating Income and Gains	1,123,555	965,131	158,424	16.41
Non-Operating Expenses and Losses	2,028,664	9,748,704	(7,720,040)	(79.19)
Income before Income Tax	(3,725,333)	(17,390,290)	13,664,957	(78.58)
Income Tax Benefit (Expenses)	881,079	500,606	380,473	76.00
Net Income	(2,844,254)	(16,889,684)	14,045,430	(83.16)

■ Analysis of deviation of more than 20% in gross profit margin:

NT\$ (Thousand)

	Before and After Period of Increase (Decrease) Change Amount	Favorable (Unfavorable) Variance				
		Variance in Sales Price	Variance in Cost Price	Variance in Sales Segmentation	Variance in Volume	Other
Passenger	2,262,372	(6,543,375)	8,907,668	(42,276)	(59,645)	-
Cargo	2,587,004	(8,295,268)	10,847,788	(277,755)	312,239	-
Other	338,315	-	-	-	-	338,315
Total	5,187,691	(14,838,643)	19,755,456	(320,031)	252,594	338,315

- Variance in sales price: The price decrease this year led to negative results amounting to NT\$ 14,838,643,000.
- Variance in cost price: The slump in oil prices this year led to positive results amounting to NT\$19,755,456,000.
- Variance in sales segmentation: Declining cargo and long haul passengers carried led to negative results amounting to NT\$320,031,000.
- Variance in volume:
  - Passenger: Declining long haul passengers carried and increasing China route passenger carried led to negative results amounting to NT\$59,645,000.
  - Cargo: Decreased cargo capacity due to recession led to positive results amounting to

NT\$252,594,000.

Integrating the above variances led to negative results amounting to NT\$241,523,000.

- Other:

Increased in lease revenue led to positive results amounting to a total of NT\$338,315,000.

## Cash Flow Analysis

### Changes in cash flow analysis over recent two years

Item	Year	2009	2008	Change (%)
Ratio of Cash Flow (%)		0.00	0.00	0
Cash Flow Adequacy Ratio (%)		8.99	27.69	(67.53)
Ratio of Re-investment for Cash (%)		0.00	0.00	0

These was a net cash outflow from operating activities, the Ratio of Cash Flow and Ratio of Re-investment for Cash are both zero.

The decline of net cash provided by operating activities in the last five years led to nosedive of cash flow adequacy ratio.

### Remedy Measures for Inadequate Liquidity

EVA expects to support the capital expenditures by cutting bond-like mutual fund short-term investment, financing through mid and long-term mortgage loans, unsecured loans and shares sales.

### Liquidity Analysis for the Coming Year

NT\$ (Thousand)

Initial Cash Balance (1)	Net Cash Flow from Operations During This Year (2)	Cash Outflows During This Year (3)	Cash Balance (Negative) (1)+(2)-(3)	Remedy Measures for Negative Cash Balance	
				Investment Plans	Financing Plans
4,218,748	11,362,085	26,790,896	(11,210,063)	-	18,662,000

- Operating activities: The expected revenue in 2009 is higher than in 2008. We estimated cash flow from operations is higher than the level in 2008.

- Investment activities: We expect to increase bond-like mutual fund short-term investment.

- Financing activities: We will engage with both mid and long-term mortgage loans and issue new

shares to finance the capital expenditures, debt service and liquidity revival.

### **Impact of Major Capital Expenditures on Financial Operations in Recent Years**

The Company entered procurement agreement with Boeing Company to purchase 15 Boeing 777 passenger aircrafts in June, 2000 and April, 2004. Prepaid amount and closing amount of USD 301 million (equivalent to NTD 9.9 billion) was paid in 2009.

## Condensed Balance Sheet for 2005 - 2009

NT\$ (Million)

	2009	2008	2007	2006	2005
Current Assets	25,588	21,412	27,700	28,646	26,425
Fixed Assets	102,607	97,874	94,867	78,892	67,947
Total Assets	150,209	143,254	149,138	138,150	128,523
Current Liabilities	37,733	41,228	31,486	31,233	31,375
Long-term Liabilities	77,371	74,085	70,767	58,641	50,969
Total Liabilities	118,182	117,512	104,950	92,010	84,547
Share Capital	29,627	39,427	38,750	38,750	33,899
Shareholders' Equity	32,027	25,742	44,188	46,141	43,976

## Condensed Income Statement for 2005 - 2009

NT\$ (Million)

	2009	2008	2007	2006	2005
Operating Revenue	73,280	90,656	93,103	93,904	88,518
Operating Costs	76,100	99,262	95,377	97,242	87,667
Operating Profit	(2,820)	(8,606)	(2,274)	(3,338)	851
Non-operating Income	1,124	965	2,623	3,101	2,072
Non-operating Expenses and Loss	2,029	9,749	2,307	2,027	1,786
Income before Tax	(3,725)	(17,390)	(1,958)	(2,264)	1,137
Tax	881	501	86	417	189
Net Income	(2,844)	(16,889)	(1,872)	(1,847)	1,326
Earnings per Share (EPS)	(1.14)	(7.49)	(0.48)	(0.45)	0.39

## Revenue by Business Segment

NT\$ (Million)

	Passenger		Cargo		Other		Total	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
2009	43,950	60%	24,207	33%	5,123	7%	73,280	100%
2008	50,057	55%	35,310	39%	5,288	6%	90,656	100%
2007	48,956	53%	38,238	41%	5,909	6%	93,103	100%
2006	46,326	49%	41,382	44%	6,196	7%	93,904	100%
2005	42,653	48%	39,932	45%	5,934	7%	88,518	100%



## Financial Ratio Analysis

Item	Ratio	2009	2008	2007	2006	2005
Financial Structure (%)	Debt Ratio	78.68	82.03	70.37	67.32	65.77
	Ratio of Long-Term Liabilities and Stockholders' Equity to Fixed Assets	106.62	102.00	121.18	132.82	139.00
Solvency (%)	Current Ratio	67.81	51.94	87.97	92.45	85.00
	Quick Ratio	42.70	27.19	54.62	54.23	42.00
	Times Interest Earned Ratio(Times)	(0.83)	(4.82)	0.10	0.05	2.70
Operating Performance Analysis	Average Collection Turnover (Times)	-	-	-	-	-
	Average Collection Days for Receivables	-	-	-	-	-
	Average Inventory Turnover (Times)	-	-	-	-	-
	Average Days for Sale of Goods	-	-	-	-	-
	Fixed Assets Turnover (Times)	0.73	0.94	1.07	1.28	1.37
	Total Assets Turnover (Times)	0.49	0.63	0.62	0.67	0.69
Profitability	Return on Total Assets (%)	(0.93)	(10.15)	(0.15)	(0.16)	2.14
	Return on Stockholders' Equity (%)	(9.85)	(48.30)	(4.14)	(3.74)	3.00
	Operating Income to Paid -in Capital (%)	(9.52)	(21.83)	(5.87)	(8.61)	1.00
	Return on Sales (%)	(3.88)	(18.63)	(2.01)	(1.80)	2.00
	Earnings per Share (NTD)	(1.14)	(7.49)	(0.48)	(0.45)	0.39
Cash Flow	Ratio of Cash Flows	-	-	23.39	13.05	13.00
	Cash Flow Adequacy Ratio	8.99	27.69	41.71	81.82	147.00
	Ratio of Re-Investment for Cash	-	-	4.80	2.71	2.00
Degree of Leverage	Degree of Operating Leverage	(660.86)	(146.81)	(9.65)	(1.70)	61.00
	Financial Leverage	58.83	75.95	0.51	0.63	(0.31)

Note:

- (1) Debt Ratio: Total Liabilities/Total Assets
- (2) Ratio of Long-term Liabilities and Stockholders' Equity to Fixed Assets:  
(Net Stockholder Equity + Long-term Liabilities) / Net Fixed Assets
- (3) Current Ratio: Current Assets/Current Liabilities
- (4) Quick Ratio: Liquid Assets/Current Liabilities
- (5) Times Interest Earned Ratio (Times): Earning Before Taxes and Interest Expense/Interest Expense
- (6) Fixed Assets Turnover: Net Sales/ Fixed Assets
- (7) Total Assets Turnover: Net Sales/Total Assets
- (8) Return on Total Assets: (Income after Tax + Interest Expenses)/Total Assets
- (9) Return on Stockholders' Equity: Income after Tax/Average Stockholders' Equity
- (10) Operating Income to Paid -in Capital: Operating Income/Capital
- (11) Return on Sales: Income after Tax/ Net Sales
- (12) Ratio of Cash Flows: Fund from Operating/Current Liability
- (13) Cash Flow Adequacy Ratio: 5-Year Sum of Cash from Operation/5-Year Sum of Capital Expenditures, Incremental Inventory, and Cash Dividends
- (14) Ratio of Re-investment for Cash: (FFO- Cash Dividend)/ (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)
- (15) Degree of Operating Leverage: (Net Sales – Operating Variable Cost and Expense) / Operating Income
- (16) Financial Leverage: Operating Income / (Operating Income – Interest Expense)

## Operating Results

	2009	2008	2007	2006	2005
Overall Capacity (Million)	7,188	7,957	8,986	9,778	9,894
Overall Traffic (Million)	5,672	6,142	6,954	7,344	7,364
Overall Load Factor (%)	78.9	77.2	77.4	75.1	74.4
Overall Yield (NT\$)	12.02	13.90	12.54	11.94	11.21
Passenger Capacity (Million)	29,311	28,853	29,785	30,367	29,348
Passenger Traffic (Million)	22,689	22,944	24,226	24,277	23,099
Passengers Carried ('000)	6,022	5,788	6,181	6,172	5,904
Passenger Load Factor (%)	77.4	79.5	81.3	80.0	78.7
Passenger Yield (NT\$)	1.94	2.18	2.02	1.91	1.85
Cargo Capacity (Million)	4,550	5,360	6,305	7,045	7,253
Cargo Traffic (Million)	3,630	4,077	4,774	5,160	5,285
Cargo Carried (Tons)	609,734	681,289	785,222	829,952	844,099
Cargo Load Factor (%)	79.8	76.1	75.7	73.2	72.9
Cargo Yield (NT\$)	6.67	8.66	8.01	8.02	7.56
Unit Cost (NT\$)	10.59	12.47	10.61	9.94	8.85
Number of Aircraft	55	53	52	49	51
Number of Employees	4,486	4,772	5,153	5,312	5,098
Capacity per Employee (Thousand)	1,602	1,667	1,744	1,841	1,941
Traffic per Employee (Thousand)	1,264	1,287	1,350	1,383	1,445
Revenue per Employee (Thousand)	16,335	18,997	18,068	17,678	17,265

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

We have audited the balance sheets of EVA Airways Corp. (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain non-consolidated investee companies. The Company's investments in these companies as of December 31, 2009 and 2008, were evaluated using the equity method, and the resulting book values of these investments amounted to NT\$2,995,084 thousand (US\$93,509 thousand), constituting 1.99% of total assets, and NT\$2,768,819 thousand (US\$84,261 thousand), constituting 1.93% of total assets, respectively. The cumulative translation adjustments from the aforementioned investments amounted to NT\$9,495 thousand (US\$296 thousand) and NT\$639 thousand (US\$19 thousand), respectively. The resulting investment gains amounted to NT\$233,430 thousand (US\$7,065 thousand), constituting (6.27)% of loss before income tax, and NT\$38,069 thousand (US\$1,208 thousand), constituting (0.22)% of loss before income tax, for the years 2009 and 2008, respectively. The financial statements of these companies were audited by other auditors, whose reports were furnished to us, and our opinion, insofar as it relates to these amounts included for the said investee companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in Republic of China.

The Company adopted newly issued SFASs, the effects of which are as stated in note 3 to the accompanying financial statements.

The accompanying financial statements as of and for the years ended December 31, 2009 and 2008, have been translated into United States dollars. We have audited the translation, and in our opinion, the financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(c) of the notes to the accompanying financial statements.

KPMG

Taipei, Taiwan (the Republic of China)  
March 10, 2010

**Note to Readers**

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language auditors' report shall prevail.

**EVA AIRWAYS CORP.**

**Balance Sheets**

**December 31, 2009 and 2008**  
**(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)**

Assets	2009		2008		Liabilities and Stockholders' Equity	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars		NT dollars	US dollars	NT dollars	US dollars
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 4(a))	\$ 4,218,748	131,712	3,228,087	98,238	Short-term borrowings (note 4(i))	\$ 730,000	22,791	1,800,000	54,778
Financial assets at fair value through profit or loss – current (note 4(b))	17,247	539	425,020	12,934	Commercial paper payable (note 4(i))	249,994	7,805	499,046	15,187
Available-for-sale financial assets – current (note 4(b))	4,491,553	140,230	1,134,811	34,535	Financial liabilities at fair value through profit or loss – current (note 4(b))	685,797	21,411	3,996,048	121,608
Notes receivable	289,200	9,029	198,684	6,046	Derivative financial liabilities for hedge purposes – current (note 4(r))	897,196	28,011	2,489,189	75,751
Accounts receivable, net	6,805,453	212,471	5,809,225	176,787	Accounts payable	1,168,413	36,479	938,555	28,562
Accounts receivable – related parties (note 5)	162,968	5,088	159,646	4,858	Accounts payable – related parties (note 5)	1,078,180	33,661	728,743	22,177
Other receivables (note 4(c))	22,449	701	181,949	5,537	Accrued expenses	5,856,614	182,848	5,779,960	175,897
Other receivables – related parties (note 5)	105,923	3,307	74,505	2,267	Other payables – related parties (note 5)	148,940	4,650	107,353	3,267
Inventories (notes 4(d), 5 and 6)	8,690,370	271,320	8,630,804	262,654	Other payables (notes 4(l), 4(m) and 6)	3,483,026	108,743	3,091,025	94,067
Prepaid expenses	38,661	1,207	46,395	1,412	Unearned revenue	5,980,215	186,707	6,512,232	198,181
Other prepayments	525,387	16,403	566,018	17,225	Current portion of long-term liabilities (notes 4(j), 4(k), 6 and 7)	14,563,908	454,696	11,966,941	364,180
Deferred income tax assets – current (note 4(o))	199,042	6,214	933,933	28,422	Lease liability – current (note 4(g))	1,446,636	45,165	1,407,428	42,831
Other current assets	21,373	667	23,210	707	Other current liabilities	1,443,982	45,082	1,911,160	58,161
<b>Total current assets</b>	<u>25,588,374</u>	<u>798,888</u>	<u>21,412,287</u>	<u>651,622</u>	<b>Total current liabilities</b>	<u>37,732,901</u>	<u>1,178,049</u>	<u>41,227,680</u>	<u>1,254,647</u>
<b>Funds and investments:</b>					<b>Long-term liabilities:</b>				
Available-for-sale financial assets – noncurrent (note 4(b) and 6)	878,472	27,427	385,150	11,721	Financial liabilities at fair value through profit or loss – noncurrent (note 4(b))	-	-	1,790,636	54,493
Financial assets carried at cost – noncurrent (note 4(b))	2,252,588	70,327	2,252,588	68,551	Derivative financial liabilities for hedge purposes – noncurrent (note 4(r))	-	-	1,427,877	43,453
Long-term equity investments under equity method (note 4(e))	8,079,974	252,263	7,563,622	230,177	Bonds payable (note 4(k))	9,000,000	280,987	7,100,000	216,068
<b>Total funds and investments</b>	<u>11,211,034</u>	<u>350,017</u>	<u>10,201,360</u>	<u>310,449</u>	Long-term borrowings (notes 4(j), 6 and 7)	47,419,036	1,480,457	40,186,253	1,222,953
<b>Property, plant and equipment (notes 4(f), 4(g), 6 and 7):</b>					Aircraft payable (notes 4(l), 5 and 6)	8,732,373	272,631	9,816,524	298,738
Land	1,869,572	58,369	1,869,784	56,902	Lease liability – noncurrent (note 4(g))	12,219,387	381,498	13,763,331	418,848
Buildings	4,543,278	141,845	4,543,278	138,262	<b>Total long-term liabilities</b>	<u>77,370,796</u>	<u>2,415,573</u>	<u>74,084,621</u>	<u>2,254,553</u>
Machinery and equipment	6,771,808	211,421	7,077,378	215,380	<b>Other liabilities:</b>				
Aircraft	101,316,455	3,163,174	95,467,577	2,905,282	Accrued employee retirement liabilities (note 4(n))	268,961	8,397	195,262	5,942
Leased assets	16,198,639	505,733	16,613,171	505,574	Other liabilities (notes 4(m) and 6)	2,809,302	87,708	2,004,520	61,002
Other equipment	-	-	7,971	242	<b>Total other liabilities</b>	<u>3,078,263</u>	<u>96,105</u>	<u>2,199,782</u>	<u>66,944</u>
	130,699,752	4,080,542	125,579,159	3,821,642	<b>Total liabilities</b>	<u>118,181,960</u>	<u>3,689,727</u>	<u>117,512,083</u>	<u>3,576,144</u>
Less: accumulated depreciation	(42,209,332)	(1,317,806)	(37,185,904)	(1,131,647)	<b>Stockholders' equity (notes 4(b), 4(n), 4(p) and 4(r)):</b>				
Advances for purchases of equipment	14,116,235	440,719	9,480,782	288,521	Common stock	29,626,772	1,035,332	39,426,772	1,332,170
<b>Net property, plant and equipment</b>	<u>102,606,655</u>	<u>3,203,455</u>	<u>97,874,037</u>	<u>2,978,516</u>	Capital surplus	5,564,505	178,675	4,866,753	157,445
<b>Intangible assets:</b>					Accumulated deficit:				
Deferred pension cost	238,093	7,433	81,888	2,492	Legal reserve	-	-	18,864	586
<b>Other assets:</b>					Accumulated deficit	(2,915,074)	(111,306)	(16,889,684)	(535,670)
Refundable deposits (note 7)	1,696,935	52,979	4,902,304	149,188	<b>Total accumulated deficit</b>	<u>(2,915,074)</u>	<u>(111,306)</u>	<u>(16,870,820)</u>	<u>(535,084)</u>
Deferred charges (note 4(h))	4,253,871	132,809	5,035,517	153,242	Other stockholders' equity adjustments:				
Deferred income tax assets – noncurrent (note 4(o))	3,624,677	113,165	2,357,222	71,735	Cumulative translation adjustments	423,833	(84,439)	1,491,895	(74,754)
Other assets (note 6)	989,434	30,891	1,389,606	42,288	Net loss not yet recognized as net pension cost	(157,412)	(4,703)	(162,517)	(4,862)
<b>Total other assets</b>	<u>10,564,917</u>	<u>329,844</u>	<u>13,684,649</u>	<u>416,453</u>	Unrealized gains or losses on financial instruments	(515,511)	(13,649)	(3,009,945)	(91,527)
					<b>Total other stockholders' equity adjustments</b>	<u>(249,090)</u>	<u>(102,791)</u>	<u>(1,680,567)</u>	<u>(171,143)</u>
					<b>Total stockholders' equity</b>	<u>32,027,113</u>	<u>999,910</u>	<u>25,742,138</u>	<u>783,388</u>
					<b>Commitments and contingencies (notes 5 and 7)</b>				
<b>Total assets</b>	<u>\$ 150,209,073</u>	<u>4,689,637</u>	<u>143,254,221</u>	<u>4,359,532</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 150,209,073</u>	<u>4,689,637</u>	<u>143,254,221</u>	<u>4,359,532</u>

See accompanying notes to financial statements.

