2007
ANNUAL REPORT

EVA AIR

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Financial Calendar
Year ended December 31, 2007

Contents

Financial and Operating Highlights

		2007	2006	% Change
Financial				
Income Statement				
Revenue	NT$ thousand	93,103,131	93,903,564	-0.9%
Passenger Revenue	NT$ thousand	48,956,179	46,325,605	5.7%
Cargo Revenue	NT$ thousand	38,238,236	41,382,151	-7.6%
Total Costs	NT$ thousand	95,377,551	97,241,348	-1.9%
Operating Profit	NT$ thousand	(2,274,420)	(3,337,784)	-31.9%
Net Profit	NT$ thousand	(1,871,918)	(1,686,585)	11.0%
EPS	NT$	(0.48)	(0.45)	6.7%
Profit Margin	%	-2.44%	-3.55%	1.1ppt
Balance Sheet				
Total Assets	NT$ thousand	149,137,795	138,150,164	8.0%
Total Liabilities	NT$ thousand	104,949,699	92,009,561	14.1%
Total Equity	NT$ thousand	44,188,096	46,140,603	-4.2%
Total Capital	NT$ thousand	38,749,794	38,749,794	0.0%
Book Value per Share	NT$	11.40	11.91	-4.2%
Debt Ratio	%	70.37%	67.32%	3.05ppt
Operating				
Overall Capacity	Thousand	8,985,604	9,778,493	-8.1%
Overall Traffic	Thousand	6,954,152	7,344,465	-5.3%
Overall Load Factor	%	77.39%	75.11%	2.3ppt
Overall Yield	NT$	12.54	11.94	5.0%
Passenger Capacity	Thousand	29,785,040	30,366,618	-1.9%
Passenger Traffic	Thousand	24,226,326	24,277,090	-0.2%
Passengers Carried	No. of Passengers	6,181,006	6,172,267	0.1%
Passenger Load Factor	%	81.34%	79.95%	1.4ppt
Passenger Yield	NT$	2.02	1.91	5.8%
Cargo Capacity	Thousand	6,304,950	7,045,497	-10.5%
Cargo Traffic	Thousand	4,773,783	5,159,527	-7.5%
Cargo Carried	Tons	785,222	829,952	-5.4%
Cargo Load Factor	%	75.71%	73.23%	2.5ppt
Cargo Yield	NT$	8.01	8.02	-0.1%
Unit Cost	NT$	10.61	9.94	6.7%
Number of Employees		5,153	5,312	-3.0%
Capacity per Employee	Thousand	1,744	1,841	-5.3%
Traffic per Employee	Thousand	1,350	1,383	-2.4%
Revenue per Employee	NT$ thousand	18,068	17,678	2.2%

To Shareholders

2007 In Review

2007 Operation Review

Though the aviation industry was stuck in an operational dilemma caused by slow global economic growth and soaring fuel prices that showed no sign of easing, we went all out to fill our flights using aggressive marketing strategies and flexible fleet adjustments. In 2007, we carried a total of 6.18 million passengers and 785,000 tons of freight reaching an overall load factor of 77.39%, an improvement over our 75.11% overall 2006 load factor. Audited financial results showed total 2007 operating revenues of NT$93.103 billion, a NT$800 million or 0.85% decline from 2006. The yearly loss after income tax was 1.872 billion.

- Passenger revenue climbed to NT$48.956 billion, showing an annual growth rate of 5.68%, up NT$2.63 billion over 2006.

The Euro's appreciation and business recovery in Southeast Asia created robust market demand on European and cross-Pacific routes, driving growth in passenger revenue overall. At the same time, our performances in other regions remained stable. By combining our strategic links between Europe, Asia and America with a gradual introduction of more Boeing 777s and aggressive marketing, e.g. changed the Taipei—New York route to a nonstop B777 flight on 1 Dec., 2007, we were able to deliver a stellar performance.

- Cargo revenue amounted NT$38.238 billion, an annual growth rate of –7.6% and a NT$3.144 billion slide from 2006.

We responded to the global airfreight recession and effects of Taiwanese industries relocating abroad by adjusting our freighter fleet. We've converted Boeing 747-400 passenger aircraft into freighters and stablilized growth of passenger aircraft belly cargo space. Also, we improved fleet operating performance and enhanced our market competitiveness. At the same time, we grew our business in Indochina, expanded our flight-sharing cooperation within Mainland China and increased air cargo services in India. We also began freighter services to Houston on 29 Oct., adjusted our routes for efficiency and consolidated our global cargo service network.

- Replace older aircraft with new models, giving us a fleet of 52 aircraft.

After introducing our first four brand-new Boeing 777-300ERs in 2005 and 2006, we added another four in Feb., May, Aug. and Dec. 2007, placing them in service on American routes and giving our passengers exceptionally comfortable, innovative cabin environments. We wet-leased an Airbus 320 aircraft and expanded our regional capacity in Nov. and converted three Boeing 747-400s into freighters in April, Aug. and Nov. 2007. In addition, we terminated wet-leases for two McDonnell-Douglas MD-11 freighters in March and July after determining that their cost was too high, and we sold another MD-11 freighter in Sept. By year-end 2007, EVA operated a fleet totaling 52 aircraft, 37 passenger models and 15 freighters, as detailed in the following chart:

Aircraft Type	Quantity
B747-400	4
B747-400 Combi	8
B747-400 Freighter	6
MD-11 Freighter	9
MD-90	5
B777-300ER	8
A330-200	11
A320-200	1
Total	**52**

We gave the passenger cabins of three B747-400s complete makeovers in 2007 as well. Improvements included outfitting the B747-400s with same cabin furnishings and systems as our brand-new B777-300ER, making our passengers safer and more comfortable inflight.

■ An unblemished flight-safety record and premium service have lead to high acclaim.

We have been diligent about flight-safety management since we started EVA Air. Our outstanding performance earned "The Richard Teller Crane Founder's Award" from the Flight Safety Foundation in 2007, establishing EVA as the first airline in Asia and only the second in the world to receive this distinction. And once again, EVA was ranked as one of the top-10 safest carriers in the world by AERO International, a monthly aviation-industry magazine published in Germany, sharing this high recognition with Qantas, Finnair, Cathay Pacific, All Nippon Airway and Virgin Atlantic Airways. EVA is the only Taiwan-based airline to have achieved this top-10 ranking.

EVA's service has been acknowledged with equally high praise. *Global Traveler*, a United States-based magazine for the frequently traveling business executive, singled out EVA's Premium Laurel business class for serving the "Best Wines on the Wing 2007." For the sixth year in a row, *Taiwan Management Magazine's* readers chose EVA Air in a survey as the "best product in Taiwan." And we were recognized for "Best Livery" in *Wallpaper** Magazine's Design Awards 2007 for our "quirky" Hello Kitty Jet.

The quality of our operations has attracted artistic and cultural organizations in Europe and America and on multiple occasions, EVA has been designated as the official carrier to transport priceless masterpieces and treasures. We carried stunning exhibitions for both the Kunsthistorisches Museum (KHM) in Vienna and the British Museum this year. Giving back to the communities we serve, we donated interior furnishings and equipment to International English Village, a domestic English-teaching center that provides practical instructions that enable students to learn English efficiently. We also donated Boeing 747 cabin seats to benefit students in Ta Hwa Institute of Technology training program.

Results Compared to Projections

We forecast NT$91.382 billion in operating revenue for 2007 and our actual results amounted to NT$93.103 billion, providing an achievement ratio of 101.9%. Our 2007 net loss forecast before taxes was NT$2.688 billion, but actual results totaled NT$1.958 billion.

Analysis of Financial Results

Total Revenues: NT$95.726 billion

Annual operating revenues reached NT$ 93.103 billion in 2007, decreasing by 0.85% compared to 2006. Passenger revenue grew by 5.68% compared to 2006 due to robust demand on European and American routes. But air cargo revenue decreased by 7.6% compared to 2006 due to adjustments in our airfreight capacity and the wet-lease termination on two MD-11 freighters, which reduced the total tons of freight we could transport.

