

# 2011 ANNUAL REPORT



## Notice to readers

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

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Financial Calendar

Year ended December 31, 2011

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## Financial and Operating Highlights

		2011	2010	% Change
<b>Financial</b>				
<b>Income Statement</b>				
Revenue	NT\$ thousand	102,192,051	104,410,011	(2.12%)
Passenger Revenue	NT\$ thousand	59,510,471	56,397,433	5.52%
Cargo Revenue	NT\$ thousand	36,563,771	41,293,552	(11.45%)
Total Costs	NT\$ thousand	101,744,498	91,761,263	10.88%
Operating Income	NT\$ thousand	447,553	12,648,748	(96.46%)
Net Income	NT\$ thousand	209,028	12,016,736	(98.26%)
EPS	NT\$	0.06	3.69	(98.37%)
Profit Margin	%	0.20%	11.51%	(11.31ppt)
<b>Balance Sheet</b>				
Total Assets	NT\$ thousand	139,245,912	148,029,519	(5.93%)
Total Liabilities	NT\$ thousand	101,372,637	107,394,257	(5.61%)
Total Equity	NT\$ thousand	37,873,275	40,635,262	(6.80%)
Total Capital	NT\$ thousand	32,589,450	29,626,772	10.00%
Book Value per Share	NT\$	11.62	13.72	(15.31%)
Debt Ratio	%	72.80%	72.55%	0.25ppt
<b>Operating</b>				
Overall Capacity	Thousand	8,719,209	8,838,400	(1.35%)
Overall Traffic	Thousand	7,043,580	7,294,269	(3.44%)
Overall Load Factor	%	80.78%	82.53%	(1.75ppt)
Overall Yield	NT\$	13.64	13.39	1.87%
Passenger Capacity	Thousand	30,799,550	29,632,492	3.94%
Passenger Traffic	Thousand	24,032,713	23,627,111	1.72%
Passengers Carried	No. of Passengers	6,662,853	6,435,951	3.53%
Passenger Load Factor	%	78.03%	79.73%	(1.70ppt)
Passenger Yield	NT\$	2.48	2.39	3.77%
Cargo Capacity	Thousand	5,947,250	6,171,476	(3.63%)
Cargo Traffic	Thousand	4,882,781	5,167,829	(5.52%)
Cargo Carried	Tons	793,060	850,617	(6.77%)
Cargo Load Factor	%	82.10%	83.74%	(1.64ppt)
Cargo Yield	NT\$	7.49	7.99	(6.26%)
Unit Cost	NT\$	11.67	10.38	12.43%
Number of Employees		5,807	5,121	13.40%
Capacity per Employee	Thousand	1,501	1,726	(13.04%)
Traffic per Employee	Thousand	1,213	1,424	(14.82%)
Revenue per Employee	NT\$ thousand	17,598	20,389	(13.69%)

# To Shareholders

## 2011 Results

In 2011, we carried 6.66 million passengers and 790,000 tons of cargo, achieving a combined load factor of 81%. EVA's audited financial statement shows annual operating revenue for the year of NT\$102.19 billion, down by 2% compared to 2010, and annual after-tax net profit of NT\$0.21 billion.

■ **Passenger revenue increased 5% or NT\$3.1 billion over 2010, reaching NT\$59.5 billion**

The 311 earthquake in Japan and subsequent nuclear disaster hurt the travel market while flights to more cross-strait destinations and greater frequency stemming from the stable relationship between Taiwan and Mainland China boosted the overall number of passengers carried by 3%.

In addition to continuing to develop code-sharing cooperation in Europe, America and Asia, growing the China market and strengthening transit business in Europe and America, the Company is working to join the leading airline alliance, explore the niche markets within the neighboring region and further to cope with Taoyuan Aerotropolis program to boost inbound business by integrating worldwide resources.

■ **Cargo revenue was down by 11% or NT\$4.7 billion over 2010, totaling NT\$36.6 billion**

The Japan earthquake, European debt crisis, US economic contraction and slower growth in China did significantly affect the air-freight market. Though the recovery held its momentum through the first half of 2011, recession loomed over the second half. The airfreight market was overshadowed by the phenomenon of 『no significant peak season』 and 『oversupply』, causing rates to gradually fall. Cargo tonnage decreased overall by 7%.

Responding to the uncertain market situation, we aim to flexibly adjust the fleet arrangement to cope with changing market, to keep our strength and produce profitability and growth.

■ **Expanded fleet to 59 aircraft, continued to replace older models**

At year-end 2011, the Company operated a fleet of 59 aircraft fleet made up of 42 passenger jets and 17 freighters. Aircraft types in the fleet are shown in the following table:

Aircraft Type	Quantity
B747-400	3
B747-400 Combi	4
B747-400 (Freighter)	9
MD-11 (Freighter)	8
MD-90	6
B777-300ER	15
A330-200	11
A330-300	3
<b>Total</b>	<b>59</b>

In addition to 11 Airbus 330-200 aircraft and 15 Boeing 777-300ER Aircraft; the Company introduced 3 brand new Airbus 330-300s in 2011, which are also known as “Hello Kitty Jets”.

■ **Aviation safety and quality services acclaimed for excellence**

We continue to make safety and service quality our priorities. The Company has been consistently recognized for its outstanding aviation safety record. We began taking delivery of brand-new Airbus 330-200s in 2003 and deployed the first of its Boeing 777-300ERs in 2005. We give our passengers exceptionally comfortable flights in state-of-the-art cabins. In Premium Laurel Class top cabins, they travel in ultra-long hard-shell seats with a roomy 61-inch pitch, 10.4-inch LCD touch-panel AVODs, have an SMS (short message service) right at their fingertips, check in for flights at a dedicated counter and have the option to pre-order meals from an extensive menu.

Along with the Company's outstanding aviation safety record and exceptional airfreight capabilities, our excellent service is widely recognized at home and globally. In September, 2011 EVA designated to carry two endangered red-crowned cranes from the Kushiro City Zoo in Hokkaido, Japan to Taiwan for the Taipei City Zoo. EVA has also successfully completed its fourth koala mission and carried four of the endangered marsupials from Currumbin Wildlife Sanctuary in Queensland, Australia to the Taipei City Zoo in Taiwan in October, 2011. Both efforts won wide acclaim.

## **Results vs. Projections**

We forecast NT\$101.90 billion in operating revenue for 2011 and, at NT\$102.19 billion, achieved a 100.28% ratio. At the same time, we expected pre-tax net profit of NT\$0.34 billion and actually produced NT\$0.24 billion.

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

### **Total revenue: NT\$103.87 billion**

Total 2011 operating revenue reached NT\$102.19, slipping 2% from 2010. More effective cross-strait route performance and higher volume lifted passenger revenue by 5% from last year. Due to the global economic recession and diminished demand, airfreight revenue was down by 11% compared to last year.

### **Total expense: NT\$103.63 billion**

Primarily because of fuel price spikes, annual 2011 operating expense amounted to NT\$101.75 billion, an increase of 10.88% over 2010.

### **Profitability analysis:**

Return on total assets: 1.11%

Return on shareholders' equity: 0.53%

Ratio of operating profit to paid-in capital: 1.37%

Return on sales: 0.20%

Earnings per share: NT\$0.06

## **Research and development**

■ Responding to the further increase of the cross-strait flights in 2011, the Company developed strategic destinations in China and established an extensive service network. To effectively align our e-services with our China operations, we have focused on code sharing, e-commerce development and system building for each route. Our strategy was to quickly establish EVA presence with 25 gateways serving first- and second-tier cities that are connected by multiple routes. The Company is also pursuing strategic cooperative partnerships with China's five leading carriers so that we can leverage services and strengthen our competitive position in key cross-strait markets.

■ Using rapid change, popularity of smart phones and the mobile internet environment as a springboard, EVA launched an intelligent new version of the EVA Mobile Web that works on different platforms with FREE Apps. Anytime, anywhere, passengers can book flights, check mileage

balances, get flight information, learn more about EVA and its services and discover promotional activities, all by simply downloading the EVA Mobile App, FREE.

■ Our Electronic Miscellaneous Document (EMD) system met IATA's high StB (Simplify the Business) threshold for full electronic passenger ticketing. We began promoting use of easy-to-use e-ticketing system when we introduced it in 2008, we achieved overall passenger e-documentation after launching EMD in 2011. Optimizing opportunities created by IATA's continuous promotion of e-ticketing services and standardization of StB, EVA has reduced costs, upgraded operating efficiency and strengthened our competitive position.

■ EVA developed a Freight Revenue Management System (ULD pricing) in 2011 for effective management and analysis, to integrate existing freight processes, provide automatic pricing and exceptional handling and gain efficiency and accuracy in accounting processes. This system also enables us to leverage our assets far more effectively.

■ We developed an e-booking platform for our cargo network in 2010, enabling agents and shippers both to book airfreight space using a web-based application. We integrated e-billing into this e-commerce platform in 2011 and gave our airfreight customers a single entry point and unified system, enhancing and facilitating operations and services. The system not only enhanced bookkeeping process but also gave us a flexible, multi-layer accounting audit function that made it easier to track services and payments. In addition to saving manpower, the system has given the Company a competitive edge.

■ Recognizing potential advantages through use of handheld devices, the Company digitized cabin operations and developed a new service information system in 2011. Via a user-friendly touch interface, chief pursers now load key passenger information on iPads, which facilitates in-flight responsiveness and follow-up and provides data that can be used to further improve service quality. Use of these devices also supports Company concepts of flight safety, convenient, friendly and attentive services, and effective,

innovative operations.

- Flight safety is a core EVA value and the Company always strives for perfection. It is uncompromising towards even a hint of a threat to aviation safety. The Company developed a system to automate pilot information in 2011 and in September, implemented a Mobile cockpit dispatch program that enables pilots to use iPads to digitally track and instantly access flight information such as plans, bulletins, dispatch reports, weather charts and electronic manuals throughout flights, including takeoffs and landings.
- The SIS (Simplified Interline Settlement) platform was mandated by IATA ICH (International Air Transport Association Interline Clearing House). The organization initiated it to streamline and facilitate more effective electronic exchanges of transaction information for P, C, U and M segments (Passenger, Cargo, UATP and Miscellaneous), including settlement information and document exchange between billing entities and interline partners. The organization initiated platform function development in April 2011, took the P segment live in November 2011 and geared up for internal and external electronic billing and settlement through the SIS platform. The platform is linked with ICH, curtailing paper use, reducing invoice costs and supporting document transfers, advancing eco-friendly commitments.
- In support of a government policy encouraging businesses to adopt International Financial Reporting Standards (IFRSs) to ensure transparency and consistency with global trading partners, the Company has adopted IFRS accounting rules. It has adjusted related operations and is continuing to evaluate these programs for further modification and improvement. The Company also adopted IFRS and ROC GAAP standards for preparation of financial statements in 2012. EVA will formally adopt IFRSs in 2013, further enhancing EVA's global competitiveness.
- EVA has been proactive in planning and managing its information technology infrastructure, giving us the benefits of advanced technological services that strengthen our ability to cope with business

change that have come with the Company's rapid growth. In December 2011, we upgraded our mainframe system software and hardware, significantly increasing the processing scale of our information system. These upgrades satisfy demands created by rapid growth in cross-strait and global markets in addition to giving us competitive advantage within the industry.

- EVA is accommodating steady business growth by continuing to improve the quality and expand the quantity of information applications, database systems and network communications systems. We are monitoring and optimizing our sophisticated and comprehensive IT environment. In 2011, we introduced Splunk. It is an information system operational statistical analysis tool designed to facilitate maintenance of expanding operations and support proactive management to satisfy projected future growth and operational scales and improve overall services and productivity.

## **2012 Preview**

### **Operating Guidelines**

We will uphold the Company's policy of providing safe, convenient flights and excellent services. We upgraded service quality further in 2011 by taking delivery of three brand-new Airbus 330-300, bringing the number of A330s in our fleet to 14, elevating passenger safety and ensuring exceptionally comfortable flight experiences. We are utilizing fleet resources strategically to improve route competitiveness and flexibility, and to positively influence our bottom line.

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

#### **Passenger services:**

We are forecasting that we will carry 7.43 million passengers in 2012, a 12% increase compared to 6.66 million served in 2011.

#### **Estimation Basis:**

Starting with our winter 2011, the quota for flights to Mainland China has been increased from 370 per week to 558. At the same time, the quota for tourists from Mainland China to Taiwan was raised from 3,000 per day to 4,000. And the number of cities permitting individual travel programs in Mainland China will expand from three (Beijing, Shanghai and Xiamen) to eleven by the end of 2012. Combined with Japan's open sky policy and foreseeable visa-exemption programs in America, we anticipate a higher volume of sales.

Mainland China has now opened 41 destinations to regularly scheduled flights. EVA is serving 14 of them, including Beijing, Shanghai Pudong, Shanghai Hongqiao, Guangzhou, Hangzhou, Tianjin, Ningbo, Zhengzhou, Jinan, Chengdu, Guilin, Haikou, Harbin and Huangshan. Going forward, we will continue to evaluate feasibility of serving additional gateways in China and add routes based on market demand and progress of cross-strait negotiations. The Company will continue to seek cross-strait business/passenger sources and strive to promote Taoyuan International Airport as a global hub.

#### **Cargo services:**

Our forecast is to transport 730,000 tons of airfreight in 2012, a decrease of 8% over the 790,000 tons we carried in 2011.

### **Estimation Basis:**

Due to the debt crisis in Europe, the uncertainty of the US economy and high oil prices, we anticipate that cargo movement among different regions will vary. Overall, we do not expect to see any pickup in export volume from Asia to Europe and the United States. Exports from Europe and the United States to Asia are likely to remain flat. At the same time, projections for exports within sectors of Asia are upbeat and indicate opportunities for growth. Looking to 2012, the Company has the flexibility to accommodate market demand and adjust capacity accordingly. Meanwhile, EVA will stay focused on growing our customer base and strengthening our global cargo network.

### **Key Marketing Strategies**

#### **Passenger services:**

- In 2012, we plan to place three brand-new A321-200 passenger aircraft in service during the fourth quarter of 2012 to provide our passenger in the region a more convenient choice to fly and to accommodate growing demand on cross-strait and regional routes. With these aircraft fuel-saving advantages and advanced cabin amenities of our existing fleet, we expect to boost operating profits.
- We will continue to develop e-services to further reduce operating costs.
- We will adjust destinations, reconfigure aircraft and fine-tune flight schedules to most effectively capture market demand, leverage fleet capacity and boost route profitability.
- We will continue to strengthen code-sharing partnerships with other major airlines such as United Airlines, US Airways, All Nippon Airways, Asiana Airlines, Qantas, Air China, Hainan Airlines, Bangkok Airways, Hong Kong Airlines and more.
- On March 29, 2012, EVA was officially accepted and announced as future member of Star Alliance. The integration process has begun and our goal is to become a formal member by 2013. The joining of Star Alliance will offer the Company's customers convenient access to more destinations worldwide with seamless travel and status recognition within various frequent flyer programs of member carriers.
- We will optimize opportunities created by the administration's cross-strait open policies and tap into pipelines of individual tourists



from Mainland China. And we will develop attractive programs to capture individual travelers coming from Mainland China.

### **Cargo services:**

- Now that regular cross-strait flights are well established, we will make full use of bellyhold space aboard passenger aircraft. We will maintain our cooperation with Air China Cargo to swap regular cross-strait cargo space on the Taoyuan - Pudong route and are aggressively seeking cooperation on regular cross-strait freight services with other carriers.
- Through code-sharing with Lufthansa and British Airways on European routes, the Company will achieve our objective of doubling frequency and capacity, mutually enhancing service and leveraging profits at the same time.
- Japan's amended traffic rights enable the Company to expand freighter service.
- With greater purchasing power in Asia and Mainland China, the Company will further strengthen our export markets from Europe and the United States to these developing economies.
- The Company is also aggressively exploring more e-service to cut operating costs.

### **Future Development Strategies**

- The Company has established a vigorous global flight network that links major cities in Europe, America, Asia and Oceania. We will use our far-reaching route network to expand the reach of our convenient air services and advance development of Taoyuan International Airport as global hub within the near future.
- In response to the open cross-strait policy permitting regular services, EVA is actively working to expand our direct-link flight network. We are also building flexibility into our operations so that, as air agreements are amended, we can take appropriate action to capture more of the potential passenger and cargo markets and retain our competitive position.
- Delivery of three A330-300 aircraft equipped with the most technologically advanced seats, inflight entertainment and will much more strengthen our regional presence. And deployment of three A321-200 passenger

aircraft will accommodate new demand for flights on cross-strait routes. As we stay focused on safety and service quality, we will also review our fleet portfolio and identify opportunities to optimize capacity as the cross-strait market continues to grow and develop.

- The Company is currently cooperating with 13 airlines, including American Airlines, US Airways, All Nippon Airways, Asiana Airlines, Qantas, Air China, Hainan Airlines, Bangkok Airways, Hong Kong Airlines, British Airways (cargo), Lufthansa (cargo), Air China (cargo) and FedEx (cargo). We are committed to joining a key global alliance. And we will continue to expand and strengthen our cooperation with other airlines, combining flight networks and beneficial advantages, driving down operating costs in order to diversify risks and giving our passengers faster, more convenient flight services.

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

### **Competition**

- The global economic recovery continues to be somewhat murky and has impacted corporate business travel budgets, affecting business and leisure markets, passenger volume and fare levels.
- Low-cost carriers are entering the passenger market with rock-bottom fares and Taiwan's high-speed rail has driven domestic airlines to transform themselves. These factors are affecting the competitive landscape and the supply-demand balance in regional passenger and cargo markets.
- More nations are deregulating aviation policies. For example, the United States and Japan have adopted open-sky policies that are likely to intensify competition for regional and intercontinental passengers and airfreight.
- China's growing demand for air transport is expected to continue to dominate the Asia markets. In addition to cross-strait passenger and cargo volumes that repeatedly reach new highs, related businesses such as aviation products manufacturing and aviation personnel and maintenance are also thriving. This trend creates significant opportunities

for companies in Taiwan.

### **Legal Environment**

- Political and economic stability directly impact ups and downs in passenger and cargo markets.
- The airline industry must remain vigilant and ready to respond quickly to changes. Open policies on direct cross-strait flights are still in initial stages and support measures are fragmented.
- Increasing consumer awareness and changes in regulations are burdening the airline industry. A prime example is the penalty imposed by the European Union on airlines that oversell seats and inclusion of the industry in the EU's Emission Trading Scheme (ETS) that take effect in 2012.
- Mainland China's opening up of its passenger transit policy is affecting the competitiveness of Taiwan's carriers in international transit networks.

### **Operating Environment**

- Political uncertainty in the Euro zone, the

Middle East and Russia, combined with possible economic slowdowns in China and India, pose significant risks to the global economy.

- In 2012, the overall global economic environment is overshadowed by Europe's debt debacle and European countries still have a long way to go to resolve financial problems that create uncertainty for aviation prospects.
- Volatile international fuel prices and the cargo slump in 2011 have severely impacted the airline industry.

Sluggish economies in Europe and America and fuel price spikes pose a severe challenge for the airline business. In addition to active market expansion, the Company will strengthen operational management processes and implement cost and risk controls. With growing cross-strait services, we believe we can overcome difficulties and again achieve peak performance.

# The Company

Founded in March 1989, EVA Air, a one-hundred-percent privately owned Taiwanese airline, is the sister company of Evergreen Marine Corporation, which is the world famous shipping line in terms of container operation.

Since the inauguration of its maiden flight on July 01, 1991, EVA Air is currently serving 63 destinations over four continents, except Africa, with 59 aircraft (as of December 2011) and is still steadily expanding its operation network and fleet.

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

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

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

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

## Major Milestones

### 1988~1990

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

### 1991

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

### 1992

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

### 1993

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

### 1994

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

## **1995**

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

## **1996**

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

## **1997**

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

## **1998**

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

## **1999**

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

## **2000**

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

## **2001**

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

## **2002**

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

## **2003**

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

## **2004**

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

## **2005**

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

## **2006**

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

## **2007**

EVA Air received 2007 The Richard Teller Crane Founder's Award from the international Flight Safety Foundation for "its corporate

leadership in aviation safety programs and its superb safety records.” In the five years since the coveted award was established, EVA is the first Asian airline and only the second airline among all recipients to receive it.

## **2008**

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

## **2009**

EVA Air rated as one of World’s Best International Airlines Prestigious Travel & Leisure readers’ survey identified top-ten carriers. Results of the publication’s prestigious annual survey place EVA in ninth position, barely one-tenth of a point behind number six Using cabin comfort, in-flight service, customer service and value as rating characteristics.

## **2010**

EVA added new service from Taipei’s Songshan Airport to Shanghai’s Hongqiao International Airport started from June 14, 2010. It complemented EVA’s current nine flights a week between Taoyuan International Airport and Pudong International Airport.

## **Calendar of 2011 & 2012 Events**

### **January 2011**

EVA opened its roomy new Diamond VIP lounge in Terminal 2 at Taoyuan International Airport on January 20, 2011. The luxurious haven has been created for the exclusive use of Evergreen Club Diamond Card members and Premium Laurel Class ticket holders.

### **April 2011**

Encouraging renewal and supporting rebuilding, EVA and All Nippon Airways have expanded code-shared services to include domestic flights throughout Japan, giving travelers more convenient access to and from key

international arrival and departure points.