**EVA AIRWAYS CORP.**

**Statements of Operations**

**For the years ended December 31, 2009 and 2008**

**(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars, Except Earnings per Share)**

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
<b>Operating revenue (note 5)</b>	\$ 73,279,511	2,217,903	90,655,666	2,875,219
<b>Operating cost (notes 4(d), 5 and 10)</b>	<u>(70,191,396)</u>	<u>(2,124,437)</u>	<u>(92,755,242)</u>	<u>(2,941,809)</u>
<b>Gross profit (loss) from operations</b>	3,088,115	93,466	(2,099,576)	(66,590)
<b>Operating expenses (notes 5 and 10)</b>	<u>(5,908,339)</u>	<u>(178,824)</u>	<u>(6,507,141)</u>	<u>(206,379)</u>
<b>Operating loss</b>	<u>(2,820,224)</u>	<u>(85,358)</u>	<u>(8,606,717)</u>	<u>(272,969)</u>
<b>Non-operating income and gains:</b>				
Interest income	31,254	946	124,772	3,958
Investment income (note 4(e))	278,177	8,420	191,550	6,075
Gains on disposal of property, plant and equipment, net	51,553	1,560	114,903	3,644
Gains on sale of investments, net (note 4(b))	6,419	194	55,462	1,759
Gains on valuation of financial liabilities (note 4(s))	638,026	19,311	-	-
Other income	<u>118,126</u>	<u>3,575</u>	<u>478,444</u>	<u>15,174</u>
	<u>1,123,555</u>	<u>34,006</u>	<u>965,131</u>	<u>30,610</u>
<b>Non-operating expenses and losses:</b>				
Interest expenses, net of capitalized interest of NT\$145,006 (US\$4,389) and NT\$314,370 (US\$9,971) in 2009 and 2008, respectively (notes 4(f) and 5)	(1,973,576)	(59,733)	(2,725,605)	(86,445)
Losses on valuation of financial assets (note 4(s))	-	-	(6,946,649)	(220,319)
Exchange losses, net	(21,184)	(641)	(4,545)	(144)
Other losses (note 4(b))	<u>(33,904)</u>	<u>(1,026)</u>	<u>(71,905)</u>	<u>(2,280)</u>
	<u>(2,028,664)</u>	<u>(61,400)</u>	<u>(9,748,704)</u>	<u>(309,188)</u>
<b>Loss from continuing operations before income tax</b>	(3,725,333)	(112,752)	(17,390,290)	(551,547)
<b>Income tax benefit (note 4(o))</b>	<u>881,079</u>	<u>26,667</u>	<u>500,606</u>	<u>15,877</u>
<b>Net loss</b>	<u>\$ (2,844,254)</u>	<u>(86,085)</u>	<u>(16,889,684)</u>	<u>(535,670)</u>
	<u>Loss before</u>	<u>Net loss</u>	<u>Loss before</u>	<u>Net loss</u>
	<u>income tax</u>		<u>income tax</u>	
	NT	US	NT	US
	<u>dollars</u>	<u>dollars</u>	<u>dollars</u>	<u>dollars</u>
<b>Basic losses per share (expressed in dollars)</b> <b>(note losses 4(q)):</b>	<u>\$ (1.49)</u>	<u>(0.05)</u>	<u>(1.14)</u>	<u>(0.03)</u>
	<u>(7.72)</u>	<u>(0.24)</u>	<u>(7.49)</u>	<u>(0.24)</u>

See accompanying notes to financial statements.

**EVA AIRWAYS CORP.**

**Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2009 and 2008**  
**(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)**

	NT Dollars							US Dollars								
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or losses on Financial Instruments	Total	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or losses on Financial Instruments	Total
<b>Balance on January 1, 2008</b>	\$ 38,749,794	4,582,191	860,272	(841,408)	1,085,636	(472,617)	224,228	44,188,096	1,310,325	148,350	25,530	(28,707)	(85,946)	(14,299)	6,896	1,362,149
Make-up of accumulated deficit	-	-	(841,408)	841,408	-	-	-	-	-	-	(24,944)	24,944	-	-	-	-
Convertible bonds converted into common stock	676,978	237,622	-	-	-	-	-	914,600	21,845	7,667	-	-	-	-	-	29,512
Increase in net equity due to investee company issuing new shares and the Company not purchasing proportionately	-	50,318	-	-	-	-	-	50,318	-	1,531	-	-	-	-	-	1,531
Decrease in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	-	(3,378)	-	-	-	-	-	(3,378)	-	(103)	-	-	-	-	-	(103)
Decrease in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	(4,340)	-	(4,340)	-	-	-	-	-	(132)	-	(132)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	314,440	-	314,440	-	-	-	-	-	9,569	-	9,569
Decrease in net equity due to change in percentage of unrealized losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	(24,761)	(24,761)	-	-	-	-	-	-	(754)	(754)
Change in unrealized losses on financial instruments	-	-	-	-	-	-	(3,209,412)	(3,209,412)	-	-	-	-	-	-	(97,669)	(97,669)
Net loss for the year ended December 31, 2008	-	-	-	(16,889,684)	-	-	-	(16,889,684)	-	-	-	(535,670)	-	-	-	(535,670)
Translation adjustments for the year ended December 31, 2008	-	-	-	-	406,259	-	-	406,259	-	-	-	3,763	11,192	-	-	14,955
<b>Balance on December 31, 2008</b>	39,426,772	4,866,753	18,864	(16,889,684)	1,491,895	(162,517)	(3,009,945)	25,742,138	1,332,170	157,445	586	(535,670)	(74,754)	(4,862)	(91,527)	783,388
Make-up of accumulated deficit by capital reduction	(16,800,000)	-	-	16,800,000	-	-	-	-	(509,863)	-	-	509,863	-	-	-	-
Make-up of accumulated deficit	-	-	(18,864)	18,864	-	-	-	-	-	-	(586)	586	-	-	-	-
Cash subscription	7,000,000	420,000	-	-	-	-	-	7,420,000	213,025	12,781	-	-	-	-	-	225,806
Share options granted to employees	-	282,100	-	-	-	-	-	282,100	-	8,585	-	-	-	-	-	8,585
Increase in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	-	(4,348)	-	-	-	-	-	(4,348)	-	(136)	-	-	-	-	-	(136)
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	18,744	-	18,744	-	-	-	-	-	585	-	585
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	(13,639)	-	(13,639)	-	-	-	-	-	(426)	-	(426)
Increase in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	18,034	18,034	-	-	-	-	-	-	563	563
Change in unrealized gains on financial instruments	-	-	-	-	-	-	2,476,400	2,476,400	-	-	-	-	-	-	77,315	77,315
Net loss for the year ended December 31, 2009	-	-	-	(2,844,254)	-	-	-	(2,844,254)	-	-	-	(86,085)	-	-	-	(86,085)
Translation adjustments for the year ended December 31, 2009	-	-	-	-	(1,068,062)	-	-	(1,068,062)	-	-	-	-	(9,685)	-	-	(9,685)
<b>Balance on December 31, 2009</b>	<b>\$ 29,626,772</b>	<b>5,564,505</b>	<b>-</b>	<b>(2,915,074)</b>	<b>423,833</b>	<b>(157,412)</b>	<b>(515,511)</b>	<b>32,027,113</b>	<b>1,035,332</b>	<b>178,675</b>	<b>-</b>	<b>(111,306)</b>	<b>(84,439)</b>	<b>(4,703)</b>	<b>(13,649)</b>	<b>999,910</b>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
<b>Cash flows from operating activities:</b>				
Net loss	\$ (2,844,254)	(86,085)	(16,889,684)	(535,670)
Adjustments to reconcile net loss to net cash flow used in operating activities:				
Depreciation	8,144,425	246,502	7,360,204	233,435
Impairment loss	-	-	9,000	285
Salary expenses—share options granted to employees	282,100	8,538	-	-
Amortization and maintenance expense	1,239,578	37,517	1,626,447	51,584
Amortization expense recorded as interest expenses	33,728	1,021	30,812	977
Gains on sale of investments	(6,419)	(194)	(55,462)	(1,759)
Exchange gains arising from disposal of foreign operating units	-	-	(58,839)	(1,866)
Gains on disposal of property, plant and equipment recorded as exchange gains	(186)	(6)	(168,245)	(5,336)
Gains on disposal and obsolescence of property, plant and equipment	6,831	207	(89,782)	(2,848)
Investment income	(278,177)	(8,420)	(191,550)	(6,075)
Amortization of other deferred gain	(129,598)	(3,922)	(115,841)	(3,674)
Proceeds from cash dividends on long-term equity investments	113,916	3,448	418,508	13,273
Deferred income tax benefit	(901,698)	(27,291)	(536,989)	(17,031)
Changes in operating assets and liabilities, net:				
Financial assets at fair value through profit or loss—current	407,773	12,342	(361,775)	(11,474)
Financial assets at fair value through profit or loss—noncurrent	-	-	106,756	3,386
Financial liabilities at fair value through profit or loss—current	(3,310,251)	(100,189)	3,995,963	126,735
Financial liabilities at fair value through profit or loss—noncurrent	(1,790,636)	(54,196)	1,789,460	56,754
Notes receivable	(90,516)	(2,739)	82,670	2,622
Accounts receivable (including related parties)	(994,063)	(30,087)	2,449,979	77,703
Other receivables (including related parties)	48,026	1,453	123,489	3,917
Inventories	(59,548)	(1,802)	887,477	28,147
Prepaid expenses	7,734	234	48,221	1,529
Other prepayments	40,631	1,230	(74,781)	(2,372)
Other current assets	1,837	56	51,267	1,626
Accounts payable (including related parties)	579,295	17,533	(913,050)	(28,958)
Accrued expenses	76,654	2,320	(2,044,100)	(64,830)
Other payables (including related parties)	(57,165)	(1,730)	(94,986)	(3,013)
Unearned revenue	(532,017)	(16,102)	(494,614)	(15,687)
Other current liabilities	(467,178)	(14,140)	395,423	12,541
Accrued employee retirement liabilities	(135,498)	(4,101)	(53,718)	(1,703)
Other liabilities	24,963	755	93,634	2,970
<b>Net cash used in operating activities</b>	<u>(589,713)</u>	<u>(17,848)</u>	<u>(2,674,106)</u>	<u>(84,812)</u>
<b>Cash flows from investing activities:</b>				
Withdrawal of long-term equity investments, net	27,052	819	556,573	17,652
Decrease (increase) in available-for-sale financial assets—current	(3,351,936)	(101,451)	4,036,554	128,023
Proceeds from sale of available-for-sale financial assets—noncurrent	(262,404)	(7,942)	-	-
Proceeds from sale of financial assets carried at cost—noncurrent	-	-	3,409	108
Payments for purchase of long-term equity investments under equity method	(253,559)	(7,674)	(428,625)	(13,594)
Proceeds from disposal of property, plant and equipment	3,975	120	6,662,964	211,321
Payments for purchase of property, plant and equipment	(14,167,167)	(428,788)	(16,122,885)	(511,351)
Decrease in refundable deposits and in other assets	2,960,759	89,611	1,810,027	57,407
Increase in deferred charges	(491,660)	(14,881)	(841,553)	(26,691)
<b>Net cash used in investing activities</b>	<u>(15,534,940)</u>	<u>(470,186)</u>	<u>(4,323,536)</u>	<u>(137,125)</u>
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term borrowings	(1,319,052)	(39,923)	2,299,046	72,916
Increase in long-term borrowings	19,934,046	603,330	18,143,871	575,448
Redemption of long-term borrowings	(13,754,963)	(416,312)	(9,446,693)	(299,610)
Installment payments for purchase of property, plant and equipment	(421,520)	(12,758)	(2,273,494)	(72,106)
Redemption of lease liability	(1,413,197)	(42,772)	(1,453,764)	(46,107)
Increase in other liabilities	1,670,000	50,545	-	-
Issuance of bonds payable	5,000,000	151,332	-	-
Cash subscription	7,420,000	224,576	-	-
<b>Net cash provided by financing activities</b>	<u>17,115,314</u>	<u>518,018</u>	<u>7,268,966</u>	<u>230,541</u>
<b>Effect of exchange rate changes on cash</b>	-	3,490	-	(1,511)
<b>Net increase in cash and cash equivalents</b>	990,661	33,474	271,324	7,093
<b>Cash and cash equivalents at beginning of year</b>	3,228,087	98,238	2,956,763	91,145
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,218,748</u>	<u>131,712</u>	<u>3,228,087</u>	<u>98,238</u>
<b>Additional disclosure of cash flow information:</b>				
Cash payments of interest (excluding capitalized interest expense)	\$ <u>2,008,838</u>	<u>60,800</u>	<u>2,600,279</u>	<u>82,470</u>
Cash payments of income tax	\$ <u>23,336</u>	<u>706</u>	<u>34,039</u>	<u>1,080</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>				
Current portion of long-term liabilities	\$ <u>14,563,908</u>	<u>454,696</u>	<u>11,966,941</u>	<u>364,180</u>
Convertible bonds converted into common stock	\$ -	-	<u>914,600</u>	<u>29,512</u>
Fixed assets transferred from inventory	\$ -	-	<u>9,722</u>	<u>308</u>
Inventory transferred from fixed assets	\$ <u>18</u>	-	-	-
Translation adjustments (including investee)	\$ <u>(1,068,062)</u>	<u>(9,685)</u>	<u>406,259</u>	<u>11,192</u>
Unrealized gains or losses on financial instruments (including investee)	\$ <u>2,494,434</u>	<u>77,878</u>	<u>(3,234,173)</u>	<u>(98,423)</u>

See accompanying notes to financial statements.



# **EVA AIRWAYS CORP.**

## **Notes to Financial Statements**

**December 31, 2009 and 2008**

**(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars Unless Otherwise Specified)**

### **1. Organization and Business Scope**

EVA Airways Corp. (the Company) was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Ministry of Transportation and Communications and under the Company Act of the Republic of China (ROC). The Company commenced commercial operations on July 1, 1991.

