

EVA AIRWAYS CORP.
Financial Statements
June 30, 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 June 30, 2009 and 2008, and the related statements of operations, changes in stockholders' equity, and cash flows for the six months ended June 30, 2009 and 2008. 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 June 30, 2009 and 2008, were evaluated using the equity method, and the resulting book values of these investments amounted to NT\$2,835,153 thousand (US\$86,385 thousand), constituting 1.95% of total assets, and NT\$2,591,685 thousand (US\$85,393 thousand), constituting 1.76% of total assets, respectively. The cumulative translation adjustments from the aforementioned investments amounted to NT\$5,391 thousand (US\$164 thousand) and NT\$5,169 thousand (US\$170 thousand), respectively. The resulting investment gains or loss amounted to a gain of NT\$73,178 thousand (US\$2,182 thousand), constituting (2.84)% of loss before income tax, and a loss of NT\$78,392 thousand (US\$2,530 thousand), constituting 1.32% of loss before income tax, for the six months ended June 30, 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 the Republic of China. Those regulations and standards 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 June 30, 2009 and 2008, and the results of its operations and its cash flows for the six months ended June 30, 2009 and 2008, 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 six months ended June 30, 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)
August 13, 2009

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

June 30, 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
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4(a))	\$ 3,394,742	103,435	6,237,932	205,533	Short-term borrowings (note 4(h))	\$ 3,700,000	112,736	-	-
Financial assets at fair value through profit or loss—current (note 4(b))	-	-	372,072	12,259	Financial liabilities at fair value through profit or loss—current (note 4(b))	1,581,415	48,185	14,750	486
Available-for-sale financial assets—current (note 4(b))	3,411,019	103,931	2,045,878	67,410	Derivative financial liabilities for hedge purposes—current (note 4(p))	2,369,576	72,199	5,140	169
Notes receivable	246,968	7,525	334,640	11,026	Accounts payable	979,707	29,851	1,795,248	59,152
Accounts receivable, net	5,162,792	157,306	7,219,405	237,872	Accounts payable—related parties (note 5)	925,264	28,192	782,040	25,767
Accounts receivable—related parties (note 5)	150,746	4,593	129,761	4,275	Accrued expenses	5,060,944	154,203	7,773,489	256,128
Other receivables	115,376	3,516	735,692	24,240	Other payables—related parties (note 5)	1,004,503	30,607	108,281	3,568
Other receivables—related parties (note 5)	29,692	905	75,435	2,486	Other payables (notes 4(k) and 6)	2,549,365	77,677	2,222,077	73,215
Inventories (notes 4(c) and 5)	8,615,444	262,506	9,572,566	315,406	Unearned revenue	5,202,275	158,509	6,867,172	226,266
Prepaid expenses	13,265	404	73,231	2,413	Current portion of long-term liabilities (notes 4(i), 4(j), 6 and 7)	12,883,061	392,537	9,690,793	319,301
Other prepayments	466,531	14,215	554,473	18,269	Lease liability—current (note 4(f))	1,434,667	43,713	1,350,148	44,486
Deferred income tax assets—current (note 4(m))	347,117	10,576	355,982	11,729	Other current liabilities	1,289,728	39,297	1,852,274	61,031
Other current assets	46,237	1,409	33,222	1,095	Total current liabilities	<u>38,980,505</u>	<u>1,187,706</u>	<u>32,461,412</u>	<u>1,069,569</u>
Total current assets	<u>21,999,929</u>	<u>670,321</u>	<u>27,740,289</u>	<u>914,013</u>	Long-term liabilities:				
Funds and investments:					Financial liabilities at fair value through profit or loss—noncurrent (note 4(b))	69,042	2,104	146,332	4,821
Financial assets at fair value through profit or loss—noncurrent (note 4(b))	-	-	3,501	115	Bonds payable (note 4(j))	6,100,000	185,862	9,246,700	304,669
Available-for-sale financial assets—noncurrent (note 4(b))	519,967	15,843	682,294	22,481	Long-term borrowings (notes 4(i), 6 and 7)	44,326,728	1,350,601	42,880,211	1,412,857
Financial assets carried at cost—noncurrent (note 4(b))	2,252,588	68,634	2,278,161	75,063	Long-term accounts payable—related parties (note 5)	6,756,767	205,873	-	-
Long-term equity investments under equity method (note 4(d))	7,699,659	234,603	7,460,907	245,829	Aircraft payable (notes 4(k) and 6)	8,569,473	261,105	10,193,527	335,866
Total funds and investments	<u>10,472,214</u>	<u>319,080</u>	<u>10,424,863</u>	<u>343,488</u>	Lease liability—noncurrent (notes 4(f))	13,071,411	398,276	14,042,215	462,676
Property, plant and equipment (notes 4(e), 4(f), 6 and 7):					Total long-term liabilities	<u>78,893,421</u>	<u>2,403,821</u>	<u>76,508,985</u>	<u>2,520,889</u>
Land	1,869,784	56,971	1,869,784	61,607	Other liabilities:				
Buildings	4,543,278	138,430	4,543,278	149,696	Accrued employee retirement liabilities (note 4(l))	117,713	3,587	560,470	18,467
Machinery and equipment	6,764,766	206,117	6,577,362	216,717	Other liabilities (note 6)	2,192,152	66,793	2,035,186	67,057
Aircraft	100,849,496	3,072,806	86,968,130	2,865,507	Total other liabilities	<u>2,309,865</u>	<u>70,380</u>	<u>2,595,656</u>	<u>85,524</u>
Leased assets	16,618,176	506,343	15,347,742	505,692	Total liabilities	<u>120,183,791</u>	<u>3,661,907</u>	<u>111,566,053</u>	<u>3,675,982</u>
Other equipment	-	-	90,513	2,982	Stockholders' equity (notes 4(m) and 4(p)):				
	130,645,500	3,980,667	115,396,809	3,802,201	Common stock	39,426,772	1,332,170	39,426,772	1,332,170
Less: accumulated depreciation	(40,474,626)	(1,233,230)	(31,327,876)	(1,032,220)	Capital surplus	4,866,760	157,445	4,820,433	156,037
Advances for purchases of equipment	8,471,629	258,124	11,105,970	365,930	Retained earnings (accumulated deficit):				
Net property, plant and equipment	<u>98,642,503</u>	<u>3,005,561</u>	<u>95,174,903</u>	<u>3,135,911</u>	Legal reserve	-	-	18,864	586
Intangible assets:					Accumulated deficit	(18,553,443)	(585,252)	(5,967,395)	(192,559)
Deferred pension cost	81,888	2,495	109,182	3,597	Total accumulated deficit	<u>(18,553,443)</u>	<u>(585,252)</u>	<u>(5,948,531)</u>	<u>(191,973)</u>
Other assets:					Other stockholders' equity adjustments:				
Refundable deposits (note 7)	4,927,284	150,131	5,668,687	186,777	Cumulative translation adjustments	1,548,994	(73,159)	(2,061,910)	(103,053)
Deferred charges (note 4(g))	4,615,172	140,620	5,337,737	175,873	Net loss not yet recognized as net pension cost	(130,014)	(3,872)	(472,617)	(14,299)
Deferred income tax assets—noncurrent (note 4(m))	3,482,938	106,122	2,600,929	85,698	Unrealized gains on financial instruments	(1,825,437)	(55,436)	254,911	7,907
Other assets (note 6)	1,295,495	39,473	528,521	17,414	Total other stockholders' equity adjustments	<u>(406,457)</u>	<u>(132,467)</u>	<u>(2,279,616)</u>	<u>(109,445)</u>
Total other assets	<u>14,320,889</u>	<u>436,346</u>	<u>14,135,874</u>	<u>465,762</u>	Total stockholders' equity	<u>25,333,632</u>	<u>771,896</u>	<u>36,019,058</u>	<u>1,186,789</u>
Total assets	<u>\$ 145,517,423</u>	<u>4,433,803</u>	<u>147,585,111</u>	<u>4,862,771</u>	Commitments and contingencies (note 7)				
					Total liabilities and stockholders' equity	<u>\$ 145,517,423</u>	<u>4,433,803</u>	<u>147,585,111</u>	<u>4,862,771</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Operations