### **May 2011**

Belgium’s Brussels Airport has honored EVA Air Cargo with its 2010 Network Development Award Cargo Airline. This event marked the airport’s fourth consecutive awards program to recognize outstanding cargo and passengers carriers for punctuality and efficiency, environment and safety, and network and route development

### **June 2011**

EVA introduced direct passenger flights between Taipei, Taiwan and the United States territory of Guam on June 18, 2011. Starting with two flights a week, the airline will serve its new Mariana Islands route using Airbus 330-200s.

### **September 2011**

Chosen to be the official carrier, EVA flew the two rare birds named Big and Kika from the Kushiro City Zoo in Hokkaido, Japan to Taiwan on 14 Sep., 2011.

### **October 2011**

EVA served East Coast travelers with flights to and from John F. Kennedy International Airport (JFK), effective on and after Oct. 31, 2011. EVA relocated passenger services from Newark International Airport to JFK’s Terminal One.

EVA teamed up with Sanrio to launch a second generation of Hello Kitty Jets.

### **March 2012**

Star Alliance accepted the membership application of EVA Air on March 29, 2012. By 2013 the integration process would be scheduled to complete.

# Directors and Supervisors

As of April 30, 2012

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Chairman	Evergreen Marine Corp.	2011.06.10	3 Years	1989.03.31	572,257,481	19.32	629,483,229	19.32	-	-	-	-	-	-	-	-	-
	Representative: Jeng Kung-Yeun	2011.06.10	3 Years	2009.06.16	0	0.00	99,200	0.00	0	0.00	0	0.00	President, EVA Airways Corp. PhD in Traffic and Transportation, National Chiao-Tung University	Chairman, Hsiang-Li Investment Corp. Director, Evergreen Sky Catering Corp. Director, Evergreen Aviation Technologies Corp. Director, Evergreen Air Cargo Service Corp.	-	-	-
Director	Chang Yung-Fa Foundation	2011.06.10	3 Years	2009.06.16	116,000	0.00	127,600	0.00	-	-	-	-	-	-	-	-	-
	Representative: Chang Yung-Fa	2011.06.10	3 Years	1989.03.31	0	0.00	98,360,200	3.02	11,354,504	0.35	0	0.00	Chairman, Evergreen Marine Corp. Taipei Commercial High School	Director, Evergreen Marine Corp. Director, Evergreen International Corp. Director, Evergreen Steel Corp.	Director	Chang Kuo-Wei	Son
	Representative: Ko Li-Ching	2012.03.19	2.3 Years	1992.05.02	0	0.00	90,593	0.00	0	0.00	0	0.00	Executive Vice President, Evergreen International Corp. Keelung Girls' Senior High School	Director: Taiwan High Speed Rail Corp., Evergreen Steel Corp., Shun An Enterprise Corp. Supervisor: Evergreen Marine, Evergreen International Storage & Transport, Evergreen International Corp., Uni Airways, Evergreen Security, Ever Reward Logistics, Taipei Port Container Terminal, Evergreen Air Cargo Service, Evergreen Airline Services, Evergreen Aviation Technologies, Hsin Yung Enterprise Corp.	-	-	-

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
	Representative: Chang Ming-Che	2011.06.10	3 Years	2011.06.10	0	0.00	24,880	0.00	19,742	0.00	0	0.00	President, Evergreen International Corp. EMBA, National Taipei University	Chairman, Evergreen International Corp. Director: Ever Accord Construction, GRETEC Construction, Chang Yang Development.	-	-	-
Director	Evergreen Marine Corp.	2011.06.10	3 Years	1989.03.31	572,257,481	19.32	629,483,229	19.32	-	-	-	-	-	-	-	-	-
	Representative: Lin Sun-San	2011.06.10	3 Years	2009.06.16	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Evergreen Marine Corp. National Taipei University	Chairman, Shun An Enterprise Corp. Director: Evergreen Marine, Evergreen International Storage & Transport, Taipei Port Container Terminal	-	-	-
	Representative: Tai Jiin-Chyuan	2011.06.10	3 Years	2011.06.10	0	0.00	11,825	0.00	0	0.00	0	0.00	Executive Vice President, Legal & Insurance EVA Airways Corp. Master degree in Maritime Law, National Taiwan Ocean University	Director: Evergreen Marine, Taipei Port Container Terminal	-	-	-
Director	Falcon Investment Services Ltd.	2011.06.10	3 Years	2011.06.10	148,148,114	5.00	162,962,925	5.00	-	-	-	-	-	-	-	-	-
	Representative: Chang Kuo-Wei	2011.06.10	3 Years	2001.04.19	0	0.00	0	0.00	0	0.00	0	0.00	Chief Executive Vice President, EVA Airways Corp. Master of Arts in Economics, California State University, Long Beach	President : EVA Airways Corp. Director: Evergreen Sky Catering, Uni Airways, Evergreen Air Cargo Service, Evergreen Airline Services, Evergreen Aviation Technologies, Hsiang-Li Investment Corp.	Director	Chang Yung-Fa	Father

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Supervisor	Evergreen International Corp.	2011.06.10	3 Years	1993.04.30	426,926,600	14.41	469,648,357	14.41	-	-	-	-	-	-	-	-	-
	Representative: Lin Long-Hwa	2012.03.19	2.3 Years	2009.08.27	0	0.00	1,689,827	0.05	148,616	0.00	0	0.00	Director, Evergreen Marine Corp. National Kaohsiung Normal University, English department.	Director: Evergreen Marine, Evergreen Sky Catering, Evergreen Security, Evergreen Aviation Technologies Supervisor: Shun An Enterprise Corp., Joint Stevedoring Contract Co., Ltd.	Director	Chang Yung-Fa	Second-degree relatives
	Representative: Wu Kuang-Hui	2011.06.10	3 Years	2010.12.01	0	0.00	33,183	0.00	0	0.00	0	0.00	Executive Vice President, EVA Airways Corp. MBA, Sun Yat Sen University	Supervisor: Evergreen International Storage & Transport, Central Reinsurance, Evergreen Steel, Taiwan Terminal Services, Charng Yang Development, Hsiang-Li Investment, Finance Executive Officer, Evergreen Marine Corp	-	-	-
	Representative: Chen Cheng-Pang	2011.06.10	3 Years	2001.04.19	0	0.00	5,036	0.00	4,999	0.00	0	0.00	Senior Vice President, Italia Marittima S.p.A. Soochow University Accounting & Economics Dept.	Senior Vice President, Evergreen International Storage & Transport Corp.	-	-	-

Note 1: As of April 30, 2012 the Company has issued 3,258,945,005 shares



## Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2012

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp.	Evergreen International S.A. (Panama)(10.63%), Chang Kuo-Hua (7.55%), Evergreen International Corp. (7.12%), Chang Yung-Fa (6.00%), Ultra International Investments Ltd. (4.25%), Chang Kuo-Cheng (4.24%), Chang Kuo-Ming (3.17%), Cheng Shen-Chin (2.12%), Chang Shu-Hua (2.02%), Bank Taiwan Life Insurance Co., Ltd. (1.55%)
Chang Yung-Fa Foundation	Non-profit organization
Falcon Investment Services Ltd.	Chang Kuo-Wei (100%)
Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Lin Ching-Chi (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)

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

April 30, 2012

Legal Entity	Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Evergreen Marine Corp.	Evergreen International S.A.(Panama)	Chang Yung-Fa (20%), Chang Kuo-Hua (20%), Chang Kuo-Ming (20%), Chang Kuo-Cheng (20%), Pieca Corp. (20%)
	Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Lin Ching-Chi (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)
	Ultra International Investment Ltd.	Chang Kuo-Wei (100%)
	Bank Taiwan Life Insurance Co., Ltd.	Taiwan Financial Holding Co. Ltd. (100%)
Evergreen International Corp.	Chang Yung-Fa Foundation	Non-profit organization

## Criteria for Expertise and Independence of Directors and Supervisors

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

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

## Compensation for Directors

December 31, 2011  
NT\$(Thousand)

Title	Name	Remuneration for Directors								Total of A, B, C and D as % of 2011 Net Profit		Compensation Earned as Employee of EVA or EVA Subsidiary Affiliates								Total of A, B, C, D, E, F and G as % of 2011 Net Profit		Other Compensation from Non-Subsidiary Affiliates		
		Salary(A)		Pension(B)		Compensation(C)		Allowance(D)				Salary, Bonus etc. (E)		Pension(F)		Employee Profit Sharing (G)							Employee Stock Option(H)	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA
														Cash	Stock	Cash	Stock	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			
Chairman	Evergreen Marine Corp. Jeng Kung-Yeun																							
Director	Chang Yung-Fa Foundation Chang Yung-Fa Lin Bou-Shiu Chang Ming-Che	5,836	5,836	-	-	-	5,700	60	60	2.82%	1.54%	3,364	3,364	48	48	-	-	-	-	-	-	4.45%	2.00%	1,101
Director	Evergreen Marine Corp. Lin Sun-San Tai Jiin-Chyuan																							
Director	Falcon Investment Services Ltd. Chang Kuo-Wei																							

## Compensation for Supervisors

December 31, 2011  
NT\$ (Thousand)

Title	Name	Remuneration paid to Directors						Total of A, B and C as % of 2011 Net Profit		Other Compensation from Non-Subsidiary Affiliates
		Salary(A)		Compensation(B)		Allowance(C)		EVA	Consolidated Subsidiaries of EVA	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			
Supervisor	Evergreen International Corp. Ko Li-Ching									
Supervisor	Evergreen International Corp. Wu Kuang-Hui	-	-	-	1,700	-	-	-	0.23%	2,000
Supervisor	Evergreen International Corp. Chen Cheng-Pang									

# Principal Officers

April 30, 2012

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
President	Chang Kuo-Wei	2011.01.01	0	0	0	0	0	0	Chief Executive Vice President, EVA Airways Corp. Master of Arts in Economics, California State University, Long Beach	Director, Evergreen Sky Catering Corp. Director, Uni Airways Corp. Director, Evergreen Air Cargo Service Corp. Director, Evergreen Airline Services Corp. Director, Evergreen Aviation Technologies Corp. Director, Hsiang-Li Investment Corp.	-	-	-
Executive Vice President, Project Div.	Cheng Chuan-Yi	2011.03.14	158	0	0	0	0	0	Bachelor degree in International Trade, Tunghai University	-	-	-	-
Executive Vice President, (Financial Officer) Finance Div.	Tsai Ta-Wei	2011.01.01	588	0	651	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	Director, Hsiang-Li Investment Corp. Supervisor, Evergreen Sky Catering Corp. Supervisor, Evergreen Aviation Technologies Corp.	-	-	-
Executive Vice President, Safety & Security Div.	Ho Ching-Sheng	2005.01.01	201,584	0.006	0	0	0	0	Master degree in Flight Safety, University of Missouri	-	-	-	-
Executive Vice President, Operation Management Dept.	Chen Yeou-Yuh	2011.01.01	103	0	0	0	0	0	Bachelor degree in Maritime Science, Tamkang University	-	-	-	-
Executive Vice President, Passenger Div.	Li Shyh-Liang	2008.01.01	16,276	0	13	0	0	0	Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Executive Vice President, Cargo Div.	Sun Chia-Ming	2011.04.01	28,123	0.001	0	0	0	0	Bachelor degree in International Trade, Chinese Cultural University	-	-	-	-

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Executive Vice President, Flight Operations Div.	Yuen Ping-Yu	2004.01.01	10,025	0	0	0	0	0	Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	
Executive Vice President, Engineering & Maintenance Div.	Tsao Buo-Yen	2012.03.01	0	0	0	0	0	0	Executive Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Naval Mechatronic Engineering, Cheng Kung University	-	-	-	
Executive Vice President, Computer Div.	Fang Gwo-Shiannng	2007.01.01	106,846	0.003	0	0	0	0	Deputy Junior Vice President, Evergreen IT Corp. Bachelor degree in Computer Science, Feng Chia University	-	-	-	
Senior Vice President, Auditing Div.	Li Ping-Yin	2008.01.01	65,703	0	700	0	0	0	Manager, Evergreen Heavy Industry Corp. Master degree in Management, Yuan Ze University	-	-	-	
Senior Vice President, Project Div.	Chai Chien-Hua	2011.07.01	599	0	19	0	0	0	Bachelor degree in International Trade, Chung Yuan Christian University	-	-	-	
Senior Vice President, Passenger Div.	Lu Yu-Chuan	2006.01.01	1,063	0	0	0	0	0	Junior Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Business Administration, Fu Jen University	-	-	-	
Senior Vice President, Passenger Div.	Chen Chi-Hung	2011.01.01	0	0	0	0	0	0	Department of Mechanical Engineering Hsinpu Institute of Technology	-	-	-	
Senior Vice President, Cargo Div.	Lin Tsung-Yen	2012.01.01	0	0	0	0	0	0	Bachelor degree in Navigation Technology, National Taiwan College of Marine Science and Technology	-	-	-	
Senior Vice President, Inflight Service Div.	Liu Ying	2011.01.01	9,335	0	0	0	0	0	Master degree in Graduate Institute of Human Resource Management, National Central University	-	-	-	
Senior Vice President, Cabin Service Div.	Chang Lih-Lih	2012.01.01	0	0	0	0	0	0	Deputy Senior Vice President, Evergreen Sky Catering Corp. Bachelor degree in Statistics, Tamkang University	-	-	-	

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Senior Vice President, Engineering & Maintenance Div.	Yeh Ching-Far	2012.01.01	2,110	0	0	0	0	0	Master degree in Business Administrations , National Cheng Chi University Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	-
Senior Vice President, Airport Div.	Soong Allen	2007.01.01	194	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-
Senior Vice President, Computer Div.	Hou Hsien-Yu	2011.01.01	1,100	0	0	0	0	0	Master degree in Information Management, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Project Div.	Liao Chi-Wei	2011.07.01	464	0	3,341	0	0	0	President(Deputy Junior Vice President), EZFLY.COM Corporation Master degree in Marine Biology, National Sun Yat-sen University	-	-	-	-
Deputy Senior Vice President, Project Div.	Huang Chieh-Chih	2011.07.01	1,406	0	0	0	0	0	Master degree in Business Administration, National Central University	-	-	-	-
Deputy Senior Vice President, Project Div.	Chiang Wei-Du	2012.01.01	2,200	0	7,676	0	0	0	Deputy Junior Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Foreign Languages and Literature, National Tsing Hua University	-	-	-	-
Deputy Senior Vice President, Personnel Div.	Wu Chun-Hung	2012.01.01	28	0	0	0	0	0	Bachelor degree in Business Administration, National ChengChi University	-	-	-	-
Deputy Senior Vice President, General Affairs Dept.	Yu Ching-Hsi	2012.02.06	40	0	0	0	0	0	Executive Vice President, UNI Airways Corporation Deputy Senior Vice President, Evergreen Marine Corp Taiwan LTD Bachelor degree in German, Tamkang University	-	-	-	-
Deputy Senior Vice President, Finance Div.	Chiang Chin-Lan	2012.01.01	8,834	0	0	0	0	0	Bachelor degree in Economics, National Taiwan University	-	-	-	-
Deputy Senior Vice President, Finance Div.	Ho Li-Cheng	2012.01.01	15,000	0	0	0	0	0	Bachelor degree in Banking and Finance, Tamkang University	-	-	-	-



Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Deputy Senior Vice President, Operation Management Dept.	Hsiao Chin-Lung	2011.07.01	0	0	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	-
Deputy Senior Vice President, Passenger Div.	Yeh Shih-Chung	2011.10.17	61,921	0	0	0	0	0	Bachelor degree in Industrial Management, National Taiwan Institute of Technology	-	-	-	-
Deputy Senior Vice President, Passenger Div.	Wu Su-Shin	2006.01.01	11,456	0	0	0	0	0	Bachelor degree in Sociology, Fu Jen University	-	-	-	-
Deputy Senior Vice President, Cargo Div.	Chuang Shih-Hsiung	2011.01.01	0	0	0	0	0	0	Bachelor degree in Animal Science and Biotechnology, Tunghai University	-	-	-	-
Deputy Senior Vice President, Service Co-ordination Div.	Yang Hsiu-Huey	2011.01.01	251	0	0	0	0	0	Department of Radio & Television, World College of Journalism	-	-	-	-
Deputy Senior Vice President, Cabin Service Div.	Tao Shin-Chien	2008.01.01	7,322	0	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-
Deputy Senior Vice President, Cabin Service Div.	Chen Yao-Min	2011.01.01	1,339	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	-
Deputy Senior Vice President, Engineering & Maintenance Div.	Chang Haur-Chuan	2012.01.01	0	0	6,311	0	0	0	Deputy Senior Vice President, Evergreen Aviation Technologies Corp. Department of Marine Engineering, Taipei College of Maritime Technology	-	-	-	-
Deputy Senior Vice President, Airport Div.	Chang Chun-Huei	2010.07.15	0	0	0	0	0	0	Deputy Senior Vice President, Uni Airways Corp. Bachelor degree in English Language and Literature, Soochow University	-	-	-	-
Junior Vice President, (Accounting Officer) Finance Div.	Chen Chi-Ming	2010.12.01	0	0	0	0	0	0	Bachelor degree in Public Finance, National Cheng Chi University	-	-	-	-

## Compensation for President and Executive Vice Presidents

December 31, 2011  
NT\$ (Thousand)

Title	Name	Salary(A)		Pension(B)		Bonus & Perquisite(C)		Employee Profit Sharing(D)				Total of A, B, C and D as % of 2011 Net Profit		Employee Stock Options		Compensation from Investments Other than Subsidiaries
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	
								Cash	Stock	Cash	Stock					
President	Chang Kuo-Wei															
Executive Vice President	Liou Jen-Chih															
	Cheng Chuan-Yi															
	Tsai Ta-Wei															
	Ho Ching-Sheng															
	Chen Yeou-Yuh	22,418	22,418	3,150	3,150	6,176	6,176	0	0	0	0	15.19%	4.23%	0	0	0
	Li Shyh-Liang															
	Sun Chia-Ming															
	Yuen Ping-Yu															
	Fang Gwo-Shiannng															
	Lin Jy-Jong															
	Tsai Ming-Fang															

## Corporate Governance

### Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE Listed Companies”

Items	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE Listed Companies” & reasons
<p><b>1. Shareholding Structure &amp; Shareholders’ Rights:</b></p> <p>(1) Method of serving shareholders to respond to their suggestions or complaints</p> <p>(2) The Company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3) Risk management mechanism and “firewall” between the Company and its affiliates</p>	<p>The Company has designated Stock Department as liaison to serve shareholders and to respond to their suggestions and complaints as well.</p> <p>The relevant department would keep updated information of major shareholders and the ultimate owners of these major shareholders.</p> <p>The Company has established risk control measures in the operating procedures of internal control.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p><b>2. Composition and Responsibilities of the Board of Directors:</b></p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of the independence of CPAs</p>	<p>The Board didn’t consist of independent directors.</p> <p>CPA was one of the celebrated CPA firms in Taiwan which is not a related party and with professionalism and independence.</p>	<p>Though there is no independent director of the company, but the Board undertakes their deeds pursuant to the Company Law, the Articles of Incorporation, the resolutions of shareholders meeting to exercise their authority.</p> <p>None.</p>



Items	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE Listed Companies” & reasons
<p><b>7. Important information concerning implementation of corporate governance (i.e. employee welfare, employee care, investor relations, supplier relations, advance learning of directors and supervisors, implementation of risk management policy and risk metrics, implementation of customer policy, Liability insurance for directors and supervisors etc. ) :</b></p>	<p>(1) Besides insuring employees with labor insurance and health insurance, the Company has also insured expatriate staff with accidents insurance, medical insurance and other insurance programs.</p> <p>(2) The Company has set up the in-house clinic to provide physician inquiry, medication and free and regular staff health checkup to ensure health of all the staff.</p> <p>(3) The Company has designated staff responsible for information gathering, disclose and reply query of investors. Furthermore, the Company's Website provides operating and financial information for investors ' reference.</p> <p>(4) The Company in 2011 launched an intelligent new version of the Mobile Web that works on different platforms with FREE Apps. Anytime, anywhere, passengers can book flights, check mileage balances, get flight information, learn more about EVA and its services and discover promotional activities, all by simply downloading the EVA Mobile App.</p> <p>(5) After promoting and introduction of e-tickets system in 2008, the Company continues to establish Electronic Miscellaneous Document (EMD) system to achieve overall passenger e-documentation.</p> <p>(6) After the development of an e-booking platform for our cargo network in 2010, enabling agents and shippers both to book airfreight space using a web-based application, the Company integrated e-billing into this e-commerce platform in 2011 and gave our airfreight customers a single entry point and unified system, enhancing and facilitating operations and services.</p> <p>(7) Training courses for Directors and Supervisors reveal below:</p> <ol style="list-style-type: none"> <li>1. Directors, Mr. Jeng Kung-Yeun, Mr. Lin Sun-San, Ms. Ko Li-Ching, Mr. Chang Ming-Che, Mr. Tai Jiin-Chyuan and Supervisor, Mr. Wu Kuang-Hui participated in the training course held by the Foundation for the Development of Securities and Futures Market, ROC on "LCD Panel on international price cartel case and United States anti-trust litigation" with three hours on March 4, 2011.</li> <li>2. Supervisor, Mr. Chen Cheng-Pang participated in the training course held by the Foundation for the Development of Securities and Futures Market, ROC on “Year 2011 insider stock transaction law compliance education conference for public listed company " with three hours on July 8, 2011.</li> </ol> <p>(8) The Company’s purchase of liability insurance for Directors and Supervisors :</p> <p>This Company hadn’t been purchasing liability insurance for directors and supervisors, which would purchase depending on situations</p>	
<p><b>8. If the reports of corporate governance are self-examined or commissioned by relevant professional institutions, please elaborate result, major defects(or suggestions) and remedy:</b></p>	<p>Not applicable. The Company has neither made a self-examined report of corporate governance nor been commissioned by the relevant professional institutions.</p>	