The Company's business activities are

- 1.1 to engage in fixed-wing aircraft transport business, scheduled air transport business, and nonscheduled air transport business;
- 1.2 to carry on the business of freight agent, including operation, transportation and maintenance;
- 1.3 to repair and maintain fuselages, aircraft engines, navigational instruments and related equipment, etc.;
- 1.4 to carry on the business of marketing aircraft facilities, equipment, and fittings;
- 1.5 to process and manufacture machinery and spare parts;
- 1.6 to publish magazines in the field of aviation;
- 1.7 to provide on-the-job training delegated by other organizations and entities (no recruitment from the general public is allowed);
- 1.8 to engage in maintaining flying facilities for navigational training;
- 1.9 to engage in import and export trading for the foregoing activities (excluding businesses requiring a permit);
- 1.10 to provide consultant services for business operation and management;
- 1.11 to provide general advertising services;
- 1.12 to engage in the retailing of tobacco and alcohol;
- 1.13 to engage in general merchandise activities;
- 1.14 to engage in the retailing of food and beverages;
- 1.15 to engage in the retailing of apparel;
- 1.16 to engage in the retailing of umbrellas;
- 1.17 to engage in the retailing of hats and caps;
- 1.18 to engage in the retailing of books and stationery;
- 1.19 to engage in the retailing of sporting goods;
- 1.20 to engage in the retailing of toys and amusement goods;

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

- 1.21 to engage in the retailing of watches and clocks;
- 1.22 to engage in the retailing of glasses;
- 1.23 to engage in the retailing of weights and measures;
- 1.24 to engage in the retailing of jewelry and precious metals;
- 1.25 to engage in the retailing of telecommunication equipment;
- 1.26 to engage in the retailing of photographic equipment;
- 1.27 to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

As of December 31, 2009 and 2008, the Company had 4,486 and 4,772 employees, respectively.

#### **2. Summary of Significant Accounting Policies**

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The Company prepared the accompanying financial statements in accordance with ROC generally accepted accounting principles. The preparation of financial statements in conformity with the aforementioned guidelines, the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, the “Business Entity Accounting Act” and the “Regulation on Business Entity Accounting Handling”.

The major accounting policies and basis of measurement used in preparing the financial statements are summarized below.

##### **(a) Use of estimates**

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

##### **(b) Foreign currency transactions and translations**

The Company maintains its books in New Taiwan dollars. Foreign currency transactions during the year are translated at the exchange rates on the transaction dates. Foreign currency-denominated assets and liabilities are translated into New Taiwan dollars at the exchange rate prevailing on the balance sheet date, and the resulting translation gains or losses are recognized as non-operating income or expenses. In accordance with amended Statement of Financial Accounting Standards (SFAS) No. 14 “The Effects of Changes in Foreign Exchange Rates”, non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NT dollars at foreign exchange rates ruling at the dates the fair value was determined. If the financial assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of operations. If the adjustments of financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

For equity investments in foreign companies which are accounted for by the equity method, the translation differences resulting from translating foreign financial statements from the functional currency into the reporting currency are reported as cumulative translation adjustments. Cumulative translation adjustments are reported as a separate component of stockholders' equity.

(c) Convenience translation into U.S. dollars

The financial statements are stated in New Taiwan dollars. Assets and liabilities are translated at the rate of exchange at the balance sheet date. Statement of operations accounts are translated at the average rates during the year. The related translation adjustments are reported as a component of shareholders' equity.

(d) Translation of foreign currency for foreign operating units

The Company regards the aircraft purchased with its own US dollar funds and US dollar loans and operated for international passenger and cargo transportation business as "foreign operating units".

The US dollar-denominated aircraft purchase costs and the related US dollar loans at the balance sheet date are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date. The US dollar-denominated aircraft depreciation amounts are translated into New Taiwan dollars at the current year's average exchange rate. The translation differences resulting from these translations are reported as cumulative translation adjustments.

The US dollar-denominated lease assets and lease liability arising from capital lease of aircraft at the balance sheet date are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date. The US dollar-denominated leased aircraft depreciation amounts are translated into New Taiwan dollars at the current year's average exchange rate. The translation differences resulting from these translations are reported as cumulative translation adjustments.

In addition, the translation differences resulting from the translation of refundable deposits for aircraft leases into New Taiwan dollars at the exchange rate prevailing on the balance sheet date are also reported as cumulative translation adjustments.

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## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

(e) Classification of current and noncurrent assets and liabilities

Cash or cash equivalents, and assets that will be held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets shall be classified as noncurrent.

Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities shall be classified as noncurrent.

(f) Asset impairment

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Company assesses the goodwill and intangible assets that have indefinite lives or that are not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, savings and checking deposits, fixed time deposits, miscellaneous petty cash. Cash equivalents represent highly liquid debt instruments, such as commercial paper and bank acceptances with original maturities of three months or less. Cash equivalents also include other highly liquid investments which do not have a significant level of market risk related to potential interest rate changes.

(h) Financial instruments

The Company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for financial instruments held for trading, acquisition cost or issuance cost is added to the original recognized amount.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

The financial instruments the Company held or issued are classified into the following accounts in accordance with the purpose of holding or issuing after the original recognition.

1. Financial assets/liabilities at fair value through profit or loss: The main purposes of the financial instruments are selling or repurchasing in the short term. Except for the derivatives that the Company held for hedging purposes and are considered to be effective, all derivatives should be classified into this account. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.
2. Available-for-sale financial assets: These are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.
3. Financial assets carried at cost: Equity investments which cannot be evaluated at fair value are booked at original cost. If there is evidence of impairment, impairment loss should be recognized, and the impairment amount cannot be reversed.

#### **(i) Hedge accounting**

Derivative financial instruments held by the Company were to manage foreign exchange rate and interest rate risk exposure on foreign-currency-denominated assets and liabilities. According to this policy, derivative financial instruments held or issued by the Company were for hedging. When derivative financial instruments are no longer for hedging, they are treated as financial instruments held for trading.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. If hedging relationships meet the criteria for hedge accounting, they are accounted for as follows:

#### **1. Fair value hedges**

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

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## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

#### **2. Cash flow hedges**

Changes in the fair value of the hedging instrument designated as a cash flow hedge are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges other than those covered by the preceding statement, the associated cumulative gain or loss that had been recognized in equity shall be reclassified to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

#### **3. Hedge of net investment in foreign operation**

Changes in the fair value of the hedging instrument are recognized directly in equity. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized directly in equity is recognized in profit or loss on disposal of the foreign operation.

#### **(j) Inventories**

Inventories represent parts and supplies for maintenance of aircraft, and merchandise to sell during flights. Except for merchandise, which is stated at the lower of cost or market value, parts and supplies are stated at cost less allowance for slow-moving and obsolete items. Cost is calculated by the weighted-average method, and market value represents net realizable value.

#### **(k) Long-term equity investments**

Long-term equity investments in which the Company owns more than 20% or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policies are accounted for by the equity method.

The difference between the selling price and the book value of the long-term equity investments under the equity method is recognized as disposal gain or loss in the accompanying non-consolidated statements of operations. If there is capital surplus or cumulative translation adjustments resulting from long-term equity investments, the capital surplus or cumulative translation adjustments should be debited/credited to disposal gain/loss based on the disposal ratio.

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## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

If the differences between investment cost and shareholding equity come from assets that can be depreciated, depleted or amortized, then the Company shall amortize such differences over estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then the Company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. When the fair value of identifiable net assets acquired exceeds the cost, the difference should be assigned to non-current assets acquired proportionate to their respective fair values. If these assets are all reduced to zero value, the remaining difference should be recognized as extraordinary gain.

If an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term investments accounts. If the adjustment stated above is to debit the additional paid-in capital account and the book balance of additional paid-in capital from long-term investments is not enough to be offset, then the difference shall be debited to the retained earnings account.

Unrealized gains or losses resulting from inter-company transactions between the Company and its investees accounted for by the equity method are deferred. Unrealized gains or losses derived from transactions involving depreciable or amortizable assets are amortized over the useful lives of the related assets. Gains or losses from other transactions are recognized when realized.

If the stockholders' equity of an investee company becomes negative, and the Company guaranteed the investee company's liability or made financial commitments to the investee company, or the deficit appears to be short term, then the Company continues to record investment losses thereon; if the book value of long-term investment is insufficient to offset against investment losses, the Company offsets it against accounts receivable and recognizes liabilities.

When the Company has significant influence, according to ROC SFAS No. 7 "Consolidated Financial Statements", consolidated financial statements should be provided at the end of the first quarter, half-year, third quarter and fiscal year.

(1) Property, plant, and equipment, and related depreciation

Property, plant, and equipment are stated at acquisition cost. For construction of buildings and purchase of machinery and equipment, the Company capitalizes as part of the costs of related assets the related interest costs incurred before commencing to use such assets. Routine repair and maintenance are charged to current operations. Major repairs and maintenance, additions, enhancements and replacements, and the costs of dismantling and removing the items and restoring the site on which they are located, are capitalized in the cost of related assets.

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## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful lives using the straight-line method. The Company evaluates the useful lives and depreciation method at the end of every year. The changes of the useful lives and depreciation method are accounted as changes in accounting estimates. The useful lives of main property, plant and equipment are as follows:

Buildings: 55 years

Machinery and equipment: 3~18 years

Aircraft: 7~18 years

Other equipment: 5~18 years

Gains (losses) on disposal of such asset are presented as non-operating income and gains (expenses and losses).

#### (m) Lease

The leased property is valued at the smaller of the following two values: (a) the present value of all future rental payments (less the lessee's executor costs) plus the bargain purchase price or the lessee's guaranteed residual value and (b) the market value of leased property at the inception date of the lease.

All leased properties under capital leases are depreciated. If the lease contract contains a bargain purchase option or allows the transfer of ownership at the end of the term, then the properties under this type of lease are depreciated based on the leased property's useful economic life, otherwise the lease term is used.

The lessee's periodic rental payment covers two parts: (i) the purchase price of the leased property and (ii) the interest expense due to long-term or installment financing. Therefore, the lessee recognizes both a lease liability and interest expense in each period. The interest expense is determined using the following rules:

- a) If the value of the leased property is determined using the maximum borrowing rate for nonfinancial institutions (determined by the ROC Ministry of Finance) on the inception date of the lease, then the interest expense is calculated based on the beginning balance of the lease payable and the maximum borrowing rate.

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## EVA AIRWAYS CORP.

### Notes to Financial Statements

- b) If the value of the leased property is determined by its market price, then the interest expense is also calculated based on the beginning balance of the lease payable and the maximum borrowing rate. However, a service charge is calculated based on the beginning balance of the lease payable and the difference between the lessor's interest rate implicit in the lease and the maximum borrowing rate.

If there is any unguaranteed residual value at the end of the lease term, the lessee calculates the imputed interest expense based on the rental payments, the guaranteed residual value, and the leased property's market value using the rules described in the two paragraphs above.

The lessee's lease payable is determined by subtracting the interest expense and the service charge from the periodic rental payment.

The lease liability is classified as either a current liability or long-term liability, depending on the expiration date.

The Company sold and leased back aircraft under operating lease agreements. If the translation differences resulting from the translation of the foreign currency cost of the aircraft and the related US dollar loans into New Taiwan dollars at the exchange rate prevailing on the selling date and historical rates and the gains or losses from disposal of the aircraft resulting from the translation of the US dollar selling price and US dollar book value of aircraft at the exchange rate prevailing on the selling date were net gains, these gains should be deferred using the unearned gain on sales—leaseback account according to ROC SFAS No. 2 "Leases", otherwise they should be taken as a loss.

The amortization of unearned gain on sales—leaseback depends on the nature of the lease. For operating leases, the unearned gain is amortized to rental expense using the lease term. For capital leases, however, the unearned gain is amortized to depreciation expense using the leased property's useful economic life or lease term based on the nature of those transactions.

(n) Deferred charges

Deferred charges principally include the capitalized costs for computer software, leasehold improvements, "D" check maintenance for aircraft and engines and others. These costs are amortized using the straight-line method over the shorter of the estimated years in which such assets are economically beneficial to the Company's operation or the lease terms. Effective from January 1, 2007, the Company adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost less any accumulated amortization and any accumulated impairment losses.

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## EVA AIRWAYS CORP.

### Notes to Financial Statements

(o) Convertible bonds payable

In accordance with ROC SFAS No. 36, paragraph 124, for compound equity financial instruments issued prior to the effective date (January 1, 2006) of the statement, the equity component cannot be separated from the financial instruments, and calculation of accumulated changes in accounting policies is not required. The Company's convertible bonds payable were issued in August 2004.

The Company's convertible bonds payable are with a resell option. Therefore, the difference between issue price and face value is amortized between the issue date and maturity date of the resell option. The unamortized amount was recorded as a contra account of convertible bonds payable.

The cost of issuing convertible bonds is capitalized as deferred costs and amortized as interest expense over the period between the issuing date and reselling date. When the bondholders exercise the reselling right, the unamortized amount is recorded as interest expense based on the reselling ratio.

When bondholders exercise the conversion right, the number of shares the bond is converted into is calculated based on the face value of the convertible bond and the conversion price on the conversion date. The conversion price in excess of the par value and the unamortized bond issuance costs are recorded as capital surplus.

The Company adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement". Convertible bonds were recorded as current portion of long-term liabilities, and reclassified as current liabilities two years after the issuance date. In accordance with the recommendation of the ROC Accounting Research and Development Foundation, the convertible bonds were reclassified as long-term liabilities after the redemption right period expired.

(p) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan (the "Plan") covering full-time employees in the ROC. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on an employee's average monthly salary for the last six months before the employee's retirement and the number of points accumulated by the employee according to his/her years of service. Each employee receives 2 points for each service year from year 1 to year 15, and 1 point thereafter. A lump-sum retirement benefit is paid through the retirement fund. Under this retirement plan, the Company is responsible for making the entire pension payment.

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") require the following categories of employees to adopt the New Act's defined contribution plan:

- (i) employees who were covered by the Plan and opted to be subject to the pension mechanism

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

under the New Act; and

(ii) employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, the rate of the employer's monthly contribution to an individual labor pension fund account per month shall not be lower than 6% of the worker's monthly wages.

The Company adopted ROC SFAS No. 18 "Accounting for Pensions" for its retirement plan. SFAS No. 18 requires a company to have an actuarial calculation of its pension liability using the balance sheet date as the measurement date. The excess of accumulated benefit obligation over the fair value of pension plan assets is deemed as the minimum pension liability and is recognized as accrued pension liability. The Company provides contributions to the retirement fund monthly equal to 11.9% of the paid salaries and wages. The funds are deposited with Bank of Taiwan.

For the portion of the retirement plan adopting the defined contribution scheme, in accordance with the New Act, the Company provides monthly contributions to the Bureau of Labor Insurance equal to 6% of the worker's monthly wages. The amount of contribution is recognized as expense of the current period.

(q) Revenue recognition

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

(r) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation (96) 052 issued by the Accounting Research and Development Foundation. The Company estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(s) Income tax

The Company adopted ROC SFAS No. 22 "Income Taxes". Under this method, the amounts of deferred income tax assets or liabilities are recognized for future tax effects attributable to temporary differences, loss carryforwards, and investment tax credits. The measurement of deferred income tax assets or liabilities is based on provisions of enacted tax law. A valuation allowance is provided on deferred income tax assets that may not be realized in the future.

(Continued)

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be reported as an adjustment to income tax expense (benefit) for income from continuing operations currently.

Deferred income tax assets or liabilities are classified as current or noncurrent based on the classification of the related assets or liabilities. If no assets or liabilities are related, deferred income tax assets or liabilities are classified according to the period of realization.

The tax imputation system was adopted in accordance with the amendment of the ROC Income Tax Law. Under the new system, the Company may retain the earnings after December 31, 1997, by paying a 10% surtax on such undistributed earnings, and the surtax is accounted for as income tax expenses in the following year when the shareholders approved a resolution not to distribute the earnings.

The Company adopted ROC SFAS No. 12 "Accounting for Income Tax Credits", whereby income tax is reduced by investments tax credits in the year when the credit arises.

#### (t) Earnings per share (EPS)

The earnings per share are computed by dividing the amount of net income attributable to common stock outstanding for the period by the weighted-average number of common shares outstanding during the period.

The convertible bonds issued by the Company belong to potential common stock. When computing diluted EPS, potential common shares are included in the denominator if they are dilutive. Anti-dilutive potential common shares are ignored in calculating diluted EPS.

The calculation of diluted EPS is consistent with the calculation of basic EPS while giving the effects of all dilutive potential common shares that were outstanding during the reporting period. When calculating diluted EPS, the net income attributable to common stockholders and the weighted-average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

The weighted-average number of common shares outstanding shall be adjusted currently and retroactively for the increase in common shares outstanding from stock issuance through the capitalization of retained earnings, additional paid-in capital, or employees' bonuses. Commencing from January 1, 2008, for calculation of diluted EPS, the employees' bonuses in stock are included in the calculation of the weighted-average number of shares at market price on the balance sheet date.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

#### 3. Reason for and Effect of Accounting Changes

The Company adopted the amended ROC SFAS No. 10 “Inventories” issued by the Accounting Research and Development Foundation commencing from January 1, 2009. There were no impacts on the financial statements for the year ended December 31, 2009.

The Company adopted ROC SFAS No. 39 “Share-based Payment” and Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. There were no impacts on the financial statements for the year ended December 31, 2008.