For the six months ended June 30, 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
Operating revenue (note 5)	\$ 32,612,790	972,355	46,227,699	1,491,697
Operating cost (notes 5 and 10)	<u>(32,055,249)</u>	<u>(955,732)</u>	<u>(48,404,730)</u>	<u>(1,561,947)</u>
Gross profit (loss) from operations	557,541	16,623	(2,177,031)	(70,250)
Operating expenses (notes 5 and 10)	<u>(2,760,005)</u>	<u>(82,290)</u>	<u>(3,404,726)</u>	<u>(109,865)</u>
Operating loss	<u>(2,202,464)</u>	<u>(65,667)</u>	<u>(5,581,757)</u>	<u>(180,115)</u>
Non-operating income and gains:				
Interest income	17,882	533	44,829	1,447
Investment income (note 4(d))	-	-	5,711	184
Gains on disposal of property, plant and equipment	27,907	832	88,821	2,866
Gains on sale of investments, net (note 4(b))	3,899	116	24,289	784
Exchange gains, net	-	-	2,918	94
Gains on valuation of financial assets (note 4(q))	-	-	558,512	18,022
Gains on valuation of financial liabilities (note 4(q))	723,193	21,562	-	-
Other income	<u>87,836</u>	<u>2,619</u>	<u>202,027</u>	<u>6,519</u>
	<u>860,717</u>	<u>25,662</u>	<u>927,107</u>	<u>29,916</u>
Non-operating expenses and losses:				
Interest expenses, net of capitalized interest of NT\$71,991 (US\$2,146) and NT\$187,712 (US\$6,057) in 2009 and 2008, respectively (notes 4(e) and 5)	(1,044,032)	(31,128)	(1,283,160)	(41,405)
Investment losses (note 4(d))	(130,451)	(3,889)	-	-
Exchange losses, net	(29,326)	(874)	-	-
Other losses	<u>(28,435)</u>	<u>(848)</u>	<u>(8,078)</u>	<u>(261)</u>
	<u>(1,232,244)</u>	<u>(36,739)</u>	<u>(1,291,238)</u>	<u>(41,666)</u>
Loss before income tax	(2,573,991)	(76,744)	(5,945,888)	(191,865)
Income tax benefit (expenses) (note 4(m))	<u>891,368</u>	<u>26,576</u>	<u>(21,507)</u>	<u>(694)</u>
Net loss	<u>\$ (1,682,623)</u>	<u>(50,168)</u>	<u>(5,967,395)</u>	<u>(192,559)</u>

	Loss				Loss			
	before income tax		Net loss		before income tax		Net loss	
	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Basic earnings per share (expressed in dollars) (note 4(o)):								
Net loss	<u>\$ (0.65)</u>	<u>(0.02)</u>	<u>(0.43)</u>	<u>(0.01)</u>	<u>(1.52)</u>	<u>(0.05)</u>	<u>(1.53)</u>	<u>(0.05)</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

	NT Dollars								US Dollars							
	Common Stock	Capital Surplus	Legal Reserve	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	Accumulated Deficit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or Losses on Financial Instruments	Total
Balance on December 31, 2007	\$ 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 the 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 the change in percentage of capital surplus in long-term equity investments under equity method	-	620	-	-	-	-	-	620	-	20	-	-	-	-	-	20
Increase in net equity due to the change in percentage of unrealized gains on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	358	358	-	-	-	-	-	-	12	12
Change in unrealized gains on financial instruments	-	-	-	-	-	-	30,325	30,325	-	-	-	-	-	-	999	999
Net loss for the six months ended June 30, 2008	-	-	-	(5,967,395)	-	-	-	(5,967,395)	-	-	-	(192,559)	-	-	-	(192,559)
Translation adjustments for the six months ended June 30, 2008	-	-	-	-	(3,147,546)	-	-	(3,147,546)	-	-	-	3,763	(17,107)	-	-	(13,344)
Balance on June 30, 2008	\$ 39,426,772	4,820,433	18,864	(5,967,395)	(2,061,910)	(472,617)	254,911	36,019,058	1,332,170	156,037	586	(192,559)	(103,053)	(14,299)	7,907	1,186,789
Balance on December 31, 2008	\$ 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 the accumulated deficit	-	-	(18,864)	18,864	-	-	-	-	-	-	(586)	586	-	-	-	-
Increase in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method	-	7	-	-	-	-	-	7	-	-	-	-	-	-	-	-
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	8,802	8,802	-	-	-	-	-	-	268	268
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognized net loss not recognized as pension lost	-	-	-	-	-	32,503	-	32,503	-	-	-	-	-	990	-	990
Change in unrealized gains or losses on financial instruments	-	-	-	-	-	-	1,175,706	1,175,706	-	-	-	-	-	-	35,823	35,823
Net loss for the six months ended June 30, 2009	-	-	-	(1,682,623)	-	-	-	(1,682,623)	-	-	-	(50,168)	-	-	-	(50,168)
Translation adjustments for the six months ended June 30, 2009	-	-	-	-	57,099	-	-	57,099	-	-	-	-	1,595	-	-	1,595
Balance on June 30, 2009	\$ 39,426,772	4,866,760	-	(18,553,443)	1,548,994	(130,014)	(1,825,437)	25,333,632	1,332,170	157,445	-	(585,252)	(73,159)	(3,872)	(55,436)	771,896

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the six months ended June 30, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Cash flows from operating activities:				
Net loss	\$ (1,682,623)	(50,168)	(5,967,395)	(192,559)
Adjustments to reconcile net loss to net cash flow provided by operating activities:				
Depreciation	4,038,295	120,402	3,561,891	114,937
Amortization and maintenance expense	634,416	18,915	963,258	31,083
Amortization expense recorded as interest expenses	16,772	500	14,807	478
Gains on sale of investments	(3,899)	(116)	(24,289)	(784)
Exchange gains arising from disposal of foreign operating units	-	-	(58,839)	(1,899)
Losses (gains) on disposal and obsolescence of property, plant and equipment	3,818	114	(80,803)	(2,607)
Gains on disposal of property, plant and equipment recorded as exchange gains	-	-	(187,083)	(6,037)
Amortization of other deferred gain	(92,680)	(2,763)	(56,185)	(1,813)
Provision for unrealized exchange gain from long-term borrowings	-	-	(7,809)	(252)
Investment losses (income)	130,451	3,889	(5,711)	(184)
Proceeds from cash dividends on long-term equity investments	77,814	2,320	11,073	357
Deferred income tax benefit	(901,698)	(26,884)	-	-
Changes in operating assets and liabilities, net:				
Financial assets at fair value through profit or loss—current	425,020	12,672	(308,827)	(9,965)
Financial assets at fair value through profit or loss—noncurrent	-	-	103,255	3,332
Financial liabilities at fair value through profit or loss—current	(2,414,633)	(71,993)	14,665	473
Financial liabilities at fair value through profit or loss—noncurrent	(1,721,594)	(51,329)	145,156	4,684
Notes receivable	(48,284)	(1,439)	(53,286)	(1,719)
Accounts receivable (including related parties)	660,821	19,702	1,075,171	34,694
Other receivables (including related parties)	24,813	740	(184,189)	(5,943)
Inventories	15,378	458	(61,199)	(1,975)
Prepaid expenses	33,130	988	21,385	690
Other prepayments	(487,238)	(14,527)	(63,236)	(2,041)
Other current assets	(23,027)	(687)	41,255	1,331
Accounts payable (including related parties)	237,673	7,086	(3,060)	(99)
Accrued expenses	(719,016)	(21,437)	(50,571)	(1,632)
Other payables (including related parties)	(570,757)	(17,017)	(751,184)	(24,240)
Unearned revenue	(1,309,957)	(39,057)	(139,674)	(4,507)
Other current liabilities	(621,432)	(18,528)	336,537	10,860
Accrued employee retirement liabilities	(77,549)	(2,312)	(30,244)	(976)
Other liabilities	(21,980)	(655)	54,817	1,769
Net cash used in operating activities	<u>(4,397,966)</u>	<u>(131,126)</u>	<u>(1,690,314)</u>	<u>(54,544)</u>
Cash flows from investing activities:				
Withdrawal of long-term equity investments	-	-	540,000	17,425
Decrease (increase) in available-for-sale financial assets—current	(2,273,559)	(67,786)	3,104,821	100,188
Proceeds from sale of financial assets carried at cost—noncurrent	-	-	3,409	110
Payments for purchase of long-term equity investments under equity method	(252,750)	(7,536)	(426,105)	(13,750)
Proceeds from disposal of property, plant and equipment	1,499	45	1,405,123	45,341
Payments for purchase of property, plant and equipment	(4,295,053)	(128,058)	(10,051,429)	(324,344)
Decrease in refundable deposits and in other assets	64,112	1,912	1,474,842	47,591
Increase in deferred charges	(230,843)	(6,883)	(464,579)	(14,991)
Net cash used in investing activities	<u>(6,986,594)</u>	<u>(208,306)</u>	<u>(4,413,918)</u>	<u>(142,430)</u>
Cash flows from financing activities:				
Increase in short-term borrowings	1,400,000	41,741	-	-
Increase in long-term borrowings	10,212,000	304,472	15,774,000	509,003
Redemption of long-term borrowings	(6,155,534)	(183,528)	(4,504,503)	(145,353)
Installment payments for purchase of property, plant and equipment	(1,230,625)	(36,691)	(1,120,553)	(36,159)
Sale and buyback by installment	370,000	11,032	-	-
Increase in long-term accounts payable to related parties	7,656,767	228,287	-	-
Redemption of lease liability	(701,393)	(20,912)	(763,543)	(24,638)
Net cash provided by financing activities	<u>11,551,215</u>	<u>344,401</u>	<u>9,385,401</u>	<u>302,853</u>
Effect of exchange rate changes on cash	<u>-</u>	<u>228</u>	<u>-</u>	<u>8,509</u>
Net increase in cash and cash equivalents	166,655	5,197	3,281,169	114,388
Cash and cash equivalents at beginning of year	3,228,087	98,238	2,956,763	91,145
Cash and cash equivalents at end of year	<u>\$ 3,394,742</u>	<u>103,435</u>	<u>6,237,932</u>	<u>205,533</u>
Additional disclosure of cash flow information:				
Cash payments of interest (excluding capitalized interest expense)	\$ <u>1,086,871</u>	<u>32,405</u>	<u>1,363,886</u>	<u>44,011</u>
Cash payments of income tax	\$ <u>12,163</u>	<u>363</u>	<u>14,165</u>	<u>457</u>
Supplemental schedule of noncash investing and financing activities:				
Current portion of long-term liabilities	\$ <u>12,883,061</u>	<u>392,537</u>	<u>9,690,793</u>	<u>319,301</u>
Convertible bonds converted into common stock	\$ <u>-</u>	<u>-</u>	<u>914,600</u>	<u>29,512</u>
Fixed assets transferred from inventory	\$ <u>-</u>	<u>-</u>	<u>16,636</u>	<u>548</u>
Inventory transferred from fixed assets	\$ <u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
Translation adjustments	\$ <u>57,099</u>	<u>1,595</u>	<u>(3,147,546)</u>	<u>(17,107)</u>
Unrealized gains or losses on financial instruments (including investee)	\$ <u>1,184,508</u>	<u>36,091</u>	<u>30,683</u>	<u>1,011</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Notes to Financial Statements