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

Title	Name	2011		As of April 30, 2012	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Evergreen Marine Corp.	57,225,748 (0)	0	0	0
	Representative: Jeng Kung-Yeun	9,018 (0)	0	0	0
Director	Chang Yung-Fa Foundation	11,600 (0)	0	0	0
	Representative: Chang Yung-Fa	8,941,836 (0)	0	0	0
	Representative: Ko Li-Ching	8,235 (0)	0	0	0
	Representative: Chang Ming-Che	2,261 (0)	0	0	0
Director	Evergreen Marine Corp.	57,225,748 (0)	0	0	0
	Representative: Lin Sun-San	0	0	0	0
	Representative: Tai Jiin-Chyuan	1,075 (0)	0	0	0
Director	Falcon Investment Services Ltd.	14,814,811 (0)	0	0	0
	Representative: Chang Kuo-Wei	0	0	0	0
Supervisor	Evergreen International Corp.	42,721,757 (0)	0	0	0
	Representative: Lin Long-Hwa	0	0	0	0
	Representative: Wu Kuang-Hui	3,016 (0)	0	0	0
	Representative: Chen Cheng-Pang	457 (0)	0	0	0
Major Shareholder	Evergreen Marine Corp.	57,225,748 (0)	0	0	0
Major Shareholder	Evergreen International Corp.	42,721,757 (0)	0	0	0
President	Chang Kuo-Wei	0	0	0	0

Title	Name	2011		As of April 30, 2012	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Executive Vice President	Cheng Chuan-Yi	14 (0)	0	0	0
Executive Vice President	Tsai Ta-Wei	53 (0)	0	0	0
Executive Vice President	Ho Ching-Sheng	18,325 (0)	0	0	0
Executive Vice President	Chen Yeou-Yuh	9 (0)	0	0	0
Executive Vice President	Li Shyh-Liang	1,479 (0)	0	0	0
Executive Vice President	Sun Chia-Ming	2,556 (0)	0	0	0
Executive Vice President	Yuen Ping-Yu	2 (0)	0	10,000 (0)	0
Executive Vice President	Tsao Buo-Yen	0	0	0	0
Executive Vice President	Fang Gwo-Shiannng	9,713 (5,000)	0	0	0
Senior Vice President	Li Ping-Yin	5,973 (0)	0	0	0
Senior Vice President	Chai Chien-Hua	54 (0)	0	0	0
Senior Vice President	Lu Yu-Chuan	96 (8,000)	0	0	0
Senior Vice President	Chen Chi-Hung	0	0	0	0
Senior Vice President	Lin Tsung-Yen	0	0	0	0
Senior Vice President	Liu Ying	848 (0)	0	0	0
Senior Vice President	Chang Lih-Lih	0	0	0	0
Senior Vice President	Yeh Ching-Far	191 (0)	0	0	0
Senior Vice President	Soong Allen	17 (0)	0	0	0
Senior Vice President	Hou Hsien-Yu	100 (0)	0	0	0

Title	Name	2011		As of April 30, 2012	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Deputy Senior Vice President	Wu Chun-Hung	0	0	0	0
Deputy Senior Vice President	Yu Ching-Hsi	0	0	0	0
Deputy Senior Vice President	Chiang Chin-Lan	0	0	0	0
Deputy Senior Vice President	Ho Li-Cheng	0	0	0	0
Deputy Senior Vice President	Liao Chi-Wei	42 (0)	0	0	0
Deputy Senior Vice President	Huang Chieh-Chih	127 (0)	0	0	0
Deputy Senior Vice President	Chiang Wei-Du	0	0	0	0
Deputy Senior Vice President	Hsiao Chin-Lung	0	0	0	0
Deputy Senior Vice President	Yeh Shih-Chung	0	0	0	0
Deputy Senior Vice President	Wu Su-Shin	1,041 (0)	0	0	0
Deputy Senior Vice President	Chuang Shih-Hsiung	0	0	0	0
Deputy Senior Vice President	Yang Hsiu-Huey	22 (0)	0	0	0
Deputy Senior Vice President	Tao Shin-Chien	665 (0)	0	0	0
Deputy Senior Vice President	Chen Yao-Min	121 (0)	0	0	0
Deputy Senior Vice President	Chang Haur-Chuan	0	0	0	0
Deputy Senior Vice President	Chang Chun-Huei	0	0	0	0
Junior Vice President	Chen Chi-Ming	0	0	0	0

**Information on Stock Transfer: Nil**

**Information on Stock Pledged: Nil**



## Corporate Social Responsibility

Environmental protection, community involvement, social contributions, social services, social welfare, consumer protection, human rights, health & safety and social responsibility activities are implemented by the CSR system and implementation status:

Items	Implementation Status	Deviations from“CSR Best-Practice Principles for TWSE Listed Companies” & reasons
<p><b>1. Implementation of Corporate Governance:</b></p> <p>(1) Corporate social responsibility policy and performance evaluation</p> <p>(2) Dedicated organization for the promotion and execution of corporate social responsibility</p> <p>(3) Regular training and promotion of corporate ethics among employees and the Board of Directors, and integration with the employee performance appraisal system</p>	<p>The Company hasn't yet established corporate social responsibility policy or system and promoted corporate social responsibility with designated management (part time) unit. However, the Company followed Evergreen Group Chairman's, Dr. Chang Yung-Fa, philosophy of "Caring for Taiwan, Contributing to Society" to invest in social care and social work, and reach out to the disadvantaged groups. While actively involved in public welfare undertakings, the Company offered support for charitable medication to various areas such as culture, education, music arena etc..</p> <p>While the company staff report to work at the first beginning, we advocated them the code of ethical conduct and business ethics-related conduct, and display the relevant provisions in the employee portal for inspection. Once there is any violation of the norms of conduct was aroused, the punishment would be depending on the seriousness which also link with the performance appraisal system.</p>	<p>The company did not establish corporate social responsibility policies or systems, but CSR has been incorporated into the company's management principle.</p> <p>None.</p>
<p><b>2.Sustainable Environment Development:</b></p> <p>(1) Commitment to improving resources utilization and the use of renewable materials</p>	<p>The Company has dedicated to promote various paperless measures:</p> <p>1. <u>Electronic inflight reading services</u></p> <p>Using advanced electronic devices on the machine, and all-digital on-demand interactive entertainment system (AVOD), we provide environmentally-friendly electronic tourist</p>	<p>None.</p>

Items	Implementation Status	Deviations from“CSR Best-Practice Principles for TWSE Listed Companies” & reasons
(2) Environmental management system designed to industry characteristics	<p>information and passengers can read various travel information through touch panel.</p> <p>2. <u>Paperless Electronic Flight Bag</u>  Now flight manuals for the pilots are available in electronic format and through the web pilot always could track and instantly access latest flight information. Since 1998, various types of aircraft have adopted Electronic Flight Bag which utilized electronic information to replace paper manuals. Also through computerized accurately calculation of take-off and landing performance, the current usage has reached 100%.</p> <p>3. <u>IATA“ International aviation e-tickets” Airline</u>  Since October 2000 the Company has adopted <u>Electronic ticket (e-ticket)</u>, combined with the internal ticketing, travel agents and inter-lines sales model, which established a comprehensive paperless electronic ticketing. The Company also cooperated with the International Air Transport Association (IATA) to implement Electronic Miscellaneous Document (EMD) system to achieve passenger business toward the goal of paperless environment.</p> <p>4. <u>IATA「 International e-freight」 Airlines</u>  The Company successfully passed IATA E-freight import and export standard measurement inspection toward the new milestone of paperless e-freight service. On November 3, 2009, the Company officially became IATA International e-freight Airlines.</p> <p>Since the inauguration in 1991, EVA Air has actively dedicated green services and even invited passengers to participate from recycling newspapers for return flight passengers and implemented paperless measures including electronic ticket and electronic flight bag.</p>	None.

Items	Implementation Status	Deviations from“CSR Best-Practice Principles for TWSE Listed Companies” & reasons
(3) Dedicated environmental management unit or personnel	The Company not only continues to bring in fuel-efficient and environmentally-friendly aircraft, but has set up a cross-departmental 「Fuel and Emissions Reduction Committee (FERC)」 which is directly chaired by chairman / president.	None.
(4) Company strategy for climate change, energy conservation and greenhouse gas reduction	The FERC has developed and promoted various measures of fuel saving and aircraft weight reduction to boost aircraft fuel efficiency and eventually reduce carbon emissions as well.	None.
<b>3. Promotion of social welfare:</b>		
(1) Compliance with labor regulations, protection of employee rights, and appropriate management measures and procedures	The company has established norms and rules at work in accordance with Labor Act and the related regulations for the guidance of personnel management of the Company.	None.
(2) Safety and health in working environment	The Company has conducted health and safety education of new staff in terms of fire safety training, fire drill workshops, occupational safety and health workshop. Also, the Company administered investigation and supervision of occupational hazards and statistics of occupational hazards to better employee safety protection measures.	None.
(3) Disclosure of consumer rights policy, and official channel for consumer complaints	The Company has set up Service Co-ordination Division to be responsible for dealing with customer feedback and service quality inspection.	None.
(4) Collaboration with suppliers	The Company has long been trustworthy partners of major art museums and art organizations at home and abroad. Not only has EVA been designated as specified carriers several times, but also been rewarded with an Art and Business Award by Ministry of Culture for many years. In the field of art without borders, the Company has empowered the role of culture spreading to help all citizens to extend their cultural life of Taiwan’s unique culture and customs into the international realm and even into	None.

Items	Implementation Status	Deviations from“CSR Best-Practice Principles for TWSE Listed Companies” & reasons
(5) Companies through business activities, in-kind donations, corporate volunteer service or other free professional services, participation in community development activities and charity groups related conditions.	<p>every corner of the world through the convenience of air traffic.</p> <ol style="list-style-type: none"> <li>In 2011, EVA carried two red-crowned cranes gifted to Taiwan by the Kushiro City Zoo in Hokkaido, Japan. EVA also successfully carried four koalas from Currumbin Wildlife Sanctuary in Queensland, Australia to the Taipei City Zoo in Taiwan. Both efforts won wide acclaim.</li> <li>Donated the ambulance to Fire Bureau, Taoyuan.</li> </ol>	None.
<p><b>4. Strengthening of information Disclosure:</b></p> <p>(1) Disclosing relevant and reliable information about corporate social responsibility.</p> <p>(2) Companies prepare the report of corporate social responsibility report and disclosed the status of promoting corporate social responsibility.</p>	<p>The implementation of corporate social responsibility has been disclosed in the annual report and the Company's Web site.</p> <p>The company does not currently prepare corporate social responsibility report.</p>	<p>None.</p> <p>Despite of no report of CSR, the Company has set up a dedicated web page in the corporate website to disclose relevant information of CSR and Vision.</p>
<p><b>5. If the company has set up the principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies", please illustrate the implementation progress and any difference:</b></p> <p>Not Applicable. The Company hasn't yet set up its governance principles in writing based on the “Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies”.</p>		
<p><b>6. Please state any other important information that would facilitate better understanding on the Company’s status in fulfilling corporate social responsibilities (i.e. systems, mechanism, policies that the Company adopts and their execution results about corporate social responsibilities, such as environmental conservation, community welfare improvement, contributions to common goods, social service activities, charity and donations, consumer rights, safety, health, and others):</b></p> <p>Please refer to relevant information of implementation about Corporate Governance.</p>		
<p><b>7. If products of the Company or reports of corporate social responsibility have/has been accredited by relevant accreditation institutions, please elaborate:</b></p> <p>Our track record proven quality management system has been certified in accordance with ISO9001 Requirements of the international standards.</p>		

## Capital and Shares

### History of Capitalization

Month/Year	Price	Authorized Capital		Issued Capital		Sources of Capital (‘000)	Non-Monetary Capital Expansion
		Shares (‘000)	Amount (‘000)	Shares (‘000)	Amount (‘000)		
03/2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate bond conversion 318,356	-
04/2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate bond conversion 358,623	-
07/2009	10	4,000,000	40,000,000	2,262,677	22,626,773	Capital Reduction 16,800,000	-
09/2009	10	4,000,000	40,000,000	2,962,677	29,626,773	Cash offering 7,000,000	-
09/2011	10	4,000,000	40,000,000	3,258,945	32,589,450	Capitalization of retained earnings 2,962,677	-

### Status of Shareholders

As of April 23, 2012

Item \ Entity	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution or Individual	Total
Number of Shareholders	5	20	218	131,591	836	132,670
Shareholdings	27,505,912	118,645,199	1,259,054,138	1,285,975,212	567,764,544	3,258,945,005
Holding (%)	0.84	3.64	38.63	39.47	17.42	100.00

## Distribution of Common Shares

As of April 23, 2012

Range of Shareholdings	Number of Shareholders	Number of Shares	Holding (%)
1-999	39,409	13,339,498	0.41
1,000-5,000	55,272	126,513,355	3.88
5,001-10,000	17,324	122,529,396	3.76
10,001-15,000	7,953	93,660,715	2.87
15,001-20,000	3,239	57,310,486	1.76
20,001-30,000	3,726	89,686,500	2.75
30,001-50,000	2,705	104,232,978	3.20
50,001-100,000	1,693	117,163,934	3.60
100,001-200,000	743	100,726,467	3.09
200,001-400,000	295	81,140,422	2.49
400,001-600,000	95	46,153,886	1.42
600,001-800,000	33	23,781,202	0.73
800,001-1,000,000	37	34,364,447	1.05
1,000,001 and above	146	2,248,341,719	68.99
<b>Total</b>	132,670	3,258,945,005	100.00

## Major Shareholder Name List

As of April 23, 2012

Shareholding Entity	Number of Shares	Holding (%)
Evergreen Marine Corp.	629,483,229	19.32
Evergreen International Corp.	469,648,357	14.41
Falcon Investment Services Ltd.	162,962,925	5.00
Chang Yung-Fa	98,360,200	3.02
Chang Kuo-Cheng	74,957,249	2.30
Chang Kuo-Hua	52,506,568	1.61
Fubon Life Insurance Co., Ltd.	51,125,400	1.57
Chang Kuo-Ming	47,858,445	1.47
Bank Taiwan Life Insurance Co., Ltd.	39,651,000	1.22
Evergreen International Storage & Transport Corp.	38,045,443	1.17

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

Items		Year	2010	2011	2012
			(Distributed in 2011)	(Distributed in 2012)	(As of April 30 2012)
Market Price per Share	Highest		NT\$33.27	NT\$37.30	NT\$22.50
	Lowest		NT\$9.82	NT\$16.15	NT\$16.60
	Average		NT\$21.37	NT\$25.55	NT\$19.80
Net Worth per Share	Before Distribution		NT\$13.72	NT\$11.62	NT\$10.96
	After Distribution		NT\$11.56	-	-
Earnings per Share	Weighted Average Shares		2,962,677,000 shares	3,258,945,000 shares	3,258,945,000 shares
	Earnings per Share	Before Adjustment	NT\$4.06	NT\$0.06	NT\$(0.33)
		After Adjustment	NT\$3.69	-	-
Dividends per Share	Cash Dividends		NT\$1.00	-	-
	Stock Dividends	Dividends from Retained Earnings	NT\$1.00	-	-
		Dividends from Capital Surplus	-	-	-
Return on Investment	Price/Earnings Ratio (Note 1)		5.79	-	-
	Price/Dividend Ratio (Note 2)		21.37	-	-
	Cash Dividend Yield Rate (Note 3)		4.68%	-	-

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

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

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



## **Dividend Policy and Implementation Status**

### **Dividend Policy**

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

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

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

The board adopted a proposal for 2012 dividend distribution at its meeting on March 16, 2012 that no dividend will be distributed to shareholders.

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

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

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

Employee Cash Bonus: Nil

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: Nil

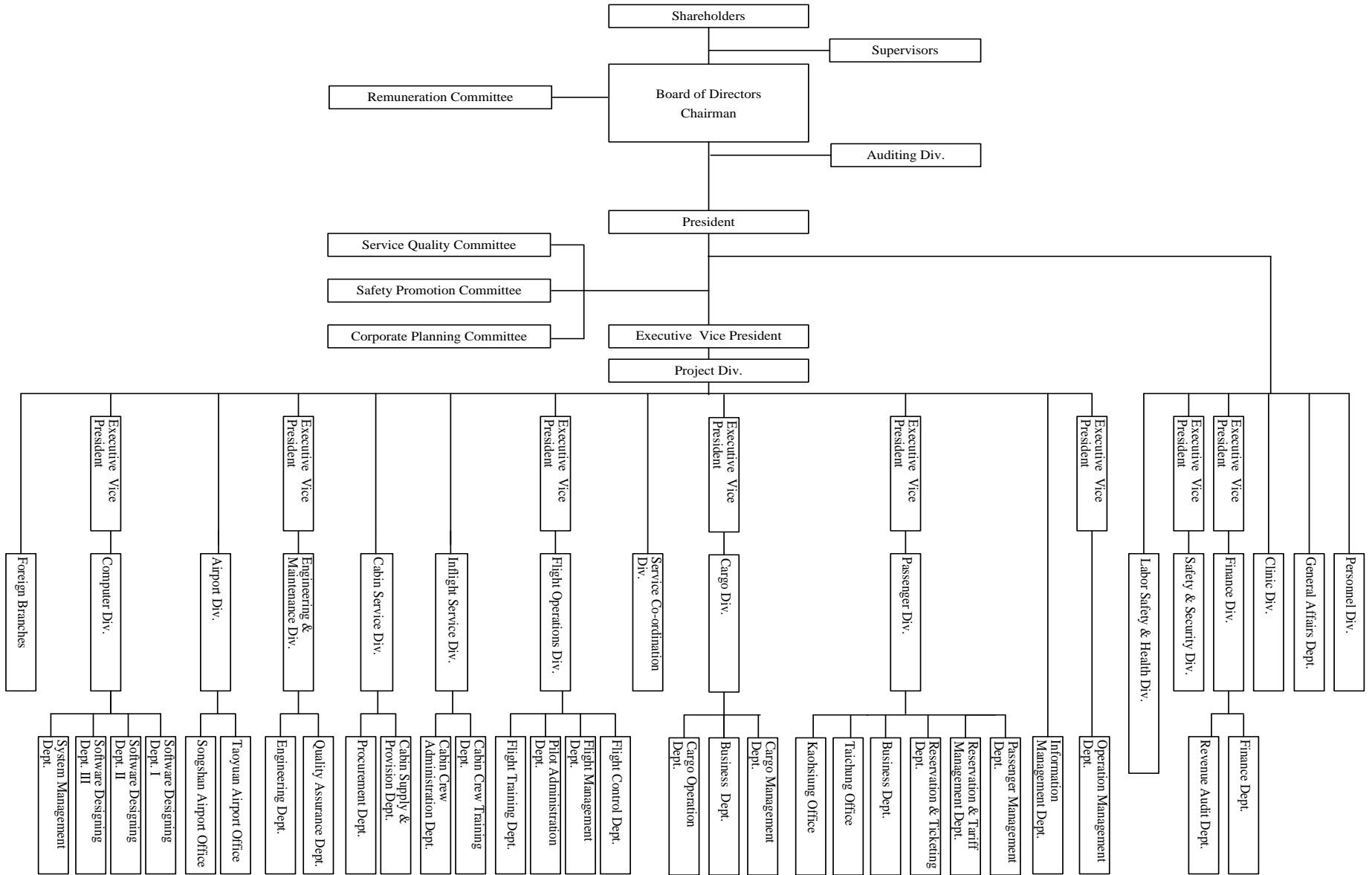
Number of shares proposed for distribution to employees and the percentage of the shares above capitalized earnings: 0 share, 0%  
Estimated EPS after deduction of employee bonuses and compensation to directors and supervisors: Not applicable.

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

## EVA Air People

Items \ Year		2010	2011	2012 (as of Apr. 30 2012)
No. of Employees	Pilots	711	825	832
	Cabin Crew	1,421	1,668	1,703
	Dispatchers	32	36	36
	Maintenance	98	102	101
	Other	2,859	3,176	3,151
	<b>Total</b>	<b>5,121</b>	<b>5,807</b>	<b>5,823</b>
Average Age		35.4	35.0	35.0
Average Seniority		9.7	9.1	9.9
Education Profile Distribution (%)	Doctorate	0.10	0.07	0.07
	Master's	5.27	5.99	6.02
	Bachelor's	88.35	88.11	87.79
	High School	5.87	5.49	5.79
	Other	0.41	0.34	0.33

# Organization



## The Fleet

■ Since October 2011 EVA took delivery of three brand-new A330-300 passenger aircraft.