Total Expenses: NT$ 97.685 billion

Total yearly operating expenses for 2007 amounted to NT$ 95.378 billion, a decrease of 1.92% compared to 2006. Our 2007 non-operating expenses mounted to NT$ 2.307 billion, up by 13.81% compared to the previous year due to higher interest costs.

Profitability Analysis

Return on total assets: -0.15%
Return on shareholders' equity: -4.14%
Ratio of operating profit to paid-in capital: -5.87%
Return on sales: -2.01%
Loss per share: NT$ 0.48

Research and Development

- Maximizing 2007 collaborative efforts, EVA initiated partnering with 33 airlines on interline e-ticketing services and is accomplishing this passenger service through cooperative use of global reservation systems. Coverage has reached 96.5% via this system and air ticketing functions can now be easily accessed by travel agencies worldwide.
- Using our "Aircraft Loading and Balanced Operating System" architecture and more advanced algorithm technology, we further strengthened the functionality of the Auto Arrange System we use to balance loads. This improvement helps our ground loading control system rapidly calculate the best loading plan to guarantee flight safety, ensure quality consistency, balance the load on the aircraft and lower fuel consumption so that we can enhance cost-control efficiency.
- Rising network communication fees paid by most airlines to support global services has traditionally been the largest part of information expenses. EVA has adopted new network technology and architecture to accommodate global services and contained our communication fees. We internally integrated exclusive IPVPN and VPN virtual internet business networks. We used VPN technology to ensure data safety in 2007 and to support the ever-increasing information service needs among the clients and our own staff at stations around the world. This technology also enabled us to control our communication expenses.
- Typically, seat reservation systems used by most airlines have been functions of huge computer main frames with features that pose difficulties when it comes to integrating the different systems used by passengers. We

introduced a QIK-RES platform in 2007 that has a graphic interface and powerful integrating capacity that effectively operates with passengers' different systems. Our goal is that this brand-new platform delivers the most complete passenger service information possible, further advances our operating efficiency and elevates customer-service quality.

- EVA operates with a "Flight Safety Express" concept. We put the idea into practice in 2007 when we developed our own Flight Information System (FIS) and integrated it with the on-board Flight Management Computer (FMC), automating flight-plan input and monitoring, and increasing pilot and operating efficiency. This system's automatic functions monitor changes in weather, flight announcements in terminals and actual fuel consumption, enabling us to provide our passengers smoother, safer journeys.
- Our company's initial dedication to flight safety management has led to opportunities for innovation. In 2005, we partnered with the U.S. Navy Meteorological Lab to create our Flight Operation Risk Assessment System (FORAS), becoming the first airline to successfully introduce this kind of system. FORAS gives our pilot crews a risk appraisal analysis and an up-to-date risk coefficient for every flight assignment. It also gives management a reference for policy making and elevates flight safety.

2008 Preview

Operations Guidelines

EVA always applies our long-standing commitment to safety and excellent services to advances in our product quality. Giving our passengers even safer and more comfortable flight experiences, we will add another four B777-300ERs, bringing the total number of these aircraft in our fleet to 12. Our objective is to further improve cost structures of our passenger aircraft with the fuel efficiency of our B777s and of our freighters with deployment of the additional B747s we are converting. We are also maximizing our fleet resources by adding small, agile McDonnell Douglas 90s from UNI Air that will promote competitiveness and flexibility in route adjustments and help boost our revenue.

EVA Air Traffic Projections

Passenger service

Our estimated 2008 passenger count is 6.41 million, compared to 6.18 million in 2007, projected to grow by 3.7%.

Estimation basis

Our growth in 2008 is expected to be stable. As we introduce more new aircraft, our number of carried passengers will rise in proportion to the number of new seats we add. EVA is adopting an even more flexible approach to meeting market demand and is strategically deploying aircraft on routes in anticipation of growth.

Cargo service

Our estimated 2008 cargo volume is 772,000 tons compared to 785,000 tons in 2007, a 1.7% shrinkage.

Estimation basis

EVA continually adjusts our freighter deployment to maintain a sound cargo service network, optimize operating conditions and elevate route efficiencies. The global economic outlook for 2008 points to moderate expansion overall while suggesting ongoing growth for regions of Mainland China and Indochina. EVA is expanding operations and exploring new opportunities in the areas of Mainland China, Vietnam and Cambodia.

Key Marketing Strategies

Passenger service

- A total of four additional B777-300ERs will be delivered. Projected fuel savings from their efficient performance and the revenue lift from the increased number of passengers drawn to EVA by the advanced cabin furnishings are expected to help improve our operating revenue.
- On 30 March, we began new Taipei-Osaka-L.A. routing using B777-300ERs for 3 flights a week. In June, we will launch Taipei-Komatsu and Taipei-Miyazaki service.
- Continue code-share operations with American Airlines, Continental Airlines, US Airways, Air Canada, All Nippon Airways, Qantas and Air India.
- Offer short-term charter flights to meet market demand to selected destinations in Japan as well as to Guam, Saipan, etc.
- In accord with mutual government policies, schedule special holiday and weekend cross-strait chartered flights.

Cargo service

- On 16 Jan., we introduced MD-11 cargo flights from Frankfurt to Paris. We scheduled two freighters per week on the route to accommodate the Paris airfreight demand.
- On 30 March, we opened a freighter route from Brussels to London using a B747-400 for two flights per week with the expectation that this level of cargo service will promote business and enhance competitiveness.
- We deployed one of the B747-400s we converted from passenger to freighter service in Jan. and will place a second one in operation in May. We plan to increase the number of B747s freighters in our fleet to 8 to accommodate air cargo market needs and to give us the flexibility to more readily make fleet adjustments as well as to balance costs with greater efficiencies and boost revenue.
- In response to changing government policies, we are planning chartered cross-strait air cargo services.

Future Core Strategies

- EVA has extended our flight network to major cities in Europe, America and Asia, providing frequent and convenient flights, and will continue to make timely route adjustments to meet market demand. We began flying Taipei-Osaka-L.A. routing on March 30, 2008 and will introduce Taipei-Komatsu and Taipei-Miyazaki service in June. Our efforts to secure direct entry into cargo markets with strong potential such as North and East Asia, Mainland China and Central Asia continue and we are prepared to sharpen our competitive edge in accordance with traffic rights amendments.

- EVA will keep adding more new-generation, fuel-saving B777-300ERs and will have a total of 12 in our fleet by the 2008 year-end. We will also continue upgrading our cabin furnishings to give passengers the most comfortable, reliable services available. And, as our remaining B747-400s are gradually retired, we will modify the passenger cabins for freighter services and optimize our fleet. EVA's consistency in providing safe air transportation and quality service by enhancing fleet utilization and upgrading software and hardware both strengthens management of our controllable costs and maximizes operating profitability.
- EVA has established alliances with 14 airlines, including American Airlines, Air Canada, All Nippon, Qantas, British Airways (World Cargo) and more. We are seeking to expand our alliance base and exploring cooperative services with other carriers as well. By joining networks and forming reciprocal operating relationships with other carriers, we can reduce costs, mitigate risks, and give all our customers faster, more convenient services.
- Electronic Services
  - EVA's e-ticketing system provided 87% of the total number of tickets issued for our flights by 2007 year-end. And, after initiating interline electronic ticketing with Continental Airlines in September 2005, followed by United Airlines, we had completed e-ticketing partnerships with 38 carriers, as of Feb. 2008. We will continue to seek these relationships with more established airlines.
  - E-communications, including electronic bulletins and documentation, have made it easier and faster to deliver information promptly and accurately while creating a work environment with less paper. We are maintaining and further improving our capabilities in this area in 2008.
  - To make our services available to more Chinese passengers, we developed an edition of our website with simplified Chinese characters and launched it on 23 Jan., 2008.