June 30, 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 June 30, 2009 and 2008, the Company had 4,643 and 4,962 employees, respectively.

2. Summary of Significant Accounting Policies

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

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

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

(a) Use of estimates

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

(b) Foreign currency transactions and translations

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

(Continued)

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

exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NT dollars at foreign exchange rates ruling at the dates the fair value was determined. If the financial assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying non-consolidated statements of income. 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 subsidiary 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. Income statement 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 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 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 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.

(Continued)

EVA AIRWAYS CORP.**Notes to Financial Statements****(e) Classification of current and noncurrent assets and liabilities**

Cash or cash equivalents, 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 non-current.

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 non-current.

(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 trading-purpose financial instruments, 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, interest rate risk, and the risk of fluctuation of fuel for operating 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 no longer are 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 is removed from equity and recognized in 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. In accordance with ROC SFAS No. 23 "Interim Financial Reporting", the Company recognizes investment gains/losses under the equity method quarterly.

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 income. 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 to disposal gain/loss based on the disposal ratio.

(Continued)

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 the original shareholders do not purchase or acquire new shares proportionately, then the investment percentage, and therefore the equity in net assets 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 a company has significant influence, according to Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements”, a parent and its subsidiaries present consolidated financial statements at the end of the half-year and the end of the fiscal year. The Company is required to compile its first- and third-quarter consolidated financial statements.

(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.

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

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

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. Any changes in the useful lives and depreciation method are accounted for as changes in accounting estimates. The useful lives of the 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. In accordance with SFAS No. 37, "Intangible Assets" an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increments revaluation in accordance with the laws, less any accumulated amortization and any accumulated impairment losses. The adoption of the above SFAS principle had no effect on the financial statements of the Company.

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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.

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

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

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

The Company compiles interim financial statements in accordance with ROC SFAS No. 23 “Interim Financial Reporting”. Under SFAS No. 23, the Company is not required to disclose pension information as required under ROC SFAS No. 18 “Accounting for Pensions”.

(q) Revenue recognition

Passenger ticket sales 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.

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

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. For

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

calculation of diluted EPS, the employees' bonuses in stock are included in the calculation of the weighted-average number of shares at market price or net value on the balance sheet date.

3. Reason for and Effect of Accounting Changes

The Company adopted the amended ROC SFAS No.10 "Accounting for Inventories" issued by the Accounting Research and Development Foundation commencing from January 1, 2009. There were no impacts on the financial statements for the six months ended June, 30, 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 six months ended June 30, 2008.

4. Important Accounts

(a) Cash and cash equivalents

The components as of June 30, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Cash on hand	\$ 94,535	2,880	97,261	3,205
Cash in bank	<u>3,300,207</u>	<u>100,555</u>	<u>6,140,671</u>	<u>202,328</u>
	<u>\$ 3,394,742</u>	<u>103,435</u>	<u>6,237,932</u>	<u>205,533</u>

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

The components as of June 30, 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>3,411,019</u>	<u>103,931</u>	<u>2,045,878</u>	<u>67,410</u>

As of June 30, 2009 and 2008, gains on disposal of available-for-sale financial assets—current amounted to NT\$3,899 (US\$116) and NT\$24,331 (US\$785), respectively, which were recorded under gains on sale of investment.

(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.	\$ 174,839	5,327	172,037	5,669
Central Reinsurance Corp.	<u>345,128</u>	<u>10,516</u>	<u>510,257</u>	<u>16,812</u>
	<u>\$ 519,967</u>	<u>15,843</u>	<u>682,294</u>	<u>22,481</u>

For the six months ended June 30, 2009 and 2008, the changes in fair value of available-for-sale financial assets from subsequent remeasurement were NT\$70,434 (US\$2,146) and NT\$244,519 (US\$8,057), respectively, and were recorded as other stockholders' equity adjustments.

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	37,981	1.20	1,246,549	41,072
Evergreen Development Corp.	9.47	870,000	26,508	9.47	870,000	28,666
Abacus International Holding Ltd.	2.11	115,743	3,526	2.11	115,743	3,814
Technology Partner II Venture Capital Corp.	5.88	15,294	466	5.88	20,000	659
Chung Hwa Express Co., Ltd.	10.00	10,000	305	10.00	20,000	659
Pan-Pacific Venture Capital Co., Ltd.	2.30	<u>4,002</u>	<u>122</u>	2.30	<u>5,869</u>	<u>193</u>
		2,261,588	68,908		2,278,161	75,063
Less: accumulated impairment		<u>9,000</u>	<u>274</u>		-	-
Total		<u>\$ 2,252,588</u>	<u>68,634</u>		<u>2,278,161</u>	<u>75,063</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.

Details of selling financial assets carried at cost – noncurrent of the Company for the six months ended June 30, 2008, were as follows:

Unit: thousands of shares

Investee	Shares	2008		Losses on disposal of financial assets carried at cost – noncurrent	
		Cost NT dollars	US dollars	NT dollars	US dollars
Taiwan High Speed Rail Corp.	350	<u>3,451</u>	<u>111</u>	<u>(42)</u>	<u>(1)</u>

There was no such transaction for the six months ended June 30, 2009.

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

As of June 30, 2009 and 2008, the components of derivative financial instruments were as follows:

	Nominal Amount	2009		Nominal Amount	2008	
		NT dollars	US dollars		NT dollars	US dollars
Derivative financial assets:						
Fuel option agreements		\$ -	-		326,638	10,762
Interest rate swap agreements		-	-	NTD 4,100,000 USD 90,000	48,935	1,612
		<u>\$ -</u>	<u>-</u>		<u>375,573</u>	<u>12,374</u>
Derivative financial liabilities:						
Fuel option agreements		\$ 1,638,682	49,930		161,082	5,307
Interest rate swap agreements	USD40,000	<u>11,775</u>	<u>359</u>		<u>-</u>	<u>-</u>
		<u>\$ 1,650,457</u>	<u>50,289</u>		<u>161,082</u>	<u>5,307</u>

Details of derivative financial assets and liabilities as of June 30, 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>-</u>	<u>-</u>	<u>372,072</u>	<u>12,259</u>
Financial assets at fair value through profit or loss — noncurrent	<u>-</u>	<u>-</u>	<u>3,501</u>	<u>115</u>
Financial liabilities at fair value through profit or loss — current	<u>1,581,415</u>	<u>48,185</u>	<u>14,750</u>	<u>486</u>
Financial liabilities at fair value through profit or loss — noncurrent	<u>69,042</u>	<u>2,104</u>	<u>146,332</u>	<u>4,821</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(c) Inventories

The components as of June 30, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft spare parts	\$ 9,035,097	275,292	10,489,176	345,607
Consumables for use and merchandise for sale during flight	381,523	11,625	417,263	13,748
Fuel for aircraft	56,915	1,734	61,595	2,030
Less: allowance for obsolete inventories	<u>(858,091)</u>	<u>(26,145)</u>	<u>(1,395,468)</u>	<u>(45,979)</u>
	<u>\$ 8,615,444</u>	<u>262,506</u>	<u>9,572,566</u>	<u>315,406</u>