As of December 31 2011

Aircraft Type	Owned	Capital Lease	Operating Lease	Total	On Order (Delivery date)
B747-400	3	-	-	3	-
B747-400 Combi	4	-	-	4	-
B777-300ER	9	2	4	15	7 Jun. 2014~ Jun. 2016
A330-200	3	-	8	11	-
A330-300	-	-	3	3	-
MD-90	-	-	6	6	-
B747-400 Freighter	5	4	-	9	-
MD-11 Freighter	5	-	3	8	-
<b>Total</b>	<b>29</b>	<b>6</b>	<b>24</b>	<b>59</b>	<b>7</b>

## The Market

### Passenger Operations

Region	No. of Passenger			RPK (Million)			Revenue (Million)		
	2011	2010	%	2011	2010	%	2011	2010	%
America	1,102,104	1,108,358	(0.56%)	11,695	11,915	(1.85%)	22,379	22,016	1.65%
Europe	635,648	550,213	15.53%	4,655	4,175	11.50%	8,439	7,291	15.75%
Asia	4,887,855	4,729,434	3.35%	7,431	7,212	3.04%	28,179	26,469	6.46%
Oceania	37,246	47,946	(22.32%)	252	324	(22.22%)	513	621	(17.39%)
Total	6,662,853	6,435,951	3.53%	24,033	23,627	1.72%	59,510	56,397	5.52%

### Cargo Operations

Region	Cargo carried (Tons)			FTK (Million)			Revenue (Million)		
	2011	2010	%	2011	2010	%	2011	2010	%
America	281,887	304,549	(7.44%)	3,456	3,637	(4.98%)	22,585	26,708	(15.44%)
Europe	65,061	74,852	(13.08%)	650	741	(12.28%)	4,658	5,536	(15.86%)
Asia	444,884	469,357	(5.21%)	769	777	(1.03%)	9,266	8,976	3.23%
Oceania	1,228	1,859	(33.94%)	8	13	(38.46%)	54	73	(26.03%)
Total	793,060	850,617	(6.77%)	4,883	5,168	(5.51%)	36,563	41,293	(11.45%)

### Major Competitors and Market Shares

Item		2010	2011
Number of Flights	EVA Airways	37,807	38,744
	Taiwan	202,982	209,692
	Market Share (%)	18.63	18.48
Number of Passengers	EVA Airways	6,267,704	6,457,718
	Taiwan	29,556,305	31,220,036
	Market Share (%)	21.21	20.68
Tons of Cargo	EVA Airways	500,693	479,268
	Taiwan	1,812,829	1,686,984
	Market Share (%)	27.62	28.41

Data Source: Monthly Digest of Statistics, CAA

## **2012 Outlook**

After 2012 presidential election, Taiwan will see the coming of a more stable political environment, increased cross-strait trade, gradual relaxation of policy limitations on visitors from Mainland China and frequent, regularly scheduled cross-strait flights, which will lead to more business and leisure travel. Prospects for EVA's major routes worldwide are described in the paragraphs that follow.

### **American routes**

The Company operates 45 direct passenger flights to the United States and Canada weekly: 17 to Los Angeles, five to New York, 12 to San Francisco, five to Seattle, three to Vancouver and three to Toronto. We effectively extend these routes in the respective domestic markets by code sharing with other leading airlines, including American Airlines and US Airways.

EVA's freighter service to North America is our major source of cargo revenue. Starting with the 2012 summer schedule, we have allocated 25 cargo flights a week to the North American market. In addition to existing airfreight gateways on the East and West Coasts and in Middle America, eg, Los Angeles, Atlanta, Chicago, Dallas and New York, we will add freighter stops in either Seattle or San Francisco. The additional cargo gateways will enhance flexibility of our existing freighter routes, accommodate customer demands and strengthen our airfreight network density between Asia and North America. On December 2, 2011, the Company launched east-bound round-the-world services from New York to Brussels, giving customers served by our North American sales channels a more comprehensive cargo network.

### **European routes**

EVA has 16 scheduled nonstop passenger flights a week to Europe, including three to Amsterdam, three to Vienna, three to Paris and seven to London. We give passengers on these routes comfortable and convenient service. Starting with the 2012 summer schedule, we allocated capacity on three airfreight flights to Brussels and Frankfurt. The Company is also collaborating with leading global airfreight carriers British Airways and Lufthansa to offer

regular, dedicated cargo services and extend our network within Europe. These joint operations upgrade overall performance in the region.

### **Australian route**

EVA's Australian route primarily serves the tourism market. In view of market demand and operating costs, the Company will continue our two weekly Taipei - Brisbane flights and ongoing code-share with Qantas Airlines.

### **Asian routes**

Following inauguration of regular cross-strait services on August 31, 2009, EVA and our regional subsidiary UNI Air are now operating 105 scheduled weekly flights between Taiwan and Mainland China. We serve 25 destinations: Beijing, Shanghai Pudong, Shanghai Hongqiao, Guangzhou, Shenzhen, Fuzhou, Xiamen, Hangzhou, Nanjing, Ningbo, Tianjin, Dalian, Qingdao, Chongqing, Chengdu, Zhengzhou, Jinan, Shenyang, Xian, Kunming, Yanchen, Guilin, Haikou, Harbin and Huangshan.

In addition to four regular weekly freighter flights to Shanghai and Guangzhou, the Company added one-to-three more to Nanjing, Xiamen and Chongqing. We anticipate that this capacity and level of service will contribute positively and substantially to cross-strait cultural, economic, tourism and logistics efficiencies and deliver greater profitability.

Taiwan's geographic location makes it an ideal pivot point for traffic between North America and Southeast Asia. The Company is leveraging this geographic superiority and, at the same time, supporting the government's goal of establishing Taiwan as the leading Asia Pacific Operations Center with our extensive route network connecting North America and Asia.

Despite the global economic downturn, the Asia-Pacific region still has potential for cargo business. China continues to stand out as a dominant business and trade driver in the region. The Company will continue to optimize opportunities such as those created by the Economic Cooperation Framework Agreement (ECFA) in the summer of 2010. Catalyzing acceleration of China's domestic demand and

identifiable advantages stemming from the ASEAN-Plus-One free-trade zone, the Company will strategically seek greater shares of the markets in China and Asia.

## The Network

- EVA Air launched Taipei – Guam passenger service in June 2011.
- EVA Air flied into JFK-Passenger services relocated from Newark, effective on Oct. 31 2011.
- EVA Air launched Taipei - Haikou passenger service in October 2011.
- EVA Air launched Taipei - Guilin passenger service in November 2011.
- EVA Air launched Taipei - Harbin passenger service in December 2011.

As of December 31 2011

<b>North America</b>	Los Angeles	San Francisco	Seattle	Anchorage	Atlanta	Chicago
	Dallas	Vancouver	JFK	Houston	Toronto	Guam
<b>Oceania</b>	Brisbane					
<b>Europe</b>	Vienna	London	Frankfurt	Amsterdam	Brussels	Paris
<b>Asia</b>	Osaka	Fukuoka	Taipei (Taoyuan)	Kaohsiung	Hong Kong	Macau
	Bangkok	Kuala Lumpur	Penang	Jakarta	Bali	Surabaya
	Singapore	Ho Chi Minh City	Seoul	Manila	Tokyo (Narita)	Sapporo
	Phnom Penh	Sendai	Hanoi	Delhi	Nagoya	Komatsu
	Tokyo (Haneda)	Taipei (Songshan)				
<b>Mainland China</b>	Shanghai (Pudong)	Beijing	Guangzhou	Hangzhou	Tianjin	Ningbo
	Shanghai (Hongqiao)	Xiamen	Nanjing	Jinan	Zhengzhou	Chongqing
	Haikou	Guilin	Harbin	Chengdu		

 Air cargo destination only

Total 61 destinations



## Principal Subsidiaries

As of December 31 2011

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT\$379.83 million	56.33%
Evergreen Aviation Technologies Co., Ltd.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT\$4.35 billion	80.00%
Evergreen Air Cargo Service Corp.	Cargo terminal operation	Taiwan	Mar. 2000	NT\$1.2 billion	60.00%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct. 1993	NT\$1 billion	49.80%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT\$25 million	100%
Evergreen Airways Service (Macau) Ltd.	Investment business	Macau	Dec. 1994	US\$12,488	99.00%
Green Siam Air Services Co., Ltd.	Travel business	Thailand	May 1990	THB20 million	49.00%
RTW Air Services(S) Pte. Ltd.	Travel business	Singapore	Oct. 1989	SG\$1.5 million	49.00%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR1.6 billion	51.00%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb. 2005	US\$5.5 million	100%
Concord Pacific Ltd.	Investment business	Samoa	Apr. 2005	US\$74.1 million	100%
Sino Gain Limited	Aircraft Leasing	Samoa	Aug. 2009	US\$25,000	100%

## Important Resolutions by Shareholders and BOD

### Important Shareholders' Resolutions

Date of Meeting	Summary of Important Proposals	Result of Resolutions	Execution
June 10, 2011	1. Distribution of retained earnings: Stock dividend of 100 shares for every 1,000 shares amounts to NT\$2,962,677,280. Cash dividend of NT\$1 per share amounts to NT\$2,962,677,277.	Accepted by all present shareholders with unanimous consent.	Cash dividend and stock dividend have been issued on Sep. 19 2011 and Oct. 5 2011 respectively.
	2. To execute capitalization of retained earnings which amounts to NT\$2,962,677,280 for issuing 296,267,728 new shares.	Accepted by all present shareholders with unanimous consent.	The new shares have been traded in Taiwan Stock Exchange on Oct. 5 2011.
	3. To amend the Procedures for Fund Lending and Endorsements/Guarantees.	Accepted by all present shareholders with unanimous consent.	The related operations have been followed by amended Procedures for Fund Lending and Endorsements/Guarantees accordingly.
	4. To elect seven Directors and two Supervisors in accordance with article of incorporation.	Elect seven Directors and two Supervisors	The directors and supervisors re-election has been approved by the Commerce Department, Ministry of Economic Affairs and registered (no. 10001176870) on Aug. 2 2011. Newly appointed directors and supervisors have executed matters in accordance with article of incorporation and alike.
	5. To release newly elected directors in 2011 shareholder meeting from non-competition restriction.	Accepted by all present shareholders with unanimous consent.	Being executed in accordance with the resolution.

<b>Date of Meeting</b>	<b>Summary of Important Proposals</b>	<b>Result of Resolutions</b>	<b>Execution</b>
June 10, 2011	6. To amend Article of Incorporation.	Accepted by all present shareholders with unanimous consent.	Being executed in accordance with the resolution.
	7. To amend the election rule of Directors and Supervisors.	Accepted by all present shareholders with unanimous consent.	The election of directors and supervisors has been executed in accordance with election rule of Directors and Supervisors.

### **Important Resolutions by the Board of Directors**

<b>Date of Meeting</b>	<b>Important Proposals</b>
March 22, 2011	<ol style="list-style-type: none"> <li>1. To accept 2010 Report of Operation and 2010 Financial Statements.</li> <li>2. To accept 2010 Profit Distribution Proposal.</li> <li>3. To execute capitalization of retained earnings for new share issue.</li> <li>4. To accept 2010 Internal Control System and present a Declaration of Internal Control.</li> <li>5. To amend Internal Control System and Internal Auditing Implementation Rules.</li> <li>6. To accept 2011 Operation Plan.</li> <li>7. To amend the Procedures for Fund Lending and Endorsements/Guarantees.</li> <li>8. To accept the resolution of re-elect Directors and Supervisors in 2011 shareholders meeting.</li> <li>9. To propose to release re-electing Directors and Supervisors from non-competition restriction.</li> <li>10. To stipulate date and venue for convening 2011 Annual General Shareholders' meeting.</li> </ol>
April 29, 2011	<ol style="list-style-type: none"> <li>1. To amend Article of Incorporation.</li> <li>2. To amend the election rule of Directors and Supervisors.</li> <li>3. To amend 2011 Annual General Shareholder Meeting agendas and notices.</li> </ol>
May 27, 2011	<ol style="list-style-type: none"> <li>1. To accept the resolution of that fuel surcharges collected would be in violation of U.S. anti-trust law.</li> <li>2. To appoint Ms. Rose Li as Deputy Spokesperson effective from May 30 2011.</li> <li>3. To release managers from non-competition restriction.</li> </ol>

Date of Meeting	Important Proposals
	4. To issue 16 <sup>th</sup> secured corporate bond.
June 10, 2011	To elect Mr. Jeng Kung-Yeun as Chairman.
August 5, 2011	<ol style="list-style-type: none"> <li>1. To set August 29, 2011 as base date for the dividend distribution and set September 19, 2011 as cash dividend payment date.</li> <li>2. To establish branches in Mainland China.</li> </ol>
August 26, 2011	<ol style="list-style-type: none"> <li>1. To accept 2011 1H Financial Statements.</li> <li>2. To set September 20, 2011 as dividend distribution and capital increase date.</li> </ol>
September 30, 2011	<ol style="list-style-type: none"> <li>1. To enter sales and leaseback agreement of two MD-11 freighters.</li> <li>2. To establish Remuneration Committee and set up agendas for Committee.</li> <li>3. To appoint Mr. Hsu Shui-Teh, Mr. Eugene Chien and Mr. Lin Sun-San as the members of Remuneration Committee.</li> </ol>
October 14, 2011	To sell two MD-11 freighters.
December 30, 2011	<ol style="list-style-type: none"> <li>1. To appoint Certified Public Accountant and approve the fee.</li> <li>2. To establish 2012 Internal Audit Plan.</li> <li>3. To procure one MD-11 freighter from C &amp; L Leasing Company Ltd.</li> <li>4. To approve compensation structure and performance incentive system of directors and supervisors.</li> <li>5. To approve manager's performance incentive system.</li> <li>6. To approve compensation structure (including pension plan) of managers and current name list (including salary and allowance).</li> <li>7. To approve 2011 annual bonus of managers.</li> <li>8. To approve 2012 managers change and compensation.</li> <li>9. To approve 2012 remuneration of chairman.</li> <li>10. To approve 2011 annual bonus of chairman.</li> </ol>
February 14, 2012	<ol style="list-style-type: none"> <li>1. To procure one simulator of A320-200 and one simulator of B777-300ER.</li> <li>2. To approve the construction of 2<sup>nd</sup> Training building in Nankan office area commissioned by related party of " Ever Accord Construction Co., Ltd."</li> </ol>
March 16, 2012	<ol style="list-style-type: none"> <li>1. To accept 2011 Financial Statements and Consolidated Financial Statements.</li> <li>2. To accept 2011 Profit Distribution Proposal.</li> <li>3. To approve 2011 Operation Report.</li> <li>4. To accept 2012 Operation Plan.</li> <li>5. To accept 2011 Declaration of Internal Control.</li> <li>6. To amend Internal Control System &amp; Internal Auditing Implementation Rules.</li> </ol>

<b>Date of Meeting</b>	<b>Important Proposals</b>
	<ol style="list-style-type: none"> <li>7. To enter sales and leaseback agreement of one MD-11 freighter.</li> <li>8. To enter purchase agreement of three B777-300ER passenger aircraft.</li> <li>9. To enter purchase agreement of three A321-200 spare engines.</li> <li>10. To issue 17th secured corporate bond.</li> <li>11. To amend Article of Incorporation.</li> <li>12. To amend election rule of Directors and Supervisors.</li> <li>13. To amend Annual General Shareholder Meeting Agendas and Notices.</li> <li>14. To amend the Procedures for Asset Procurement and Disposal.</li> <li>15. To stipulate date and venue for 2012 Annual General Shareholders' meeting.</li> </ol>

# Financial and Operating Results

## Financial Results

### Balance Sheet

NT\$ (Thousand)

Item \ Year	2011	2010	Variance	
			Amount	%
Current Assets	32,841,444	34,373,857	(1,532,413)	(4.46)
Funds and Investments	13,449,975	11,850,022	1,599,953	13.50
Fixed Assets	87,529,888	95,802,438	(8,272,550)	(8.64)
Intangible Assets	301,345	149,633	151,712	101.39
Other Assets	5,123,260	5,853,569	(730,309)	(12.48)
<b>Total Assets</b>	<b>139,245,912</b>	<b>148,029,519</b>	<b>(8,783,607)</b>	<b>(5.93)</b>
Current Liabilities	33,383,685	36,392,207	(3,008,522)	(8.27)
Long-Term Liabilities	64,952,297	69,054,677	(4,102,380)	(5.94)
Other Liabilities	3,036,655	1,947,373	1,089,282	55.94
<b>Total Liabilities</b>	<b>101,372,637</b>	<b>107,394,257</b>	<b>(6,021,620)</b>	<b>(5.61)</b>
Common Stock	32,589,450	29,626,772	2,962,678	10.00
Capital Surplus	2,626,446	2,649,436	(22,990)	(0.87)
Retained Earnings(Deficit)	6,301,045	12,016,736	(5,715,691)	(47.56)
Other Adjustments	(3,643,666)	(3,657,682)	14,016	(0.38)
<b>Total Stockholders' Equity</b>	<b>37,873,275</b>	<b>40,635,262</b>	<b>(2,761,987)</b>	<b>(6.80)</b>

## Income Statement

NT\$(Thousand)

Item	Year		Increase (Decrease) Amount	Change (%)
	2011	2010		
Operating Revenue	102,192,051	104,410,011	(2,217,960)	(2.12)
Operating Cost	94,411,785	84,789,200	9,622,585	11.35
Gross Profit from Operations	7,780,266	19,620,811	(11,840,545)	(60.35)
Operating Expenses	7,332,713	6,972,063	360,650	5.17
Operating Income	447,553	12,648,748	(12,201,195)	(96.46)
Non-Operating Income and Gain	1,675,937	1,476,477	199,460	13.51
Non-Operating Expense and Loss	1,886,123	2,079,958	(193,835)	(9.32)
Income before Income Tax	237,367	12,045,267	(11,807,900)	(98.03)
Income Tax Benefit (Expense)	(28,339)	(28,531)	192	(0.67)
Net Income	209,028	12,016,736	(11,807,708)	(98.26)

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

NT\$(Thousand)

Item	Before and After Period of Increase (Decrease) Change Amount	Favorable (Unfavorable) Variance				
		Variance on Sales Price	Variance on Cost	Variance on Sales Segmentation	Variance on Volume	Other
Passenger	(5,256,752)	1,889,471	(7,232,403)	(94,149)	180,329	-
Cargo	(7,311,357)	(2,675,111)	(4,410,257)	510,119	(736,108)	-
Other	727,564	-	-	-	-	727,564
<b>Total</b>	<b>(11,840,545)</b>	<b>(785,640)</b>	<b>(11,642,660)</b>	<b>415,970</b>	<b>(555,779)</b>	<b>727,564</b>

- Variance on sales price:

A. Passenger: The ticket fare increase led to a favorable result amounting to NT\$1,889,471,000.

B. Cargo: Airfreight rate decrease in Europe and US routes stemming from global economic recession led to an unfavorable result amounting to NT\$2,675,111,000.

- Variance on cost:

Fuel price spike led to a negative result amounting to NT\$11,642,660,000.

- Variance on sales segmentation:

A. Passenger: Lower profit margin than last year amid rising fuel prices led to an unfavorable result amounting to NT\$94,149,000.

B. Cargo: The routes rationalization triggered by US airfreight rate decrease coupled with volume dip in US routes stemming from rising fuel cost and economic downturn led to a favorable result amounting to NT\$510,119,000.

- Variance on volume:
  - A. Passenger: Acceleration of passenger volume attributed from subsequent launching new destinations in China route led to a positive result amounting to NT\$180,329,000.
  - B. Cargo: Deceleration of cargo volume stemming from by global economic recession led to an unfavorable result amounting to NT\$736,108,000.
- Other: Decrease in miscellaneous expenses led to a favorable result amounting to NT\$727,564,000.

## Cash Flow Analysis

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

Year	2011	2010	Change (%)
Ratio of Cash Flow (%)	40.48	52.96	(23.56)
Cash Flow Adequacy Ratio (%)	59.64	35.00	70.40
Ratio of Re-investment for Cash (%)	6.73	12.19	(44.79)

Economy slowdown in 2011 has contributed a decrease of net cash inflow from operating activity compared with last year. The results lead to relatively decreases in the Ratio of Cash Flow and Ratio of Re-investment for Cash.

### Remedy Measures for Inadequate Liquidity

EVA expects to make financing through mid and long-term unsecured loans and issuing corporate bonds.

### Liquidity Analysis for the Coming Year

NT\$(Thousand)

Initial Cash Balance (1)	Net Cash Flow from Operations During This Year (2)	Cash Outflows During This Year (3)	Cash Balance (Negative) (1)+(2)-(3)	Remedy Measures for Negative Cash Balance	
				Investment Plans	Financing Plans
13,666,643	7,882,502	14,244,901	7,304,244	-	-

- Operating activities: The Company estimate cash flow from operations in the next one year would accumulate to NT\$7,882,502,000.
- Investment activities: The estimated long-term equity investment and equipment purchase reach NT\$3,644,227,000.
- Financing activities: The estimated both mid and long-term mortgage loans reach NT\$10,600,674,000.



**Remedy Measures for Inadequate Cash Liquidity: N/A**

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

The Company has not engaged with significant capital expenditures in 2011.

**Recent Reinvestment Policy, Major Reason of Profit & Loss, Remedy Actions and Forward Investment Plan**

The recent reinvestments entered mainly concentrate on integration of aviation relative business to ensure service quality. Stemming from outstanding operating performance of subsidiaries including Evergreen Aviation Technologies Co., Ltd., Evergreen Sky Catering Corp., Evergreen Airline Services Corp., and Evergreen Air Cargo Service Corp., the Company reported investment income of NT\$1,052,528,000.