Competition, Changing Regulations and Macro Economy

Competition

- Low-cost carriers have shared part of the travel market with low-priced fares, causing a gradual loss of passenger sources and affecting supply and demand on regional routes.
- Mainland China's rapid economic growth and Taiwanese manufacturers' migration offshore directly impacts Taiwan's air cargo market. China's recently adopted open-sky policy led it to purchase aircraft, build airports and infrastructure, and open traffic rights to European and American carriers, in addition to easing its qualification requirement for freighters. These moves significantly impacted Taiwan's cargo market.

- Soaring fuel prices have also driven up costs for air cargo service. A significant number of air cargo shippers have turned to sea transportation for at least portions of their freight to reduce transportation costs, and this has severely impacted the air cargo market.
- Development of the transportation infrastructure within Taiwan, e.g., the east-west highway and the high-speed rail forces domestic carriers transform to international and affect the supply and demand balance within passenger and cargo markets.
- Rapid economic growth in the Asia-Pacific region and aviation deregulation, e.g., Canada's open-sky policy and the rapid development of low-cost carriers, has increased both passenger and cargo capacities between regions and continents. The ability of market demand to grow with this capacity ultimately shapes market fares.

Changing Regulations

- Air transportation markets develop in step with political and economic stability.
- Uncertainty over Taiwan's cross-strait policies related to admission of Mainland Chinese tourists into Taiwan, investment in China, sea-to-inland transit, cargo charter flights, direct links and relevant bilateral policies, leave the evaluation of market trend and demand open to ongoing scrutiny.
- Holding fuel surcharges at levels below those allowed by foreign governments creates an unfavorable operating environment for Taiwan's carriers.
- Expanded consumer awareness has led to some policies that are burdensome to the aviation industry, e.g., the penalty code enacted by the European Union that sets compensation for overbooking.

Macro Economy

- Skyrocketing fuel prices that show no sign of letting up and the collapse of the sub-prime mortgage market have slowed economic growth, spurred inflation and led to stagnant consumer spending worldwide, leaving the aviation industry with both a potential slide in travel demand and even higher jet fuel costs.
- Global warming has caused climate changes, resulting in floods, blizzards, hurricanes and other dramatic weather conditions. Any of these weather events, threats of terrorist attacks or the outbreak of a contagious disease could devastate the air transportation market.
- Mainland China will continue to be a leading driver for the world economy, keeping its growth momentum at a projected 10%. Other emerging economies will also continue strong growth. Among them, Taiwan's economy is expected to grow by 4% in 2008.

Balanced with influences beyond our control, EVA Air will proceed with plans for strategic market expansion, implement cost controls, work cautiously to advance liberalized policies and laws, and practice financial hedging to enhance our business operations and competitiveness.

The Company

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

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

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

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

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

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

Major Milestones

1988~1990

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

1991

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

1992

The comprehensive EVA Training Center opened in July, and the carrier's first two all-passenger B747-400s were delivered in

November. EVA used the first flights of the new aircraft to launch its Taipei-Los Angeles route and introduce its four classes of cabin service, including the debut of its trend-setting Evergreen Deluxe Class in-between Economy and Super Business.

1993

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

1994

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

1995

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

1996

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

1997

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

1998

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

1999

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

2000

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

2001

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

2002

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

2003

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

2004

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

2005

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

2006

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

2007

EVA Air received 2007 The Richard Teller Crane Founder's Award from the international Flight Safety Foundation for "its corporate leadership in aviation safety programs and its superb safety records." In the five years since the coveted award was established, EVA is the first Asian airline and only the second airline among all recipients to receive it.

Calendar of 2007 Events

March

EVA was ranked as one of the top-10 safest carriers in the world by AERO International, a monthly aviation-industry magazine published in Germany, sharing this high recognition with Qantas, Finnair, Cathay Pacific, All Nippon Airway and Virgin Atlantic Airways. EVA is the only Taiwan-based airline to have achieved this top-10 ranking.

April

EVA Air completed its first B747-400

freighter conversion – the first of a series of B747-400's to be converted over the next two years.

August

Global Traveler, a United States-based magazine for the frequently traveling business executives, singled out EVA's Premium Laurel business class for serving the "Best Wines on the Wing 2007."

October

EVA earned "The Richard Teller Crane Founder's Award" from the Flight Safety Foundation in 2007, establishing EVA as the first airline in Asia and only the second in the world to receive this distinction.

EVA Air launched Houston cargo service in October 2007 with two weekly flights.

Directors and Supervisors

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses, Dependents	
					Number	(%)	Number	(%)	Number	(%)
Chairman	Lin Bou-Shiu (Note 1)	2007.06.13	3 Years	2004.06.15	750,571,262	19.37	750,571,262	19.04	19,667	0
Vice Chairman	Hsu Po-Jung (Note 1)	2007.06.13	3 Years	2006.12.26	750,571,262	19.37	750,571,262	19.04	32,050	0
Director	Chang Yung-Fa	2007.06.13	3 years	1989.03.31	110,495,004	2.85	110,495,004	2.80	25,906,773	0.66
Director	Chang Kuo-Cheng	2007.06.13	3 Years	1989.03.31	118,737,958	3.06	118,737,958	3.01	0	0
Director	Cheng Hsing-Te	2007.06.13	3 Years	2007.06.13	339,930	0.01	319,930	0.01	0	0
Director	Lin Ching-En	2007.06.13	3 Years	2001.04.19	4,099,354	0.11	3,529,354	0.09	0	0
Director	Lin Shin-I	2007.06.13	3 Years	1998.05.06	0	0	0	0	0	0
Supervisor	Ko Li-Ching	2007.06.13	3 Years	1992.05.02	143,509	0	143,509	0	0	0
Supervisor	Owng Rong-Jong (Note 2)	2007.06.13	3 Years	1996.03.21	408,289,450	10.54	408,289,450	10.36	0	0
Supervisor	Chen Cheng-Pang	2007.06.13	3 Years	2001.04.19	6,398	0	6,398	0	6,351	0

Note 1: Representative of Evergreen Marine Corp.
Note 2: Representative of Evergreen International Corp.
Note 3: As of April 30, 2008 ,the Company has issued 3,942,677,277 shares.

April 30,2008

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	(%)			Title	Name	Relationship
0	0	Tamkang University President, EVA Airways Corp.	Director, Uni Airways Corp. Director, Evergreen Sky Catering Corp. Chairman, Hsiang-Li Investment Corp.	-	-	-
0	0	Department of Mechanical Engineering, National Taipei Institute of Technology Vice Chairman, Evergreen Aviation Technologies Corp.	Director, Evergreen Aviation Technologies Corp.	-	-	-
0	0	Taipei Vocational Secondary School of Business Chairman, Evergreen Marine Corp.	Director, Evergreen Marine Corp. Director, Evergreen International Corp.	Director	Chang Kuo-Cheng	Son
0	0	BA, Boston University Chairman, Evergreen International Corp.	Vice Chairman, Central Reinsurance Corp. Director, Evergreen Marine Corp. Director, Evergreen International Storage & Transport Corp. Director, Evergreen International Corp. Director, Evergreen Sky Catering Corp. Director, Hsin-Tao Power Corp.	Director	Chang Yung-Fa	Father
0	0	Bachelor degree in Transportation Technology & Management, Chiao-Tung University Senior Vice President, Evergreen International Corp.	Director, Evergreen Sky Catering Corp.	-	-	-
0	0	MBA, Kobe University, Japan Executive Vice President, EVA Airways Corp., America.	Chairman, Evergreen Air Cargo Service Corp.	-	-	-
0	0	BA in Political Science, National Taiwan University Director, China Development Industrial Bank	Chairman, United Holdings Corp.	-	-	-
0	0	Keelung Girls' Senior High School Executive Vice President, Evergreen International Corp.	Supervisor, Evergreen Marine Corp. Supervisor, Evergreen International Storage & Transport Corp . Supervisor, Central Reinsurance Corp. Supervisor, Uni Airways Corp. Supervisor, Hsin-Tao Power Corp. Director, Taiwan High Speed Rail Corp.	-	-	-
0	0	E.M.B.A, Department of Business Administration, College of Business, National Taipei University Executive Vice President, Evergreen Marine Corp.	Chief Financial Officer, Evergreen Marine Corp. Supervisor, Evergreen International Storage & Transport Corp . Director, Central Reinsurance Corp.	-	-	-
0	0	BA, Soochow University Senior Vice President, Uniglory Marine Corp.	Senior Vice President, Italia Marittima S.p.A.	-	-	-

Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2008

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp.	Evergreen International S.A.(Panama)(10.98%), Chang Kuo-Hua(7.8%), Chang Yung-Fa(6.2%), Ultra International Investments Ltd.(4.38%), Falcon Investment Services Ltd.(4.38%), Chang Kuo-Cheng(4.37%), Chang Kuo-Ming(3.27%), Evergreen International Corp.(2.53%), Cheng Shen-Chin(2.18%), Chang Shu-Hua(2.08%)
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, 2008

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

Criteria for Expertise and Independence of Directors and Supervisors

Qualifications / Name	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Cocurrently 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	
Lin Bou-Shiu			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Hsu Po-Jung			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Chang Yung-Fa			✓	✓					✓			✓	✓	0
Chang Kuo-Cheng			✓	✓					✓			✓	✓	0
Chen Hsing-Te			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Ching-En			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Shin-I			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Ko Li-Ching			✓	✓		✓	✓		✓	✓	✓	✓	✓	0
Owng Rong-Jong			✓	✓		✓	✓		✓	✓	✓	✓		0
Chen Cheng-Pang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0

(1) Not an employee of the Company or any of affiliated companies.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however , in case where the person is an independent director of the company , its parent company or any subsidiary in which the company holds, direct 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

Title	Name	Remuneration Paid to Directors						Directors Salary, Compensation, and Allowance as % 2007 Net Profit	
		Salary		Compensation		Allowance			
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
Chairman	Evergreen Marine Corp. Lin Bou-Shiu	9,623	12,308	0	4,300	0	0	(0.51)	(1.05)
Vice Chairman	Evergreen Marine Corp. Hsu Po-Jung								
Director	Chang Yung-Fa								
Director	Chang Kuo-Cheng								
Director	Chen Hsing-Te								
Director	Lin Ching-En								
Director	Lin Shin-I								

Compensation for Supervisors

Title	Name	Remuneration paid to Directors					
		Salary		Compensation		Allowance	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
Supervisor	Ko Li-Ching	0	0	0	500	0	0
Supervisor	Evergreen International Corp. Owng Rong-Jong						
Supervisor	Chen Cheng-Pang						

December 31, 2007
NT$ (Thousand)

Compensation Earned as Employee of EVA or EVA Subsidiary Affiliates								Total Compensation Paid to Directors as % 2007 Net Profit		Other Compensation from Non-Subsidiary Affiliates
Salary, Bonus..etc		Employee Profit Sharing				Employee Stock Option				
EVA	Consolidated Subsidiaries of EVA	EVA		Consolidated Subsidiaries of EVA		EVA	Consoliated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	
		Cash	Stock	Cash	Stock					
3,182	3,182	0	0	0	0	0	0	(0.68)	(1.25)	Yes

December 31, 2007
NT$ (Thousand)

Supervisors Salary, Compensation, and Allowance as % of 2007 Net Profit		Other Compensation from Non-Subsidiary Affiliates
EVA	Consolidated Subsidiaries of EVA	
0	(0.03)	Yes

Principal Officers

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder	
			Number	(%)	Number	(%)	Number	(%)
President	Chen Hsing-Te	2006.07.01	319,930	0.008	0	0	0	0
Chief Executive Vice President	Kao Wan-Hsin	2007.01.01	32,220	0.001	0	0	0	0
Executive Vice President, Taoyuan Airport Div.	Chiu Ke-Tai	2001.04.19	253,017	0.006	0	0	0	0
Executive Vice President, Flight Operations Div.	Yuen Ping-Yu	2004.01.01	37,041	0.001	0	0	0	0
Executive Vice President, Public Relations Div.	Nieh Kuo-Wei	2005.01.01	15,456	0	125	0	0	0
Executive Vice President, Safety and Security Div.	Ho Ching-Sheng	2005.01.01	351,101	0.009	0	0	0	0
Executive Vice President, Legal & Insurance Div.	Tai Jiin-Chyuan	2005.07.01	3,843	0	0	0	0	0
Executive Vice President Cabin Service Div.	Yang I- Teng	2006.07.01	12,682	0	296	0	0	0
Executive Vice President, Finance Div.	Wu Kuang-Hui	2006.07.01	127,964	0.003	0	0	0	0
Executive Vice President, Computer Div.	Fang Gwo-Shiang	2007.01.01	56,058	0.001	0	0	0	0
Executive Vice President, Engineering& Maintenance Div.	Kuo Sheng-Yih	2007.01.01	36,398	0.001	885	0	0	0
Executive Vice President, Inflight Service Div.	Chang Lih-Lih	2007.01.01	156,340	0.004	0	0	0	0
Executive Vice President, International Biz Div.	Li Shyn-Liang	2008.01.01	60,634	0.002	22	0	0	0
Senior Vice President, Flight Operations Div.	Han Jei-Li	2003.01.01	765	0	0	0	0	0
Senior Vice President, International Biz Div.	Sun Cyia-Ming	2006.01.01	83,461	0.002	0	0	0	0
Senior Vice President, International Biz Div.	Cheng Chuan-Yi	2006.01.01	252	0	0	0	0	0

April 30, 2008

Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
		Title	Name	Relationship
Bachelor degree in Transportation Technology & Management, Chiao-Tung University Senior Vice President, Evergreen International Corp.	Director, Evergreen Sky Catering Corp. Director, Hsiang-Li Investment Corp.	-	-	-
Bachelor degree in French, Fu Jen University Senior Vice President, Uni Airways Corp.	-	-	-	-
Bachelor degree in Politics, Chinese Cultural University Junior Vice President, Evergreen Securities Corp.	-	-	-	-
Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	-
Master degree in Communications, Shih Hsin University Manager, Evergreen International (UK) Ltd.	-	-	-	-
Master degree in Flight Safety, University of Missouri	-	-	-	-
Master degree in Maritime Law, National Taiwan Ocean University Manager, Evergreen International Corp.	-	-	-	-
Department of Chemical Engineering, Minghsin Institute Senior Vice President, Evergreen Sky Catering Corp.	-	-	-	-
MBA, Sun Yat Sen University Junior Vice President, Evergreen International Corp.	Supervisor, Central Reinsurance Corp. Supervisor, Hsiang-Li Investment Corp.	-	-	-
Bachelor degree in Computer Science, Feng Chia University Deputy Junior Vice President, Evergreen IT Corp.	-	-	-	-
Department of Marine Engineering, Kaohsiung Institute of Marine Technology Chief Engineer, Evergreen Marine Corp.	-	-	-	-
Bachelor degree in Statistics, Tamkang University Secretary, Evergreen International Corp.	-	-	-	-
Bachelor degree in Traffic and Transportation Management, Feng Chia University	-	-	-	-
Department of Soil & Water Conservation, Tamkang College of Arts and Sciences	-	-	-	-
Bachelor degree in International Trade, Chinese Cultural University	-	-	-	-
Bachelor degree in International Trade, Tunghai University	-	-	-	-