As of June 30, 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	240,625	7,174	554,643	17,897
Write-off	(132,755)	(3,958)	(292,187)	(9,428)
Effect of exchange rate	-	98	-	2,584
Ending balance	<u>\$ 858,091</u>	<u>26,145</u>	<u>1,395,468</u>	<u>45,979</u>

As of June 30, 2009 and 2008, the Company had recognized related losses on inventories as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Losses on inventories obsolescence	<u>\$ 240,625</u>	<u>7,174</u>	<u>554,643</u>	<u>17,897</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(d) Long-term equity investments under equity method

Details as of and for the six months ended June 30, 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	\$ 535,663	16,321	35,370	1,055
RTW Air Services (S) Pte. Ltd.	49.00	18,656	569	(2,782)	(83)
Green Siam Air Services Co., Ltd.	49.00	19,148	584	3,106	93
Evergreen Sky Catering Corp.	49.80	793,629	24,181	35,221	1,050
Evergreen Airways Service (Macau) Ltd.	99.00	143,199	4,363	(28,028)	(836)
Uni Airways Corp.	15.67	429,299	13,080	27,903	832
Evergreen Aviation Technologies Corp.	80.00	4,397,872	134,000	143,296	4,272
Evergreen Security Corp.	31.25	71,772	2,187	7,790	232
Evergreen Air Cargo Services Corp.	60.00	899,342	27,402	(32,219)	(961)
Hsiang-Li Investment Corp.	100.00	37,127	1,131	(195)	(6)
PT Perdana Andalan Air Service	51.00	67,644	2,061	(1,211)	(36)
Sky Castle Investment Ltd.	100.00	286,308	8,724	15,739	469
Concord Pacific Ltd.	100.00	(86,574)	(2,638)	(334,441)	(9,970)
		\$ 7,613,085	231,965	(130,451)	(3,889)
Add: recorded as reduction of account / other receivables—related parties		86,574	2,638		
		\$ 7,699,659	234,603		

Investee	Shareholding percentage (%)	2008		Investment income (loss)	
		Book value		NT dollars	US dollars
		NT dollars	US dollars		
Evergreen Airline Services Corp.	56.33	\$ 461,712	15,213	15,701	507
RTW Air Services (S) Pte. Ltd.	49.00	22,774	750	1,080	35
Green Siam Air Services Co., Ltd.	49.00	22,097	728	7,746	250
Evergreen Sky Catering Corp.	49.80	709,738	23,385	38,202	1,233
Evergreen Airways Service (Macau) Ltd.	99.00	373,680	12,312	57,458	1,854
Uni Airways Corp.	26.56	333,772	10,998	(146,728)	(4,735)
Evergreen Aviation Technologies Corp.	80.00	4,044,710	133,269	189,537	6,116
Evergreen Security Corp.	31.25	59,192	1,950	5,515	178
Evergreen Air Cargo Services Corp.	60.00	923,268	30,421	(1,879)	(61)
Hsiang-Li Investment Corp.	100.00	99,634	3,283	9,296	300
PT Perdana Andalan Air Service	49.00	59,132	1,948	1,971	63
Sky Castle Investment Ltd.	100.00	235,681	7,766	14,196	458
Concord Pacific Ltd.	100.00	115,517	3,806	(186,384)	(6,014)
		\$ 7,460,907	245,829	5,711	184

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

Details of increases in long-term equity investments under the equity method of the Company for the six months ended June 30, 2009 and 2008, were as follows:

Unit: thousands of shares

Investee	2009			2008		
	Shares	NT dollars	US dollars	Shares	NT dollars	US dollars
Concord Pacific Ltd.	7,500	\$ 252,750	7,536	9,600	296,064	9,554
Uni Airways Corp.	-	-	-	27,306	114,686	3,701
Sky Castle Investment Ltd.	-	-	-	500	15,355	495
	<u>7,500</u>	<u>\$ 252,750</u>	<u>7,536</u>	<u>37,406</u>	<u>426,105</u>	<u>13,750</u>

On May 12, 2008, Hsiang-Li Investment Corp. decreased issued stock by 42%, and the Company withdrew NT\$420,000 (US\$13,553) in cash in proportion to the Company's ownership percentage.

On June 20, 2008, Hsiang-Li Investment Corp. decreased issued stock by 20.69%, and the Company withdrew NT\$120,000 (US\$3,872) in cash in proportion to the Company's ownership percentage.

(e) Property, plant and equipment

For the six months ended June 30, 2009 and 2008, the Company capitalized the interest expenses on purchase of assets amounting to NT\$71,991 (US\$2,146) and NT\$187,712 (US\$6,057), respectively. The monthly interest rates on the above transactions were 0.14%~0.20% and 0.25%~0.27%, respectively.

(f) Leased assets

The details were as follows:

Lease item	Lessor	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	\$ 6,215,826	189,391	5,748,030	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	10,330,540	314,764	9,553,074	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	21,255	648	46,638	1,537
Computer	IBM	2009.5.25~	The rent is payable monthly, and the	50,555	1,540	-	-

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

Lease item	Lessor	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
equipment		2014.6.24	lease transfers ownership of the leased property by the end of the lease term				
				16,618,176	506,343	15,347,742	505,692
Less: accumulated depreciation				<u>(2,089,578)</u>	<u>(63,668)</u>	<u>(803,810)</u>	<u>(26,485)</u>
				<u>\$ 14,528,598</u>	<u>442,675</u>	<u>14,543,932</u>	<u>479,207</u>

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 June 30, 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
July 1, 2008~June 30, 2009	\$ -	-	2,070,691	68,227
July 1, 2009~June 30, 2010	2,117,705	64,525	2,036,969	67,116
July 1, 2010~June 30, 2011	2,094,511	63,818	2,013,775	66,352
July 1, 2011~June 30, 2012	2,071,812	63,126	1,991,076	65,604
July 1, 2012~June 30, 2013	2,048,125	62,405	1,967,389	64,823
July 1, 2013~June 30, 2014	2,024,931	61,698	1,944,195	64,059
And after	<u>7,503,208</u>	<u>228,617</u>	<u>7,332,778</u>	<u>241,607</u>
Book value	17,860,292	544,189	19,356,873	637,788
Less: unrealized interest expenses	<u>(3,354,214)</u>	<u>(102,200)</u>	<u>(3,964,510)</u>	<u>(130,626)</u>
Present value	14,506,078	441,989	15,392,363	507,162
Less: current portion	<u>(1,434,667)</u>	<u>(43,713)</u>	<u>(1,350,148)</u>	<u>(44,486)</u>
	<u>\$ 13,071,411</u>	<u>398,276</u>	<u>14,042,215</u>	<u>462,676</u>

(g) Deferred charges

As of June 30, 2009 and 2008, deferred charges, net of amortization, consisted of the following:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Leasehold improvements	\$ 2,440,630	74,364	2,764,856	91,099
Major overhaul for aircraft and engines	1,819,985	55,453	2,124,832	70,011
Others	<u>354,557</u>	<u>10,803</u>	<u>448,049</u>	<u>14,763</u>
	<u>\$ 4,615,172</u>	<u>140,620</u>	<u>5,337,737</u>	<u>175,873</u>

(h) Short-term borrowings

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

The components as of June 30, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Unsecured loans	\$ <u>3,700,000</u>	<u>112,736</u>	<u>-</u>	<u>-</u>

The interest expense on the aforementioned short-term borrowings and commercial paper payable is calculated based on floating interest rates. For the six months ended June 30, 2009, the interest rates were 0.90%~1.69%. As of June 30, 2009 and 2008, the unused credit line amounted to approximately NT\$1,519,916 (US\$46,311) and NT\$5,270,766 (US\$173,666), respectively.

(i) Long-term borrowings

As of June 30, 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	0.92~2.96	\$ <u>1,885,714</u>	<u>57,456</u>	2.67~3.06	<u>2,400,000</u>	<u>79,077</u>
Aircraft						
NT\$ loans	0.95~2.73	<u>41,049,488</u>	<u>1,250,746</u>	2.70~2.93	<u>37,884,043</u>	<u>1,248,239</u>
		<u>41,049,488</u>	<u>1,250,746</u>		<u>37,884,043</u>	<u>1,248,239</u>
Simulators						
US\$ loans		-	-	3.24~5.81	67,128	2,212
Engines						
NT\$ loans	2.36~2.36	<u>1,650,000</u>	<u>50,274</u>		<u>-</u>	<u>-</u>
		<u>1,650,000</u>	<u>50,274</u>		<u>67,128</u>	<u>2,212</u>
Subtotal		<u>44,585,202</u>	<u>1,358,476</u>		<u>40,351,171</u>	<u>1,329,528</u>
Unsecured loans:	1.07~3.02	<u>9,477,887</u>	<u>288,784</u>	2.01~3.34	<u>11,719,833</u>	<u>386,156</u>
Total		<u>54,063,089</u>	<u>1,647,260</u>		<u>52,071,004</u>	<u>1,715,684</u>
Less: current portion		<u>(9,736,361)</u>	<u>(296,659)</u>		<u>(9,190,793)</u>	<u>(302,827)</u>
		\$ <u>44,326,728</u>	<u>1,350,601</u>		<u>42,880,211</u>	<u>1,412,857</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

As of June 30, 2009, the remaining balances of the borrowings were due as follows:

Year due	NT dollars	US dollars
July 1, 2009~June 30, 2010	\$ 9,736,361	296,659
July 1, 2010~June 30, 2011	10,193,108	310,576
July 1, 2011~June 30, 2012	6,981,508	212,721
July 1, 2012~June 30, 2013	5,407,663	164,767
July 1, 2013~June 30, 2014	4,864,140	148,207
And after	<u>16,880,309</u>	<u>514,330</u>
	\$ <u>54,063,089</u>	<u>1,647,260</u>

As of June 30, 2009 and 2008, the unused credit lines for long-term borrowings amounted to NT\$0 (US\$0) and NT\$5,600,000 (US\$184,514), respectively. The pledge for these long-term borrowings is disclosed in note 6.