#### 4. Important Accounts

##### (a) Cash and cash equivalents

The components as of December 31, 2009 and 2008, were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Cash on hand	\$ 99,811	3,116	96,351	2,932
Cash in bank	<u>4,118,937</u>	<u>128,596</u>	<u>3,131,736</u>	<u>95,306</u>
	<b><u>\$ 4,218,748</u></b>	<b><u>131,712</u></b>	<b><u>3,228,087</u></b>	<b><u>98,238</u></b>

##### (b) Financial instruments (including derivative and non-derivative)

The components as of December 31, 2009 and 2008, were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Available-for-sale financial assets – current:				
Mutual funds	\$ <u>4,491,553</u>	<u>140,230</u>	<u>1,134,811</u>	<u>34,535</u>

For the years ended December 31, 2009 and 2008, gains on disposal of available-for-sale financial assets – current amounted to NT\$6,419 (US\$194) and NT\$55,504 (US\$1,760), respectively, which were recorded under gains on sale of investments, net.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Available-for-sale financial assets — noncurrent:				
Trade-Van Information Services Co., Ltd.	\$ 170,049	5,309	133,371	4,059
Central Reinsurance Corp.	447,022	13,957	251,779	7,662
U.S. Treasury notes	<u>261,401</u>	<u>8,161</u>	<u>-</u>	<u>-</u>
	<u>\$ 878,472</u>	<u>27,427</u>	<u>385,150</u>	<u>11,721</u>

On September 18, 2009, Trade-Van Information Services Co., Ltd. decreased issued stock by 24%, and the Company withdrew NT\$27,052 (US\$819) in cash in proportion to the Company's ownership percentage.

As of December 31, 2009 and 2008, the changes in fair value of available-for-sale financial assets from subsequent remeasurement were NT\$193,224 (US\$6,033) and NT\$(63,133) (US\$1,921), respectively, and were recorded as other stockholders' equity adjustment.

The Company's investment in U.S. Treasury notes is for contract performance guaranties. The pledge for the investment is disclosed in note 6.

Financial assets carried at cost — noncurrent:

Investee	Shareholding percentage (%)	2009		Shareholding percentage (%)	2008	
		Book value			Book value	
		NT dollars	US dollars		NT dollars	US dollars
Taiwan High Speed Rail Corp.	1.20	\$ 1,246,549	38,918	1.20	\$ 1,246,549	37,935
Evergreen Development Corp.	9.35	870,000	27,162	9.47	870,000	26,476
Abacus International Holding Ltd.	2.11	115,743	3,614	2.11	115,743	3,522
Technology Partner II Venture Capital Corp.	5.88	15,294	477	5.88	15,294	466
Chung Hwa Express Co., Ltd.	10.00	10,000	312	10.00	10,000	304
Pan-Pacific Venture Capital Co., Ltd.	2.30	<u>4,002</u>	<u>125</u>	2.30	<u>4,002</u>	<u>122</u>
		2,261,588	70,608		\$ 2,261,588	68,825
Less: accumulated impairment		<u>9,000</u>	<u>281</u>		<u>9,000</u>	<u>274</u>
Total		<u>\$ 2,252,588</u>	<u>70,327</u>		<u>\$ 2,252,588</u>	<u>68,551</u>

The Company's investments in Taiwan High Speed Rail Corp., Evergreen Development Corp., etc., had no publicly traded prices, and their fair values were difficult to determine. Therefore, the investments were stated at cost.

On September 30, 2009, Evergreen Development Corp. merged with Green Steel Structure Corp. and increased issued shares from 403,409 thousand to 408,402 thousand, which caused the Company's ownership percentage to decrease to 9.35%.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Details of selling financial assets carried at cost—noncurrent of the Company for the years ended December 31, 2009 and 2008, were as follows:

Investee	Shares	2008		Unit: thousands of shares	
		Cost		Gain (loss) on disposal of financial assets carried at cost— noncurrent	
		NT dollars	US dollars	NT dollars	US dollars
Taiwan High Speed Rail Corp.	350	\$ <u>3,451</u>	<u>109</u>	<u>(42)</u>	<u>(1)</u>

There was no such transaction in 2009.

On July 4, 2008, Chung Hwa Express Co., Ltd. decreased issued stock by 50%, and the Company withdrew NT\$10,000 (US\$317) in cash in proportion to the Company's ownership percentage. On August 14, 2008, Technology Partner II Venture Capital Corp. decreased issued stock by 23.53%, and the Company withdrew NT\$4,706 (US\$149) in cash in proportion to the Company's ownership percentage. On December 26, 2008, Pan-Pacific Venture Capital Co., Ltd. decreased issued stock by 35% and the Company withdrew NT\$1,867 (US\$59) in cash in proportion to the Company's ownership.

The Company recognized permanent impairment loss on its financial assets carried at cost—noncurrent, which were recorded under other losses. The details were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Technology Partner II Venture Capital Corp.	\$ <u>-</u>	<u>-</u>	<u>9,000</u>	<u>285</u>

As of December 31, 2009 and 2008, the components of derivative financial instruments were as follows:

	Nominal Amount	2009		2008	
		Book Value		Book Value	
		NT dollars	US dollars	NT dollars	US dollars
Derivative financial assets:					
Fuel option agreements		\$ -	-	420,357	12,792
Interest rate swap agreements	NTD -	-	-	NTD 1,700,000	
	USD -	-	-	USD -	4,663
	USD 60,000	<u>17,247</u>	<u>539</u>	<u>-</u>	<u>-</u>
		\$ <u>17,247</u>	<u>539</u>	<u>425,020</u>	<u>12,934</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

	Nominal Amount	2009		Nominal Amount	2008	
		Book Value			Book Value	
		NT dollars	US dollars		NT dollars	US dollars
Derivative financial liabilities:						
Fuel option agreements		\$ 685,797	21,411		5,771,422	175,637
Interest rate swap agreements	NTD -			NTD 2,400,000		
	USD -	-	-	USD 90,000	<u>15,262</u>	<u>464</u>
		<u>\$ 685,797</u>	<u>21,411</u>		<u>5,786,684</u>	<u>176,101</u>

Details of derivative financial assets and liabilities as of December 31, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Financial assets at fair value through profit or loss — current	\$ <u>17,247</u>	<u>539</u>	<u>425,020</u>	<u>12,934</u>
Financial liabilities at fair value through profit or loss — current	\$ <u>685,797</u>	<u>21,411</u>	<u>3,996,048</u>	<u>121,608</u>
Financial liabilities at fair value through profit or loss — noncurrent	\$ <u>-</u>	<u>-</u>	<u>1,790,636</u>	<u>54,493</u>

(c) Other receivables

The components as of December 31, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Tax refund receivable	\$ 7,321	229	87,097	2,650
Non-operating revenues receivable	3,492	109	11,200	341
Other receivables	<u>11,636</u>	<u>363</u>	<u>83,652</u>	<u>2,546</u>
	<u>\$ 22,449</u>	<u>701</u>	<u>181,949</u>	<u>5,537</u>

(Continued)



**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

(d) Inventories

The components as of December 31, 2009 and 2008, were as follows:

	<b>2009</b>		<b>2008</b>	
	<b>NT dollars</b>	<b>US dollars</b>	<b>NT dollars</b>	<b>US dollars</b>
Aircraft spare parts	\$ 8,123,407	253,619	8,200,582	249,561
Consumables for use and merchandise for sale during flight	351,388	10,971	391,442	11,913
Fuel for aircraft	<u>215,575</u>	<u>6,730</u>	<u>38,780</u>	<u>1,180</u>
	<b><u>\$ 8,690,370</u></b>	<b><u>271,320</u></b>	<b><u>8,630,804</u></b>	<b><u>262,654</u></b>

For the years ended December 31, 2009 and 2008, the movement of allowance for obsolete inventories was as follows:

	<b>2009</b>		<b>2008</b>	
	<b>NT dollars</b>	<b>US dollars</b>	<b>NT dollars</b>	<b>US dollars</b>
Beginning balance	\$ 750,221	22,831	1,133,012	34,926
Addition	590,059	17,859	1,566,308	49,677
Write-off	(388,371)	(11,755)	(1,949,099)	(61,817)
Effect of exchange rate	-	784	-	45
Ending balance	<b><u>\$ 951,909</u></b>	<b><u>29,719</u></b>	<b><u>750,221</u></b>	<b><u>22,831</u></b>

For the years ended December 31, 2009 and 2008, the Company recognized related losses on inventories as follows:

	<b>2009</b>		<b>2008</b>	
	<b>NT dollars</b>	<b>US dollars</b>	<b>NT dollars</b>	<b>US dollars</b>
Losses on inventory obsolescence	<b><u>\$ 590,059</u></b>	<b><u>17,859</u></b>	<b><u>1,566,308</u></b>	<b><u>49,677</u></b>

The pledge for these inventories is disclosed in note 6.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(e) Long-term equity investments under equity method

Details as of and for the years ended December 31, 2009 and 2008, were as follows:

Investee	Shareholding percentage (%)	2009		Investment income (loss)	
		Book value			
		NT dollars	US dollars	NT dollars	US dollars
Evergreen Airline Services Corp.	56.33	\$ 586,165	18,300	85,622	2,591
RTW Air Services (S) Pte. Ltd.	49.00	20,825	650	(1,342)	(41)
Green Siam Air Services Co., Ltd.	49.00	21,946	685	6,165	186
Evergreen Sky Catering Corp.	49.80	848,530	26,492	90,121	2,728
Evergreen Airways Service (Macau) Ltd.	99.00	174,933	5,462	8,681	263
Uni Airways Corp.	15.67	426,602	13,319	28,932	876
Evergreen Aviation Technologies Corp.	80.00	4,603,406	143,722	328,715	9,949
Evergreen Security Corp.	31.25	73,920	2,308	9,938	301
Evergreen Air Cargo Services Corp.	60.00	949,482	29,644	19,311	585
Hsiang-Li Investment Corp.	100.00	44,666	1,394	(589)	(18)
PT Perdana Andalan Air Service	51.00	67,614	2,111	(5,317)	(161)
Concord Pacific Ltd.	100.00	(80,056)	(2,499)	(324,998)	(9,836)
Sky Castle Investment Ltd.	100.00	261,180	8,154	33,037	1,000
SINO GAIN LIMITED	100.00	<u>705</u>	<u>22</u>	<u>(99)</u>	<u>(3)</u>
		7,999,918	249,764	<u>278,177</u>	<u>8,420</u>
Add: recorded as reduction of account/other receivables—related parties		<u>80,056</u>	<u>2,499</u>		
		<b>\$ <u>8,079,974</u></b>	<b><u>252,263</u></b>		

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Investee	Shareholding percentage (%)	2008		Investment income (loss)	
		Book value			
		NT dollars	US dollars	NT dollars	US dollars
Evergreen Airline Services Corp.	56.33	\$ 499,046	15,187	55,335	1,755
RTW Air Services (S) Pte. Ltd.	49.00	22,402	682	883	28
Green Siam Air Services Co., Ltd.	49.00	27,596	840	12,087	383
Evergreen Sky Catering Corp.	49.80	758,409	23,080	86,872	2,755
Evergreen Airways Service (Macau) Ltd.	99.00	235,895	7,179	52,671	1,671
Uni Airways Corp.	15.67	400,464	12,187	(146,087)	(4,633)
Evergreen Aviation Technologies Corp.	80.00	4,254,576	129,476	425,103	13,482
Evergreen Security Corp.	31.25	63,982	1,947	10,305	327
Evergreen Air Cargo Services Corp.	60.00	932,348	28,373	7,338	233
Hsiang-Li Investment Corp.	100.00	30,056	914	(40,160)	(1,274)
PT Perdana Andalan Air Service	51.00	64,572	1,965	11,336	360
Concord Pacific Ltd.	100.00	(5,487)	(167)	(316,050)	(10,024)
Sky Castle Investment Ltd.	100.00	<u>274,276</u>	<u>8,347</u>	<u>31,917</u>	<u>1,012</u>
		7,558,135	230,010	<u>191,550</u>	<u>6,075</u>
Add: recorded as reduction of account receivables – related parties		<u>5,487</u>	<u>167</u>		
		<b>\$ 7,563,622</b>	<b>230,177</b>		

Details of increases in long-term equity investments under the equity method of the Company in 2009 and 2008 were as follows:

Unit: thousands of shares

Investee	Shares	2009		2008		
		NT dollars	US dollars	Shares	NT dollars	US dollars
Concord Pacific Ltd.	7,500	\$ 252,750	7,650	9,600	296,064	9,390
SINO GAIN LIMITED	25	809	24	-	-	-
Uni Airways Corp.	-	-	-	27,306	114,686	3,637
Sky Castle Investment Ltd.	-	-	-	500	15,355	487
PT Perdana Andalan Air Service	-	-	-	2	2,520	80
		<u>\$ 253,559</u>	<u>7,674</u>		<u>428,625</u>	<u>13,594</u>

On May 12, 2008, Hsiang-Li Investment Corp. decreased issued stock by 42%, and the Company withdrew NT\$420,000 (US\$13,321) in cash in proportion to the Company's ownership percentage.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

On June 20, 2008, Hsiang-Li Investment Corp. decreased issued stock by 20.69%, and the Company withdrew NT\$120,000 (US\$3,806) in cash in proportion to the Company's ownership percentage.

On June 27, 2008, Uni Airways Corp.'s stockholders resolved to make up deficiencies from the decrease issued stock and cash subscription. Uni Airways Corp. decreased issued stock by 40.99% on August 18, 2008, which caused the shares that the Company hold to decrease by 34,397 thousand shares.

(f) Property, plant and equipment

For the years ended December 31, 2009 and 2008, the Company capitalized the interest expenses on purchase of assets amounting to NT\$145,006 (US\$4,389) and NT\$314,370 (US\$9,971), respectively. The monthly interest rates on the above transactions were 0.13%~0.20% and 0.23%~0.27%, respectively. The pledge for this property, plant and equipment is disclosed in note 6.

(g) Leased assets

The details were as follows:

Lease item	Leaser	Lease term	Terms of lease contract	Present value of leased assets at the transaction date			
				2009		2008	
				NT dollars	US dollars	NT dollars	US dollars
Aircraft	GECAS	2004.4.13~ 2017.6.21	The rent is payable monthly, and the lease term is equal to 75% or more of the total estimated economic life of the leased property	\$ 6,066,207	189,391	6,223,402	189,391
Aircraft	C&L Leasing Co., Ltd.	2007.5.31~ 2019.12.27	The rent is payable every three months, and the present value of payment for future rental is higher than 90% of the fair value of the leased asset	10,081,877	314,764	10,343,131	314,764
Computer equipment	IBM	2004.7.25~ 2009.7.24	The rent is payable monthly, and the lease transfers ownership of the leased property by the end of the lease term	-	-	46,638	1,419
Computer equipment	IBM	2009.5.25~ 2014.6.24	The rent is payable monthly, and the lease transfers ownership of the leased property by the end of the lease term	50,555	1,578	-	-
				16,198,639	505,733	16,613,171	505,574
Less: accumulated depreciation				(2,628,835)	(82,074)	(1,489,825)	(45,338)
				<u>\$ 13,569,804</u>	<u>423,659</u>	<u>15,123,346</u>	<u>460,236</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The discount rate for leased assets was 1.18%~6.93%.

The abovementioned aircraft and computer equipment were financed under sale and leaseback arrangements. The differences (treated as unrealized gain on sale and leaseback) between sales price and book value of equipment are recorded as a reduction of depreciation expenses over the lease term.

As of December 31, 2009 and 2008, the book value and present value of lease liability were as follows:

Year due	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
January 1, 2009~December 31, 2009	\$ -	-	2,126,086	64,701
January 1, 2010~December 31, 2010	2,083,324	65,043	2,097,628	63,835
January 1, 2011~December 31, 2011	2,060,131	64,319	2,074,435	63,129
January 1, 2012~December 31, 2012	2,037,432	63,610	2,051,736	62,439
January 1, 2013~December 31, 2013	2,013,744	62,870	2,028,048	61,718
January 1, 2014~December 31, 2014	1,985,751	61,996	2,004,855	61,012
And after	<u>6,460,938</u>	<u>201,716</u>	<u>6,506,256</u>	<u>198,000</u>
Book value	16,641,320	519,554	18,889,044	574,834
Less: unrealized interest expenses	<u>(2,975,297)</u>	<u>(92,891)</u>	<u>(3,718,285)</u>	<u>(113,155)</u>
Present value	13,666,023	426,663	15,170,759	461,679
Less: current portion	<u>(1,446,636)</u>	<u>(45,165)</u>	<u>(1,407,428)</u>	<u>(42,831)</u>
	<b>\$ <u>12,219,387</u></b>	<b><u>381,498</u></b>	<b><u>13,763,331</u></b>	<b><u>418,848</u></b>

(h) Deferred charges

As of December 31, 2009 and 2008, deferred charges, net of amortization, consisted of the following:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Leasehold improvements	\$ 2,273,097	70,968	2,606,559	79,323
Major overhaul for aircraft and engines	1,629,231	50,866	2,039,519	62,067
Others	<u>351,543</u>	<u>10,975</u>	<u>389,439</u>	<u>11,852</u>
	<b>\$ <u>4,253,871</u></b>	<b><u>132,809</u></b>	<b><u>5,035,517</u></b>	<b><u>153,242</u></b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(i) Short-term borrowings and Commercial paper payables

The components as of December 31, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Unsecured loans	\$ 730,000	22,791	1,800,000	54,778
Commercial paper issued (net of prepaid interest of NT\$6 (US\$-) and NT\$954 (US\$29), respectively)	<u>249,994</u>	<u>7,805</u>	<u>499,046</u>	<u>15,187</u>
	<u>\$ 979,994</u>	<u>30,596</u>	<u>2,299,046</u>	<u>69,965</u>

The interest expense on the aforementioned short-term borrowings and commercial paper payable is calculated based on floating interest rates. For the years ended December 31, 2009 and 2008, the interest rates were 0.8%~2.95% and 2.11%~3.05%, respectively. As of December 31, 2009 and 2008, the unused credit line amounted to approximately NT\$5,067,683 (US\$158,217) and NT\$2,240,918 (US\$68,196), respectively.