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder	
			Number	(%)	Number	(%)	Number	(%)
Senior Vice President, Project Div.	Lee Jen-Ling	2006.01.01	76,000	0.002	0	0	0	0
Senior Vice President, Personnel Div.	Lu Yu-Chuan	2006.01.01	33,050	0.001	0	0	0	0
Senior Vice President, Cargo Div.	Yang Yung-Heng	2006.04.15	57,652	0.001	0	0	0	0
Senior Vice President, Finance Div.	Tsai Ta-Wei	2006.07.01	749	0	828	0	0	0
Senior Vice President, Corporate Coordination Div.	Soong Allen	2007.01.01	12,310	0	0	0	0	0
Senior Vice President, Passenger Div.	Tsai Ming-Fang	2008.01.01	306	0	0	0	0	0
Senior Vice President, Auditing Div.	Li Ping-Yin	2008.01.01	115,558	0.003	891	0	0	0
Deputy Senior Vice President, Service Co-ordination Div.	Wu Su-Shin	2006.01.01	103,944	0.003	0	0	0	0
Deputy Senior Vice President, Corporate Coordination Div.	Tsai Zu -Ming	2007.01.01	11,184	0	0	0	0	0
Deputy Senior Vice President, Computer Div.	Hou Hsien-Yu	2007.01.01	0	0	0	0	0	0
Deputy Senior Vice President, Taoyuan Airport Div.	Chen Shen-Chi	2007.01.01	14,507	0	0	0	0	0
Deputy Senior Vice President, Corporate Coordination Div.	Tao Shin-Chien	2008.01.01	11,601	0	0	0	0	0
Deputy Senior Vice President, Cargo Div.	Lin Tsung-Yen	2008.01.01	0	0	0	0	0	0
Deputy Senior Vice President, Engineering and Maintenance Div.	Yeh Ching-Far	2008.01.11	51,569	0.001	37,860	0.001	0	0

Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
		Title	Name	Relationship
Bachelor degree in Industrial & Business Management, National Taiwan University	-	-	-	-
Bachelor degree in Business Administration, Fu Jen University Junior Vice President, Evergreen Aviation Technologies Corp.	-	-	-	-
Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-
Bachelor degree in Accounting, Chinese Cultural University	-	-	-	-
Department of Tourism, World College of Journalism	-	-	-	-
Bachelor degree in Sociology, Tunghai University	-	-	-	-
Master degree in Management, Yuan Ze University Manager, Evergreen Heavy Industry Corp.	-	-	-	-
Bachelor degree in Sociology, Fu Jen University	-	-	-	-
Department of Navigation Technology, National Taiwan College of Marine Science and Technology	-	-	-	-
Master degree in Information Management, National Taiwan University	-	-	-	-
Department of Tourism, World College of Journalism	-	-	-	-
Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	-
Department of Navigation Technology, National Taiwan College of Marine Science and Technology	-	-	-	-
Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	-

Compensation for President and Executive Vice President

Title	Name	Salary		Bonus & Perquisite	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
President	Chen Hsing-Te				
Chief Executive Vice President	Kao Wan-Hsin				
Executive Vice President	Chiu Ke-Tai				
Executive Vice President	Yuen Ping-Yu				
Executive Vice President	Nieh Kuo-Wei				
Executive Vice President	Ho Ching-Sheng	28,582	28,582	3,279	3,279
Executive Vice President	Tai Jiin-Chyuan				
Executive Vice President	Yang I- Teng				
Executive Vice President	Wu Kuang-Hui				
Executive Vice President	Fang Gwo-Shiang				
Executive Vice President	Kuo Sheng-Yih				
Executive Vice President	Chang Lih-Lih				

Management Team Granted Employee Bonuses, Distribution

The board adopted a proposal for 2007 earning distribution at its meeting that no employee bonuses will be distributed.

<table>
<tr><th colspan="4">Employee Profit Sharing</th><th colspan="2">Total Compensation to President &EVPs as % of 2007 Net Profit</th><th colspan="2">Employee Stock Options</th><th rowspan="3">Compensation from Investments Other than Subsidiaries</th></tr>
<tr><th colspan="2">EVA</th><th colspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th><th rowspan="2">EVA</th><th rowspan="2">Consolidated Subsidiaries of EVA</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>0</td><td>0</td><td>0</td><td>0</td><td>(1.70)</td><td>(2.01)</td><td>0</td><td>0</td><td>Yes</td></tr>
</table>

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

Title	Name	2007		As of April 30,2008	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Evergreen Marine Corp.	0	0	0	0
	Representative:Lin Bou-Shiu	0	0	0	0
Vice Chairman	Evergreen Marine Corp.	0	0	0	0
	Representative: Hsu Po-Jung	0	0	0	0
Director	Chang Yung-Fa	0	0	0	0
Director	Chang Kuo-Cheng	0	0	0	0
Director & President	Chen Hsing-Te	(10,000)	0	(20,000)	0
Director	Lin Ching-En	(300,000)	0	(320,000)	0
Director	Lin Shin-I	0	0	0	0
Director	Kao Jui-Peng	0	0	0	0
Supervisor	Ko Li-Ching	0	0	0	0
Supervisor	Evergreen International Corp.	0	0	0	0
	Representative: Owng Rong-Jong	0	0	0	0
Supervisor	Chen Cheng-Pang	0	0	0	0
Major Shareholder	Evergreen Marine Corp.	0	0	0	0
Major Shareholder	Evergreen International Corp.	0	0	0	0
Chief Executive Vice President	Kao Wan-Hsin	0	0	(60,000)	0
Executive Vice President	Nieh Kuo-Wei	0	0	(35,000)	0
Executive Vice President	Yuen Ping-Yu	0	0	0	0
Executive Vice President	Chiu Ke-Tai	0	0	0	0
Executive Vice President	Ho Ching-Sheng	(27,000)	0	(72,000)	0
Executive Vice President	Tai Jiin-Chyuan	(87,000)	0	0	0
Executive Vice President	Chang Lih-Lih	0	0	0	0
Executive Vice President	Kuo Sheng-Yih	(16,000)	0	(11,000)	0
Executive Vice President	Fang Gwo-Shiang	0	0	(108,000)	0
Executive Vice President	Wu Kuang-Hui	0	0	0	0
Executive Vice President	Yang I- Teng	0	0	0	0
Executive Vice President	Li Shyn-Liang	0	0	(36,000)	0
Senior Vice President	Lu Yu-Chuan	(5,000)	0	(10,000)	0

Title	Name	2007		As of April 30,2008	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Senior Vice President	Lee Jen-Ling	(8,958)	0	0	0
Senior Vice President	Sun Cyia-Ming	0	0	0	0
Senior Vice President	Cheng Chuan-Yi	0	0	.0	0
Senior Vice President	Soong Allen	0	0	0	0
Senior Vice President	Han Jei-Li	0	0	0	0
Senior Vice President	Yang Yung-Heng	0	0	0	0
Senior Vice President	Tsai Ta-Wei	0	0	0	0
Senior Vice President	Tsai Ming-Fang	0	0	0	0
Senior Vice President	Li Ping-Yin	0	0	0	0
Deputy Senior Vice President	Wu Su-Shin	0	0	0	0
Deputy Senior Vice President	Tsai Zu -Ming	0	0	0	0
Deputy Senior Vice President	Hou Hsien-Yu	0	0	0	0
Deputy Senior Vice President	Chen Shen-Chi	0	0	(16,000)	0
Deputy Senior Vice Presiden	Tao Shin-Chien	0	0	0	0
Deputy Senior Vice Presiden	Lin Tsung-Yen	0	0	0	0
Deputy Senior Vice President	Yeh Ching-Far	0	0	0	0

Note 1.Director Kao Jui-Peng discharged on June 13,2007.
Note 2: Senior Vice President Tsai Ming-Fang, Deputy Senior Vice President Tsao Shin-Chien and Lin Tsung-Yen were inaugurated on January 1, 2008.
Note 3: Deputy Senior Vice President Yeh Ching-Far was inaugurated on January 11, 2008.

Information on Stock Transfer: Nil

Information on Stock Pledged: Nil

Capital and Shares

As of December 31, 2007, EVA Air had authorized share capital of 4,000,000,000 in common stock at NT$10 par value per share with 3,874,979,444 shares issued and outstanding.