(j) Bonds payable

Details of bonds payable as of June 30, 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	16,474
Bonds payable	Land Bank		2.25%	2004.07	500,000	15,235	500,000	16,474
	Chang Hwa Bank		2.25%	2004.07	500,000	15,235	500,000	16,474
	Taipei Fubon Bank		2.25%	2004.07	500,000	15,235	500,000	16,474
Bonds payable	Bank of Taiwan		2.11%	2005.01	500,000	15,235	500,000	16,474
	Taiwan Cooperative Bank		2.11%	2005.01	500,000	15,235	500,000	16,474
Bonds payable	Far-Eastern International Bank		1.85%	2005.08	500,000	15,235	500,000	16,474
	Shanghai Commercial & Savings Bank		1.85%	2005.08	500,000	15,235	500,000	16,474
	Chinatrust Commercial Bank		1.85%	2005.08	600,000	18,280	600,000	19,771
	Hua Nan Bank		1.85%	2005.08	500,000	15,235	500,000	16,474
Bonds payable	Cathay United Bank		2.08%	2006.01	2,000,000	60,937	2,000,000	65,900
Bonds payable	Hua Nan Bank		2.29%	2006.07	500,000	15,235	500,000	16,474
	Taipei Fubon Bank		2.29%	2006.07	500,000	15,235	500,000	16,474
	Bank of Taiwan		2.29%	2006.07	500,000	15,235	500,000	16,474
	Taiwan Cooperative Bank		2.29%	2006.07	500,000	15,235	500,000	16,474
Convertible bonds payable			0.00%	2004.08	<u>646,700</u>	<u>19,703</u>	<u>646,700</u>	<u>21,310</u>
Subtotal					9,246,700	281,740	9,746,700	321,143
Less: current portion					<u>(3,146,700)</u>	<u>(95,878)</u>	<u>(500,000)</u>	<u>(16,474)</u>
					\$ <u>6,100,000</u>	<u>185,862</u>	<u>9,246,700</u>	<u>304,669</u>

(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. As of June 30, 2009, the conversion price had changed from NT\$13.51 to NT\$10.81.

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(k) Aircraft payable

The Company purchased aircraft by installments. As of June 30, 2009 and 2008, the details were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft payable	\$ 11,023,116	335,866	12,409,100	408,867
Less: current portion	<u>(2,453,643)</u>	<u>(74,761)</u>	<u>(2,215,573)</u>	<u>(73,001)</u>
	\$ <u>8,569,473</u>	<u>261,105</u>	<u>10,193,527</u>	<u>335,866</u>

The current portion of aircraft payable was recorded as other payables. As of June 30, 2009, the remaining balances of aircraft payable were due as follows:

Year due	NT dollars	US dollars
July 1, 2009~June 30, 2010	\$ 2,453,643	74,761
July 1, 2010~June 30, 2011	2,258,061	68,801
July 1, 2011~June 30, 2012	1,734,501	52,849
July 1, 2012~June 30, 2013	1,423,200	43,364
July 1, 2013~June 30, 2014	1,133,885	34,549
And after	<u>2,019,826</u>	<u>61,542</u>
	\$ <u>11,023,116</u>	<u>335,866</u>

The interest expenses of the aforementioned aircraft payable are calculated based on floating interest rates. For the six months ended June 30, 2009 and 2008, the average interest rates were 1.10%~6.77% and 2.71%~6.77%, respectively. The pledges for the aircraft payable are disclosed in note 6.

(l) Retirement plans

As of and for the six months ended June 30, 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	\$ 2,139,758	65,197	1,927,528	63,510
Periodic pension cost:				
Defined benefit pension plan cost	84,158	2,509	136,956	4,419
Defined contribution pension plan cost	55,178	1,645	54,710	1,766
Accrued employee retirement liabilities	117,713	3,587	560,470	18,467

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(m) Income tax

- (1) For the six months ended June 30, 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	\$ (10,330)	(308)	(21,507)	(694)
Income tax benefits — deferred	<u>901,698</u>	<u>26,884</u>	<u>-</u>	<u>-</u>
	<u>\$ 891,368</u>	<u>26,576</u>	<u>(21,507)</u>	<u>(694)</u>

The deferred income tax benefits were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Loss carryforwards	\$ 1,302,465	38,833	1,196,009	38,593
Investment tax credits	433,002	12,910	351,549	11,344
Unrealized exchange losses	1,998	59	28,691	926
Purchase of fixed assets in installments, adjusted for tax purposes	(11,440)	(341)	(65)	(2)
Provision (reversal) for loss on inventory market price decline	11,218	334	65,614	2,117
Unrealized gains on financial instruments	(818,416)	(24,401)	(11,438)	(369)
Effect of change in income tax rate on valuation allowance for deferred income tax assets	(1,371,765)	(40,899)	-	-
Other	(32,641)	(973)	(11,113)	(358)
Valuation allowance for deferred income tax assets	<u>1,387,277</u>	<u>41,362</u>	<u>(1,619,247)</u>	<u>(52,251)</u>
	<u>\$ 901,698</u>	<u>26,884</u>	<u>-</u>	<u>-</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

- (2) The Company is subject to ROC income tax at a maximum rate of 25%. The Company was subject to the "Income Basic Tax Act". According to the new announcement of revised ROC Income Tax Act on May 27, 2009, the Company would be subject to income tax rate of 20% commencing 2010. The differences between expected income tax benefit at statutory rates and income tax benefit (expense) as reported in the accompanying financial statements for the six months ended June 30, 2009 and 2008, were as follows:

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Income tax benefits calculated on pre-tax financial income at statutory income tax rate of 25%	\$ 643,498	19,186	1,486,472	47,966
Gains on disposal of investments	975	29	6,069	196
Investment income (loss) recognized under equity method – unrealized	(32,613)	(972)	1,428	46
Dividend income	(11,814)	(352)	24,015	775
Permanent difference in depreciation expenses	(34,593)	(1,031)	27,130	875
Exchange losses recorded as translation adjustments	4,968	148	(15,329)	(495)
Increase in investment tax credits	406,155	12,110	325,973	10,519
Effect of change in statutory income tax rate	(1,445,502)	(43,098)	-	-
Others	(26,983)	(806)	(258,018)	(8,326)
Valuation allowance for deferred income tax assets	<u>1,387,277</u>	<u>41,362</u>	<u>(1,619,247)</u>	<u>(52,250)</u>
	<u>\$ 891,368</u>	<u>26,576</u>	<u>(21,507)</u>	<u>(694)</u>

- (3) The components of the deferred income tax assets (liabilities) as of June 30, 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	\$ 2,583,850	78,728	516,770	15,745	1,395,468	45,979	348,867	11,495
Unused investment tax credits	375,313	11,436	375,313	11,436	375,314	12,366	375,314	12,366
Unrealized loss (gain) on financial instruments	1,546,370	47,110	309,274	9,423	(214,491)	(7,067)	(53,623)	(1,767)
Unrealized exchange losses	57,641	1,756	11,528	351	111,376	3,670	27,844	917
Others	131,575	4,009	<u>26,315</u>	<u>802</u>	131,576	4,335	<u>32,894</u>	<u>1,084</u>
			1,239,200	37,757			731,296	24,095
Less: Valuation allowance for deferred income tax assets			<u>(892,083)</u>	<u>(27,181)</u>			<u>(375,314)</u>	<u>(12,366)</u>
Deferred income tax assets, net – current			<u>347,117</u>	<u>10,576</u>			<u>355,982</u>	<u>11,729</u>
Deferred income tax assets (liabilities) – noncurrent								
Unused investment tax credits	\$ 2,832,709	86,310	2,832,709	86,310	1,803,993	59,440	1,803,993	59,440
Purchase of fixed assets in installments, adjusted for tax purposes	3,119,870	95,060	623,974	19,012	3,154,448	103,936	788,612	25,984
Unused losses carryforwards	20,809,823	634,059	4,161,963	126,812	10,641,630	350,630	2,660,407	87,658
Unrealized loss on financial instruments	2,473,663	75,371	494,732	15,074	-	-	-	-
Other	(1,100,580)	33,534	<u>(220,116)</u>	<u>(6,707)</u>	3,526,196	116,184	<u>881,549</u>	<u>29,045</u>
			7,893,262	240,501			6,134,561	202,127
Less: Valuation allowance for deferred income tax assets			<u>(4,410,324)</u>	<u>(134,379)</u>			<u>(3,533,632)</u>	<u>(116,429)</u>
Deferred income tax assets, net – noncurrent			<u>3,482,938</u>	<u>106,122</u>			<u>2,600,929</u>	<u>85,698</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 June 30, 2009, unused investment tax credits available to the Company were as follows:

Year granted	Unused investment tax credits		Expiry year
	NT dollars	US dollars	
2005	\$ 375,313	11,436	2009
2006	259,139	7,896	2010
2007	1,218,881	37,138	2011
2008	948,533	28,901	2012
2009	<u>406,156</u>	<u>12,375</u>	2013
	\$ <u>3,208,022</u>	<u>97,746</u>	

- (5) As of June 30, 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	85,068	2016
2007	1,943,785	59,225	2017
2008	10,134,942	308,804	2018
2009	<u>5,939,164</u>	<u>180,962</u>	2019
	\$ <u>20,809,823</u>	<u>634,059</u>	

- (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>(18,553,443)</u>	<u>(585,252)</u>	<u>(5,967,395)</u>	<u>(192,559)</u>
	\$ <u>(18,553,443)</u>	<u>(585,252)</u>	<u>(5,967,395)</u>	<u>(192,559)</u>
ICA	\$ <u>899,218</u>	<u>27,398</u>	<u>754,850</u>	<u>24,871</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

	2008	2007
Creditable ratio for earnings distribution to domestic shareholders	<u>-</u> (actual)	<u>-</u> (actual)

(n) Stockholders' equity

(1) Common stock

As of June 30, 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 3,942,677 thousand shares were issued and outstanding.

For the six months ended June 30, 2008, convertible bonds of NT\$914,600 (US\$29,512) thousand had been 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.

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

The details of capital surplus as of June 30, 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	\$ 2,514,333	83,975	2,514,333	83,975
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 the investee company issuing new shares and the Company not purchasing proportionately	50,318	1,531	-	-
Increase in net equity due to change in percentage of ownership in long-term investments under equity method	229,718	7,297	232,813	6,765
Donated assets	<u>648,480</u>	<u>20,588</u>	<u>649,376</u>	<u>21,243</u>
	\$ <u>4,866,760</u>	<u>157,445</u>	<u>4,820,433</u>	<u>156,037</u>

(Continued)

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

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 and appropriation of legal reserve, and must be accounted for as a reduction of retained earnings.

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 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\$511,883). Therefore, the Company will not appropriate stockholders’ bonuses, employees’ bonuses, and directors’ and supervisors’ remuneration. In addition, on April 24, 2009, the board of directors resolved to issue common stock of NT\$7,000,000 (US\$213,285) after capital reduction in order to improve the Company’s financial structure.

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.

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(o) Earnings per share

For the six months ended June 30, 2009 and 2008, earnings per share were calculated as follows:

	Dollars		NT dollars	Earnings per Share		Dollars		US dollars	Earnings per Share	
	Before	After	2009	Before	After	Before	After	2009	Before	After
	Income	Income	Shares	Income	Income	Income	Income	Shares	Income	Income
	Tax	Tax		Tax	Tax	Tax	Tax		Tax	Tax
Basic earnings per share	\$ <u>(2,573,991)</u>	<u>(1,682,623)</u>	<u>3,942,677</u>	\$ <u>(0.65)</u>	<u>(0.43)</u>	<u>(76,744)</u>	<u>(50,168)</u>	<u>3,942,677</u>	<u>(0.02)</u>	<u>(0.01)</u>

	Dollars		NT dollars	Earnings per Share		Dollars		US dollars	Earnings per Share	
	Before	After	2008	Before	After	Before	After	2008	Before	After
	Income	Income	Shares	Income	Income	Income	Income	Shares	Income	Income
	Tax	Tax		Tax	Tax	Tax	Tax		Tax	Tax
Basic earnings per share	\$ <u>(5,945,888)</u>	<u>(5,967,395)</u>	<u>3,911,289</u>	\$ <u>(1.52)</u>	<u>(1.53)</u>	<u>(191,865)</u>	<u>(192,559)</u>	<u>3,911,289</u>	<u>(0.05)</u>	<u>(0.05)</u>

(p) Hedge accounting

(1) Cash flow hedging

The Company holds floating rate assets and obligations. The future cash flows of assets and liabilities fluctuate according to floating market rates. This results in risk. The Company evaluates the risk as significant; thus, it has hedged the risk by signing interest rate swap agreements.

The Company needs fuel for operating. The future cash flows for fuel fluctuate according to floating market prices. This results in risk. The Company evaluates the risk as significant; thus, it has hedged the risk by signing fuel option agreements.

As of June 30, 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	\$ -	-	(5,140)	(169)	2004~2009	Derivative financial liabilities for hedge purposes – current
Floating price of fuel	Fuel option agreements	(2,369,576)	(72,199)	-	-	2009~2010	Derivative financial liabilities for hedge purposes – current

As of June 30, 2009 and 2008, the unrealized valuation loss on financial instruments due to hedging of cash flow amounted to NT\$2,369,576 (US\$72,199) and NT\$5,140 (US\$169), respectively, recorded under stockholders' equity.

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

(q) Disclosure of financial instruments

(1) Fair value of financial instruments

The details of financial instruments as of June 30, 2009 and 2008, were as follows:

	2009					
	NT dollars			US dollars		
	Book value	Fair value Public quote value	Assessment value	Book value	Fair value Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	\$ 3,394,742	-	3,394,742	103,435	-	103,435
Notes and accounts receivable (including receivables from related parties)	5,560,506	-	5,560,506	169,424	-	169,424
Other receivables (including receivables from related parties)	145,068	-	145,068	4,421	-	4,421
Available-for-sale financial assets—current	3,411,019	3,411,019	-	103,931	103,931	-
Available-for-sale financial assets—noncurrent	519,967	519,967	-	15,843	15,843	-
Financial assets carried at cost—noncurrent	2,252,588	-	-	68,634	-	-
Financial liabilities:						
Short-term borrowings	3,700,000	-	3,700,000	112,736	-	112,736
Notes and accounts payable (including payables to related parties)	1,904,971	-	1,904,971	58,043	-	58,043
Accrued expenses	5,060,944	-	5,060,944	154,203	-	154,203
Other payables (including payables to related parties)	3,553,868	-	3,553,868	108,284	-	108,284
Current portion of long-term liabilities	12,883,061	-	12,883,061	392,537	-	392,537
Bonds payable	6,100,000	-	5,949,665	185,862	-	181,282
Long-term borrowings	44,326,728	-	44,326,728	1,350,601	-	1,350,601
Other liabilities	296,000	-	282,457	9,019	-	8,606
Aircraft payable	8,569,473	-	8,569,473	261,105	-	261,105
Lease liability	14,506,078	-	14,506,078	441,989	-	441,989
Long-term accounts payable—related parties	6,756,767	-	6,756,767	205,873	-	205,873
Interest rate swap agreements	11,775	-	11,775	359	-	359
Fuel option agreements	4,008,258	-	4,008,258	122,129	-	122,129
Off-balance-sheet financial instruments:						
Letters of credit	-	-	896,807	-	-	27,325

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

	2008					
	Book value	NT dollars Fair value		Book value	US dollars Fair value	
		Public quote value	Assessment value		Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	\$ 6,237,932	-	6,237,932	205,533	-	205,533
Notes and accounts receivable (including receivables from related parties)	7,683,806	-	7,683,806	253,173	-	253,173
Other receivables (including receivables from related parties)	811,127	-	811,127	26,726	-	26,726
Available-for-sale financial assets—current	2,045,878	2,045,878	-	67,410	67,410	-
Available-for-sale financial assets—noncurrent	682,294	682,294	-	22,481	22,481	-
Financial assets carried at cost—noncurrent	2,278,161	-	-	75,063	-	-
Interest rate swap agreements	48,935	-	48,935	1,612	-	1,612
Fuel option agreements	326,638	-	326,638	10,762	-	10,762
Financial liabilities:						
Notes and accounts payable (including payables to related parties)	2,577,288	-	2,577,288	84,919	-	84,919
Accrued expenses	7,773,489	-	7,773,489	256,128	-	256,128
Other payables (including payables to related parties)	2,330,358	-	2,330,358	76,783	-	76,783
Current portion of long-term liabilities	9,690,793	-	9,690,793	319,301	-	319,301
Bonds payable	9,246,700	-	8,607,121	304,669	-	283,595
Long-term borrowings	42,880,211	-	42,880,211	1,412,857	-	1,412,857
Aircraft payable	10,193,527	-	10,193,527	335,866	-	335,866
Lease liability	15,392,363	-	15,392,363	507,162	-	507,162
Interest rate swap agreements	5,140	-	5,140	169	-	169
Fuel option agreements	161,082	-	161,082	5,307	-	5,307
Off-balance-sheet financial instruments:						
Letters of credit	-	-	821,161	-	-	27,056

(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, accrued expenses, and other payables (including related parties), are within one year of the balance sheet date, 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 fair value of bonds payable, long-term borrowings, aircraft payable, other liabilities, long-term accounts payable—related parties, and lease liability is the discounted future cash flows, and the discount rates during the six months ended June 30, 2009 and 2008, were 0.92%~6.93% and 1.18%~6.93% p.a., respectively.
 - iv) The fair value of letters of credit and financing guaranty is based on the contract.
- (3) For the six months ended June 30, 2009 and 2008, the evaluation gain or loss on financial assets at fair value through profit amounted to gains of NT\$723,193 (US\$21,562) and NT\$558,512 (US\$18,022), respectively.
- (4) Disclosure of financial risks

(i) Market risk

As of June 30, 2009 and 2008, the bonds payable with the risk arising from floating interest rates amounted to NT\$8,970,000 (US\$273,309) and NT\$8,600,000 (US\$283,359), respectively.

