

**EVA AIRWAYS CORP.**  
**Financial Statements**  
**December 31, 2009 and 2008**  
**(With Independent Auditors' Report Thereon)**

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## **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.

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>	<u>Net loss</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

(Continued)

**EVA AIRWAYS CORP.****Notes to Financial Statements**

liabilities that are measured in terms of historical cost in a foreign currency are translated using the 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.

(Continued)

**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.

(Continued)

**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:

(Continued)

**EVA AIRWAYS CORP.****Notes to Financial Statements**

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

	2009		2008	
	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>
	<u>\$ 4,218,748</u>	<u>131,712</u>	<u>3,228,087</u>	<u>98,238</u>

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

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

	2009		2008	
	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	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>

Unit: thousands of shares

2008

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
FX swap agreements	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 -	<u>-</u>	<u>-</u>	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:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
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:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
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:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
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>		
		\$ <u>8,079,974</u>	<u>252,263</u>		

(Continued)

## EVA AIRWAYS CORP.

## Notes to Financial Statements

Investee	Shareholding percentage (%)	2008 Book value		Investment income (loss)	
		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>		
		\$ <u>7,563,622</u>	<u>230,177</u>		

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	<u>2,520</u>	<u>80</u>
		\$ <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		<u>58,882,944</u>	<u>1,838,369</u>		<u>49,506,494</u>	<u>1,506,588</u>
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	Guaranteed by	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:

	2009		2008	
	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>
	\$ <u><b>8,732,373</b></u>	<u><b>272,631</b></u>	<u><b>9,816,524</b></u>	<u><b>298,738</b></u>

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>
	\$ <u><b>11,650,521</b></u>	<u><b>363,738</b></u>

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:

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

(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:

	2009		2008	
	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><b>178,842</b></u>	<u><b>5,413</b></u>	<u><b>273,913</b></u>	<u><b>8,687</b></u>

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

	2009	2008
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:

	2009		2008	
	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:

	2009		2008	
	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><b>881,079</b></u>	<u><b>26,667</b></u>	<u><b>500,606</b></u>	<u><b>15,877</b></u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Financial Statements

The deferred income tax benefits were as follows:

	2009		2008	
	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>
	<u>\$ 901,698</u>	<u>27,291</u>	<u>536,989</u>	<u>17,031</u>

- (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:

	2009		2008	
	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

(Continued)

## EVA AIRWAYS CORP.

## Notes to Financial Statements

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Exchange losses recorded as translation adjustments	4,501	136	(25,716)	(816)
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:

Year granted	Unused investment tax credits		Expiry year
	NT dollars	US dollars	
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
	\$ <u><b>2,849,035</b></u>	<u><b>88,949</b></u>	

- (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:

Year	Unused loss carryforward		Expiry year
	NT dollars	US dollars	
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
	\$ <u><b>23,276,609</b></u>	<u><b>726,713</b></u>	

(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>-</u> <u>(estimated)</u>	<u>-</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>
	<u>\$ 5,564,505</u>	<u>178,675</u>	<u>4,866,753</u>	<u>157,445</u>

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>
	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:

	Book value	NT dollars		2009		US dollars	
		Public quote value	Assessment value	Book value	Public quote value	Assessment value	
Financial assets:							
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	
Financial liabilities:							
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	
Off-balance-sheet financial instruments:							
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

<b>Name</b>	<b>Relationship with the Company</b>
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	-
	<b>\$ 5,967,446</b>	<b>180,613</b>	<b>8.50</b>	<b>6,562,286</b>	<b>208,128</b>	<b>7.07</b>

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	-
	<b>\$ 388,600</b>	<b>11,762</b>	<b>6.58</b>	<b>449,249</b>	<b>14,248</b>	<b>6.90</b>

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	-	-	9,598	292
	<u>162,968</u>	<u>5,088</u>	<u>165,133</u>	<u>5,025</u>
Less: credit to long-term equity investments under equity method	-	-	(5,487)	(167)
	<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	15,332	478	2,365	72
	<u>185,979</u>	<u>5,806</u>	<u>74,505</u>	<u>2,267</u>
Less: credit to long-term equity investments under equity method	(80,056)	(2,499)	-	-
	<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:

		2009						
		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

		2008						
		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

		2009		2008	
		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		15,821	494	82	3
		<u>1,078,180</u>	<u>33,661</u>	<u>728,743</u>	<u>22,177</u>
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		889	28	2,343	72
		<u>148,940</u>	<u>4,650</u>	<u>107,353</u>	<u>3,267</u>
Total payables—related parties		\$ <u>1,227,120</u>	<u>38,311</u>	<u>836,096</u>	<u>25,444</u>

(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	-	-
		<u>\$ 79,223,293</u>	<u>2,473,409</u>	<u>66,393,753</u>	<u>2,020,504</u>

## 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:

Year due	NT dollars	US dollars
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>
	\$ <u><b>52,757,339</b></u>	<u><b>1,647,123</b></u>

- (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>	\$ <u>73,279,511</u>	<u>2,217,903</u>	<u>90,655,666</u>	<u>2,875,219</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Financial Statements

	2009		2008	
	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	<u>\$ (3,725,333)</u>	<u>(112,752)</u>	<u>(17,390,290)</u>	<u>(551,547)</u>
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.