History of Capitalization

Month/Year	Price	Authorized Capital		Issued Capital		Sources of Capital ('000)	Non-Mone-tary Capital Expansion
		Shares ('000)	Amount ('000)	Shares ('000)	Amount ('000)		
03/1989	10	1,000,000	10,000,000	250,000	2,500,000	Cash founding 2,500,000	-
10/1990	10	1,000,000	10,000,000	350,000	3,500,000	Cash offering 1,000,000	-
08/1991	10	1,000,000	10,000,000	700,000	7,000,000	Cash offering 3,500,000	-
05/1992	10	1,000,000	10,000,000	1,000,000	10,000,000	Cash offering 3,000,000	-
10/1992	10	1,800,000	18,000,000	1,200,000	12,000,000	Cash offering 2,000,000	-
08/1993	10	1,800,000	18,000,000	1,400,000	14,000,000	Cash offering 2,000,000	-
05/1994	10	1,800,000	18,000,000	1,800,000	18,000,000	Cash offering 4,000,000	-
09/1995	10	2,000,000	20,000,000	1,500,000	15,000,000	Capital reduction(6,300,000) Cash offering 3,300,000	-
06/1996	10	2,000,000	20,000,000	1,800,000	18,000,000	Cash offering 3,000,000	-
06/1997	10	2,000,000	20,000,000	2,000,000	20,000,000	Cash offering 2,000,000	-
07/2000	10	2,400,000	24,000,000	2,100,000	21,000,000	Capital surplus 300,000; Capitalization of profit 700,000	-
08/2001	10	2,400,000	24,000,000	2,205,000	22,050,000	Capitalization of profit 1,050,000	-
12/2002	10	3,000,000	30,000,000	2,425,000	24,250,000	Cash offering 2,200,000	-
10/2003	10	3,000,000	30,000,000	2,632,580	26,325,800	Capitalization of profit 485,000 Corporate bond conversion 1,590,800	-
12/2003	10	3,000,000	30,000,000	2,753,433	27,534,330	Corporate bond conversion 1,208,530	-
03/2004	10	3,000,000	30,000,000	2,892,904	28,929,038	Corporate bond conversion 1,394,708	-
07/2004	10	3,000,000	30,000,000	2,934,369	29,343,694	Corporate bond conversion 414,656	-
08/2004	10	4,000,000	40,000,000	3,046,477	30,464,767	Capitalization of profit 1,121,073	-
09/2004	10	4,000,000	40,000,000	3,266,477	32,664,767	Cash offering 2,200,000	-
12/2004	10	4,000,000	40,000,000	3,271,426	32,714,259	Corporate bond conversion 49,492	-
03/2005	10	4,000,000	40,000,000	3,304,390	33,043,895	Corporate bond conversion 329,636	-
06/2005	10	4,000,000	40,000,000	3,356,745	33,567,445	Corporate bond conversion 523,550	-
08/2005	10	4,000,000	40,000,000	3,389,667	33,896,675	Capitalization of profit 329,230	-
12/2005	10	4,000,000	40,000,000	3,389,887	33,898,869	Corporate bond conversion 2,194	-

Month/ Year	Price	Authorized Capital		Issued Capital		Sources of Capital ('000)	Non-Mone-tary Capital Expansion
		Shares ('000)	Amount ('000)	Shares ('000)	Amount ('000)		
03/2006	10	4,000,000	40,000,000	3,749,887	37,498,869	Cash offering 3,600,000	-
09/2006	10	4,000,000	40,000,000	3,874,979	38,749,794	Corporate bond conversion 1,250,925	-
03/2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate bond conversion 318,356	-
04/2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate bond conversion 358,623	-

Status of Shareholders

As of April 19, 2008

	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution or Individual	Total
Number of Shareholders	5	147	148	106,091	732	107,123
Shareholdings	57,844,803	320,417,794	1,267,462,960	1,521,247,228	775,704,492	3,942,677,277
Holding Percentage	1.47	8.13	32.15	38.58	19.67	100

Distribution of Common Shares

As of April 19, 2008

Range of Shareholdings	Number of Shareholders	Number of Shares	%
1- 999	25,154	5,336,638	0.1354
1,000-5,000	49,300	121,577,719	3.0836
5,001-10,000	14,896	123,919,136	3.1430
10,001-15,000	4,753	59,445,973	1.5078
15,001-20,000	3,644	68,766,892	1.7442
20,001-30,000	3,137	80,658,902	2.0458
30,001-50,000	2,718	110,949,948	2.8140
50,001-100,000	2,000	144,201,250	3.6574
100,001-200,000	815	117,354,479	2.9765
200,001-400,000	300	83,860,755	2.1270
400,001-600,000	102	50,923,158	1.2916
600,001-800,000	47	33,199,483	0.8421
800,001-1,000,000	43	39,890,826	1.0118
1,000,001 and above	214	2,902,592,118	73.6198
Total	107,123	3,942,677,277	100.0000

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

<table>
<tr><th colspan="3">Year
Items</th><th>2006
(Distributed in 2007)</th><th>2007
(Distributed in 2008)</th><th>As of April 30, 2008</th></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest</td><td>NT$15.30</td><td>NT$15.00</td><td>NT$20.85</td></tr>
<tr><td colspan="2">Lowest</td><td>NT$12.10</td><td>NT$11.50</td><td>NT$13.30</td></tr>
<tr><td colspan="2">Average</td><td>NT$13.24</td><td>NT$13.20</td><td>NT$17.46</td></tr>
<tr><td rowspan="2">Net Worth per Share</td><td colspan="2">Before Distribution</td><td>NT$11.91</td><td>NT$11.40</td><td>NT$10.02</td></tr>
<tr><td colspan="2">After Distribution</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per Share</td><td colspan="2">Weighted Average Shares</td><td>3,723,419,000 shares</td><td>3,874,979,000 shares</td><td>3,886,791,000 shares</td></tr>
<tr><td rowspan="2">Earnings per Share</td><td>Before Adjustment</td><td>NT$(0.45)</td><td>NT$(0.48)</td><td>NT$(0.59)</td></tr>
<tr><td>After Adjustment</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Dividends per Share</td><td colspan="2">Cash Dividends</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Dividends from Retained Earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price/Earnings Ratio (Note 1)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Price/Dividend Ratio (Note 2)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate (Note 3)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Note 1: Price/Earnings Ratio = Average Share Price at Market Close for Current Fiscal Year/Earnings per Share
Note 2: Price/Dividend Ratio = Average Share Price at Market Close for Current Fiscal Year/Cash Dividend per Share.
Note 3: Cash Dividend Yield Rate = Cash Dividend per Share/Average Market Closing Share Price for Current Fiscal Year.

Dividend Policy and Implementation Status

Dividend Policy

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

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

Dividend Distribution in Current Year

The board adopted a proposal for 2007 dividend distribution at its meeting on March 25, 2008 that no dividend will be distributed to shareholders.

Employee Bonuses and Com-pensation 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.

Distribution of Employee Bonus and Compensation Paid to Directors and Supervisors in Prior Year:

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 bonus and compensation to directors and supervisors: Not applicable.

Status of Stock Repurchased by EVA: N/A

EVA Air People

		2006	2007
No. of Employees	Pilots	748	741
	Cabin Crew	1,543	1,408
	Dispatchers	29	33
	Maintenance	114	105
	Other	2,878	2,866
	Total	5,312	5,153
Average Age		33.8	34.5
Average Seniority		8.8	9.5
Education	Doctorate	0.1%	0.4%
	Master’s	3.63%	4.04%
	Bachelor’s	87.26%	87.38%
	High School	8.43%	7.76%
	Other	0.58%	0.42%