(j) Long-term borrowings

As of December 31, 2009 and 2008, the details of long-term borrowings were as follows:

Nature	Interest rate (%)	2009		Interest rate (%)	2008	
		NT dollars	US dollars		NT dollars	US dollars
Secured loans:						
Land and buildings	0.89~2.96	\$ <u>1,628,571</u>	<u>50,845</u>	2.51~3.17	<u>2,142,857</u>	<u>65,212</u>
Aircraft						
NT\$ loans	0.93~2.73	<u>45,351,227</u>	<u>1,415,899</u>	1.56~2.93	<u>37,970,266</u>	<u>1,155,516</u>
		<u>45,351,227</u>	<u>1,415,899</u>		<u>37,970,266</u>	<u>1,155,516</u>
Engines						
NT\$ loans	1.26~2.75	<u>3,184,609</u>	<u>99,426</u>	-	<u>-</u>	<u>-</u>
		<u>3,184,609</u>	<u>99,426</u>		<u>-</u>	<u>-</u>
Subtotal		<u>50,164,407</u>	<u>1,566,170</u>		<u>40,113,123</u>	<u>1,220,728</u>
Unsecured loans:	1.03~2.86	<u>8,718,537</u>	<u>272,199</u>	1.71~3.03	<u>9,393,371</u>	<u>285,860</u>
Total		58,882,944	1,838,369		49,506,494	1,506,588
Less: current portion		<u>(11,463,908)</u>	<u>(357,912)</u>		<u>(9,320,241)</u>	<u>(283,635)</u>
		<u>\$ 47,419,036</u>	<u>1,480,457</u>		<u>40,186,253</u>	<u>1,222,953</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

As of December 31, 2009, the remaining balances of the borrowings were due as follows:

Year due	NT dollars	US dollars
January 1, 2010~December 31, 2010	\$ 11,463,908	357,912
January 1, 2011~December 31, 2011	8,699,574	271,607
January 1, 2012~December 31, 2012	8,289,886	258,816
January 1, 2013~December 31, 2013	6,351,332	198,293
January 1, 2014~December 31, 2014	4,905,697	153,160
And after	<u>19,172,547</u>	<u>598,581</u>
	<b>\$ <u>58,882,944</u></b>	<b><u>1,838,369</u></b>

As of December 31, 2009 and 2008, the unused credit lines for long-term borrowings amounted to NT\$0 (US\$0) and NT\$5,600,000 (US\$170,420), respectively. The pledge for these long-term borrowings is disclosed in note 6.

#### (k) Bonds payable

Details of bonds payable as of December 31, 2009 and 2008, were as follows:

	Description	Annual interest rate	Issue date	2009		2008	
				NT dollars	US dollars	NT dollars	US dollars
Bonds payable	Taiwan Cooperative Bank	Floating	2004.02	\$ -	-	500,000	15,216
Bonds payable	Land Bank	2.25%	2004.07	-	-	500,000	15,216
	Chang Hwa Bank	2.25%	2004.07	-	-	500,000	15,216
	Taipei Fubon Bank	2.25%	2004.07	-	-	500,000	15,216
Bonds payable	Bank of Taiwan	2.11%	2005.01	500,000	15,610	500,000	15,216
	Taiwan Cooperative Bank	2.11%	2005.01	500,000	15,610	500,000	15,216
Bonds payable	Far-Eastern International Bank	1.85%	2005.08	500,000	15,610	500,000	15,216
	Shanghai Commercial & Savings Bank	1.85%	2005.08	500,000	15,610	500,000	15,216
	Chinatrust Commercial Bank	1.85%	2005.08	600,000	18,733	600,000	18,260
	Hua Nan Bank	1.85%	2005.08	500,000	15,610	500,000	15,126
Bonds payable	Cathay United Bank	2.08%	2006.01	2,000,000	62,442	2,000,000	60,864
Bonds payable	Hua Nan Bank	2.29%	2006.07	500,000	15,610	500,000	15,216
	Taipei Fubon Bank	2.29%	2006.07	500,000	15,610	500,000	15,216
	Bank of Taiwan	2.29%	2006.07	500,000	15,610	500,000	15,216
	Taiwan Cooperative Bank	2.29%	2006.07	500,000	15,610	500,000	15,216
Convertible bonds payable		0.00%	2004.08	-	-	646,700	19,681
Ordinary corporate bonds payable issued in private placement		2.00%	2009.10	<u>5,000,000</u>	<u>156,106</u>	-	-
Subtotal				12,100,000	377,771	9,746,700	296,613
Less: current portion				<u>(3,100,000)</u>	<u>(96,784)</u>	<u>(2,646,700)</u>	<u>(80,545)</u>
				<b>\$ <u>9,000,000</u></b>	<b><u>280,987</u></b>	<b><u>7,100,000</u></b>	<b><u>216,068</u></b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

#### (1) Second convertible bonds payable

The Company issued NT\$4.5 billion worth of Taiwan domestic convertible bonds on August 9, 2004, with the final terms and conditions as follows:

(i) Coupon rate: 0%

(ii) Issue period: From August 9, 2004, to August 8, 2009.

(iii) Redemption: Except for the bonds that have already been redeemed, converted, or purchased and cancelled, the bonds can be redeemed on the fifth anniversary of the issue date at par value.

(iv) Redemption at the option of the Company: The Company may redeem the bonds in whole, but not in part, provided that (1) the closing price of the common shares on the Taiwan Stock Exchange for 30 consecutive trading days is at least 150% of the conversion price then in effect, or (2) the bonds outstanding are less than 10% of the issue amount.

(v) Redemption at the option of the bondholders: The Company will, at the option of the bondholders, redeem such bond on the third anniversary of the issue date at par value (during July 9 to August 8, 2007). The convertible bonds were reclassified as current liabilities on the redemption date.

(vi) Conversion

A) The bondholders can ask the Company to convert the convertible bonds into common stock during the period from one month after the issue date to ten days before the maturity date.

B) Conversion price:

The conversion price is set at NT\$14.50, which is a premium of 111% over the base price. The base price is defined as the average of the closing prices of the issuer's common shares traded on the Taiwan Stock Exchange for a period of 1, 3 or 5 trading days, whichever is adopted, immediately preceding but excluding the pricing date, which is July 26, 2004. The conversion price is subject to adjustments in the event that any change occurs to the capital structure. The second convertible bonds payable matured on August 8, 2009, and over-the-counter trading was terminated on August 10, 2009.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Financial Statements

(l) Aircraft payable

The Company purchased aircraft by installments. As of December 31, 2009 and 2008, the details were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft payable	\$ 11,650,521	363,738	12,243,919	372,609
Less: current portion	<u>(2,918,148)</u>	<u>(91,107)</u>	<u>(2,427,395)</u>	<u>(73,871)</u>
	<b><u>\$ 8,732,373</u></b>	<b><u>272,631</u></b>	<b><u>9,816,524</u></b>	<b><u>298,738</u></b>

The current portion of aircraft payable was recorded as other payables. As of December 31, 2009, the remaining balances of aircraft payable were due as follows:

Year due	NT dollars	US dollars
January 1, 2010~December 31, 2010	\$ 2,918,148	91,107
January 1, 2011~December 31, 2011	2,432,444	75,943
January 1, 2012~December 31, 2012	2,039,002	63,659
January 1, 2013~December 31, 2013	1,859,931	58,068
January 1, 2014~December 31, 2014	777,572	24,276
And after	<u>1,623,424</u>	<u>50,685</u>
	<b><u>\$ 11,650,521</u></b>	<b><u>363,738</u></b>

The interest expenses of the aforementioned aircraft payable are calculated based on floating interest rates. For the years ended December 31, 2009 and 2008, the average interest rates were 0.28%~6.77% and 2.71%~6.77%, respectively. The pledges for the aircraft payable are disclosed in note 6.

(m) Installment accounts payable

As of December 31, 2009, the details were as follows:

	<b>2009</b>	
	NT dollars	US dollars
Installment accounts payable	\$ 1,595,500	49,812
Less: current portion	<u>(550,667)</u>	<u>(17,192)</u>
	<b><u>\$ 1,044,833</u></b>	<b><u>32,620</u></b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The current portion of installment accounts payable was recorded as other payables. As of December 31, 2009, the remaining balances of installment accounts payable were due as follows:

Year due	NT dollars	US dollars
January 1, 2010~December 31, 2010	\$ 550,667	17,192
January 1, 2011~December 31, 2011	513,167	16,021
January 1, 2012~December 31, 2012	420,666	13,134
January 1, 2013~December 31, 2013	74,000	2,310
January 1, 2014~December 31, 2014	<u>37,000</u>	<u>1,155</u>
	<b>\$ <u>1,595,500</u></b>	<b><u>49,812</u></b>

The interest expenses of the aforementioned installment accounts payable are calculated based on floating interest rates. For the year ended December 31, 2009, the average interest rates were 2.45%~2.88%. The pledges for the installment accounts payable are disclosed in note 6.

There was no such transaction in 2008.

(n) Retirement plans

Net retirement plan liabilities based on the actuarial computation on December 31, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Benefit obligation:				
Vested benefit obligation	\$ 201,502	6,291	148,624	4,523
Nonvested benefit obligation	<u>2,322,531</u>	<u>72,511</u>	<u>2,102,308</u>	<u>63,977</u>
Accumulated benefit obligation	2,524,033	78,802	2,250,932	68,500
Projected effects of salary adjustments	<u>313,214</u>	<u>9,779</u>	<u>389,193</u>	<u>11,844</u>
Projected benefit obligation	2,837,247	88,581	2,640,125	80,344
Plan assets at fair value	<u>(2,255,072)</u>	<u>(70,405)</u>	<u>(2,055,670)</u>	<u>(62,558)</u>
Projected benefit obligation in excess of plan assets	582,175	18,176	584,455	17,786
Unrecognized net transition obligation	(54,594)	(1,704)	(81,888)	(2,492)
Unrecognized pension loss	(451,865)	(14,108)	(474,853)	(14,451)
Unrecognized prior service cost	(183,499)	(5,729)	-	-
Pension liabilities that need to be accrued	<u>376,744</u>	<u>11,762</u>	<u>167,548</u>	<u>5,099</u>
Accrued employee retirement liabilities	<b>\$ <u>268,961</u></b>	<b><u>8,397</u></b>	<b><u>195,262</u></b>	<b><u>5,942</u></b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The components of net pension cost were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Service cost	\$ 119,346	3,612	173,690	5,509
Interest cost	72,313	2,189	84,472	2,679
Actual return on plan assets	(14,139)	(428)	(66,947)	(2,123)
Unrecognized net transition obligation	<u>1,322</u>	<u>40</u>	<u>82,698</u>	<u>2,622</u>
Net pension cost	<u>\$ 178,842</u>	<u>5,413</u>	<u>273,913</u>	<u>8,687</u>

Actuarial assumptions at December 31, 2009 and 2008, were as follows:

	<b>2009</b>	<b>2008</b>
Discount rate	2.25%	2.75%
Rate of increase in future compensation levels	0.59%~3.275%	1.00%
Expected long-term rate of return on plan assets	2.25%	2.75%

As of and for the years ended December 31, 2009 and 2008, the details of the retirement plans were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Balance of the retirement fund:				
Bank of Taiwan	\$ 2,255,072	70,405	2,055,670	62,558
Periodic pension cost:				
Defined benefit pension plan cost	178,842	5,413	273,913	8,687
Defined contribution pension plan cost	110,024	3,330	108,492	3,441

(o) Income tax

(1) For the years ended December 31, 2009 and 2008, the components of estimated income tax benefits (expenses) were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Income tax expenses—current	\$ (20,619)	(624)	(36,383)	(1,154)
Income tax benefits—deferred	<u>901,698</u>	<u>27,291</u>	<u>536,989</u>	<u>17,031</u>
	<u>\$ 881,079</u>	<u>26,667</u>	<u>500,606</u>	<u>15,877</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The deferred income tax benefits were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Loss carryforwards	\$ 1,795,822	54,353	2,256,813	71,577
Investment tax credits	74,015	2,240	947,262	30,043
Unrealized exchange losses (gains)	(1,482)	(45)	9,129	289
Provision for loss on inventory market price decline	20,055	607	348,934	11,067
Purchase of fixed assets in installments, adjusted for tax purposes	(22,879)	(692)	(130)	(4)
Accrued employee retirement liabilities	(29,157)	(883)	(13,429)	(426)
Unrealized losses (gains) on financial instruments	(1,014,797)	(30,714)	1,382,601	43,850
Effect of change in income tax rate on valuation allowance for deferred income tax assets	(1,371,765)	(41,518)	-	-
Others	(4,892)	(148)	5,794	184
Valuation allowance for deferred income tax assets	<u>1,456,778</u>	<u>44,091</u>	<u>(4,399,985)</u>	<u>(139,549)</u>
	<b>\$ <u>901,698</u></b>	<b><u>27,291</u></b>	<b><u>536,989</u></b>	<b><u>17,031</u></b>

- (2) The Company is subject to ROC income tax at a maximum rate of 25%. The Company is also subject to the "Income Basic Tax Act". According to the announcement of the revised ROC Income Tax Act on May 27, 2009, the Company will be subject to an income tax rate of 20% commencing in 2010. The differences between expected income tax benefit at statutory rates and income tax benefit as reported in the accompanying financial statements for the years ended December 31, 2009 and 2008, were as follows:

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Income tax benefits calculated on pre-tax financial loss at statutory income tax rate of 25%	\$ 931,333	28,188	4,347,573	137,887
Gain on disposal of investments	1,605	48	13,862	440
Investment income recognized under equity method—unrealized	69,544	2,105	47,888	1,519
Dividend income	(28,481)	(862)	(148,540)	(4,711)
Increase in investment tax credits	47,168	1,428	921,686	29,232
Exchange losses recorded as translation	4,501	136	(25,716)	(816)

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
adjustments				
Effect of change in statutory income tax rate	(1,523,687)	(46,116)	-	-
Others	(77,682)	(2,351)	(256,162)	(8,125)
Valuation allowance for deferred income tax assets	<u>1,456,778</u>	<u>44,091</u>	<u>(4,399,985)</u>	<u>(139,549)</u>
	<u>\$ 881,079</u>	<u>26,667</u>	<u>500,606</u>	<u>15,877</u>

(3) The components of the deferred income tax assets (liabilities) as of December 31, 2009 and 2008, were as follows:

	2009				2008			
	Amount		Tax effect		Amount		Tax effect	
	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Deferred income tax assets (liabilities)								
— current								
Allowance for obsolete inventories	\$ 2,628,035	82,049	525,607	16,410	2,528,748	76,955	632,187	19,239
Unrealized exchange losses	40,240	1,256	8,048	251	33,128	1,008	8,282	252
Unrealized losses on financial instruments	668,550	20,873	133,710	4,174	6,060,217	184,425	1,515,054	46,106
Unused investment tax credits	259,139	8,091	259,139	8,091	375,314	11,422	375,314	11,422
Others	286,420	8,942	<u>57,284</u>	<u>1,788</u>	131,576	4,004	<u>32,894</u>	<u>1,001</u>
			983,788	30,714			2,563,731	78,020
Less: Valuation allowance for deferred income tax assets			<u>(784,746)</u>	<u>(24,500)</u>			<u>(1,629,798)</u>	<u>(49,598)</u>
Deferred income tax assets, net — current			<u>\$ 199,042</u>	<u>6,214</u>			<u>933,933</u>	<u>28,422</u>
Deferred income tax assets (liabilities)								
— noncurrent:								
Unused investment tax credits	\$ 2,589,896	80,858	2,589,896	80,858	2,399,706	73,028	2,399,706	73,028
Accrued employee retirement liabilities	(92,505)	(2,888)	(18,501)	(578)	42,992	1,308	10,748	327
Purchase of fixed assets in installments, adjusted for tax purposes	3,062,675	95,619	612,535	19,124	3,154,188	95,989	788,547	23,997
Unused loss carryforwards	23,276,609	726,713	4,655,321	145,342	14,884,846	452,978	3,721,211	113,245
Unrealized losses on financial instruments	-	-	-	-	3,218,513	97,946	804,628	24,486
Others	1,167,930	36,464	<u>233,586</u>	<u>7,293</u>	(1,230,930)	(37,460)	<u>(307,732)</u>	<u>(9,365)</u>
			<u>8,072,837</u>	<u>252,039</u>			<u>7,417,108</u>	<u>225,718</u>
Less: Valuation allowance for deferred income tax assets			<u>(4,448,160)</u>	<u>(138,874)</u>			<u>(5,059,886)</u>	<u>(153,983)</u>
Deferred income tax assets, net — noncurrent			<u>\$ 3,624,677</u>	<u>113,165</u>			<u>2,357,222</u>	<u>71,735</u>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

- (4) The Company was granted investment tax credits for investment in certain high-tech industries, for purchases of automatic machinery and equipment, and for expenditures in research and development and employee training. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years at an amount not exceeding 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year.