The Company has not entered with any reinvestment plan on next year.

### Concise Balance Sheet for 2007 - 2011

NT\$(Million)

Item	2011	2010	2009	2008	2007
Current Assets	32,841	34,374	25,588	21,412	27,700
Fixed Assets	87,530	95,802	106,539	102,585	100,330
Total Assets	139,246	148,030	149,937	143,254	149,138
Current Liabilities	33,384	39,355	37,733	41,228	31,486
Long-term Liabilities	64,952	69,055	78,143	74,085	70,767
Total Liabilities	101,373	110,357	117,910	117,512	104,950
Share Capital	32,589	29,627	29,627	39,427	38,750
Shareholders' Equity	37,873	37,673	32,027	25,742	44,188

### Concise Income Statement for 2007 - 2011

NT\$(Million)

Item	2011	2010	2009	2008	2007
Operating Revenue	102,192	104,410	73,280	90,656	93,103
Operating Cost& Exp.	101,744	91,761	76,100	99,262	95,377
Operating Income	448	12,649	(2,820)	(8,607)	(2,274)
Non-operating Income	1,676	1,476	1,125	965	2,623
Non-operating Expenses and Loss	1,886	2,080	2,030	9,749	2,307
Income before Tax	237	12,045	(3,725)	(17,390)	(1,958)
Income Tax Benefit (Exp.)	(28)	(29)	881	501	86
Net Income(Loss)	209	12,017	(2,844)	(16,890)	(1,872)
Earnings Per Share (EPS)	0.06	3.69	(1.14)	(7.49)	(0.48)

### Revenue by Business Segment

NT\$(Million)

Year	Passenger		Cargo		Other		Total	
2011	56,510	58%	36,564	36%	6,118	6%	102,192	100%
2010	56,397	54%	41,294	40%	6,719	6%	104,410	100%
2009	43,950	60%	24,207	33%	5,122	7%	73,280	100%
2008	50,057	55%	35,310	39%	5,288	6%	90,656	100%
2007	48,956	53%	38,238	41%	5,909	6%	93,103	100%

## Financial Ratio

Item	Type of ratio	2011	2010	2009	2008	2007
<b>Financial Structure (%)</b>	Debt Ratio	72.80	72.55	78.64	82.03	70.37
	Ratio of Long-Term Liabilities and Stockholders' Equity to Fixed Assets	117.47	114.50	103.41	97.31	114.58
<b>Solvency (%)</b>	Current Ratio	98.38	94.45	67.81	51.94	87.97
	Quick Ratio	69.32	66.23	42.70	27.19	54.62
	Times Interest Earned Ratio(Times)	1.12	6.97	(0.83)	(4.82)	0.10
<b>Operating Performance</b>	Average Collection Turnover (Times)	-	-	-	-	-
	Average Collection Days for Receivables	-	-	-	-	-
	Average Inventory Turnover (Times)	-	-	-	-	-
	Average Days for Sale of Goods	-	-	-	-	-
	Fixed Assets Turnover (Times)	1.11	1.03	0.70	0.89	1.01
	Total Assets Turnover (Times)	0.71	0.70	0.49	0.63	0.62
<b>Profitability</b>	Return on Total Assets (%)	1.11	9.05	(0.93)	(10.15)	(0.15)
	Return on Stockholders' Equity (%)	0.53	33.08	(9.85)	(48.30)	(4.14)
	Operating Income to Paid -in Capital (%)	1.37	42.69	(9.52)	(21.83)	(5.87)
	Return on Sales (%)	0.20	11.51	(3.88)	(18.63)	(2.01)
	Earnings Per Share (NT\$)	0.06	3.69	(1.14)	(7.49)	(0.48)
<b>Cash Flow (%)</b>	Ratio of Cash Flows	40.48	52.96	-	-	23.39
	Cash Flow Adequacy Ratio	59.64	35.00	8.99	27.69	41.71
	Ratio of Re-Investment for Cash	6.73	12.19	-	-	4.80
<b>Leverage</b>	Degree of Operating Leverage	51.24	2.75	(6.60)	(1.47)	(9.65)
	Financial Leverage	(0.37)	1.16	0.59	0.76	0.51

Note:

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

## Operating Results

Item	2011	2010	2009	2008	2007
Overall Capacity (Million)	8,719	8,838	7,188	7,957	8,986
Overall Traffic (Million)	7,044	7,294	5,672	6,142	6,954
Overall Load Factor (%)	80.8	82.5	78.9	77.2	77.4
Overall Yield (NT\$)	13.64	13.39	12.02	13.90	12.54
Passenger Capacity (Million)	30,800	29,632	29,311	28,853	29,785
Passenger Traffic (Million)	24,033	23,627	22,689	22,944	24,226
Passengers Carried ('000)	6,663	6,436	6,022	5,788	6,181
Passenger Load Factor (%)	78.0	79.7	77.4	79.5	81.3
Passenger Yield (NT\$)	2.48	2.39	1.94	2.18	2.02
Cargo Capacity (Million)	5,947	6,171	4,550	5,360	6,305
Cargo Traffic (Million)	4,883	5,168	3,630	4,077	4,774
Cargo Carried (Tons)	793,060	850,617	609,734	681,289	785,222
Cargo Load Factor (%)	82.1	83.7	79.8	76.1	75.7
Cargo Yield (NT\$)	7.49	7.99	6.67	8.66	8.01
Unit Cost (NT\$)	11.67	10.38	10.59	12.47	10.61
Number of Aircraft	59	56	55	53	52
Number of Employees	5,807	5,121	4,486	4,772	5,153
Capacity per Employee (Thousand)	1,501	1,726	1,602	1,667	1,744
Traffic per Employee(Thousand)	1,213	1,424	1,264	1,287	1,350
Revenue per Employee (Thousand)	17,598	20,389	16,335	18,997	18,068

**EVA AIRWAYS CORP.**  
**Financial Statements**  
**December 31, 2011 and 2010**  
**(With Independent Auditors' Report Thereon)**

Address: No. 376 Hsin-nan Road, Sec. 1, Luchu, Taoyuan Hsien, Taiwan  
Telephone No.: 886(03)3515151

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

We have audited the balance sheets of EVA Airways Corp. (the "Company") as of December 31, 2011 and 2010, and the related statements of operations, changes in stockholders' equity, and cash flows for the years ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain non-consolidated investee companies. The Company's investments in these companies as of December 31, 2011 and 2010, were evaluated using the equity method, and the resulting book values of these investments amounted to NT\$3,029,549 thousand and NT\$3,295,808 thousand, constituting 2.18% and 2.23% of total assets, respectively. The cumulative translation adjustments from the aforementioned investments amounted to NT\$8,549 thousand and NT\$5,683 thousand, respectively. The resulting investment gains amounted to NT\$459,591 thousand, and NT\$417,043 thousand, constituting 194% and 3.46% of income before income tax, for the years 2011 and 2010, 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 standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", and accounting principles generally accepted in the Republic of China.

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

KPMG

Taipei, Taiwan (the Republic of China)  
March 16, 2012

**EVA AIRWAYS CORP.**

**Balance Sheets**

**December 31, 2011 and 2010**  
(Expressed in Thousands of New Taiwan Dollars)

Assets	2011	2010	Liabilities and Stockholders' Equity	2011	2010
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 4(a))	\$ 13,666,643	14,145,427	Accounts payable	\$ 1,801,200	1,589,218
Available-for-sale financial assets – current (note 4(b))	2,410,548	1,943,977	Accounts payable – related parties (note 5)	2,822,992	2,473,943
Derivative financial assets for hedge purposes – current (note 4(p))	69,953	-	Accrued expenses	8,181,776	7,234,011
Notes receivable, net (note 4(c))	317,587	230,608	Other payables – related parties (note 5)	173,542	153,394
Accounts receivable, net (note 4(c))	5,922,310	7,441,116	Other payables (notes 4(k), 5 and 6)	3,066,250	3,520,070
Accounts receivable – related parties (note 5)	178,556	190,539	Unearned revenue	7,379,677	6,620,271
Other receivables	43,096	75,538	Current portion of long-term liabilities (notes 4(i), 4(j) and 6)	6,146,068	11,756,574
Other receivables – related parties (note 5)	532,038	74,920	Other current liabilities (note 4(g))	<u>3,812,180</u>	<u>3,044,726</u>
Inventories (notes 4(d), 5 and 6)	7,804,560	8,526,069	<b>Total current liabilities</b>	<u>33,383,685</u>	<u>36,392,207</u>
Other prepayments	564,663	499,163	<b>Long-term liabilities:</b>		
Deferred income tax assets – current (note 4(m))	1,305,608	1,210,647	Bonds payable (note 4(j))	10,200,000	5,000,000
Other current assets	<u>25,882</u>	<u>35,853</u>	Long-term borrowings (notes 4(i) and 6)	32,990,485	38,237,583
<b>Total current assets</b>	<u>32,841,444</u>	<u>34,373,857</u>	Installment accounts payable (notes 4(k), 5 and 6)	12,758,681	15,460,630
<b>Funds and investments:</b>			Lease liability – non-current (note 4(g))	<u>9,003,131</u>	<u>10,356,464</u>
Available-for-sale financial assets – non-current (notes 4(b) and 6)	677,772	991,131	<b>Total long-term liabilities</b>	<u>64,952,297</u>	<u>69,054,677</u>
Financial assets carried at cost – non-current (note 4(b))	2,530,348	2,251,437	<b>Other liabilities:</b>		
Long-term equity investments under equity method (note 4(e))	<u>10,241,855</u>	<u>8,607,454</u>	Accrued employee retirement liabilities (note 4(l))	1,357,097	398,222
<b>Total funds and investments</b>	<u>13,449,975</u>	<u>11,850,022</u>	Other liabilities	<u>1,679,558</u>	<u>1,549,151</u>
<b>Property, plant and equipment (notes 4(f), 4(g), 5, 6 and 7):</b>			<b>Total other liabilities</b>	<u>3,036,655</u>	<u>1,947,373</u>
Land	1,869,572	1,869,572	<b>Total liabilities</b>	<u>101,372,637</u>	<u>107,394,257</u>
Buildings	4,611,207	4,580,032	<b>Stockholders' equity (notes 4(b), 4(c), 4(l), 4(m), 4(n) and 4(p)):</b>		
Machinery and equipment	10,287,164	9,490,907	Common stock	<u>32,589,450</u>	<u>29,626,772</u>
Aircraft	104,506,976	98,529,606	Capital surplus	<u>2,626,446</u>	<u>2,649,436</u>
Leased assets	<u>17,403,103</u>	<u>16,687,570</u>	Retained earnings:		
	138,678,022	131,157,687	Legal reserve	1,201,674	-
Less: accumulated depreciation	(51,165,827)	(46,652,712)	Special reserve	3,657,682	-
Advances for purchases of equipment	<u>17,693</u>	<u>11,297,463</u>	Unappropriated earnings	<u>1,441,689</u>	<u>12,016,736</u>
<b>Net property, plant and equipment</b>	<u>87,529,888</u>	<u>95,802,438</u>	<b>Total retained earnings</b>	<u>6,301,045</u>	<u>12,016,736</u>
<b>Intangible assets:</b>			Other stockholders' equity adjustments:		
Deferred pension cost (note 4(l))	<u>301,345</u>	<u>149,633</u>	Cumulative translation adjustments	(2,579,360)	(3,554,690)
<b>Other assets:</b>			Net loss not yet recognized as net pension cost	(1,266,896)	(511,128)
Refundable deposits (note 7)	1,722,823	1,733,899	Unrealized gains or losses on financial instruments	<u>202,590</u>	<u>408,136</u>
Deferred charges (note 4(h))	125,448	68,598	<b>Total other stockholders' equity adjustments</b>	<u>(3,643,666)</u>	<u>(3,657,682)</u>
Deferred income tax assets – non-current (note 4(m))	3,202,626	3,332,996	<b>Total stockholders' equity</b>	37,873,275	40,635,262
Other assets (note 6)	<u>72,363</u>	<u>718,076</u>	<b>Commitments and contingencies (notes 5 and 7)</b>		
<b>Total other assets</b>	<u>5,123,260</u>	<u>5,853,569</u>			
<b>Total assets</b>	\$ <u>139,245,912</u>	<u>148,029,519</u>	<b>Total liabilities and stockholders' equity</b>	\$ <u>139,245,912</u>	<u>148,029,519</u>



**EVA AIRWAYS CORP.**

**Statements of Operations**

**For the years ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars, except earnings per share)**

	<b>2011</b>	<b>2010</b>
<b>Operating revenue (note 5)</b>	\$ 102,192,051	104,410,011
<b>Operating cost (notes 4(d), 5 and 10)</b>	<u>(94,411,785)</u>	<u>(84,789,200)</u>
<b>Gross profit from operations</b>	7,780,266	19,620,811
<b>Operating expenses (notes 5 and 10)</b>	<u>(7,332,713)</u>	<u>(6,972,063)</u>
<b>Operating income</b>	<u>447,553</u>	<u>12,648,748</u>
<b>Non-operating income and gains:</b>		
Interest income	147,939	83,542
Investment income (note 4(e))	1,052,528	1,055,194
Dividend income	286,495	159,846
Gains on disposal of property, plant and equipment	19,056	23,794
Exchange gains, net	8,203	-
Gains on valuation of financial liabilities (note 4(q))	-	5,151
Other income (notes 4(b) and 4(e))	<u>161,716</u>	<u>148,950</u>
	<u>1,675,937</u>	<u>1,476,477</u>
<b>Non-operating expenses and losses:</b>		
Interest expenses (notes 4(f) and 5)	(1,666,495)	(1,767,564)
Exchange losses, net	-	(286,872)
Losses on valuation of financial liabilities (note 4(q))	(1,267)	-
Other losses	<u>(218,361)</u>	<u>(25,522)</u>
	<u>(1,886,123)</u>	<u>(2,079,958)</u>
<b>Income before income tax</b>	237,367	12,045,267
<b>Income tax expenses (note 4(m))</b>	<u>(28,339)</u>	<u>(28,531)</u>
<b>Net income</b>	<u>\$ 209,028</u>	<u>12,016,736</u>
	<b>Income</b>	<b>Income</b>
	<b>before</b>	<b>before</b>
	<b>income</b>	<b>income</b>
	<b>tax</b>	<b>tax</b>
	<b>Net</b>	<b>Net</b>
	<b>income</b>	<b>income</b>
<b>Basic earnings per share</b>		
(expressed in dollars) (note 4(o)):	<u>\$ 0.07</u>	<u>0.06</u>
<b>Diluted earnings per share</b>		
(expressed in dollars) (note 4(o)):	<u>\$ 0.07</u>	<u>0.06</u>
	<u>3.70</u>	<u>3.69</u>
	<u>3.69</u>	<u>3.68</u>

**EVA AIRWAYS CORP.**

**Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2011 and 2010**

(Expressed in Thousands of New Taiwan Dollars)

	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Legal Reserve</b>	<b>Special Reserve</b>	<b>Retained Earnings (Accumulated Deficit)</b>	<b>Cumulative Translation Adjustments</b>	<b>Net Loss Not Yet Recognized As Net Pension Cost</b>	<b>Unrealized Gains or losses on Financial Instruments</b>	<b>Total</b>
<b>Balance on January 1, 2010</b>	\$ 29,626,772	5,564,505	-	-	(2,915,074)	423,833	(157,412)	(515,511)	32,027,113
Make-up of accumulated deficit	-	(2,915,074)	-	-	2,915,074	-	-	-	-
Increase in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	-	5	-	-	-	-	-	-	5
Change in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(44,828)	-	(44,828)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(308,888)	-	(308,888)
Change in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	18,217	18,217
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	905,430	905,430
Net income for the year ended December 31, 2010	-	-	-	-	12,016,736	-	-	-	12,016,736
Translation adjustments for the year ended December 31, 2010	-	-	-	-	-	(3,978,523)	-	-	(3,978,523)
<b>Balance on December 31, 2010</b>	<u>29,626,772</u>	<u>2,649,436</u>	<u>-</u>	<u>-</u>	<u>12,016,736</u>	<u>(3,554,690)</u>	<u>(511,128)</u>	<u>408,136</u>	<u>40,635,262</u>
Appropriation approved by 2011 stockholders' meeting: (Note)									
Legal reserve	-	-	1,201,674	-	(1,201,674)	-	-	-	-
Special reserve	-	-	-	3,657,682	(3,657,682)	-	-	-	-
Cash dividends	-	-	-	-	(2,962,678)	-	-	-	(2,962,678)
Stock dividends	2,962,678	-	-	-	(2,962,678)	-	-	-	-
Disposal of long-term equity investments under equity method	-	(22,990)	-	-	637	-	1,512	(919)	(21,760)
Change in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(19,328)	-	(19,328)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(737,952)	-	(737,952)
Change in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	(21,157)	(21,157)
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	(183,470)	(183,470)
Net income for the year ended December 31, 2011	-	-	-	-	209,028	-	-	-	209,028
Translation adjustments for the year ended December 31, 2011	-	-	-	-	-	975,330	-	-	975,330
<b>Balance on December 31, 2011</b>	<u>\$ 32,589,450</u>	<u>2,626,446</u>	<u>1,201,674</u>	<u>3,657,682</u>	<u>1,441,689</u>	<u>(2,579,360)</u>	<u>(1,266,896)</u>	<u>202,590</u>	<u>37,873,257</u>

Note: The amounts of employees' bonuses and directors' and supervisors' remuneration amounting to \$100,000 and \$53,000, respectively, were deducted from the net income.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2011 and 2010  
(Expressed in Thousands of New Taiwan Dollars)

	2011	2010
<b>Cash flows from operating activities:</b>		
Net income	\$ 209,028	12,016,736
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	9,513,922	9,275,815
Amortization and maintenance expense	28,370	25,830
Investment income	(1,052,528)	(1,055,194)
Proceeds from cash dividends on long-term equity investments	419,014	367,650
Losses on disposal and obsolescence of property, plant and equipment	48,163	6,127
Gains on disposal of investments	(25,725)	(3,376)
Amortization expense recorded as interest expenses	37,437	83,158
Amortization of other deferred gain	(61,701)	(53,636)
Other losses	204,753	-
Changes in operating assets and liabilities, net:		
Financial assets at fair value through profit or loss	-	17,247
Notes receivable	(86,979)	58,592
Accounts receivable	1,518,806	(635,663)
Accounts receivable – related parties	11,983	(27,571)
Other receivables	32,442	(53,089)
Other receivables – related parties	(457,118)	111,059
Inventories	721,509	164,314
Other prepayments	(65,500)	64,885
Other current assets	9,971	(14,480)
Financial liabilities at fair value through profit or loss	-	(685,797)
Accounts payable	211,982	420,805
Accounts payable – related parties	(43,700)	315,284
Accrued expenses	947,765	1,377,397
Other payables – related parties	20,148	4,454
Other payables	(22,323)	(3,138,768)
Unearned revenue	759,407	640,056
Other current liabilities	681,801	163,804
Accrued employee retirement liabilities	(81,886)	(147,321)
Other liabilities	34,439	(26,266)
<b>Net cash provided by operating activities</b>	<u>13,513,480</u>	<u>19,272,052</u>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in available-for-sale financial assets – current	(452,176)	2,625,966
Proceeds from disposal of investment – non-current	187,505	-
Payments for purchase of investment – non-current	(121,254)	-
Payments for purchase of in long-term equity investments under equity method	(1,453,728)	-
Proceeds from disposal of long-term equity investments under equity method	220,000	-
Proceeds from withdrawal of financial assets carried at cost	4,211	12,871
Payments for purchase of property, plant and equipment	(1,048,724)	(4,080,714)
Proceeds from disposal of property, plant and equipment	1,991,774	1,151
Decrease (increase) in refundable deposits	58,301	(144,692)
Increase in deferred charges	(122,657)	(63,516)
Decrease in other assets	645,713	271,358
<b>Net cash used in investing activities</b>	<u>(91,035)</u>	<u>(1,377,576)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	-	(979,994)
Issue of bonds payable	10,200,000	-
Redemption of bonds payable	(9,000,000)	(3,100,000)
Increase in long-term borrowings	2,500,000	20,791,400
Redemption of long-term borrowings	(13,120,381)	(23,222,197)
Redemption of lease liability	(1,518,170)	(1,457,006)
Cash dividends	(2,962,678)	-
<b>Net cash used in financing activities</b>	<u>(13,901,229)</u>	<u>(7,967,797)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(478,784)	9,926,679
<b>Cash and cash equivalents at beginning of year</b>	14,145,427	4,218,748
<b>Cash and cash equivalents at end of year</b>	<u>\$ 13,666,643</u>	<u>14,145,427</u>
<b>Additional disclosure of cash flow information:</b>		
Interest paid	\$ 1,930,638	1,894,742
Less: capitalized interest	27,885	214,189
Interest paid (excluding capitalized interest)	<u>\$ 1,902,753</u>	<u>1,680,553</u>
Income tax paid	<u>\$ 84,032</u>	<u>32,676</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Current portion of long-term liabilities and bonds payable	<u>\$ 6,146,068</u>	<u>11,756,574</u>
Inventory transferred from fixed assets	<u>\$ -</u>	<u>13</u>
Translation adjustments	<u>\$ 975,330</u>	<u>(3,978,523)</u>
Unrealized gains or losses on financial instruments	<u>\$ (205,546)</u>	<u>923,647</u>
Increase in lease liability	<u>\$ 39,123</u>	<u>-</u>
Others	<u>\$ 392,748</u>	<u>1,080,479</u>

# **EVA AIRWAYS CORP.**

## **Notes to Financial Statements**

**December 31, 2011 and 2010**

**(Expressed in Thousands of New Taiwan 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;

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

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

As of December 31, 2011 and 2010, the Company had 5,807 and 5,121 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 and the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”. The basis of measurement is considered as historical cost, not unless, if it is specified.