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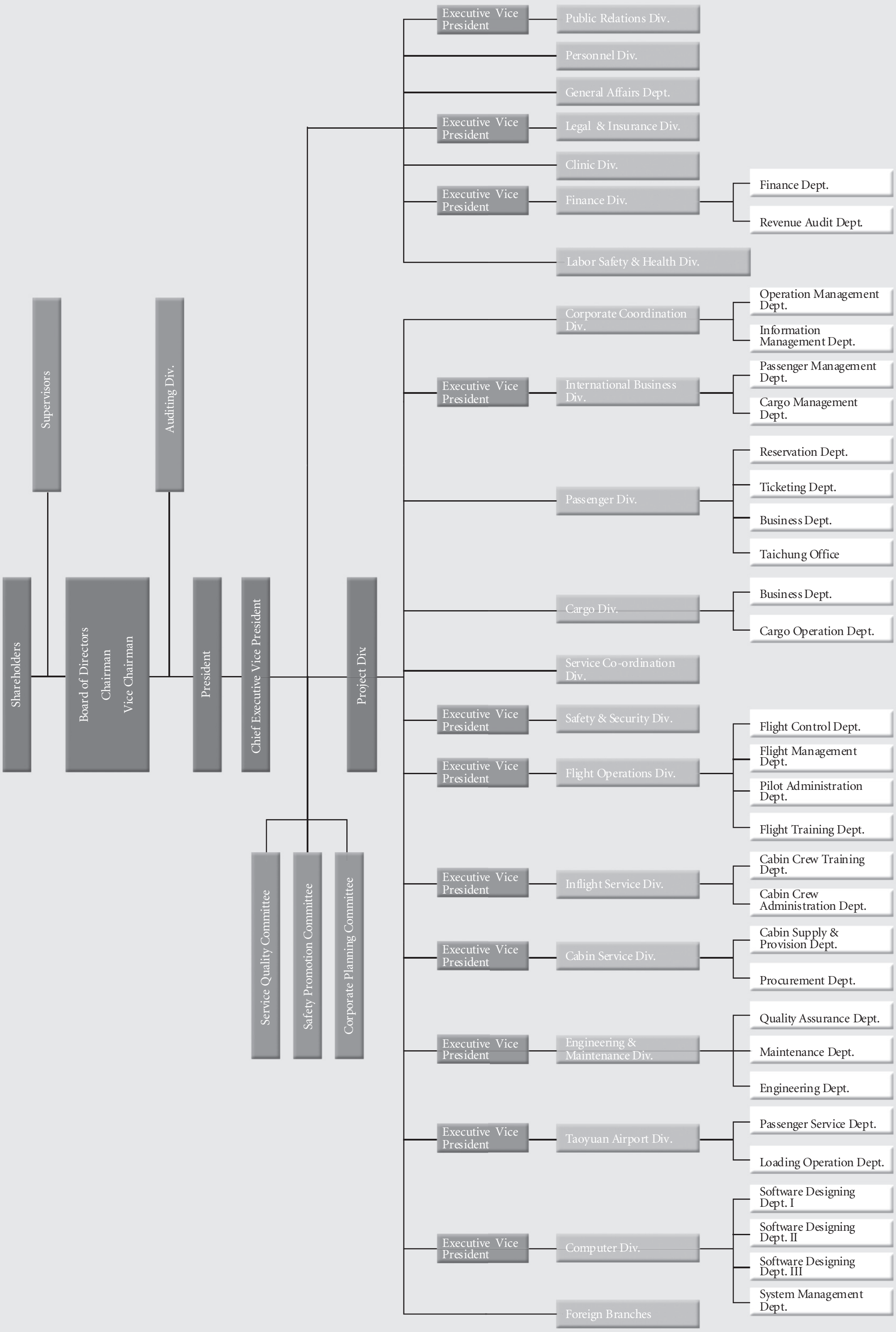

Shareholders
Supervisors
Board of Directors
Chairman
Vice Chairman
Auditing Div.
President
Chief Executive Vice President
Project Div.
Service Quality Committee
Safety Promotion Committee
Corporate Planning Committee
Executive Vice President
Public Relations Div.
Personnel Div.
General Affairs Dept.
Executive Vice President
Legal & Insurance Div.
Clinic Div.
Executive Vice President
Finance Div.
Finance Dept.
Revenue Audit Dept.
Labor Safety & Health Div.
Corporate Coordination Div.
Operation Management Dept.
Information Management Dept.
Executive Vice President
International Business Div.
Passenger Management Dept.
Cargo Management Dept.
Passenger Div.
Reservation Dept.
Ticketing Dept.
Business Dept.
Taichung Office
Cargo Div.
Business Dept.
Cargo Operation Dept.
Service Co-ordination Div.
Executive Vice President
Safety & Security Div.
Executive Vice President
Flight Operations Div.
Flight Control Dept.
Flight Management Dept.
Pilot Administration Dept.
Flight Training Dept.
Executive Vice President
Inflight Service Div.
Cabin Crew Training Dept.
Cabin Crew Administration Dept.
Executive Vice President
Cabin Service Div.
Cabin Supply & Provision Dept.
Procurement Dept.
Executive Vice President
Engineering & Maintenance Div.
Quality Assurance Dept.
Maintenance Dept.
Engineering Dept.
Executive Vice President
Taoyuan Airport Div.
Passenger Service Dept.
Loading Operation Dept.
Executive Vice President
Computer Div.
Software Designing Dept. I
Software Designing Dept. II
Software Designing Dept. III
System Management Dept.
Foreign Branches

The Fleet

- February 2007 - took delivery of our fifth B777-300ER.
- March 2007 - ended a lease with WOA for one MD-11.
- April 2007 - completed the first B747-400 freighter conversion.
- May 2007 - took delivery of our sixth B777-300ER.
- July 2007 - ended a lease with WOA for one MD-11.
- August 2007 - completed the second B747-400 freighter conversion , took delivery of our seventh B777-300ER.
- September 2007 - sold one MD-11.
- November 2007 - completed the third B747-400 freighter conversion , wet- leased one A320 from TransAsia Airways.
- December 2007 - took delivery of our eighth B777-300ER.

Aircraft Type	Owned	Financial Lease	Operating Lease	Total	On Order (Delivery date)
B747-400	1	1	2	4	
B747-400 Combi	3	3	2	8	
A330-200	3	0	8	11	
MD-90	0	0	5	5	
MD-11 Freighter	8	0	1	9	
B747-400 Freighter	4	2	0	6	
B777-300ER	3	2	3	8	7 (Mar.,May, July, Oct.2008/ Jun.Aug. 2009/Mar.2010)
A320-200	0	0	1	1	
Total	22	8	22	52	

Passenger Operations

	Passenger No.			RPK (Million)			Revenue (Million)		
	2007	2006	%	2007	2006	%	2007	2006	%
America	1,122,054	1,113,575	0.76%	11,962	11,905	0.48%	18,535	16,928	9.50%
Europe	560,825	580,346	-3.36%	4,346	4,461	-2.58%	8,378	7,844	6.80%
Asia	4,395,729	4,355,848	0.92%	7,137	6,964	2.49%	20,605	20,005	3.00%
Oceania	102,398	122,498	-16.41%	781	947	-17.55%	1,438	1,549	-7.17%
Total	6,181,006	6,172,267	0.14%	24,226	24,277	-0.21%	48,956	46,326	5.68%

Cargo Operations

	Cargo carried (Tons)			FTK (Million)			Revenue (Million)		
	2007	2006	%	2007	2006	%	2007	2006	%
America	269,432	285,286	-5.56%	3,196	3,401	-6.04%	24,172	26,235	-7.86%
Europe	82,199	101,536	-19.04%	791	973	-18.74%	6,068	7,195	-15.66%
Asia	430,187	439,136	-2.04%	762	756	0.79%	7,809	7,734	0.97%
Oceania	3,404	3,994	-14.78%	25	30	-15.09%	189	218	-13.42%
Total	785,222	829,952	-5.39%	4,774	5,160	-7.48%	38,238	41,382	-7.60%

Major Competitors and Market Shares

Item/Year		2007	2006
Number of Flights	EVA Airways	27,977	27,885
	Taiwan	149,437	146,249
	Market Share (%)	18.72	19.07
Number of Passengers	EVA Airways	5,902,334	5,769,005
	Taiwan	28,293,629	27,437,098
	Market Share (%)	20.86	21.03
Tons of Cargo	EVA Airways	558,342	387,857
	Taiwan	1,648,940	1,356,284
	Market Share (%)	33.86	28.60

Data Source: Monthly Digest of Statistics, CAA

2008 Outlook

Prospects for cross-strait business and trade are increasingly promising as the government lifts its ban on tourists from Mainland China and expands charter-flight programs, stimulating demand for commerce and travel between Taiwan and China. A forecast of developments on EVA's main flight routes is analyzed below:

America

With EVA's 2008 summer schedule (March 30 – October 22), we are operating 43 passenger flights per week from Taiwan to the US and Canada. Of these, 20 flights per week are to Los Angeles, including three nonstop from Osaka, and three are to New York. We will meet demands of the peak season (July 13 – August 31) by increasing our 12 weekly San Francisco flights to 13, and expanding Seattle frequency from four to five flights a week (beginning 1 March). Continuing our code-sharing relationship with Air Canada on the Vancouver route, we will increase flights from three per week to four or five (June through September). Our sustained code-sharing with American Airlines, Air Canada, Continental Airlines and U.S. Airways enables us to share routes with these leading carriers and enhances connections for passengers traveling to and from cities through Canada and the United States.