As of December 31, 2009, unused investment tax credits available to the Company were as follows:

<b>Year granted</b>	<b>Unused investment tax credits</b>		<b>Expiry year</b>
	<b>NT dollars</b>	<b>US dollars</b>	
2006	\$ 259,139	8,091	2010
2007	1,218,881	38,054	2011
2008	948,533	29,614	2012
2009	<u>422,482</u>	<u>13,190</u>	2013
	<b>\$ <u>2,849,035</u></b>	<b><u>88,949</u></b>	

- (5) The Company's income tax returns have been examined by the local tax authorities through 2007. According to a new amendment to the Income Tax Act, the loss carryforward tax credit period is extended from 5 years to 10 years. As of December 31, 2009, unused loss carryforward tax credits available to the Company were as follows:

<b>Year</b>	<b>Unused loss carryforward</b>		<b>Expiry year</b>
	<b>NT dollars</b>	<b>US dollars</b>	
2006	\$ 2,791,932	87,166	2016
2007	1,943,785	60,687	2017
2008	10,134,942	316,420	2018
2009	<u>8,405,950</u>	<u>262,440</u>	2019
	<b>\$ <u>23,276,609</u></b>	<b><u>726,713</u></b>	

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(6) Imputation credit account (ICA) and creditable ratio:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Unappropriated earnings before 1997	\$ -	-	-	-
Unappropriated earnings after 1998	<u>(2,915,074)</u>	<u>(111,306)</u>	<u>(16,889,684)</u>	<u>(535,670)</u>
	<u>\$ (2,915,074)</u>	<u>(111,306)</u>	<u>(16,889,684)</u>	<u>(535,670)</u>
ICA	<u>\$ 888,858</u>	<u>27,751</u>	<u>892,918</u>	<u>27,173</u>

	2009	2008
Creditable ratio for earnings distribution to domestic shareholders	<u>- (estimated)</u>	<u>- (actual)</u>

(p) Stockholders' equity

(1) Common stock

As of December 31, 2009 and 2008, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, at NT\$10 par value per share, of which 2,962,677 thousand shares and 3,942,677 thousand shares, respectively, were issued and outstanding.

On April 24, 2009, the board of directors approved a cash subscription amounting to NT\$7,000,000 (US\$213,025) by issuing 700,000 thousand shares at NT\$10.6 per share, after the capital reduction. On June 16, 2009, the Company's stockholders approved a resolution to make up the accumulated deficit by capital reduction amounting to NT\$16,800,000 (US\$509,863). The aforementioned capital reduction and cash subscription were approved by and registered with the government authorities.

For the year ended December 31, 2008, convertible bonds of NT\$914,600 (US\$29,512) were converted into common stock of NT\$676,978 (US\$21,845). The amount in excess of par value, NT\$237,622 (US\$7,667), was credited to capital surplus. The stock issuance was authorized by and registered with the government authorities.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(2) Capital surplus, legal reserve, and restrictions on appropriations of earnings

The details of capital surplus as of December 31, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Cash subscription in excess of par value of shares	\$ 2,934,333	96,756	2,514,333	83,975
Share options granted to employees	282,100	8,585	-	-
Additional paid-in capital from bond conversion	1,422,243	44,001	1,422,243	44,001
Gain on disposal of property, plant and equipment of investee company	1,668	53	1,668	53
Increase in net equity due to investee company issuing new shares and the Company not purchasing proportionately	50,318	1,531	50,318	1,531
Increase in net equity due to change in percentage of ownership in long-term investments under equity method	225,363	7,161	229,711	7,297
Donated assets	<u>648,480</u>	<u>20,588</u>	<u>648,480</u>	<u>20,588</u>
	<b>\$ <u>5,564,505</u></b>	<b><u>178,675</u></b>	<b><u>4,866,753</u></b>	<b><u>157,445</u></b>

The ROC Company Act stipulates that realized capital surplus should not be credited to capital except for making up deficiencies of the Company. The realized capital surplus includes the premiums from issuance of shares in excess of par value and gifts received. In addition, the capital surplus which is credited to capital should not exceed 10 percent of the amount of paid-in capital in one year in accordance with the “Criteria Governing the Offering and Issuance of Securities by Securities Issuers”.

The ROC Company Act stipulates that the Company must retain 10% of its annual earnings, as defined in the Act, until such retention equals the amount of authorized share capital. This retention is accounted for by transfers to legal reserve, upon approval at the stockholders’ meeting. Legal reserve may be used to offset an accumulated deficit and cannot be distributed as cash dividends to stockholders. However, one-half of legal reserve may be converted to share capital when it reaches an amount equal to one-half of issued share capital, upon approval by the Company’s stockholders.

The Company’s articles of incorporation stipulate that the Company must appropriate employees’ bonuses of not less than 1% of estimated earnings of each year, and not more than 5% of estimated earnings of each year for remuneration of directors and supervisors. Such appropriations can only be made after offsetting accumulated deficit, appropriation of legal reserve, and appropriation of special reserve from unappropriated earnings at an amount equal to the net debit balance of those accounts in stockholders’ equity.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Financial Statements

To promote long-term development, the Company has adopted a steady dividend policy, in which a cash dividend of around 0~50% of the appropriated dividend is distributed and a stock dividend of around 50%~100% of the appropriated dividend is distributed. However, if the expected earnings per share in the year when stock dividends are distributed decline to 20% or working capital is low, a cash dividend of 50%~100% of the appropriated dividend is distributed and a stock dividend of 0~50% of the appropriated dividend is distributed.

According to ROC SFC regulations, beginning in 2002, information related to the appropriation of employee bonuses and remuneration for directors and supervisors can be found on web sites such as the Market Observation Post System after the stockholders' meeting.

On June 16, 2009, the Company's stockholders resolved to make up deficiencies from legal reserve of NT\$18,864 (US\$586) and from a decrease in capital of NT\$16,800,000 (US\$509,863). Therefore, the Company will not appropriate stockholders' bonuses, employees' bonuses, and directors' and supervisors' remuneration.

On June 17, 2008, the Company's stockholders resolved to make up deficiencies from legal reserve of NT\$841,408 (US\$24,944) and not to appropriate stockholders' bonuses, employees' bonuses, and directors' and supervisors' remuneration.

#### (3) Cumulative translation adjustments

According to the accounting treatment of note 2(d), the cumulative translation adjustments had a credit balance of NT\$393,486 (US\$12,285) and NT\$1,457,094 (US\$44,342) as of December 31, 2009 and 2008, respectively.

#### (q) Earnings (Loss) per share

For the years ended December 31, 2009 and 2008, earnings (losses) per share were calculated as follows:

	NT dollars 2009					US dollars 2009				
	Dollars		Shares	Earnings per Share		Dollars		Shares	Earnings per Share	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic (losses) earnings per share: \$	<u>(3,725,333)</u>	<u>(2,844,254)</u>	<u>2,496,011</u>	<u>\$ (1.49)</u>	<u>(1.14)</u>	<u>(112,752)</u>	<u>(86,085)</u>	<u>2,496,011</u>	<u>(0.05)</u>	<u>(0.03)</u>

	NT dollars 2008					US dollars 2008				
	Dollars		Shares	Earnings per Share		Dollars		Shares	Earnings per Share	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic (losses) earnings per share: \$	<u>(17,390,290)</u>	<u>(16,889,684)</u>	<u>2,253,695</u>	<u>\$ (7.72)</u>	<u>(7.49)</u>	<u>(551,547)</u>	<u>(535,670)</u>	<u>2,253,695</u>	<u>(0.24)</u>	<u>(0.24)</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(r) Hedge accounting

(1) Cash flow hedging

The Company holds floating rate assets and obligations whose future cash flows fluctuate due to the floating market rates, and therefore cash flow risk occurs. The Company evaluates the risk as significant, and thus hedges the risk by signing interest rate swap agreements.

The Company needs fuel for operating, and the future cash flows for fuel fluctuate due to the floating market prices, and therefore cash flow risk occurs. The Company evaluates the risk as significant, and thus hedges the risk by signing fuel option agreements.

As of December 31, 2009 and 2008, the cash flow hedging items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument				Period of generating cash flow	Account
		2009		2008			
		NT dollars	US dollars	NT dollars	US dollars		
Floating interest rate of bonds payable	Interest rate swap agreements	\$ -	-	(5,837)	(177)	2004~2009	Derivative financial liabilities for hedge purposes — current
Floating price of fuel	Fuel option agreements	(897,196)	(28,011)	(3,911,229)	(119,027)	2009~2010	Derivative financial liabilities for hedge purposes — current and noncurrent

As of December 31, 2009 and 2008, the unrealized valuation loss on financial instruments due to hedging of cash flow amounted to NT\$897,196 (US\$28,011) and NT\$3,917,066 (US\$119,204), respectively, recorded under stockholders' equity.

(Continued)

# EVA AIRWAYS CORP.

## Notes to Financial Statements

(s) Disclosure of financial instruments

(1) Fair value of financial instruments

The details of financial instruments as of December 31, 2009 and 2008, were as follows:

	2009					
	Book value	NT dollars Fair value		Book value	US dollars Fair value	
		Public quote value	Assessment value		Public quote value	Assessment value
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 4,218,748	-	4,218,748	131,712	-	131,712
Notes and accounts receivable (including receivables from related parties)	7,257,621	-	7,257,621	226,588	-	226,588
Other receivables (including receivables from related parties)	128,372	-	128,372	4,008	-	4,008
Available-for-sale financial assets — current	4,491,553	4,491,553	-	140,230	140,230	-
Available-for-sale financial assets — noncurrent	878,472	878,472	-	27,427	27,427	-
Financial assets carried at cost — noncurrent	2,252,588	-	-	70,327	-	-
FX swap agreements	17,247	-	17,247	539	-	539
<b>Financial liabilities:</b>						
Short-term borrowings and commercial paper payable	979,994	-	979,994	30,596	-	30,596
Notes and accounts payable (including payable from related parties)	2,246,593	-	2,246,593	70,140	-	70,140
Accrued expenses	5,856,614	-	5,856,614	182,848	-	182,848
Other payable (including payable from related parties)	3,631,966	-	3,631,966	113,393	-	113,393
Current portion of long-term liabilities	14,563,908	3,106,656	11,463,908	454,696	96,992	357,912
Bonds payable	9,000,000	2,029,783	7,166,991	280,987	63,371	223,759
Long-term borrowings	47,419,036	-	47,419,036	1,480,457	-	1,480,457
Aircraft payable	8,732,373	-	9,120,715	272,631	-	284,755
Lease liability	13,666,023	-	14,296,453	426,663	-	446,346
Installment account payable (recorded as other liabilities)	1,044,833	-	1,044,833	32,620	-	32,620
Fuel option agreements	1,582,993	-	1,582,993	49,422	-	49,422
<b>Off-balance-sheet financial instruments:</b>						
Letters of credit	-	-	1,356,688	-	-	42,357
Guaranteed borrowings	-	-	2,081,950	-	-	65,000

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

	2008					
	Book value	NT dollars Public quote value	Assessment value	Book value	US dollars Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	\$ 3,228,087	-	3,228,087	98,238	-	98,238
Notes and accounts receivable (including receivables from related parties)	6,167,555	-	6,167,555	187,691	-	187,691
Other receivables (including receivables from related parties)	256,454	-	256,454	7,804	-	7,804
Available-for-sale financial assets — current	1,134,811	1,134,811	-	34,535	34,535	-
Available-for-sale financial assets — noncurrent	385,150	385,150	-	11,721	11,721	-
Financial assets carried at cost — noncurrent	2,252,588	-	-	68,551	-	-
Interest rate swap agreements	4,663	-	4,663	142	-	142
Fuel option agreements	420,357	-	420,357	12,792	-	12,792
Financial liabilities:						
Short-term borrowings and commercial paper payable	2,299,046	-	2,299,046	69,965	-	69,965
Notes and accounts payable (including payable from related parties)	1,667,298	-	1,667,298	50,739	-	50,739
Accrued expenses	5,779,960	-	5,779,960	175,897	-	175,897
Other payables (including payable from related parties)	3,198,378	-	3,198,378	97,334	-	97,334
Current portion of long-term liabilities	11,966,941	-	11,954,007	364,180	-	363,786
Bonds payable	7,100,000	-	6,780,092	216,068	-	206,333
Long-term borrowings	40,186,253	-	40,186,253	1,222,953	-	1,222,953
Aircraft payable	9,816,524	-	10,121,385	298,738	-	308,015
Lease liability	15,170,759	-	15,781,282	461,679	-	480,258
Interest rate swap agreements	21,099	-	21,099	641	-	641
Fuel option agreements	9,682,651	-	9,682,651	294,664	-	294,664
Off-balance-sheet financial instruments:						
Letters of credit	-	-	885,347	-	-	26,943

#### (2) Methods and assumptions to measure the fair value of financial instruments

- i) The maturity dates of short-term financial instruments, including cash and cash equivalents, notes and accounts receivable/payable (including related parties), other receivables (including related parties), short-term borrowings, commercial paper payable, accrued expenses, and other payables (including related parties), are within one year of the balance sheet date, and therefore, their book value is equal to their fair value.
- ii) If public quoting of financial assets and liabilities is available, then the quote price will be the fair value. If market value is not available, an assessment method will be used. The assumptions used should be the same as those used by the financial market traders when quoting their prices.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

- iii) The assessed value of bonds payable, long-term borrowings, aircraft payable, lease liability and other liability is the discounted future cash flows, and the discount rates during the years ended December 31, 2009 and 2008, were 0.28%~6.93% and 1.18%~6.93% p.a., respectively.
  - iv) The fair value of letters of credit is based on the amount of the contract.
  - v) The fair value of guaranteed borrowings is based on the amount of the contract.
- (3) For the years ended December 31, 2009 and 2008, the evaluation gain or loss on financial assets at fair value through profit or loss amounted to gains of NT\$638,026 (US\$19,311) and losses of NT\$6,946,649 (US\$220,319), respectively.
- (4) Disclosure of financial risks
- (i) Market risk

As of December 31, 2009 and 2008, the bonds payable, aircraft payable, and lease liability with the risk arising from floating interest rates amounted to NT\$22,355,778 (US\$697,964) and NT\$20,842,572 (US\$634,284), respectively.

The Company's securities were recorded as available-for-sale financial assets and measured at fair value. The Company had the risk of changes in market price.

The Company is exposed to foreign currency risk on accounts receivable which are denominated in a currency other than New Taiwan dollars. The above foreign currency risk will be offset by the same risk related to those accounts payable which are denominated in a foreign currency. Therefore, the Company believes its exposure to foreign currency risk is low.

- (ii) Credit risk

The Company has major credit risk involving cash and cash equivalents, securities, and accounts receivable. The Company deposited the cash in different financial institutions. The Company owns securities by purchasing publicly traded bonds and stocks. Derivative counterparties are limited to high-credit-quality financial institutions. The Company is exposed to credit risk in every financial institution. However, the credit risk involving cash, derivatives and securities is not significant.

The Company guarantees bank loans of an investee which is 100% owned by the Company, and therefore the Company concluded that it was not exposed to credit risk for this transaction.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to decrease the credit risk of accounts receivable, the Company continually evaluated each client's financial situation and requested clients to provide guaranties.

#### (iii) Liquidity risk

The Company's capital, operating funds and financing are sufficient to fulfill all obligations. Therefore, the Company did not have liquidity risk.

The Company's derivative financial instruments are expected to sell at the rational price. Therefore, liquidity risk is not significant.

The Company's available-for-sale financial assets had publicly traded prices and were expected to be sold promptly at close to their fair values. Therefore, liquidity risk is not significant.

Liquidity risk resulted from financial assets carried at cost that had no publicly traded price.

#### (iv) Cash flow risk related to the fluctuation of interest rates

As of December 31, 2009 and 2008, the financial liabilities with the risk arising from floating interest rates amounted to NT\$76,519,204 (US\$2,388,985) and NT\$66,977,648 (US\$2,038,273), respectively.

The Company's short-term and long-term borrowings, aircraft payable, lease liability, other liability and other payables carried floating interest rates. As a result, the effective interest rate changes along with the fluctuation of the market interest rate and thereby influences the Company's future cash flow.