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.

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

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

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

#### **(c) Translation of foreign currency for foreign operating units**

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

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

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

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

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

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

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

(e) 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.

(f) 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.

(g) Financial instruments

The Company adopted transaction-date accounting for financial instrument transactions. At initial recognition, financial instruments are evaluated at fair value. Except for financial assets and liabilities measured at fair value through profit or loss, acquisition cost or issuance cost is added to the original recognized amount.

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

Subsequent to initial recognition, financial instruments are classified into the following categories in accordance with the purpose of holding or issuing such financial instruments:

1. Financial assets/liabilities at fair value through profit or loss

Financial instruments are classified into this category if the purpose of acquisition is principally for selling or repurchasing in the near term. Except for effective hedging derivative financial instruments, all financial derivatives are included in this category. At initial recognition, financial instruments are evaluated at fair value, and transaction cost or issuance cost is recognized in current profit or loss. Changes in fair values are charged to current operations at subsequent measurement. Trade-date accounting is adopted when purchasing or selling such financial instruments under transaction conventions.

2. Available-for-sale financial assets

Financial instruments that are recognized as available-for-sale financial assets are measured at fair value, and transaction costs are added to the originally recognized amount at initial recognition. Any changes in fair value, excluding impairment loss and unrealized foreign currency exchange gain or loss, are reported as a separate component of stockholders' equity until realized. Realized gain or loss on financial instruments is charged to current operations. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss has decreased, the previously recognized impairment loss for equity securities is reversed to the extent of the decrease and recorded as an adjustment to equity, while for debt securities, the reversal is allowed through 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

When the Company does not have significant influence over an investee company whose fair value cannot be reliably measured, these financial instruments are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

4. Notes receivable, accounts receivable, and other receivables

Notes receivable and accounts receivable originate from providing goods or services directly to a debtor, and other receivables originate from non-operating activities.

The Company considers evidence of impairment for financial assets carried at cost at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. Those that are not individually significant are collectively assessed for impairment by grouping together. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.



## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the financial assets.

When a decrease in the amount of impairment loss is clearly attributable to an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to the extent of the decrease through profit or loss.

#### **(h) Hedge accounting**

Derivative financial instruments held by the Company were to manage the fluctuation risk of foreign exchange rate, interest rate and fuel prices exposure on operating, investing, financing activities of the company. According to this policy, derivative financial instruments held or issued by the Company were for hedging. When derivative financial instruments are no longer for hedging, they are treated as financial instruments held for trading.

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

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

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

##### **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, the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges other than those covered by the preceding statement, the associated cumulative gain or loss that had been recognized in equity shall be reclassified to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

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

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

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(i) 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.

(j) Long-term equity investments

Long-term equity investments in which the Company owns more than 20% of the investee's voting shares or less than 20% 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 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 operations. If there is capital surplus or cumulative translation adjustments resulting from long-term equity investments, the capital surplus or cumulative translation adjustments should be debited/credited to disposal gain/loss based on the disposal ratio.

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

If an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, 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, 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, the Company continues to record investment losses thereon; if the

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

book value of long-term investment is insufficient to offset against investment losses, the Company offsets it against accounts receivable and recognizes liabilities.

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

#### **(k) 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.

The Company accrues for the removal and recovery costs for fixed assets during the non-production period in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation (ARDF). When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. 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.

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 useful lives of main property, plant and equipment are as follows:

Buildings: 5~55 years

Machinery and equipment: 3~18 years

Aircraft: 7~18 years

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

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### **Notes to Financial Statements**

#### **(l) 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 lessor'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, 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, the interest expense is calculated based on the beginning balance of the lease payable and the maximum borrowing rate.
- b) If the value of the leased property is determined by its market price, 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 SFAS No. 2 "Leases", otherwise they should be taken as a loss.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

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.

#### (m) Deferred charges

Deferred charges are amortized using the straight-line method. In accordance with SFAS No. 37, an "intangible asset", shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost less any accumulated amortization and any accumulated impairment losses.

#### (n) Employee retirement plan

##### 1. Defined benefit plan

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

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

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

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The Company adopted 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.

#### 2. Defined Contribution plan

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.

#### (o) Revenue recognition

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

#### (p) Employee bonuses and directors' and supervisors' remuneration

Employee's 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's 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. In addition, the number of shares distributed to employees as employees' bonuses is calculated based on the closing price on the day before the shareholders' resolution date, and the closing price is adjusted retroactively for dividends that had been distributed.

#### (q) Income tax

The Company adopted 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 non-current based on the classification of the related assets or liabilities. If no assets or liabilities are related, deferred

## **EVA AIRWAYS CORP.**

### **Notes to Financial Statements**

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

#### **(r) 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 calculation of diluted EPS, all employees' bonuses accrued at the end of reporting period are deemed to be distributable in the form of shares, and bonuses are included in the calculation of the weighted-average number of shares at market price on the balance sheet date.

#### **(s) Operating segment**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available. The Company discloses its operating segment in the consolidated financial statements.

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

- (a) The Company adopted the third revisions of the SFAS No. 34 "Financial Instruments: Recognition and Measurement" effective January 1, 2011, for the recognition, measurement, and impairment of

## EVA AIRWAYS CORP.

### Notes to Financial Statements

originated loans and receivables. The adoption of this amended accounting principle had no significant impact on the Company's financial statements for the year ended December 31, 2011.

- (b) The Company likewise adopted the SFAS No. 41 "Operating Segments" effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the SFAS No. 20 "Segment Reporting". The adoption of this new accounting standard had no impact on the Company's profit and loss for the year ended December 31, 2011.

#### 4. Important Accounts

- (a) Cash and cash equivalents

The components as of December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Cash on hand	\$ 96,243	101,216
Cash in bank	<u>13,570,400</u>	<u>14,044,211</u>
	<b><u>\$ 13,666,643</u></b>	<b><u>14,145,427</u></b>

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

The components as of December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Available-for-sale financial assets — current:		
Money market funds	<b><u>\$ 2,410,548</u></b>	<b><u>1,943,977</u></b>



## EVA AIRWAYS CORP.

### Notes to Financial Statements

For the years ended December 31, 2011 and 2010, gains on disposal of available-for-sale financial assets — current amounted to \$10,201 and \$7,597, respectively, which were recorded under other income.

	<b>2011</b>	<b>2010</b>
Available-for-sale financial assets — non-current:		
Trade-Van Information Services Co., Ltd.	\$ 145,816	171,749
Central Reinsurance Corp.	410,866	631,090
U.S. Treasury notes	<u>121,090</u>	<u>188,292</u>
	<b><u>\$ 677,772</u></b>	<b><u>991,131</u></b>

For the years ended December 31, 2011 and 2010, losses on disposal of U.S. Treasury notes which were recorded as available-for-sale financial assets-non-current were \$1,382 and \$4,221, respectively, and were recorded as a reduction of other income.

As of December 31, 2011 and 2010, the changes in fair value of available-for-sale financial assets from subsequent remeasurement were \$139,365 and \$380,897, respectively, and were recorded as other stockholders' equity adjustments.

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

Financial assets carried at cost — non-current:

Investee	2011		2010	
	Shareholding percentage (%)	Book value	Shareholding percentage (%)	Book value
Taiwan High Speed Rail Corp.	1.20	\$ 1,246,549	1.20	1,246,549
Evergreen Steel Corp. (note)	9.35	870,000	9.35	870,000
Abacus International Holding Ltd.	2.11	115,743	2.11	115,743
Technology Partner II Venture Capital Corp.	5.88	3,235	5.88	6,294
Chung Hwa Express Co., Ltd.	10.00	10,000	10.00	10,000
Pan-Pacific Venture Capital Co., Ltd.	2.30	1,699	2.30	2,851
Uni Airways Corp.	8.71	<u>283,122</u>	-	<u>-</u>
Total		<b><u>\$ 2,530,348</u></b>		<b><u>2,251,437</u></b>

Note: Evergreen Development Corporation changed its name to Evergreen Steel Corporation on July 1, 2011.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The Company's investments had no publicly traded prices, and their fair values were difficult to determine. Therefore, the investments were stated at cost.

Details of increases (decreases) in financial assets carried at cost—non-current of the Company in 2011 and 2010, were as follows:

	2011		Units: thousands of shares 2010	
	Shares	Amount	Shares	Amount
Uni Airways Corp.	27,523	\$ 283,122	-	-
Technology Partner II Venture Capital Corp.	(306)	(3,059)	-	-
Pan-Pacific Venture Capital Co., Ltd.	(115)	<u>(1,152)</u>	(115)	<u>(1,151)</u>
		<b><u>\$ 278,911</u></b>		<b><u>(1,151)</u></b>

In 2011, the Company sold the stocks of Uni Airways Corp., which the shareholding percentage decreased from 15.67% to 8.71%. And the Company lost a significant influence over Uni Airways Corp. The long-term equity investment was reclassified as financial assets carried at cost—non-current.

On May 31, 2011, Technology Partner II Venture Capital Corp. decreased issued stock by 20%, and the Company withdrew \$3,059 in cash in proportion to the Company's ownership percentage.

On June 10, 2011 and June 11, 2010, Pan-Pacific Venture Capital Co., Ltd. decreased issued stock by 49.71% and 33%, respectively, and the Company withdrew \$1,152 and \$1,151, respectively, in cash in proportion to the Company's ownership percentage.

(c) Notes and accounts receivable

	2011	2010
Notes receivable	\$ 317,587	230,608
Accounts receivable	<u>5,933,861</u>	<u>7,452,667</u>
	6,251,448	7,683,275
Less: allowance for doubtful accounts	<u>11,551</u>	<u>11,551</u>
	<b><u>\$ 6,239,897</u></b>	<b><u>7,671,724</u></b>

As of December 31, 2011 and 2010, the Company's notes and accounts receivable were not pledged. The carrying amounts of notes and accounts receivable are taken to be their fair value because of the near maturity dates.

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

(d) Inventories

The components as of December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Aircraft spare parts	\$ 7,116,332	7,764,552
Consumables for use and merchandise for sale during flight	635,856	537,651
Fuel for aircraft	<u>52,372</u>	<u>223,866</u>
	<b>\$ <u>7,804,560</u></b>	<b><u>8,526,069</u></b>

For the years ended December 31, 2011 and 2010, the movement of allowance for obsolete inventories were as follows:

	<b>2011</b>	<b>2010</b>
Beginning balance	\$ 1,238,830	951,909
Addition	1,202,079	1,188,484
Write-off	<u>(463,246)</u>	<u>(901,563)</u>
Ending balance	<b>\$ <u>1,977,663</u></b>	<b><u>1,238,830</u></b>

For the years ended December 31, 2011 and 2010, the Company recognized related losses on inventories as follows:

	<b>2011</b>	<b>2010</b>
Losses on inventory obsolescence	<b>\$ <u>1,202,079</u></b>	<b><u>1,188,484</u></b>

The pledge for these inventories is disclosed in note 6.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(e) Long-term equity investments under equity method

Details as of and for the years ended December 31, 2011 and 2010, were as follows:

Investee	Shareholding percentage (%)	2011		Shareholding percentage (%)	2010	
		Book value	Investment income (loss)		Book value	Investment income (loss)
Evergreen Aviation Technologies Corp.	80.00	\$ 5,287,022	641,518	80.00	4,830,096	433,220
Hsiang-Li Investment Corp.	100.00	32,523	2,074	100.00	50,453	3,177
Concord Pacific Ltd.	100.00	1,441,768	(123,208)	100.00	43,795	126,155
Sky Castle Investment Ltd.	100.00	329,850	32,268	100.00	275,190	33,515
Evergreen Airways Service (Macau) Ltd.	99.00	120,259	40,183	99.00	111,363	41,967
Sino Gain Limited	100.00	884	102	100.00	749	117
Evergreen Air Cargo Services Corp.	60.00	1,093,880	100,096	60.00	1,046,689	98,669
Evergreen Sky Catering Corp.	49.80	980,846	169,163	49.80	912,536	138,706
Evergreen Airline Services Corp.	56.33	758,918	156,468	56.33	638,909	81,997
Uni Airways Corp.	-	-	11,234	15.67	496,642	73,401
Evergreen Security Corp.	31.25	89,111	11,766	31.25	77,345	3,425
PT Perdana Andalan Air Service	51.00	60,805	3,806	51.00	71,511	6,250
RTW Air Services (S) Pte. Ltd.	49.00	25,234	2,272	49.00	27,572	6,251
Green Siam Air Services Co., Ltd.	49.00	20,755	4,786	49.00	24,604	8,344
		<u>\$ 10,241,855</u>	<u>1,052,528</u>		<u>8,607,454</u>	<u>1,055,194</u>

Details of increases in long-term equity investments under the equity method of the Company in 2011 were as follows:

Investee	2011
Concord Pacific Ltd.	\$ <u>1,453,728</u>

There was no such transaction in 2010.

Details of decreases in long-term equity investments under the equity method of the Company in 2011 and 2010 were as follows:

Investee	2011	2010
Uni Airways Corp.	\$ 507,976	-
Hsiang-Li Investment Corp.	-	11,720
	<u>\$ 507,976</u>	<u>11,720</u>

In 2011, the Company sold 22,000 shares of Uni Airways Corp. amounting to \$220,000 and the book value amounting to \$224,854. The difference between the selling price and the book value which was deducted from the capital surplus and other equity adjustment was based on the disposal ratio. The gains on disposal of investments amounted to \$16,906 was recorded under other income.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

The Company's shareholding percentage of Uni Airways Corp. decreased from 15.67% to 8.71%. And the Company lost a significant influence over Uni Airways Corp. The long-term equity investments amounted to \$283,122 was reclassified as financial assets carried at cost – non-current. The Company's portion of capital surplus was the result of the after-tax amount which was taken from the disposal gains of property, plant and equipment of Uni Airways Corp. in prior years that were transferred from retained earnings. When the Company sold the shares, it was transferred to the abovementioned capital surplus back to retained earnings that are in accordance with the disposal ratio amounted to \$637.

On June 30, 2010, Hsiang-Li Investment Corp.'s stockholders resolved to make up deficiencies from the decrease issued stock and cash subscription. Hsiang-Li Investment Corp. decreased issued stock by 94.57% on July 5, 2010, and the Company withdrew \$11,720 in cash in proportion to the Company's ownership percentage.

As of December 31, 2011 and 2010, the cumulative translation adjustment were \$104,750 and \$4,508, respectively.

#### (f) Property, plant and equipment

For the years ended December 31, 2011 and 2010, the Company capitalized the interest expenses on purchase of assets amounting to \$27,885 and \$214,189, respectively. The monthly interest rates on the above transactions were 0.12%~0.13% and 0.13%~0.14%, respectively. The pledge for this property, plant and equipment is disclosed in note 6.

#### (g) Leased assets

The details were as follows:

Lease item	Leaser	Lease term	Terms of lease contract	Present value of leased assets at the transaction date	
				2011	2010
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	\$ 5,734,772	5,516,972
Aircraft	C&L Leasing Co., Ltd.	2007.5.31~ 2019.12.27	The rent is payable quarterly, and the present value of payment for future rental is higher than 90% of the fair value of the leased asset	9,531,041	9,169,062
Computer equipment	IBM	2009.5.25~ 2014.6.24	The rent is payable monthly, and the lease transfers ownership of the leased property by the end of the lease term	50,555	50,555
Computer equipment	IBM	2010.12.25 ~2014.6.24	The rent is payable monthly, and the lease transfers ownership of the leased property by the end of the lease term	39,123	-
Leasehold improvements				<u>2,047,612</u>	<u>1,950,981</u>
Subtotal				17,403,103	16,687,570
Less: accumulated depreciation				<u>(5,133,452)</u>	<u>(3,495,270)</u>
				<u>\$ 12,269,651</u>	<u>13,192,300</u>

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

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**Notes to Financial Statements**

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

As of December 31, 2011 and 2010, the book value and present value of lease liability were as follows:

<b>Year due</b>	<b>2011</b>	<b>2010</b>
January 1, 2011~December 31, 2011	\$ -	1,976,611
January 1, 2012~December 31, 2012	1,998,821	1,953,912
January 1, 2013~December 31, 2013	1,975,133	1,930,224
January 1, 2014~December 31, 2014	1,941,246	1,902,231
January 1, 2015~December 31, 2015	1,907,358	1,874,238
January 1, 2016~December 31, 2016	1,702,724	1,676,504
And after	<u>2,740,930</u>	<u>2,735,613</u>
Book value	12,266,212	14,049,333
Less: unrealized interest expenses	<u>(1,740,488)</u>	<u>(2,255,929)</u>
Present value	10,525,724	11,793,404
Less: current portion	<u>(1,522,593)</u>	<u>(1,436,940)</u>
	<b>\$ <u>9,003,131</u></b>	<b><u>10,356,464</u></b>

The current portion of lease liability was recorded under other current liabilities.

(h) Deferred charges

As of December 31, 2011 and 2010, deferred charges, net of amortization, consisted of the following:

	<b>2011</b>	<b>2010</b>
Computer software	\$ <u>125,448</u>	<u>68,598</u>

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

(i) Long-term borrowings

As of December 31, 2011 and 2010, the details of long-term borrowings were as follows:

Nature	2011		2010	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Secured loans:				
Land and buildings	1.02~1.46	\$ 2,150,000	0.89~1.35	2,514,286
Aircraft	1.07~1.59	31,978,553	0.94~1.50	38,463,071
Engines	1.35~1.56	<u>825,000</u>	1.31~2.30	<u>1,997,000</u>
Subtotal		34,953,553		42,974,357
Unsecured loans:	1.20~1.56	<u>4,183,000</u>	1.19~2.26	<u>3,019,800</u>
Total		39,136,553		45,994,157
Less: current portion		<u>(6,146,068)</u>		<u>(7,756,574)</u>
		<b><u>\$ 32,990,485</u></b>		<b><u>38,237,583</u></b>

As of December 31, 2011, the remaining balances of the borrowings were due as follows:

Year due	Amount
January 1, 2012~December 31, 2012	\$ 6,146,068
January 1, 2013~December 31, 2013	6,488,068
January 1, 2014~December 31, 2014	5,195,090
January 1, 2015~December 31, 2015	5,352,640
January 1, 2016~December 31, 2016	4,054,163
And after	<u>11,900,524</u>
	<b><u>\$ 39,136,553</u></b>

As of December 31, 2011 and 2010, the unused credit lines for long-term borrowings amounted to \$1,694,000 and \$0, respectively. The pledge for these long-term borrowings is disclosed in note 6.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(j) Bonds payable

Details of bonds payable as of December 31, 2011 and 2010, were as follows:

Description	Annual interest rate	Issue date	2011 Amount	2010 Amount
Bonds payable				
Cathay United Bank	2.08%	2006.01	\$ -	2,000,000
Bonds payable				
Hua Nan Bank	2.29%	2006.07	-	500,000
Taipei Fubon Bank	2.29%	2006.07	-	500,000
Bank of Taiwan	2.29%	2006.07	-	500,000
Taiwan Cooperative Bank	2.29%	2006.07	-	500,000
Bonds payable				
The Shanghai Commercial & Savings Bank	1.21%	2011.01	1,000,000	-
Chinatrust Commercial Bank	1.21%	2011.01	600,000	-
Land Bank	1.21%	2011.01	500,000	-
Mega International Commercial Bank	1.21%	2011.01	500,000	-
Hua Nan Bank	1.21%	2011.01	500,000	-
Bonds payable				
The Shanghai Commercial & Savings Bank	1.44%	2011.08	600,000	-
First Bank	1.44%	2011.08	1,500,000	-
Chang Hwa Bank	1.44%	2011.08	1,000,000	-
Hua Nan Bank	1.44%	2011.08	1,000,000	-
Bank of Taiwan	1.44%	2011.08	2,000,000	-
Taiwan Cooperative Bank	1.44%	2011.08	1,000,000	-
Ordinary corporate bonds payable issued in private placement	2.00%	2009.10	-	<u>5,000,000</u>
Subtotal			10,200,000	9,000,000
Less: current portion			-	<u>(4,000,000)</u>
			<b>\$ <u>10,200,000</u></b>	<b><u>5,000,000</u></b>

(k) Installment accounts payable

The Company purchased aircraft, engines and inventories by installments. As of December 31, 2011 and 2010, the details were as follows:

	2011	2010
Aircraft payable	\$ 15,575,755	17,996,868
Others	<u>220,000</u>	<u>932,333</u>
	15,795,755	18,929,201
Less: current portion	<u>(3,037,074)</u>	<u>(3,468,571)</u>
	<b>\$ <u>12,758,681</u></b>	<b><u>15,460,630</u></b>



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**Notes to Financial Statements**

The current portion of installment accounts payable was recorded as other payables. As of December 31, 2011, the remaining balances of installment accounts payable were due as follows:

<b>Year due</b>	<b>Amount</b>
January 1, 2012~December 31, 2012	\$ 3,037,074
January 1, 2013~December 31, 2013	2,647,786
January 1, 2014~December 31, 2014	1,624,563
January 1, 2015~December 31, 2015	1,400,272
January 1, 2016~December 31, 2016	1,424,157
And after	<u>5,661,903</u>
	<b>\$ <u>15,795,755</u></b>

The interest expenses of the aforementioned installment accounts payable are calculated based on floating interest rates. For the years ended December 31, 2011 and 2010, the average interest rates were 0.25%~4.59% and 0.25%~6.77%, respectively. The pledges for the installment accounts payable are disclosed in note 6.