The Company's bonds payable carried a fixed interest rate. If the market interest rate were to increase by 1%, the fair value of bonds payable would decrease by approximately NT\$83,089 (US\$2,532).

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.

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.

(iii) Liquidity risk

(Continued)

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

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

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

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

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

As of June 30, 2009 and 2008, the financial liabilities with the risk arising from floating interest rates amounted to NT65,419,856 (US\$1,993,292) and NT52,571,004 (US\$1,732,158), respectively.

The Company's short-term and long-term borrowings carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rate and thereby influences the Company's future cash flow. As of June 30, 2009 and 2008, if the market interest rate were to increase by 1%, the Company's future cash outflow would increase by approximately NT\$327,099 (US\$9,753) and NT\$262,855 (US\$8,482), respectively.

5. Transactions with Related Parties

(a) Name and relationship of related parties

Name	Relationship with the Company
Evergreen Marine Corp.	Major shareholder
Evergreen International Corp.	Major shareholder
Falcon Investment Services Ltd.	Major shareholder
Evergreen Airline Services Corp.	Subsidiary
RTW Air Services (S) Pte. Ltd.	Subsidiary
Green Siam Air Services Co., Ltd.	Subsidiary
Evergreen Sky Catering Corp.	Subsidiary
Evergreen Aviation Technologies Corp.	Subsidiary
Evergreen Air Cargo Services Corp.	Subsidiary

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

Name	Relationship with the Company
Hsiang-Li Investment Corp.	Subsidiary
Evergreen Airways Service (Macau) Ltd.	Subsidiary
PT Perdana Andalan Air service	Subsidiary
Evergreen International Storage & Transport Corp.	Investee company of the Company's major shareholders
Uni Airways Corp.	Investee company accounted for by equity method
Evergreen Security Corp.	Investee company accounted for by equity method
Shanghai Airlines Cargo International Co., Ltd.	Investee company of a Company subsidiary
Evergreen Reinsurance Company Limited	Investee company of the Company's major shareholders
Evergreen International S.A.	Investee company of the Company's major shareholders
Greencompass Marine S.A.	Investee company of the Company's major shareholders

(b) Significant transactions with related parties

(1) Revenue, cost and expenses

During the six months ended June 30, 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.	\$ 209,440	6,244	0.64	197,400	6,370	0.43
Uni Airways Corp.	125,762	3,750	0.39	26,398	852	0.06
Shanghai Airlines Cargo International Co., Ltd.	44,926	1,339	0.14	42,544	1,373	0.09
Evergreen International Corp.	11,131	332	0.03	18,441	595	0.04
Green Siam Air Services Co., Ltd.	1,537	46	0.01	1,432	46	-
Evergreen Air Cargo Services Corp.	477	14	-	10,206	329	0.02
Evergreen Marine Corp.	375	11	-	18,090	584	0.04
Others	558	17	-	4,793	154	0.01
	<u>\$ 394,206</u>	<u>11,753</u>	<u>1.21</u>	<u>319,304</u>	<u>10,303</u>	<u>0.69</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

Uni Airways Corp. leased aircraft from the Company in order to operate cross-strait schedule 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.	\$ 1,450,968	43,261	4.52	1,821,850	58,788	3.76
Evergreen Sky Catering Corp.	448,165	13,362	1.40	431,350	13,919	0.89
Evergreen Airline Services Corp.	422,443	12,595	1.32	455,355	14,694	0.94
Uni Airways Corp.	327,147	9,754	1.02	328,819	10,610	0.68
Evergreen Air Cargo Services Corp.	90,490	2,698	0.28	145,364	4,691	0.30
Shanghai Airlines Cargo International Co., Ltd.	53,835	1,605	0.17	8,732	282	0.02
Evergreen International Storage & Transport Corp.	32,320	964	0.10	32,965	1,064	0.07
Others	<u>130,852</u>	<u>3,901</u>	<u>0.41</u>	<u>132,239</u>	<u>4,267</u>	<u>0.27</u>
	\$ <u>2,956,220</u>	<u>88,140</u>	<u>9.22</u>	<u>3,356,674</u>	<u>108,315</u>	<u>6.93</u>

Expenses	2009			2008		
	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen International Corp.	\$ 60,642	1,808	2.20	65,558	2,115	1.93
Green Siam Air Services Co., Ltd.	26,828	800	0.97	46,254	1,493	1.36
Uni Airways Corp.	21,020	627	0.76	13,311	430	0.39
Evergreen Security Corp.	20,046	598	0.73	19,690	635	0.58
Evergreen Airline Services Corp.	13,632	406	0.49	13,615	439	0.40
Evergreen International Storage & Transport Corp.	11,403	340	0.41	9,671	312	0.28
PT Perdana Andalan Air Service	10,744	320	0.39	14,895	481	0.44
RTW Air Services (S) Pte. Ltd.	8,513	254	0.31	17,758	573	0.52
Evergreen Aviation Technologies Corp.	5,468	163	0.20	7,943	256	0.23
Evergreen Sky Catering Corp.	4,473	133	0.16	10,932	353	0.32
Others	<u>491</u>	<u>15</u>	<u>0.02</u>	<u>671</u>	<u>22</u>	<u>0.02</u>
	\$ <u>183,260</u>	<u>5,464</u>	<u>6.64</u>	<u>220,298</u>	<u>7,109</u>	<u>6.47</u>

The Company sold spare parts to Evergreen Aviation Technologies Corp. amounting to NT\$113,508 (US\$3,459) and NT\$92,908 (US\$3,061) for the six months ended June 30, 2009 and 2008, respectively.

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

The details of financing from related parties were as follows:

	Term	Maximum balance		Ending balance		Interest Rate	Interest Expense		Interest Payable	
		NT dollars	US dollars	NT dollars	US dollars		NT dollars	US dollars	NT dollars	US dollars
Other payable—related parties:										
Evergreen International Corp.	2009.5.7-2010.3.29	\$ 900,000	27,422	900,000	27,422	Floating Interest rate	2,034	61	-	-
Long term accounts payable—related parties:										
Falcon Investment Services Ltd.	2009.1.15-2014.1.15	2,659,200	81,024	2,659,200	81,024	Floating Interest rate	26,937	803	3,535	108
Evergreen International S.A.	2009.4.3-2014.5.6	1,650,992	50,305	1,650,992	50,304	Floating Interest rate	8,045	240	2,178	66
Greencompass Marine S.A.	2009.4.3-2014.5.6	667,100	20,326	667,100	20,326	Floating Interest rate	2,799	83	883	27
Evergreen Reinsurance Company Ltd.	2009.4.3-2014.5.6	1,779,475	54,219	<u>1,779,475</u>	<u>54,219</u>	Floating Interest rate	<u>7,883</u>	<u>235</u>	<u>2,354</u>	<u>72</u>
				<u>\$ 7,656,767</u>	<u>233,295</u>		<u>47,698</u>	<u>1,422</u>	<u>8,950</u>	<u>273</u>

The abovementioned interest payables are recorded under other payables—related parties.