### 5. Transactions with Related Parties

#### (a) Name and relationship of related parties

Name	Relationship with the Company
Evergreen Marine Corp.	Major shareholder
Evergreen International Corp.	Major shareholder
Falcon Investment Services Ltd.	Major shareholder
Evergreen International Storage & Transport Corp.	Major shareholder
Evergreen Airline Services Corp.	Subsidiary
RTW Air Services (S) Pte. Ltd.	Subsidiary
Green Siam Air Services Co., Ltd.	Subsidiary

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Name	Relationship with the Company
Evergreen Sky Catering Corp.	Subsidiary
Evergreen Aviation Technologies Corp.	Subsidiary
Evergreen Air Cargo Services Corp.	Subsidiary
Hsiang-Li Investment Corp.	Subsidiary
Evergreen Airways Service (Macau) Ltd.	Subsidiary
PT Perdana Andalan Air service	Subsidiary
Concord Pacific Ltd.	Subsidiary
SINO GAIN LIMITED	Subsidiary
Uni Airways Corp.	Investee company accounted for by equity method
Evergreen Security Corp.	Investee company accounted for by equity method
Gaining Enterprise S.A.	Subsidiary of the Company's major shareholders
Evergreen Reinsurance Company Limited	Investee company of the Company's major shareholders
Greencompass Marine S.A.	Grand-investee company of the Company's major shareholders
Evergreen International S.A.	Investee company of the Company's shareholders
Ally Holding Limited	Investee company of the Company's shareholders
Shanghai Airlines Cargo International Co., Ltd.	Investee company of the Company's subsidiary
Directors, Supervisors, Managers	The Company's directors, supervisors and major management

(b) Significant transactions with related parties

(1) Revenue, cost and expenses

During the years ended December 31, 2009 and 2008, the Company's transactions with related parties were as follows:

Revenue	2009			2008		
	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen Aviation Technologies Corp.	\$ 333,730	10,101	0.45	456,644	14,483	0.50
Uni Airways Corp.	304,407	9,213	0.42	70,698	2,242	0.08
Shanghai Airlines Cargo International Co., Ltd	102,340	3,098	0.14	91,295	2,896	0.10
Evergreen International Corp.	26,198	793	0.04	43,344	1,375	0.05
Evergreen Air Cargo Services Corp.	1,960	59	-	9,669	307	0.01
Evergreen International Storage & Transport Corp.	1,133	34	-	10,352	328	0.01
Evergreen Marine Corp.	375	11	-	43,085	1,366	0.05
Evergreen Airline Services Corp.	147	5	-	1,430	45	-
Others	3,895	118	0.01	3,051	97	-
	<u>\$ 774,185</u>	<u>23,432</u>	<u>1.06</u>	<u>729,568</u>	<u>23,139</u>	<u>0.80</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Uni Airways Corp. leased aircraft from the Company to operate cross-strait scheduled flights between mainland China and Taiwan. The rental is charged by actual flight hours and recorded under operating revenue.

Cost	2009			2008		
	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen Aviation Technologies Corp.	\$ 2,905,394	87,936	4.14	3,502,273	111,077	3.78
Evergreen Sky Catering Corp.	962,750	29,139	1.37	884,249	28,045	0.95
Evergreen Airline Services Corp.	846,542	25,622	1.21	884,856	28,064	0.95
Uni Airways Corp.	636,466	19,264	0.91	631,597	20,032	0.68
Evergreen Reinsurance Company Limited	219,600	6,646	0.31	212,645	6,744	0.23
Evergreen Air Cargo Services Corp.	201,008	6,084	0.29	262,670	8,331	0.28
Shanghai Airlines Cargo International Co., Ltd	83,111	2,515	0.12	72,804	2,309	0.08
Evergreen International Storage & Transport Corp.	67,236	2,035	0.09	66,791	2,118	0.07
Evergreen International Corp.	44,365	1,343	0.06	43,448	1,378	0.05
Others	974	29	-	953	30	-
	<u>\$ 5,967,446</u>	<u>180,613</u>	<u>8.50</u>	<u>6,562,286</u>	<u>208,128</u>	<u>7.07</u>

Expenses	2009			2008		
	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen International Corp.	\$ 125,625	3,802	2.12	134,381	4,262	2.07
Green Siam Air Services Co., Ltd.	58,075	1,758	0.98	81,664	2,590	1.26
Uni Airways Corp.	40,608	1,229	0.69	40,383	1,281	0.62
Evergreen Security Corp.	40,229	1,218	0.68	40,387	1,281	0.62
Evergreen Airline Services Corp.	27,072	819	0.46	27,228	863	0.42
RTW Air Services (S) Pte. Ltd.	25,988	787	0.44	32,626	1,035	0.50
PT Perdana Andalan Air Service	25,477	771	0.43	31,348	994	0.48
Evergreen International Storage & Transport Corp.	24,719	748	0.42	24,332	772	0.38
Evergreen Aviation Technologies Corp.	12,212	370	0.21	12,844	407	0.20
Evergreen Sky Catering Corp.	7,526	228	0.13	22,785	723	0.35
Others	1,069	32	0.02	1,271	40	-
	<u>\$ 388,600</u>	<u>11,762</u>	<u>6.58</u>	<u>449,249</u>	<u>14,248</u>	<u>6.90</u>

The Company sold spare parts to Evergreen Aviation Technologies Corp. amounting to NT\$153,887 (US\$4,658) and NT\$249,247 (US\$7,905) for the years ended December 31, 2009 and 2008, respectively.

(Continued)



## EVA AIRWAYS CORP.

### Notes to Financial Statements

(2) Financing from related parties

The Company engaged in financings from Evergreen International Corp. and certain related parties. The interest expense was calculated based on floating rates. For the year ended December 31, 2009, the maximum balance and the interest expense were NT\$8,729,942 (US\$272,555) and NT\$97,270 (US\$2,944), respectively. As of December 31, 2009, the aforementioned financings had been redeemed.

There was no such transaction in 2008.

(3) Property transaction

The Company sold two aircraft for US\$97,067 to SINO GAIN LIMITED on November 27, 2009, and immediately bought them back by installments. There were no gains or losses on disposal recorded for this sale and buyback transaction. As of December 31, 2009, installment payments amounted to NT\$2,081,950 (US\$65,000), recorded under aircraft payable.

There was no such transaction in 2008.

(4) The abovementioned transactions with related parties were made with no significant difference from those with non-related parties, but sometimes the payments were overdue. Receivables and payables as of December 31, 2009 and 2008, resulting from the aforementioned transactions were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Accounts receivable—related parties:				
Uni Airways Corp.	\$ 73,829	2,305	32,484	988
Shanghai Airlines Cargo International Co., Ltd	45,108	1,408	36,007	1,096
Evergreen Aviation Technologies Corp.	39,930	1,247	79,597	2,422
Evergreen International Corp.	3,145	98	6,989	213
Evergreen Air Cargo Service Corp.	956	30	458	14
Others	<u>-</u>	<u>-</u>	<u>9,598</u>	<u>292</u>
	162,968	5,088	165,133	5,025
Less: credit to long-term equity investments under equity method	<u>-</u>	<u>-</u>	<u>(5,487)</u>	<u>(167)</u>
	<u>162,968</u>	<u>5,088</u>	<u>159,646</u>	<u>4,858</u>
Other receivables—related parties:				
Shanghai Airlines Cargo International Co., Ltd	102,747	3,208	42,831	1,303
Uni Airways Corp.	56,972	1,779	17,980	547
Evergreen Aviation Technologies Corp.	10,928	341	11,329	345
Others	<u>15,332</u>	<u>478</u>	<u>2,365</u>	<u>72</u>
	185,979	5,806	74,505	2,267
Less: credit to long-term equity investments under equity method	<u>(80,056)</u>	<u>(2,499)</u>	<u>-</u>	<u>-</u>
	<u>105,923</u>	<u>3,307</u>	<u>74,505</u>	<u>2,267</u>
Total receivables—related parties	<u>\$ 268,891</u>	<u>8,395</u>	<u>234,151</u>	<u>7,125</u>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Note: As of December 31, 2009 and 2008, the overdue accounts receivable transferred to other receivables were NT\$96,345 (US\$3,008) and NT\$38,852 (US\$1,182), respectively. The aging for the abovementioned overdue accounts receivable is shown below:

<b>2009</b>								
Aging for overdue accounts receivable								
NT dollars					US dollars			
Name	Amount	Over 1-6 months	Over 7-12 months	Over one year	Amount	Over 1-6 months	Over 7-12 months	Over one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 96,345	43,098	31,565	21,682	3,008	1,346	985	677

<b>2008</b>								
Aging for overdue accounts receivable								
NT dollars					US dollars			
Name	Amount	Over 1-6 months	Over 7-12 months	Over one year	Amount	Over 1-6 months	Over 7-12 months	Over one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 38,852	31,428	7,404	20	1,182	956	225	1

				<b>2009</b>		<b>2008</b>	
				NT dollars	US dollars	NT dollars	US dollars
Accounts payable—related parties:							
Evergreen Aviation Technologies Corp.		\$ 585,669		18,285		402,135	12,238
Evergreen Sky Catering Corp.		179,214		5,595		75,054	2,284
Evergreen Airline Services Corp.		148,683		4,642		140,512	4,276
Evergreen Air Cargo Services Corp.		57,447		1,794		32,673	994
Uni Airways Corp.		47,125		1,471		42,016	1,279
Green Siam Air Services Co, Ltd.		13,583		424		12,515	381
Evergreen International Corp.		8,943		279		3,394	103
RTW Air Services (S) Pte Ltd.		8,537		267		5,528	168
PT Perdana Andalan Air Service		7,473		233		4,551	138
Evergreen International Storage & Transport Corp.		5,685		177		10,283	313
Others		<u>15,821</u>		<u>494</u>		<u>82</u>	<u>3</u>
		<b><u>1,078,180</u></b>		<b><u>33,661</u></b>		<b><u>728,743</u></b>	<b><u>22,177</u></b>
Other payables—related parties:							
Evergreen Airline Services Corp.		60,571		1,891		51,937	1,581
Evergreen Aviation Technologies Corp.		33,784		1,055		15,776	480
Evergreen International Corp.		27,447		857		14,799	450
Uni Airways Corp.		12,063		377		11,777	358
Evergreen Air Cargo Services Corp.		8,653		270		4,104	125
Evergreen Security Corp.		3,663		114		3,565	108
Evergreen International Storage & Transport Corp.		1,870		58		3,052	93
Others		<u>889</u>		<u>28</u>		<u>2,343</u>	<u>72</u>
		<b><u>148,940</u></b>		<b><u>4,650</u></b>		<b><u>107,353</u></b>	<b><u>3,267</u></b>
Total payables—related parties		<b><u>\$ 1,227,120</u></b>		<b><u>38,311</u></b>		<b><u>836,096</u></b>	<b><u>25,444</u></b>

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

(5) Endorsement and guarantees

As of December 31, 2009, the details of guarantees to related parties were as follows:

	2009	
	NT dollars	US dollars
SINO GAIN LIMITED	\$ <u>2,081,950</u>	<u>65,000</u>

There was no such transaction in 2008.

(c) Summary of payroll and remuneration of the Company's directors, supervisors and major management

For the years ended December 31, 2009 and 2008, the related information about payroll and remuneration of major management, such as directors, supervisors and managers, received from the Company was as below:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Salaries	\$ 20,650	625	30,140	956
Bonus and extra payment	2,990	90	4,219	134

The Company did not appropriate directors' and supervisors' remuneration and employee bonuses for 2009 and 2008.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

#### 6. Pledged Assets

The book values of the pledged assets as of December 31, 2009 and 2008, were as follows:

Pledged assets	Object	2009		2008	
		NT dollars	US dollars	NT dollars	US dollars
Land	Long-term borrowings	\$ 1,863,910	58,193	1,864,122	56,729
Buildings	Long-term borrowings	2,235,703	69,800	2,309,484	70,283
Aircraft	Long-term borrowings, Aircraft payable	63,542,064	1,983,830	60,830,541	1,851,203
Simulators—included in machinery and equipment	Other payables, Other liabilities	503,000	15,704	-	-
Engines-included in machinery and equipment	Long-term borrowings	3,103,851	96,904	-	-
Advances for purchases of equipment	Long-term borrowings	5,423,849	169,337	-	-
Time deposit—included in other assets	Customs duty and contract performance guaranties	989,434	30,891	1,389,606	42,289
Spare parts-included in inventories	Other liabilities	1,300,081	40,589	-	-
US treasury note-included in available-for-sale financial assets-noncurrent	Contract performance guaranties	261,401	8,161	-	-
		<b>\$ 79,223,293</b>	<b>2,473,409</b>	<b>66,393,753</b>	<b>2,020,504</b>

#### 7. Commitments and Contingencies

- (a) In June 2000 and April 2004, the Company entered into aircraft purchase contracts for 15 Boeing 777 aircraft. As of December 31, 2009, 14 aircraft has been delivered to the Company, and the contract price for the remaining aircraft amounted to US\$186,437. The Company has paid NT\$3,019,998 (US\$94,287), recorded under advances for purchases of equipment.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

- (b) The Company entered into aircraft, and building lease contracts using the operating lease or capital lease method. As of December 31, 2009, the Company had paid NT\$1,384,454 (US\$43,224) as refundable deposits. According to these contracts, future lease payments in the following five years are as follows:

<b>Year due</b>	<b>NT dollars</b>	<b>US dollars</b>
January 1, 2010~December 31, 2010	\$ 7,632,052	238,278
January 1, 2011~December 31, 2011	6,828,681	213,196
January 1, 2012~December 31, 2012	6,622,398	206,756
January 1, 2013~December 31, 2013	6,539,842	204,179
January 1, 2014~December 31, 2014	6,516,649	203,455
And after	<u>18,617,717</u>	<u>581,259</u>
	<b>\$ <u>52,757,339</u></b>	<b><u>1,647,123</u></b>

- (c) As of December 31, 2009, the details of guarantees to related parties are disclosed in note 5(b).
- (d) The Company is the subject of investigations by the related authorities of the United States, and these investigations are focused on air cargo competition and oil surcharges. The Company has been cooperating with the United States government and appointed a legal counsel in connection with these investigations. On December 31 2009, the investigations are ongoing, and the results are uncertain.

**8. Important Damage Losses: none**

**9. Important Subsequent Events: none**

(Continued)

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

**10. Others**

- (a) Total personnel expenses, depreciation and amortization for the years ended December 31, 2009 and 2008, were as follows:

By function By item	2009					
	Operating cost	NT dollars Operating expenses	Total	Operating cost	US dollars Operating expenses	Total
Personnel expenses						
Salaries	\$ 3,036,856	2,526,968	5,563,824	91,915	76,482	168,397
Insurance	130,167	118,481	248,648	3,940	3,586	7,526
Pension	169,604	119,262	288,866	5,133	3,610	8,743
Others (meal allowances, etc)	1,048,278	202,505	1,250,783	31,728	6,129	37,857
Depreciation	7,991,648	152,777	8,144,425	241,878	4,624	246,502
Amortization	1,142,363	97,215	1,239,578	34,575	2,942	37,517

By function By item	2008					
	Operating cost	NT dollars Operating expenses	Total	Operating cost	US dollars Operating expenses	Total
Personnel expenses						
Salaries	\$ 2,985,586	2,449,659	5,435,245	94,690	77,693	172,383
Insurance	127,557	118,452	246,009	4,045	3,757	7,802
Pension	219,480	162,925	382,405	6,961	5,167	12,128
Others (meal allowances, etc)	1,161,217	268,767	1,429,984	36,829	8,524	45,353
Depreciation	7,184,327	175,877	7,360,204	227,857	5,578	233,435
Amortization	1,482,153	144,294	1,626,447	47,008	4,576	51,584

- (b) Reclassification

Certain amounts in the financial statements for the year ended December 31, 2008, have been reclassified to conform with the presentations of the financial statements for the year ended December 31, 2009, for purposes of comparison. These reclassifications do not have a significant impact on the financial statements.

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

#### 11. Segment Financial Information

(a) Diversified industry:

The Company mainly operates an international air transportation business.