(l) Retirement plans

Net retirement plan liabilities based on the actuarial computation on December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Benefit obligation:		
Vested benefit obligation	\$ 444,091	302,470
Nonvested benefit obligation	<u>3,673,755</u>	<u>2,572,508</u>
Accumulated benefit obligation	4,117,846	2,874,978
Projected effects of salary adjustments	<u>1,093,231</u>	<u>1,062,009</u>
Projected benefit obligation	5,211,077	3,936,987
Plan assets at fair value	<u>(2,760,749)</u>	<u>(2,476,756)</u>
Projected benefit obligation in excess of plan assets	2,450,328	1,460,231
Unrecognized net transition obligation	-	(27,300)
Unrecognized pension loss	(2,485,716)	(1,565,704)
Unrecognized prior service cost	(301,345)	(122,333)
Pension liabilities that need to be accrued	<u>1,693,830</u>	<u>653,328</u>
Accrued employee retirement liabilities	<b>\$ <u>1,357,097</u></b>	<b><u>398,222</u></b>

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**Notes to Financial Statements**

Actuarial assumptions at December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Discount rate	2.00%	1.75%
Rate of increase in future compensation levels	1.55%~2.53%	1.50%~3.00%
Expected long-term rate of return on plan assets	2.00%	1.75%

As of and for the years ended December 31, 2011 and 2010, the details of the retirement plans were as follows:

	<b>2011</b>	<b>2010</b>
Balance of the retirement fund:		
Bank of Taiwan	\$ <u><u>2,760,749</u></u>	<u><u>2,476,756</u></u>

The components of pension cost under defined benefit pension plan were as follows:

	<b>2011</b>	<b>2010</b>
Service cost	\$ 112,563	115,250
Interest cost	68,801	63,691
Actual return on plan assets	(30,465)	(36,616)
Unrecognized net transition obligation	176,980	78,741
Net pension cost	\$ <u><u>327,879</u></u>	<u><u>221,066</u></u>
 The pension cost under defined contribution plan	 \$ <u><u>162,723</u></u>	 <u><u>135,468</u></u>

(m) Income tax

(1) For the years ended December 31, 2011 and 2010, the components of estimated income tax expenses were as follows:

	<b>2011</b>	<b>2010</b>
Income tax expenses — current	\$ (28,339)	(28,531)
Income tax benefits — deferred	-	-
	\$ <u><u>(28,339)</u></u>	<u><u>(28,531)</u></u>

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**Notes to Financial Statements**

The deferred income tax benefits were as follows:

	<b>2011</b>	<b>2010</b>
Loss carryforwards	\$ 653,593	(1,960,521)
Investment tax credits	(1,257,536)	177,853
Unrealized exchange losses (gains)	(21,057)	4,084
Allowance for obsolete inventories	(293,000)	166,155
Purchase of fixed assets in installments, adjusted for tax purposes	(46,394)	(31,241)
Accrued employee retirement liabilities	(13,877)	(27,642)
Effect of change in income tax rate on valuation allowance for deferred income tax assets	-	(914,212)
Others	37,968	56,751
Valuation allowance for deferred income tax assets	<u>940,303</u>	<u>2,528,773</u>
	<u>\$ -</u>	<u>-</u>

- (2) For the year ended December 31, 2011 and 2010, the Company was subject to ROC income tax at a maximum rate of 17% and calculated the amounts of the basic tax in accordance with the "Income Basic Tax Act." The differences between expected income tax expense at statutory rates and income tax expense as reported in the accompanying financial statements for the year ended December 31, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Income tax expenses calculated on pre-tax financial income at statutory income tax rate of 17%	\$ (40,352)	(2,047,695)
Gain on disposal of investments	1,734	1,291
Investment income recognized under equity method – unrealized	185,694	179,383
Dividend income	34,682	5,586
Investment tax credits	(1,253,630)	210,580
Permanent difference in depreciation expenses	103,177	21,154
Exchange losses recorded as translation adjustments	(46,828)	(19,330)
Effect of change in statutory income tax rate	-	(914,212)
Others	46,881	5,939
Valuation allowance for deferred income tax assets	<u>940,303</u>	<u>2,528,773</u>
	<u>\$ (28,339)</u>	<u>(28,531)</u>

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

- (3) The components of the deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

	2011		2010	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets—current				
Allowance for obsolete inventories	\$ 1,881,889	319,921	3,605,418	612,921
Investment tax credits	676,387	676,387	1,253,630	1,253,630
Loss carryforwards	5,978,420	1,016,331	3,367,000	572,390
Unrealized exchange losses (gains)	(59,598)	(10,132)	64,265	10,925
Others	3,041	<u>517</u>	3,041	<u>517</u>
		2,003,024		2,450,383
Less: Valuation allowance for deferred income tax assets		<u>(697,416)</u>		<u>(1,239,736)</u>
Deferred income tax assets, net—current		<u>\$ 1,305,608</u>		<u>1,210,647</u>
Deferred income tax assets (liabilities)—non-current:				
Investment tax credits	1,092,965	1,092,965	1,773,258	1,773,258
Accrued employee retirement liabilities	(336,733)	(57,245)	(255,106)	(43,368)
Purchase of fixed assets in installments, adjusted for tax purposes	2,605,999	443,020	2,878,906	489,414
Loss carryforwards	9,610,376	1,633,764	8,377,127	1,424,112
Cumulative translation adjustments	3,233,867	549,757	4,282,759	728,069
Others	3,569,294	<u>606,779</u>	2,505,341	<u>425,908</u>
		4,269,040		4,797,393
Less: Valuation allowance for deferred income tax assets		<u>(1,066,414)</u>		<u>(1,464,397)</u>
Deferred income tax assets, net—non-current		<u>\$ 3,202,626</u>		<u>3,332,996</u>

- (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 employee training. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years at an amount not exceeding 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year.

As of December 31, 2011, unused investment tax credits available to the Company were as follows:

Year granted	Unused investment tax credits	Expiry year
2008	\$ 676,387	2012
2009	<u>1,092,965</u>	2013
	<u>\$ 1,769,352</u>	

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**Notes to Financial Statements**

- (5) The Company's income tax returns have been examined by the local tax authorities through 2009. According to the Income Tax Act, the loss carryforward tax credit can be applied to offset income tax in the following ten years. As of December 31, 2011, unused loss carryforward tax credits available to the Company were as follows:

Year	Unused loss carryforward	Expiry year
2008	\$ 5,978,420	2018
2009	8,374,277	2019
2011	<u>1,236,099</u>	2021
	<u>\$ 15,588,796</u>	

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

	2011	2010
Unappropriated earnings before 1997	\$ -	-
Unappropriated earnings after 1998	<u>1,441,689</u>	<u>12,016,736</u>
	<u>\$ 1,441,689</u>	<u>12,016,736</u>
ICA	<u>\$ 214,344</u>	<u>1,035,572</u>
	<b>2011</b>	<b>2010</b>
Creditable ratio for earnings distribution to domestic shareholders	<u><b>14.87% (estimated)</b></u>	<u><b>9.95% (actual)</b></u>

- (n) Stockholders' equity

- (1) Common stock and stock dividends to be distributed

As of December 31, 2011 and 2010, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, at \$10 par value per share, of which 3,258,945 and 2,962,677 thousand shares, respectively, were issued and outstanding.

On June 10, 2011, the Company's stockholders resolved to distribute stock dividends out of unappropriated earnings in the amount of \$2,962,678 by issuing 296,268 thousand shares. The aforementioned distribution was approved by and registered with the government authorities.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

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

The details of capital surplus as of December 31, 2011 and 2010, were as follows:

	2011	2010
Cash subscription in excess of par value of shares	\$ 29,672	29,672
Share options granted to employees	282,100	282,100
Additional paid-in capital from bond conversion	1,411,829	1,411,829
Gain on disposal of property, plant and equipment of investee company	1,031	1,668
Increase in net equity due to investee company issuing new shares and the Company not purchasing proportionately	27,965	50,318
Increase in net equity due to change in percentage of ownership in long-term investments under equity method	225,369	225,369
Donated assets	648,480	648,480
	<u>\$ 2,626,446</u>	<u>2,649,436</u>

According to ROC Company Act, as amended in January 2012, the capital surplus shall not be used except for covering the deficit (or loss) of the company. This capital surplus includes the premium derived from the issuance of new shares and endowments received by the company. In addition, the capital surplus which is credited to capital should not exceed 10% 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".

According to ROC Company Act, as amended in January 2012, where a company incurs no loss, it may pursuant to a resolution approved by the stockholders during the stockholders' meeting distribute its legal reserve and its remaining capital reserve by issuing new shares or by cash. Where legal reserve is distributed by issuing new shares or by cash, only portion of legal reserve which exceeds 25 percent of the paid-in capital stock may be distributed.

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 less 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 appropriation of special reserve from unappropriated earnings at an amount equal to the net debit balance of those accounts in stockholders' equity.

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### Notes to Financial Statements

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

The Company's stockholders resolved to appropriate earnings of 2010 on June 10, 2011. The appropriations and dividends per share were as follows:

	<b>2010</b>
Stock dividends	\$ 1.00
Cash dividends	1.00
Bonuses to employees	100,000
Remuneration to directors and supervisors	53,000

On June 14, 2010, the Company's stockholders resolved to make up deficiencies from capital surplus of \$2,915,074 and not to appropriate dividends to stockholders, bonuses to employees, and remuneration to directors and supervisors for year 2009.

The amounts of the abovementioned appropriations of earnings were consistent with the resolutions of the meetings of the board of directors. The related information can be found on websites such as the Market Observation Post System.

For the year ended December 31, 2011, the Company did not recognize any bonuses to employees and remuneration to directors and supervisors. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

For the year ended December 31, 2010, the Company recognize the amount of employee bonus and directors' and supervisors' remuneration, \$100,000 and \$53,000, respectively. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

#### (3) Cumulative translation adjustments

According to the accounting treatment of note 2(c), the cumulative translation adjustments had a debit balance of \$2,684,110 and a \$3,559,198 as of December 31, 2011 and 2010, respectively.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(o) Earnings per share

For the years ended December 31, 2011 and 2010, earnings per share were calculated as follows:

	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
<b>Basic earnings per share:</b>				
Net income	\$ <u>237,367</u>	<u>209,028</u>	<u>12,045,267</u>	<u>12,016,736</u>
Weighted-average number of shares outstanding during the year (thousand shares)	<u>3,258,945</u>	<u>3,258,945</u>	<u>3,258,945</u>	<u>3,258,945</u>
Basic EPS (dollars)	\$ <u>0.07</u>	<u>0.06</u>	<u>3.70</u>	<u>3.69</u>
<b>Diluted earnings per share:</b>				
Net income for calculating diluted EPS	\$ <u>237,367</u>	<u>209,028</u>	<u>12,045,267</u>	<u>12,016,736</u>
Weighted-average number of shares outstanding during the year (thousand shares)	3,258,945	3,258,945	3,258,945	3,258,945
Employees' bonus that may be settled in shares (thousand shares)	<u>1,485</u>	<u>1,485</u>	<u>2,717</u>	<u>2,717</u>
Weighted-average number of shares outstanding for calculating diluted EPS (thousand shares)	<u>3,260,430</u>	<u>3,260,430</u>	<u>3,261,662</u>	<u>3,261,662</u>
Diluted EPS (dollars)	\$ <u>0.07</u>	<u>0.06</u>	<u>3.69</u>	<u>3.68</u>

(p) Hedge accounting

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

As of December 31, 2011 and 2010, 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
			2011	2010		
Floating price of fuel	Fuel swap agreements	\$	69,953	-	2011~2012	Derivative financial assets for hedge purposes – current

As of December 31, 2011 and 2010, the unrealized valuation gain on financial instruments due to hedging of cash flow amounted to \$69,953 and \$0, respectively, recorded under stockholders' equity.



## 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 December 31, 2011 and 2010, were as follows:

	Book value	2011 Fair value		Book value	2010 Fair value	
		Public quote value	Assessment value		Public quote value	Assessment value
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 13,666,643	-	13,666,643	14,145,427	-	14,145,427
Notes and accounts receivable (including receivables from related parties)	6,418,453	-	6,418,453	7,862,263	-	7,862,263
Other receivables (including receivables from related parties)	575,134	-	575,134	150,458	-	150,458
Available-for-sale financial assets – current	2,410,548	2,410,548	-	1,943,977	1,943,977	-
Available-for-sale financial assets – non-current – stock	556,682	556,682	-	802,839	802,839	-
Available-for-sale financial assets – non-current – Treasury notes	121,090	121,090	-	188,292	188,292	-
Financial assets carried at cost – non-current	2,530,348	-	-	2,251,437	-	-
Fuel swap agreements	69,953	-	69,953	-	-	-
Other assets	72,363	-	72,363	718,076	-	718,076
<b>Financial liabilities:</b>						
Accounts payable (including payables to related parties)	4,624,192	-	4,624,192	4,063,161	-	4,063,161
Accrued expenses	8,181,776	-	8,181,776	7,234,011	-	7,234,011
Other payable (including payables to related parties)	202,718	-	202,718	204,893	-	204,893
Bonds payable (including current portion)	10,200,000	10,217,328	-	9,000,000	2,015,043	7,032,803
Long-term borrowings (including current portion)	39,136,553	-	39,136,553	45,994,157	-	45,994,157
Installment accounts payable (including current portion)	15,795,755	-	16,138,957	18,929,201	-	19,202,199
Lease liability (including current portion)	10,525,724	-	10,820,579	11,793,404	-	12,223,564
<b>Off-balance-sheet financial instruments:</b>						
Letters of credit	-	-	1,704,293	-	-	1,685,720
Guaranteed borrowings	-	-	984,100	-	-	1,420,088

(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), other assets, accrued expenses, and other payables (including related parties), are within one year of the balance sheet date, and therefore, their book value is equal to their fair value.
- ii) If public quoting of financial assets and liabilities is available, 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.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

- iii) The assessed value of bonds payable, long-term borrowings, installment accounts payable and lease liability is the discounted future cash flows, and the discount rates during the years ended December 31, 2011 and 2010, were both 0.25%~6.93% p.a.
  - iv) The fair value of letters of credit is based on the amount of the contract.
  - v) The fair value of guaranteed borrowings is based on the amount of the contract.
- (3) For the years ended December 31, 2011 and 2010, the evaluation gain or loss on financial assets at fair value through profit or loss amounted to losses of \$1,267 and gains of \$5,151, respectively.
- (4) Disclosure of financial risks

(i) Market risk

As of December 31, 2011 and 2010, the bonds payable, installment accounts payable, and lease liability with the risk arising from floating interest rates amounted to \$16,764,790 and \$16,622,697, respectively.

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

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

(ii) Credit risk

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

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

## EVA AIRWAYS CORP.

### Notes to Financial Statements

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

#### (iii) Liquidity risk

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

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

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

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

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

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

As of December 31, 2011 and 2010, the financial liabilities with the risk arising from floating interest rates amounted to \$58,893,242 and \$69,094,065, 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
Evergreen International Storage & Transport Corp.	Major shareholder
Evergreen Airline Services Corp.	Subsidiary
Evergreen Sky Catering Corp.	Subsidiary
Evergreen Aviation Technologies Corp.	Subsidiary
Evergreen Air Cargo Services Corp.	Subsidiary
Hsiang-Li Investment Corp.	Subsidiary
RTW Air Services (S) Pte. Ltd.	Subsidiary
Green Siam Air Services Co., Ltd.	Subsidiary

## EVA AIRWAYS CORP.

### Notes to Financial Statements

Name	Relationship with the Company
Evergreen Airways Service (Macau) Ltd.	Subsidiary
PT Perdana Andalan Air service	Subsidiary
Sky Castle Investment Ltd.	Subsidiary
Concord Pacific Ltd.	Subsidiary
Sino Gain Limited	Subsidiary
Evergreen Security Corp.	Investee company accounted for by equity method
Uni Airways Corp.	Investee company of the Company's major shareholders
Evergreen Reinsurance Company Limited	Investee company of the Company's major shareholders
Shanghai Airlines Cargo International Co., Ltd. (note)	Investee company of the Company's subsidiary
Directors, Supervisors, and Managers	The Company's directors, supervisors and major management

Note: Shanghai Airlines Cargo International Co., Ltd. ceased its operation on May 31, 2011. China Cargo Airlines Co., Ltd. acquired its net assets, and took over its rights and obligations.

(b) Significant transactions with related parties

(1) Revenue, cost and expenses

During the years ended December 31, 2011 and 2010, the Company's transactions with related parties were as follows:

Revenue	2011		2010	
	Amount	Percentage	Amount	Percentage
Uni Airways Corp.	\$ 623,536	0.61	515,504	0.49
Evergreen Aviation Technologies Corp.	189,777	0.19	365,217	0.35
Evergreen International Corp.	46,498	0.05	41,835	0.04
Shanghai Airlines Cargo International Co., Ltd	8,342	0.01	60,530	0.06
Evergreen Air Cargo Services Corp.	1,594	-	15,912	0.02
Others	<u>5,680</u>	<u>-</u>	<u>3,648</u>	<u>-</u>
	<u>\$ 875,427</u>	<u>0.86</u>	<u>1,002,646</u>	<u>0.96</u>

## EVA AIRWAYS CORP.

### Notes to Financial Statements

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

Cost	2011		2010	
	Amount	Percentage	Amount	Percentage
Evergreen Aviation Technologies Corp.	\$ 4,877,284	5.17	4,783,273	5.64
Evergreen Sky Catering Corp.	1,267,563	1.34	1,140,946	1.35
Evergreen Airline Services Corp.	1,095,189	1.16	951,580	1.12
Uni Airways Corp.	639,473	0.68	671,454	0.79
Evergreen Air Cargo Services Corp.	322,310	0.34	285,774	0.34
Evergreen Reinsurance Company Limited	183,053	0.19	207,922	0.24
Evergreen International Storage & Transport Corp.	69,986	0.07	68,445	0.08
Evergreen International Corp.	65,016	0.07	48,533	0.06
Shanghai Airlines Cargo International Co., Ltd	55,935	0.06	220,018	0.26
Others	605	-	767	-
	<b><u>\$ 8,576,414</u></b>	<b><u>9.08</u></b>	<b><u>8,378,712</u></b>	<b><u>9.88</u></b>

Expenses	2011		2010	
	Amount	Percentage	Amount	Percentage
Evergreen International Corp.	\$ 183,446	2.50	136,957	1.96
Green Siam Air Services Co., Ltd.	57,458	0.78	72,606	1.04
RTW Air Services (S) Pte. Ltd.	44,545	0.61	50,521	0.72
Evergreen Security Corp.	43,148	0.59	41,682	0.60
PT Perdana Andalan Air Service	33,427	0.46	38,944	0.56
Evergreen Sky Catering Corp.	30,702	0.42	22,673	0.33
Evergreen Airline Services Corp.	29,363	0.40	28,150	0.40
Evergreen International Storage & Transport Corp.	28,596	0.39	23,596	0.34
Uni Airways Corp.	27,365	0.37	86,936	1.25
Evergreen Aviation Technologies Corp.	11,263	0.15	8,045	0.12
Others	2,060	0.03	101,560	1.45
	<b><u>\$ 491,373</u></b>	<b><u>6.70</u></b>	<b><u>611,670</u></b>	<b><u>8.77</u></b>

The Company sold spare parts to Evergreen Aviation Technologies Corp. amounted to \$1,332,809 and \$621,428 for the years ended December 31, 2011 and 2010, respectively.

Evergreen Aviation Technologies Corp. provides maintenance services for aircraft and engines for the Company. As of December 31, 2011 and 2010, the aforementioned balance amounted to \$2,891,226 and \$2,707,252, respectively, recorded under Aircraft and machinery and equipment.

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(2) Property transaction

The Company sold two aircraft for US\$97,067 to Sino Gain Limited on November 27, 2009, and immediately bought them back by installments. There were no gains or losses on disposal recorded for this sale and buyback transaction. For the years ended December 31, 2011, and 2010 installment payments amounted to \$984,100 and \$1,420,088, respectively, recorded under installment accounts payable.