- (2) 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 June 30, 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:				
Evergreen Aviation Technologies Corp.	\$ 68,800	2,096	72,312	2,382
Uni Airways Corp.	55,504	1,691	19,918	656
Shanghai Airlines Cargo International Co., Ltd	28,042	854	22,662	747
Evergreen International Corp.	2,937	90	6,012	198
Others	<u>181</u>	<u>6</u>	<u>8,857</u>	<u>292</u>
	<u>155,464</u>	<u>4,737</u>	<u>129,761</u>	<u>4,275</u>
Less: credit to long-term equity investments under equity method	<u>(4,718)</u>	<u>(144)</u>	<u>-</u>	<u>-</u>
	<u>150,746</u>	<u>4,593</u>	<u>129,761</u>	<u>4,275</u>
Other receivables—related parties:				
Shanghai Airlines Cargo International Co., Ltd	81,856	2,494	29,896	985
Uni Airways Corp.	21,451	654	27,283	899
Evergreen Aviation Technologies Corp.	5,994	183	14,155	467
Others	<u>2,247</u>	<u>68</u>	<u>4,101</u>	<u>135</u>
	<u>111,548</u>	<u>3,399</u>	<u>75,435</u>	<u>2,486</u>
Less: credit to long-term equity investments under equity method	<u>(81,856)</u>	<u>(2,494)</u>	<u>-</u>	<u>-</u>
	<u>29,692</u>	<u>905</u>	<u>75,435</u>	<u>2,486</u>
Total receivables—related parties	<u>\$ 180,438</u>	<u>5,498</u>	<u>205,196</u>	<u>6,761</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

	2009		2008	
	NT dollars	US dollars	NT dollars	US dollars
Accounts payable – related parties:				
Evergreen Aviation Technologies Corp.	\$ 518,482	15,798	387,897	12,781
Evergreen Airline Services Corp.	145,419	4,431	147,662	4,865
Evergreen Sky Catering Corp.	136,208	4,150	72,408	2,386
Uni Airways Corp.	42,200	1,286	76,849	2,532
Evergreen Air Cargo Services Corp.	33,292	1,014	43,115	1,421
Green Siam Air Services Co, Ltd.	13,417	409	18,180	599
Evergreen International Storage & Transport Corp.	10,421	317	10,153	334
Shanghai Airlines Cargo International Co., Ltd	9,184	280	8,732	288
Evergreen International Corp.	7,803	238	7,072	233
RTW Air Services (S) Pte Ltd.	3,396	103	5,645	186
Others	<u>5,442</u>	<u>166</u>	<u>4,327</u>	<u>142</u>
	<u>925,264</u>	<u>28,192</u>	<u>782,040</u>	<u>25,767</u>
Other payables – related parties:				
Evergreen International Corp.	922,716	28,115	12,678	418
Evergreen Airline Services Corp.	\$ 48,773	1,486	62,083	2,045
Uni Airways Corp.	7,119	217	6,399	211
Evergreen Aviation Technologies Corp.	5,024	153	14,166	467
Evergreen Air Cargo Services Corp.	3,646	111	4,707	155
Evergreen Security Corp.	3,454	105	3,470	114
Evergreen International Storage & Transport Corp	3,410	104	3,115	103
Evergreen Sky Catering Corp.	1,412	43	1,657	55
Others	<u>8,949</u>	<u>273</u>	<u>6</u>	<u>-</u>
	<u>1,004,503</u>	<u>30,607</u>	<u>108,281</u>	<u>3,568</u>
Long-term accounts payable – related parties:				
Falcon Investment Services Ltd.	\$ 2,659,200	81,024	-	-
Evergreen Reinsurance Company Ltd.	1,779,475	54,219	-	-
Evergreen International S.A.	1,650,992	50,304	-	-
Greencompass Marine S.A.	<u>667,100</u>	<u>20,326</u>	<u>-</u>	<u>-</u>
	<u>6,756,767</u>	<u>205,873</u>	<u>-</u>	<u>-</u>
Total payables – related parties	\$ <u>8,686,534</u>	<u>264,672</u>	<u>890,321</u>	<u>29,335</u>

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

6. Pledged Assets

The book values of the pledged assets as of June 30, 2009 and 2008, were as follows:

Pledged assets	Object	2009		2008	
		NT dollars	US dollars	NT dollars	US dollars
Land	Long-term borrowings	\$ 1,864,122	56,798	1,864,122	61,421
Buildings	Long-term borrowings	2,269,629	69,154	2,351,764	77,488
Aircraft	Long-term borrowings, Aircraft payable	63,617,437	1,938,374	55,187,110	1,818,356
Engines— included in machinery and equipment	Long-term borrowings	2,654,918	80,893	-	-
Simulators— included in machinery and equipment	Long-term borrowings, Other liabilities	535,099	16,304	239,152	7,880
Time deposit— included in other assets	Letters of credit, customs duty and contract performance guaranties	1,295,495	39,473	528,521	17,414
		\$ <u>72,236,700</u>	<u>2,200,996</u>	<u>60,170,669</u>	<u>1,982,559</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 June 30, 2009, the Company has delivered 12 aircraft, and the contract price for the remaining 3 aircraft amounted to US\$559,311. The Company has paid NT\$8,053,974 (US\$245,398), recorded under advance for purchases of equipment.
- (b) As of June 30, 2009, the Company had issued NT\$13,713,382 (US\$417,836) worth of promissory notes to banks to obtain guaranties for credit lines and to lessors for leasing aircraft. As of June 30, 2009, the Company had obtained guaranties from ABN-AMRO Bank, Citibank, Calyon Corporate and Investment Bank, Bank of Taiwan, Mizuho Corporate Bank, HSBC Bank and ANZ Bank amounting to NT\$901,882 (US\$27,480).

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

- (c) The Company entered into aircraft, land, engine and aircraft parts lease contracts using the operating lease or capital lease method. As of June 30, 2009, the Company had paid NT\$4,818,207 (US\$146,807) as refundable deposits. According to these contracts, future lease payments in the following five years are as follows:

Year due	NT dollars	US dollars
July 1, 2009~June 30, 2010	\$ 7,925,472	241,483
July 1, 2010~June 30, 2011	7,351,452	223,993
July 1, 2011~June 30, 2012	6,846,721	208,614
July 1, 2012~June 30, 2013	6,628,753	201,973
July 1, 2013~June 30, 2014	6,605,560	201,267
And after	<u>21,631,080</u>	<u>659,082</u>
	\$ <u>56,989,038</u>	<u>1,736,412</u>

- (d) The Company is the subject of investigations in respect of its air cargo operations by the competition authorities of the United States. The Company has been cooperating with the authorities in their investigations. The investigations are focused on issues relating to competition and oil surcharges. The Company is represented by legal counsel in connection with the investigations. The investigations are ongoing, and the outcomes are subject to uncertainties.
- (e) The Company has laid off employees during 2000 and 2002. The employees brought suits against the Company and asked for compensation amounting to NT\$160,667 (US\$4,895). The Company is represented by an attorney. As of June 30, 2009, the investigations are ongoing, and the outcomes are subject to uncertainties.

8. Important Damage Losses: none

9. Important Subsequent Events

On June 16, 2009, the Company's stockholders approved a resolution to make up the accumulated deficit by capital reduction. In addition, on April 24, 2009, the board of directors approved a cash subscription amounting to NT\$7,000,000 (US\$213,285) by issuing 700,000 thousand shares at NT\$10 per share, after the capital reduction. The aforementioned capital reduction and cash subscription were approved by and registered with the government authorities.

On July 16, 2009, the board of directors decided that the effective date of the capital reduction would be July 17, 2009, and the Company decreased capital by NT\$16,800,000 (US\$511,883), and reduced the number of shares by 1,680,000. The capital reduction was approximately 42.6%. Therefore, the Company's share capital consisted of 2,262,677 thousand shares of common stock amounting to NT\$22,626,772 (US\$689,420).

(Continued)

EVA AIRWAYS CORP.

Notes to Financial Statements

10. Others

- (a) Total personnel expenses, depreciation and amortization for the six months ended June 30, 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	\$ 1,432,613	1,144,775	2,577,388	42,713	34,132	76,845
Insurance	64,852	60,586	125,438	1,934	1,806	3,740
Pension	78,986	60,350	139,336	2,355	1,799	4,154
Others (meal allowances, etc.)	525,460	109,497	634,957	15,666	3,265	18,931
Depreciation	3,957,366	80,929	4,038,295	117,989	2,413	120,402
Amortization	580,496	53,920	634,416	17,307	1,608	18,915

By function By item	2008					
	Operating cost	NT dollars Operating expenses	Total	Operating cost	US dollars Operating expenses	Total
Personnel expenses						
Salaries	\$ 1,561,445	1,296,478	2,857,923	50,386	41,835	92,221
Insurance	64,744	59,738	124,482	2,089	1,928	4,017
Pension	110,573	81,093	191,666	3,568	2,617	6,185
Others (meal allowances, etc.)	623,953	120,823	744,776	20,134	3,899	24,033
Depreciation	3,472,163	89,728	3,561,891	112,041	2,896	114,937
Amortization	879,751	83,507	963,258	28,388	2,695	31,083

- (b) Reclassification

Certain amounts in the financial statements for the six months ended June 30, 2008, have been reclassified to conform with the presentation of the financial statements for the six months ended June 30, 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

There is no significant change in the segment revenue composition. According to ROC SFAS No. 23 “Interim Financial Reporting”, paragraph 25, an enterprise is not required to follow the principles outlined in SFAS No. 20.