(b) Geographic area information:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
South East Asia:				
Operating revenue	\$ <u>24,994,021</u>	<u>756,478</u>	<u>31,914,761</u>	<u>1,012,203</u>
Loss from operations	\$ <u>(961,916)</u>	<u>(29,114)</u>	<u>(3,029,941)</u>	<u>(96,097)</u>
Identifiable assets	\$ <u>743,591</u>	<u>23,215</u>	<u>459,717</u>	<u>13,990</u>
North America:				
Operating revenue	\$ <u>16,907,594</u>	<u>511,731</u>	<u>20,523,036</u>	<u>650,905</u>
Loss from operations	\$ <u>(650,703)</u>	<u>(19,694)</u>	<u>(1,948,427)</u>	<u>(61,796)</u>
Identifiable assets	\$ <u>274,358</u>	<u>8,566</u>	<u>188,407</u>	<u>5,734</u>
Other foreign areas:				
Operating revenue	\$ <u>5,482,715</u>	<u>165,942</u>	<u>7,833,919</u>	<u>248,459</u>
Loss from operations	\$ <u>(211,007)</u>	<u>(6,387)</u>	<u>(743,741)</u>	<u>(23,588)</u>
Identifiable assets	\$ <u>318,392</u>	<u>9,940</u>	<u>513,741</u>	<u>15,634</u>
Domestic:				
Operating revenue	\$ <u>25,895,181</u>	<u>783,752</u>	<u>30,383,950</u>	<u>963,652</u>
Loss from operations	\$ <u>(996,598)</u>	<u>(30,163)</u>	<u>(2,884,608)</u>	<u>(91,488)</u>
Identifiable assets	\$ <u>137,661,698</u>	<u>4,297,899</u>	<u>131,890,996</u>	<u>4,013,725</u>
<b>Total operating revenue</b>	<b>\$ <u>73,279,511</u></b>	<b><u>2,217,903</u></b>	<b><u>90,655,666</u></b>	<b><u>2,875,219</u></b>

(Continued)

## EVA AIRWAYS CORP.

### Notes to Financial Statements

	<b>2009</b>		<b>2008</b>	
	NT dollars	US dollars	NT dollars	US dollars
Loss from operations	\$ (2,820,224)	(85,358)	(8,606,717)	(272,969)
Investment income, net	278,177	8,420	191,550	6,075
General income	790,290	23,919	(6,249,518)	(198,208)
Interest expenses	<u>(1,973,576)</u>	<u>(59,733)</u>	<u>(2,725,605)</u>	<u>(86,445)</u>
Loss before income tax	<b><u>\$ (3,725,333)</u></b>	<b><u>(112,752)</u></b>	<b><u>(17,390,290)</u></b>	<b><u>(551,547)</u></b>
Total identifiable assets	\$ 138,998,039	4,339,620	133,052,861	4,049,083
Long-term equity investments	<u>11,211,034</u>	<u>350,017</u>	<u>10,201,360</u>	<u>310,449</u>
<b>Total assets</b>	<b><u>\$ 150,209,073</u></b>	<b><u>4,689,637</u></b>	<b><u>143,254,221</u></b>	<b><u>4,359,532</u></b>

- (c) Major customer information - The Company operates an air transportation business with no specific major customers.
- (d) Export sales information - The main business of the Company is to provide international air transportation services. Consequently, it is not practical to separate export and domestic sales.



**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2009 and 2008**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2009	2008		2009	2008
Assets	NT dollars	NT dollars	Liabilities and Stockholders' Equity	NT dollars	NT dollars
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	\$ 6,619,728	5,394,309	Short-term borrowings	\$ 2,143,890	3,184,000
Financial assets at fair value through profit or loss – current	27,304	435,650	Commercial paper payable	772,511	1,295,097
Available-for-sale financial assets – current	4,734,650	1,413,574	Financial liabilities at fair value through profit or loss – current	690,979	3,996,048
Notes receivable	533,421	199,049	Derivative financial liabilities for hedge purposes – current	897,196	2,489,189
Accounts receivable, net	7,983,598	7,207,705	Accounts payable	2,169,883	1,568,463
Accounts receivable – related parties	546,180	286,849	Accounts payable – related parties	81,090	62,732
Other receivables	144,955	187,406	Tax payables	241,081	107,175
Other receivables – related parties	123,630	82,515	Accrued expenses	6,413,811	6,345,186
Inventories	11,643,967	10,865,084	Other payables – related parties	67,734	61,943
Prepaid expenses	147,535	142,364	Other payables	2,982,190	3,128,208
Other prepayments	1,073,504	632,837	Unearned revenue	6,291,354	6,715,438
Deferred income tax assets – current	282,393	993,769	Current portion of long-term liabilities	15,634,058	12,553,172
Other current assets	44,059	93,794	Lease liability – current	1,447,089	1,407,838
<b>Total current assets</b>	<u>33,904,924</u>	<u>27,934,905</u>	Other current liabilities	1,549,969	1,925,129
			<b>Total current liabilities</b>	<u>41,382,835</u>	<u>44,839,618</u>
<b>Funds and investments:</b>			<b>Long-term liabilities:</b>		
Financial assets at fair value through profit or loss – noncurrent	-	-	Financial liabilities at fair value through profit or loss – noncurrent	0	1,790,636
Available-for-sale financial assets – noncurrent	913,272	404,751	Derivative financial liabilities for hedge purposes – noncurrent	0	1,427,877
Financial assets carried at cost-noncurrent	2,257,414	2,313,949	Bonds payable	9,000,000	7,100,000
Long-term equity investments under equity method	885,742	846,482	Long-term borrowings	52,001,568	42,796,689
<b>Total funds and investments</b>	<u>4,056,428</u>	<u>3,565,182</u>	Aircraft payable	7,170,911	9,816,524
			Lease liability – noncurrent	12,219,797	13,764,186
<b>Property, plant and equipment:</b>			<b>Total long-term liabilities</b>	<u>80,392,276</u>	<u>76,695,912</u>
Land	2,550,924	2,551,136	<b>Other liabilities:</b>		
Buildings	13,355,457	13,354,826	Accrued employee retirement liabilities	475,874	418,093
Machinery and equipment	12,080,066	12,199,959	Other liabilities	2,506,635	1,649,787
Aircraft	101,316,455	95,467,577	<b>Total other liabilities</b>	<u>2,982,509</u>	<u>2,067,880</u>
Leased assets	16,201,120	16,616,078	<b>Total liabilities</b>	<u>124,757,620</u>	<u>123,603,410</u>
Other equipment	0	7,971	<b>Stockholders' equity:</b>		
	<u>145,504,022</u>	<u>140,197,547</u>	Common stock	29,626,772	39,426,772
Less: accumulated depreciation	(48,703,865)	(42,964,464)	Capital surplus	5,564,505	4,866,753
Advances for purchases of equipment	14,118,078	9,501,709	Retained earnings(accumulated deficit):		
<b>Net property, plant and equipment</b>	<u>110,918,235</u>	<u>106,734,792</u>	Legal reserve	0	18,864
			Accumulated deficit	(2,915,074)	(16,889,684)
<b>Intangible assets:</b>			<b>Total retained earnings(accumulated deficit)</b>	<u>(2,915,074)</u>	<u>(16,870,820)</u>
Deferred pension cost	262,810	103,011	Other stockholders' equity adjustments:		
	<u>262,810</u>	<u>103,011</u>	Cumulative translation adjustments	423,833	1,491,895
<b>Other assets:</b>			Net loss not yet recognized as net pension cost	(157,412)	(162,517)
Refundable deposits	1,706,336	4,919,457	Unrealized gains on financial instruments	(515,511)	(3,009,945)
Deferred charges	4,324,411	5,141,663	<b>Total other stockholders' equity adjustments</b>	<u>(249,090)</u>	<u>(1,680,567)</u>
Accounts receivable – related parties – noncurrent, net	138,844	49,283	<b>Total stockholders' equity</b>	<u>32,027,113</u>	<u>25,742,138</u>
Deferred income tax assets – noncurrent	3,676,788	2,421,947	Minority interest	3,222,238	2,966,638
Other assets	1,018,195	1,441,946	<b>Total stockholders' equity and minority interest</b>	<u>35,249,351</u>	<u>28,708,776</u>
<b>Total other assets</b>	<u>10,864,574</u>	<u>13,974,296</u>	<b>Commitments and contingencies</b>		
			<b>Total liabilities and stockholders' equity</b>	<u>\$ 160,006,971</u>	<u>\$ 152,312,186</u>
<b>Total assets</b>	<u>\$ 160,006,971</u>	<u>\$ 152,312,186</u>			

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**For the years ended December 31, 2009 and 2008**

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

	<b>2009</b>	<b>2008</b>
	<b>NT dollars</b>	<b>NT dollars</b>
<b>Operating revenue</b>	\$ 81,496,329	97,423,618
<b>Operating cost</b>	<u>76,795,004</u>	<u>97,883,890</u>
<b>Gross profit(loss) from operations</b>	4,701,325	(460,272)
<b>Operating expenses</b>	<u>6,400,945</u>	<u>7,001,094</u>
<b>Operating loss</b>	<u>(1,699,620)</u>	<u>(7,461,366)</u>
<b>Non-operating income and gains:</b>		
Interest income	42,912	157,802
Gains on disposal of property, plant and equipment, net	30,473	103,159
Gains on sale of investments, net	8,807	60,346
Exchange gains, net	-	18,278
Gains on valuation of financial liabilities	638,026	-
Other income	<u>254,530</u>	<u>513,514</u>
	<u>974,748</u>	<u>853,099</u>
<b>Non-operating expenses and losses:</b>		
Interest expenses, net of capitalized interest of NT\$145,006 and NT\$338,428 in 2009 and 2008, respectively	2,058,221	2,844,064
Investment loss	188,001	321,492
Exchange losses, net	33,690	-
Losses on valuation of financial assets	5,182	6,946,711
Other losses	<u>99,763</u>	<u>182,698</u>
	<u>2,384,857</u>	<u>10,294,965</u>
<b>Continuing operating loss before income tax</b>	(3,109,729)	(16,903,232)
<b>Income tax benefit(expenses)</b>	<u>524,723</u>	<u>300,508</u>
<b>Net loss</b>	\$ <u><u>(2,585,006)</u></u>	\$ <u><u>(16,602,724)</u></u>
<b>Income(loss) attributable to:</b>		
Parent company	(2,844,254)	(16,889,684)
Minority interest	<u>259,248</u>	<u>286,960</u>
	\$ <u><u>(2,585,006)</u></u>	\$ <u><u>(16,602,724)</u></u>
	<b>Loss after</b>	<b>Loss after</b>
	<b>income tax</b>	<b>income tax</b>
	<u>NT dollars</u>	<u>NT dollars</u>
<b>Basic losses per share(expressed in New Taiwan dollars)</b>	\$ <u><u>(1.14)</u></u>	\$ <u><u>(7.49)</u></u>

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2008 and 2009**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or Losses on Financial Instruments	Minority Interest	Total
			Legal Reserve	Accumulate Deficit					
<b>Balance on January 1, 2008</b>	38,749,794	4,582,191	860,272	(841,408)	1,085,636	(472,617)	224,228	2,870,000	47,058,096
Make-up of the accumulated deficit	-	-	(841,408)	841,408	-	-	-	-	-
Convertible bonds converted into common stock	676,978	237,622	-	-	-	-	-	-	914,600
Increase in net equity due to the investee company issuing new share and the company not purchasing proportionately	-	50,318	-	-	-	-	-	-	50,318
Decrease in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	-	(3,378)	-	-	-	-	-	-	(3,378)
Decrease in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	(4,340)	-	-	(4,340)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	314,440	-	-	314,440
Decrease in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	(24,761)	-	(24,761)
Change in unrealized losses on financial instruments	-	-	-	-	-	-	(3,209,412)	-	(3,209,412)
Decrease in minority interest	-	-	-	-	-	-	-	(190,322)	(190,322)
Net (loss) income for the year ended December 31, 2008	-	-	-	(16,889,684)	-	-	-	286,960	(16,602,724)
Translation adjustments for the year ended December 31, 2008	-	-	-	-	406,259	-	-	-	406,259
<b>Balance on December 31, 2008</b>	<b>39,426,772</b>	<b>4,866,753</b>	<b>18,864</b>	<b>(16,889,684)</b>	<b>1,491,895</b>	<b>(162,517)</b>	<b>(3,009,945)</b>	<b>2,966,638</b>	<b>28,708,776</b>
Make-up of the accumulated deficit by capital reduction	(16,800,000)	-	-	16,800,000	-	-	-	-	-
Make-up of the accumulated deficit	-	-	(18,864)	18,864	-	-	-	-	-
Cash subscription	7,000,000	420,000	-	-	-	-	-	-	7,420,000
Share options granted to employees	-	-	-	-	-	-	-	-	-
Convertible bonds converted into common stock	-	-	-	-	-	-	-	-	-
Increase in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	-	282,100	-	-	-	-	-	-	282,100
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	(4,348)	-	-	-	18,744	-	-	14,396
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	(13,639)	-	-	13,639
Increase in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	18,034	-	18,034
Change in unrealized gains on financial instruments	-	-	-	-	-	-	2,476,400	-	2,476,400
Decrease in minority interest	-	-	-	-	-	-	-	(3,648)	(3,648)
Net (loss) income for the year ended December 31, 2009	-	-	-	(2,844,254)	-	-	-	259,248	(2,585,006)
Translation adjustments for the year ended December 31, 2009	-	-	-	-	(1,068,062)	-	-	-	(1,068,062)
<b>Balance on December 31, 2009</b>	<b>\$29,626,772</b>	<b>5,564,505</b>	<b>0</b>	<b>(2,915,074)</b>	<b>423,833</b>	<b>(157,412)</b>	<b>(515,511)</b>	<b>3,222,238</b>	<b>35,249,351</b>

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2009 and 2008**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2009</b>	<b>2008</b>
	<b>NT dollars</b>	<b>NT dollars</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,844,254)	(16,889,684)
Income for minority interest	259,248	286,960
Adjustments to reconcile net loss to net cash flow provided by operating activities:		
Depreciation	8,906,010	8,117,135
Salary expenses — share options granted to employees	282,100	-
Impairment loss	56,719	105,320
Amortization and maintenance expense	1,311,730	1,671,812
Amortization expense recorded as interest expenses	33,728	30,812
Amortization expense recorded as other expenses	154	154
Gains on sale of investments, net	(8,807)	(60,346)
Exchange gains arising from disposal of foreign operating units	-	(58,839)
Gains on disposal of property, plant and equipment recorded as exchange gains	-	(168,245)
Gains on disposal and obsolescence of property, plant and equipment	15,927	(85,961)
Amortization of other deferred gain	(129,598)	(115,841)
Investment income	188,001	321,492
Proceeds from cash dividends on long-term equity investments	78,115	126,120
Deferred income tax benefit	(912,751)	(568,538)
Changes in operating assets and liabilities, net:		
Financial assets at fair value through profit or loss — current	408,346	98,593
Financial assets at fair value through profit or loss — noncurrent	-	106,756
Financial liabilities at fair value through profit or loss — current	(3,305,069)	3,995,963
Financial liabilities at fair value through profit or loss — noncurrent	(1,790,636)	1,789,460
Notes receivable and accounts receivable (including related parties)	(1,364,109)	2,767,601
Other receivables (including related parties)	1,336	229,766
Inventories	(778,865)	871,763
Prepaid expenses	(5,171)	107,234
Other prepayments	(440,667)	(80,513)
Restricted assets — current	-	600
Other current assets	49,735	1,426
Accounts receivable — related parties — noncurrent	(89,561)	13,203
Tax payable	133,906	(15,854)
Notes payable and accounts payable (including related parties)	619,778	(1,456,386)
Accrued expenses	68,625	(1,985,218)
Other payables (including related parties)	(79,869)	(79,962)
Unearned revenue	(424,084)	(552,146)
Other current liabilities	(375,160)	392,845
Accrued employee retirement liabilities	(171,372)	(15,843)
Other liabilities	(19,548)	48,293
<b>Net cash provided used in operating activities</b>	<u>(326,063)</u>	<u>(1,050,068)</u>
<b>Cash flows from investing activities:</b>		
Withdrawal of long-term equity investments, net	27,052	16,573
Decrease (increase) in available-for-sale financial assets — current	(3,312,567)	4,022,654
Proceeds from sale of financial assets carried at cost — noncurrent	-	3,409
Proceeds from sale of available-for-sale financial assets — noncurrent	(262,404)	-
Payments for purchase of long-term equity investments under equity method	(234,367)	(323,624)
Proceeds from disposal of property, plant and equipment	6,533	6,664,849
Payments for purchase of property, plant and equipment	(14,421,777)	(16,561,993)
Decrease in refundable deposits and in other assets	2,987,540	1,792,377
Increase in deferred charges	(523,809)	(894,550)
<b>Net cash used in investing activities</b>	<u>(15,733,799)</u>	<u>(5,280,305)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(1,562,696)	2,808,543
Increase in long-term borrowings	22,993,996	19,018,421
Redemption of long-term borrowings	(14,358,898)	(10,516,060)
Installment payments for purchase of property, plant and equipment	(2,503,471)	(2,273,494)
Redemption of lease liability	(1,413,599)	(1,454,398)
Decrease in minority interest	(3,648)	(190,322)
Increase in other liabilities	1,670,000	-
Issuance of bonds payable	5,000,000	-
Cash subscription	7,420,000	-
<b>Net cash provided by financing activities</b>	<u>17,241,684</u>	<u>7,392,690</u>
<b>Effect of exchange rate changes on cash</b>	<u>43,597</u>	<u>(85,414)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>1,225,419</u>	<u>976,903</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>5,394,309</u>	<u>4,417,406</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 6,619,728</u>	<u>\$ 5,394,309</u>
<b>Additional disclosure of cash flow information:</b>		
Cash payments of interest (excluding capitalized interest expense)	<u>\$ 2,095,505</u>	<u>2,743,617</u>
Cash payments of income tax	<u>\$ 252,990</u>	<u>282,411</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Current portion of long-term liabilities	<u>\$ 15,634,058</u>	<u>12,553,172</u>
Convertible bonds converted into common stock	<u>\$ -</u>	<u>914,600</u>
Fixed assets transferred from inventory	<u>\$ -</u>	<u>9,722</u>
Inventory transferred from fixed assets	<u>\$ 18</u>	<u>-</u>
Translation adjustments (including investee)	<u>\$ (1,068,062)</u>	<u>406,259</u>
Unrealized gains on financial instruments (including investee)	<u>\$ 2,494,434</u>	<u>(3,234,173)</u>



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