(3) Endorsement and guarantees

As of December 31, 2011, and 2010, the details of guarantees to related parties were as follows:

	2011		2010	
	Local Amount	Amount	Local Amount	Amount
Sino Gain Limited	USD 32,500	<u>984,100</u>	USD 48,750	<u>1,420,088</u>

(4) The abovementioned transactions with related parties were made with no significant difference from those with non-related parties, but sometimes the payments were overdue. Receivables and payables as of December 31, 2011 and 2010, resulting from the aforementioned transactions were as follows:

	2011		2010	
Accounts receivable – related parties:				
Uni Airways Corp.	\$	140,434		138,108
Evergreen Aviation Technologies Corp.		29,398		27,782
Evergreen International Corp.		7,104		3,308
Others		<u>1,620</u>		<u>21,341</u>
	\$	<u>178,556</u>		<u>190,539</u>
Other receivables – related parties:				
Evergreen Aviation Technologies Corp.	\$	467,912		7,655
Uni Airways Corp.		44,109		36,825
Shanghai Airlines Cargo International Co., Ltd		18,920		29,878
Others		<u>1,097</u>		<u>562</u>
	\$	<u>532,038</u>		<u>74,920</u>

**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

Note: As of December 31, 2011 and 2010, the overdue accounts receivable reclassified to other receivables were \$18,920 and \$28,755, respectively. The aging for the abovementioned overdue accounts receivable is shown below:

Name	2011			
	Aging for overdue accounts receivable			
	Amount	Over 1-6 months	Over 7-12 months	Over one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 18,920	5,979	1,612	11,329

Name	2010			
	Aging for overdue accounts receivable			
	Amount	Over 1-6 months	Over 7-12 months	Over one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 28,755	16,112	2,303	10,340

	2011	2010
Accounts payable—related parties:		
Evergreen Aviation Technologies Corp.	\$ 2,235,963	1,892,867
Evergreen Sky Catering Corp.	218,566	177,885
Evergreen Airline Services Corp.	171,101	164,878
Uni Airways Corp.	85,156	82,979
Evergreen Air Cargo Services Corp.	56,866	53,385
Green Siam Air Services Co, Ltd.	10,961	12,172
Evergreen International Corp.	9,501	9,757
RTW Air Services (S) Pte Ltd.	9,242	10,729
Shanghai Airlines Cargo International Co., Ltd.	7,267	54,880
Others	<u>18,369</u>	<u>14,411</u>
	<b>\$ <u>2,822,992</u></b>	<b><u>2,473,943</u></b>
Other payables—related parties:		
Evergreen Airline Services Corp.	\$ 77,240	78,873
Evergreen International Corp.	51,407	34,371
Uni Airways Corp.	12,570	15,861
Evergreen Aviation Technologies Corp.	9,801	8,056
Evergreen Air Cargo Services Corp.	9,376	8,391
Evergreen International Storage & Transport Corp.	5,285	1,668
Evergreen Security Corp.	4,048	3,766
Others	<u>3,815</u>	<u>2,408</u>
	<b>\$ <u>173,542</u></b>	<b><u>153,394</u></b>

## EVA AIRWAYS CORP.

### Notes to Financial Statements

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

For the years ended December 31, 2011 and 2010, the related information about payroll and remuneration of major management, such as directors, supervisors and managers, received from the Company were as below:

	<b>2011</b>	<b>2010</b>
Salaries	\$ 27,572	76,832
Bonus and extra payment	7,122	8,814
Employee bonus	-	183

#### 6. Pledged Assets

The book values of the pledged assets as of December 31, 2011 and 2010, were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>2011</b>	<b>2010</b>
Land	Long-term borrowings	\$ 1,863,910	1,863,910
Buildings	Long-term borrowings	2,110,438	2,172,929
Aircraft	Long-term borrowings, Installment accounts payable	56,039,827	55,652,842
Simulators — included in machinery and equipment	Installment accounts payable	-	438,801
Engines-included in machinery and equipment	Long-term borrowings	2,270,815	2,733,104
Advances for purchases of equipment	Long-term borrowings	-	10,924,674
Time deposit — included in other assets	Letters of credit, customs duty, and contract performance guaranties	72,363	718,076
Spare parts-included in inventories	Installment accounts payable	500,033	1,000,062
US treasury note-included in available-for-sale financial assets-non-current	Contract performance guaranties	121,090	188,292
		<b>\$ <u>62,978,476</u></b>	<b><u>75,692,690</u></b>



**EVA AIRWAYS CORP.**

**Notes to Financial Statements**

**7. Commitments and Contingencies**

- (a) The Company entered into aircraft, and building lease contracts using the operating lease or capital lease method. As of December 31, 2011, the Company had paid \$1,500,249 as refundable deposits. According to these contracts, future lease payments in the following five years are as follows:

<b>Year due</b>	<b>Amount</b>
January 1, 2012~December 31, 2012	\$ 7,486,693
January 1, 2013~December 31, 2013	6,887,511
January 1, 2014~December 31, 2014	6,616,108
January 1, 2015~December 31, 2015	6,245,459
January 1, 2016~December 31, 2016	4,841,028
And after	<u>6,859,583</u>
	<b>\$ <u>38,936,382</u></b>

- (b) As of December 31, 2011, the details of guarantees to related parties are disclosed in note 5(b).

**8. Important Damage Losses: none**

**9. Important Subsequent Events: none**

**10. Others**

- (a) Total personnel expenses, depreciation and amortization for the years ended December 31, 2011 and 2010, were as follows:

<b>By function</b>						
<b>By item</b>	<b>Operating cost</b>	<b>2011 Operating expenses</b>	<b>Total</b>	<b>Operating cost</b>	<b>2010 Operating expenses</b>	<b>Total</b>
Personnel expenses						
Salaries	\$ 3,691,586	2,814,489	6,506,075	\$ 3,322,531	2,833,038	6,155,569
Insurance	184,965	153,109	338,074	153,070	125,508	278,578
Pension	277,404	213,198	490,602	230,663	125,871	356,534
Others (meal allowances, etc)	1,404,109	240,521	1,644,630	1,123,244	175,227	1,298,471
Depreciation	9,258,491	255,431	9,513,922	9,105,935	169,880	9,275,815
Amortization	-	28,370	28,370	-	25,830	25,830

## EVA AIRWAYS CORP.

### Notes to Financial Statements

(b) Reclassification

Certain amounts in the financial statements for the year ended December 31, 2010, have been reclassified to conform with the presentations of the financial statements for the year ended December 31, 2011, for purposes of comparison. These reclassifications do not have a significant impact on the financial statements.

(c) Significant foreign currency of financial assets and liabilities.

		2011.12.31			2010.12.31	
Financial assets	Local	Exchange	NT dollars	Local	Exchange	NT dollars
	Amount	Rate		Amount	Rate	
Currency						
USD	\$ 33,014	30.28	999,502	114,709	29.13	3,341,473
EUR	4,603	39.18	180,356	3,596	38.88	139,783
JPY	421,111	0.3906	164,486	465,946	0.3581	166,847
HKD	199,684	3.90	778,168	248,237	3.75	930,230
CNY	753,013	4.81	<u>3,619,744</u>	848,713	4.42	<u>3,751,594</u>
			<u>\$ 5,742,256</u>			<u>8,329,927</u>
<b>Long-term equity investment under equity method</b>						
USD	\$ 62,509	30.28	<u>\$ 1,892,760</u>	14,799	29.13	<u>431,098</u>
Financial liabilities	Local	2011	Exchange	Local	2010	Exchange
	Amount	Rate	NT dollars	Amount	Rate	NT dollars
Currency						
USD	\$ 148,701	30.28	4,501,932	189,845	29.13	5,530,173
EUR	6,440	39.18	252,315	7,361	38.88	286,176
JPY	1,054,213	0.3906	411,776	1,597,227	0.3581	571,938
HKD	20,456	3.90	79,716	26,543	3.75	99,465
CNY	162,644	4.81	<u>781,829</u>	107,039	4.42	<u>473,149</u>
			<u>\$ 6,027,568</u>			<u>6,960,901</u>

### 11. Segment Financial Information

The segment financial information is disclosed in its consolidated financial statement instead of the individual financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2011 and 2010**  
(Expressed in Thousands of New Taiwan Dollars)

	2011 NT dollars	2010 NT dollars		2011 NT dollars	2010 NT dollars
<b>Assets</b>			<b>Liabilities and Stockholders' Equity</b>		
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	\$ 17,470,319	16,575,505	Short-term borrowings	\$ 2,169,436	3,004,087
Financial assets at fair value through profit or loss — current	885	1,628	Accounts payable	2,514,171	2,317,139
Available-for-sale financial assets — current	2,551,236	2,136,713	Accounts payable — related parties	114,674	156,693
Derivative financial assets for hedge purposes — current	69,953	-	Tax payables	227,178	157,344
Notes receivable, net	624,360	527,081	Accrued expenses	8,909,203	7,954,527
Accounts receivable, net	8,500,527	9,722,132	Other payables — related parties	108,405	80,501
Accounts receivable — related parties	274,943	420,718	Other payables	2,786,963	3,375,244
Other receivables	73,495	162,465	Unearned revenue	7,563,368	7,131,673
Other receivables — related parties	283,833	292,305	Current portion of long-term liabilities	7,887,998	13,679,723
Inventories	13,346,258	12,601,237	Other current liabilities	3,953,434	3,114,936
Other prepayments	1,040,306	788,339	<b>Total current liabilities</b>	<u>36,234,830</u>	<u>40,971,867</u>
Deferred income tax assets — current	1,446,471	1,324,309	<b>Long-term liabilities:</b>		
Other current assets	37,982	43,081	Bonds payable	10,200,000	5,000,000
<b>Total current assets</b>	<u>45,720,568</u>	<u>44,595,513</u>	Long-term borrowings	39,096,345	41,860,567
<b>Funds and investments:</b>			Installment accounts payable	12,266,631	14,513,905
Available-for-sale financial assets — noncurrent	709,758	1,040,261	Lease liability — noncurrent	9,003,131	10,356,464
Financial assets carried at cost — noncurrent	4,059,110	2,255,826	<b>Total long-term liabilities</b>	<u>70,566,107</u>	<u>71,730,936</u>
Long-term equity investments under equity method	455,573	929,111	<b>Other liabilities:</b>		
<b>Total funds and investments</b>	<u>5,224,441</u>	<u>4,225,198</u>	Accrued employee retirement liabilities	1,469,210	613,223
<b>Property, plant and equipment:</b>			Other liabilities	1,479,641	1,270,175
Land	2,550,924	2,550,924	<b>Total other liabilities</b>	<u>2,948,851</u>	<u>1,883,398</u>
Buildings	13,508,697	13,468,912	<b>Total liabilities</b>	<u>109,749,788</u>	<u>114,586,201</u>
Machinery and equipment	15,881,873	14,939,670	<b>Stockholders' equity:</b>		
Aircraft	104,493,634	98,518,539	Common stock	32,589,450	29,626,772
Leased assets	17,403,103	16,690,080	Capital surplus	2,626,446	2,649,436
	153,838,231	146,168,125	Retained earnings:		
Less: accumulated depreciation	(59,056,755)	(53,839,916)	Legal reserve	1,201,674	0
Advances for purchases of equipment	75,863	11,303,772	Special reserve	3,657,682	0
<b>Net property, plant and equipment</b>	<u>94,857,339</u>	<u>103,631,981</u>	Unappropriated earnings	1,441,689	12,016,736
<b>Intangible assets:</b>			<b>Total retained earnings</b>	<u>6,301,045</u>	<u>12,016,736</u>
Deferred pension cost	351,146	188,486	Other stockholders' equity adjustments:		
<b>Other assets:</b>			Cumulative translation adjustments	(2,579,360)	(3,554,690)
Refundable deposits	1,751,335	1,759,269	Net loss not yet recognized as net pension cost	(1,266,896)	(511,128)
Deferred charges	160,933	105,005	Unrealized gains or losses on financial instruments	202,590	408,136
Accounts receivable — related parties — noncurrent	-	79,373	Total other stockholders' equity adjustments	(3,643,666)	(3,657,682)
Deferred income tax assets — noncurrent	3,231,263	3,354,468	<b>Total stockholders' equity</b>	<u>37,873,275</u>	<u>40,635,262</u>
Other assets	98,687	752,208	Minority interest	3,772,649	3,470,038
<b>Total other assets</b>	<u>5,242,218</u>	<u>6,050,323</u>	<b>Total stockholders' equity and minority interest</b>	<u>41,645,924</u>	<u>44,105,300</u>
<b>Total assets</b>	<u>\$ 151,395,712</u>	<u>158,691,501</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 151,395,712</u>	<u>158,691,501</u>

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**For the years ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings per Share)**

	<b>2011</b>	<b>2010</b>
	<b>NT dollars</b>	<b>NT dollars</b>
<b>Operating revenue</b>	\$ 113,619,373	114,054,453
<b>Operating cost</b>	103,364,069	92,496,725
<b>Gross profit from operations</b>	<u>10,255,304</u>	<u>21,557,728</u>
<b>Operating expenses</b>	7,814,350	7,383,397
<b>Operating income</b>	<u>2,440,954</u>	<u>14,174,331</u>
<b>Non-operating income and gains:</b>		
Interest income	163,728	93,714
Investment income	-	280,688
Dividend income	287,012	159,925
Gains on disposal of property, plant and equipment	7,910	12,713
Exchange gains, net	103,645	-
Gains on valuation of financial liabilities	-	10,333
Other income	144,909	203,641
	<u>707,204</u>	<u>761,014</u>
<b>Non-operating expenses and losses:</b>		
Interest expenses	1,760,481	1,839,710
Investment losses	24,130	-
Exchange losses, net	-	318,497
Losses on valuation of financial liabilities	1,267	
Other losses	243,098	64,028
	<u>2,028,976</u>	<u>2,222,235</u>
<b>Income from continuing operations before income tax</b>	1,119,182	12,713,110
<b>Income tax expenses</b>	368,249	289,262
<b>Net income</b>	<u>\$ 750,933</u>	<u>12,423,848</u>
<b>Income attributable to:</b>		
Parent company	209,028	12,016,736
Minority interest	541,905	407,112
	<u>\$ 750,933</u>	<u>12,423,848</u>
	<u>Net income</u>	<u>Net income</u>
	<u>NT dollars</u>	<u>NT dollars</u>
<b>Basic earnings (losses) per share</b> <b>(expressed in New Taiwan dollars)</b>	<u>\$ 0.06</u>	<u>3.69</u>
<b>Diluted earnings per share</b> <b>(expressed in New Taiwan dollars)</b>	<u>\$ 0.06</u>	<u>3.68</u>

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings (Accumulate Deficit)	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or Losses on Financial Instruments	Minority Interest	Total
<b>Balance on January 1, 2010</b>	\$ 29,626,772	5,564,505	0	0	(2,915,074)	423,833	(157,412)	(515,511)	3,222,238	35,249,351
Make-up of accumulated deficit	0	(2,915,074)	0	0	2,915,074	0	0	0	0	0
Increase in net equity due to change in percentage of capital surplus in long-term equity investments under equity method	0	5	0	0	0	0	0	0	0	5
Change in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	0	0	0	0	0	0	(44,828)	0	0	(44,828)
Recognized net loss not yet recognized as net pension cost	0	0	0	0	0	0	(308,888)	0	0	(308,888)
Change in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	0	0	0	0	0	0	0	18,217	0	18,217
Change in unrealized gains on financial instruments	0	0	0	0	0	0	0	905,430	0	905,430
Decrease in minority interest	0	0	0	0	0	0	0	0	(159,312)	(159,312)
Net income for the year ended December 31, 2010	0	0	0	0	12,016,736	0	0	0	407,112	12,423,848
Translation adjustments for the year ended December 31, 2010	0	0	0	0	0	(3,978,523)	0	0	0	(3,978,523)
<b>Balance on December 31, 2010</b>	<u>29,626,772</u>	<u>2,649,436</u>	<u>0</u>	<u>0</u>	<u>12,016,736</u>	<u>(3,554,690)</u>	<u>(511,128)</u>	<u>408,136</u>	<u>3,470,038</u>	<u>44,105,300</u>
Appropriation approved by 2011 stockholders' meeting: (Note)										0
Legal reserve	0	0	1,201,674	0	(1,201,674)	0	0	0	0	0
Special reserve	0	0	0	3,657,682	(3,657,682)	0	0	0	0	0
Cash dividends	0	0	0	0	(2,962,678)	0	0	0	0	(2,962,678)
Stock dividends	2,962,678	0	0	0	(2,962,678)	0	0	0	0	0
Disposal of long-term equity investments under equity method	0	(22,990)	0	0	637	0	1,512	(919)	0	(21,760)
Change in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	0	0	0	0	0	0	(19,328)	0	0	(19,328)
Recognized net loss not yet recognized as net pension cost	0	0	0	0	0	0	(737,952)	0	0	(737,952)
Change in net equity due to change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	0	0	0	0	0	0	0	(21,157)	0	(21,157)
Change in unrealized gains on financial instruments	0	0	0	0	0	0	0	(183,470)	0	(183,470)
Decrease in minority interest	0	0	0	0	0	0	0	0	(239,294)	(239,294)
Net income for the year ended December 31, 2011	0	0	0	0	209,028	0	0	0	541,905	750,933
Translation adjustments for the year ended December 31, 2011	0	0	0	0	0	975,330	0	0	0	975,330
<b>Balance on December 31, 2011</b>	<u>\$ 32,589,450</u>	<u>2,626,446</u>	<u>1,201,674</u>	<u>3,657,682</u>	<u>1,441,689</u>	<u>(2,579,360)</u>	<u>(1,266,896)</u>	<u>202,590</u>	<u>3,772,649</u>	<u>41,645,924</u>

Note: The amounts of employees' bonuses and directors' and supervisors' remuneration amounting to \$100,000 and \$53,000, respectively, were deducted from the net income

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2011</b>	<b>2010</b>
	<b>NT dollars</b>	<b>NT dollars</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 750,933	12,423,848
Adjustments to reconcile net income to net cash flow provided by (used in) operating activities:		
Depreciation	10,318,375	10,056,193
Amortization and maintenance expense	47,835	44,788
Investment loss (income)	24,130	(280,688)
Proceeds from cash dividends on long-term equity investments	54,274	89,016
Losses on disposal and obsolescence of property, plant and equipment	50,976	4,866
Gains on disposal of investments	(26,201)	(3,711)
Deferred income tax (benefit) expenses	(4,690)	31
Amortization expense recorded as interest expenses	37,437	83,158
Amortization expense recorded as other expenses	8,944	154
Amortization of other deferred gain	(61,701)	(53,636)
Other losses	204,753	-
Changes in operating assets and liabilities, net:		
Financial assets at fair value through profit or loss	743	25,676
Notes receivable	(97,279)	6,340
Accounts receivable	1,221,605	(1,738,534)
Accounts receivable — related parties	145,775	125,462
Other receivable	88,970	5,143
Other receivables — related parties	8,472	(168,675)
Inventories	(745,021)	(957,257)
Other prepayments	(251,967)	432,700
Other current assets	5,099	978
Accounts receivable — related parties — noncurrent	79,373	59,471
Financial liabilities at fair value through profit or loss	-	(690,979)
Accounts payable	197,032	147,256
Accounts payable — related parties	(434,768)	(1,004,876)
Tax payable	69,834	(83,737)
Accrued expenses	954,676	1,540,716
Other payables — related parties	27,904	12,767
Other payables	303,581	(1,573,760)
Unearned revenue	431,695	840,319
Other current liabilities	754,396	127,164
Accrued employee retirement liabilities	(195,463)	(177,565)
Other liabilities	17,315	94,002
<b>Net cash provided by operating activities</b>	<b>13,987,037</b>	<b>19,386,630</b>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in available-for-sale financial assets	(406,634)	2,682,135
Proceeds from disposal of investment — non-current	187,505	-
Payments for purchase of investment — non-current	(121,254)	-
Payments for purchase of financial assets carried at cost	(1,524,200)	-
Proceeds from disposal of long-term equity investments under equity method	220,000	-
Proceeds from withdrawal of financial assets carried at cost	4,211	1,151
Payments for purchase of property, plant and equipment	(1,360,323)	(4,330,238)
Proceeds from disposal of property, plant and equipment	1,992,745	3,826
Decrease (increase) in refundable deposits	55,159	(160,661)
Increase in deferred charges	(150,144)	(78,206)
Decrease in other assets	653,521	265,987
<b>Net cash used in investing activities</b>	<b>(449,414)</b>	<b>(1,616,006)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(834,651)	87,686
Issuance of bonds payable	10,200,000	-
Redemption of bonds payable	(9,000,000)	(3,100,000)
Increase in long-term borrowings (including installment accounts payable)	6,234,000	21,919,400
Redemption of long-term borrowings (including installment accounts payable)	(14,608,786)	(24,930,109)
Redemption of lease liability	(1,519,721)	(1,457,006)
Decrease in minority interest	(239,294)	(159,312)
Cash dividends	(2,962,678)	-
<b>Net cash used in financing activities</b>	<b>(12,731,130)</b>	<b>(7,639,341)</b>
<b>Effect of exchange rate changes on cash</b>	<b>88,321</b>	<b>(175,506)</b>
<b>Net increase in cash and cash equivalents</b>	<b>894,814</b>	<b>9,955,777</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>16,575,505</b>	<b>6,619,728</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 17,470,319</b>	<b>16,575,505</b>
<b>Additional disclosure of cash flow information:</b>		
Interest paid	\$ 2,023,995	1,975,770
Less: capitalized interest	27,885	214,189
Interest paid (excluding capitalized interest)	\$ 1,996,110	1,761,581
Income tax paid	\$ 358,868	378,004
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Current portion of long-term liabilities and bonds payable	\$ 7,887,998	13,679,723
Inventory transferred from fixed assets	\$ -	13
Unrealized gains or losses on financial instruments (including investee)	\$ (205,546)	923,647
Translation adjustments	\$ 975,330	(3,978,523)
Increase in lease liability	\$ 39,123	-