EVA introduced our brand-new Boeing 777-300ERs to the U.S. market on Los Angeles' BR16 route on June 26, 2006. Steady acquisition of new B777-300ERs enables us to gradually phase out B747-400 aircraft on passenger routes. The advanced new B777-300ERs give our passengers comfortable, state-of-the-art cabins, and enhance our standards of service.

Our American routes are the most profitable for EVA Air Cargo, and we operate more than 40 cargo flights a week on these routes. We launched Houston freighter service on 1 November, 2007, adding the vigorous gateway to a network that extends throughout the eastern, western and central regions of the U.S. By developing markets such as Houston, we improved our network between Asia and North America, met customers' needs by increasing frequency and exercised our flexibility to respond to changing markets.

Europe

During the off-season (30 March - 30 June, 2007), we replaced aircraft on the London route with new B777-300ERs, giving travelers the most advanced cabins available and elevating our service another notch. During the off-season (17 March – 28 May), we reduced flights on our Amsterdam route from four per week to three.

We successfully opened the European market and established our freighter services there by forming alliances with British Airways (BA) and Lufthansa Airlines (LH). And we augment the dedicated flights with belly hold capacity on passenger aircraft. We're exploring the long-haul market between India and America, and nurturing South Asia's development by scheduling stops in Mumbai and Delhi for our European-bound freighters. Our objective is to generate more sector revenue and lift overall European routes operational effectiveness.

Australia and New Zealand

Weighing market demand against operating costs for passenger flights to Australia and New Zealand, we're flying three flights a week between Taipei and Brisbane and maintaining a steady code-sharing arrangement with Qantas Airways. We also make two flights a week to Auckland.

Asia

According to the International Civil Aviation Organization (ICAO), Asia has a promising future for air transport. Taiwan's location makes it an ideal pivot point for traffic between America and Southeast Asia. EVA has maximized geographic advantages and benefits of an Asia-Pacific Regional Operations Center by establishing a comprehensive network between Southeast Asia and America, and by closely monitoring markets throughout the region for further development. For example, we initiated Taipei-Osaka-L.A. routing on 30 March, 2008, giving America an alternative stopping off point and demonstrating our focus for 2008.

We're starting Taipei-Komatsu and Taipei-Miyazaki operations, both with two flights per week, on 1 June, 2008. And we're increasing Taipei-Sendai frequency from two to five flights a week on 1 July, 2008. We boosted Taipei-Hanoi service from five to seven flights a week on 30 March, 2008.

Our code-sharing arrangement with All Nippon Airways (ANA) includes freighter service to Tokyo, Osaka and Nagoya, and extends our cargo network to Northeast Asia. We are further strengthening EVA operations by evaluating our fleet allocation to rotate capacity to the most profitable routes as needed and appropriate.

For the aviation market, the global economy is positive. Maturation of our charter-flights to Mainland China for the Chinese New Year and other holidays and active government negotiations for passenger and cargo charter flights will translate into revenue for EVA. While EVA waits for this development, we are both optimistic and staying prepared to respond quickly to market developments.

The Network

- EVA resumed service to Hanoi in July 2007.
- EVA Air launched Houston cargo service in October 2007 with two weekly flights.
- Taipei - Paris passenger service was suspended in November 2007.
- EVA Air started nonstop flight to New York with B777-300ER in December 2007.

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

Air cargo destination only
Total 43 destinations

Principal Subsidiaries

■ In 2007, EVA increased investment in Concord Pacific Ltd. with US$2,700,000.

EVA subsidiary companies are presented in the following table.

Dec. 2007

Company	Principal Activities	Location	Date Founded	Capital	Share %
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT$379.83 million	56.33%
RTW Air Services(S) Pte. Ltd.	Travel business	Singapore	Oct. 1989	SG$1.5 million	49.00%
Green Siam Air Services Co., Ltd.	Travel business	Thailand	May 1990	THB20 million	49.00%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct. 1993	NT$1 billion	49.80%
Evergreen Airways Service (Macau) Ltd.	Air transport and aircraft leasing	Macau	Dec. 1994	US$12,488	99.00%
Evergreen Aviation Technologies Co., Ltd.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT$3.74 billion	80.00%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT$1 billion	100%
Evergreen Air Cargo Service Corp.	Cargo terminal operation	Taiwan	Mar.2000	NT$1.2 billion	60%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR 1.6 billion	49%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb.2005	USD 5 million	100%
Concord Pacific Ltd.	Investment business	Samoa	Apr. 2005	USD 6.7 million	100%

Important Resolutions by Shareholders and BOD

Important Shareholders' Resolutions

Date of Meeting	Summary of Important Proposals	Result of Resolutions	Execution
June 13, 2007	1. Distribution of retained earnings: Net loss for 2006 amounts to NT$1,686,585,269. After being recovered by the retained earnings in the beginning of the year, the available retained earnings for distribution is NT$1,030,509,580. To stabilize the Company's financial status, retained earnings will not be distributed for dividends, remuneration for directors and supervisors and employee bonuses.	All shareholders present agreed unanimously.	Being executed in accordance with the resolution.
	2. EVA authorizes the Board of Directors to approve to invest in China within stipulated limits.	All shareholders present agreed unanimously.	Being executed in accordance with the resolution.
	3. Amend Procedures for the Acquisition and Disposal of Assets.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Procedures for the Acquisition and Disposal of Assets.
	4. Elect seven Directors and three Supervisors for the 10th board.	Seven Directors and three Supervisors were elected.	EVA completed election of Directors and Supervisor in Shareholders' Meeting and filed change register with Commerce Department, Ministry of Economic Affairs.
	5. Relax limitations on business competition for newly elected directors and corporation representatives.	All shareholders present agreed unanimously.	Being executed in accordance with the resolution.

Important Resolutions by the Board of Directors

Date of Meeting	Important Proposals
March 12, 2007	1. Accept 2006 financial statements. 2. Authorize limited investment in China. 3. Authorize the chairman of the BOD to dispose common shares of Taiwan Fixed Network Corporation. 4. EVA convened its Shareholders' Meeting on June 13, 2007 (Wednesday) and no stocks could be transferred April 15 - June 13, 2007, as stipulated by law. In addition, EVA's second unsecured convertible corporate bond could not be transferred during this period.
April 19, 2007	1. Recognize Q1 2007 asset-impairment loss of NT$142,800,000. 2. Complete self-assessment of 2006 internal control and present a Declaration of Internal Control. 3. Accept 2006 Report of Operation and 2007 Operation Plan. 4. Accept 2006 Consolidated Financial Report. 5. Accept plan for distributing 2006 retained earnings. 6. Amend Internal Control Procedures and Detailed Rules for the Internal Auditor. 7. Amend Procedures for the Acquisition and Disposal of Assets. 8. Set up Authorization Limit Chart for the Acquisition and Disposal of Assets and Other Financial Matters. 9. Re-elect Directors and Supervisors whose terms were due to expire. 10. Relax limitations on business competition for newly elected Directors and corporation representatives after this year's Shareholders' Meeting. 11. Approve Sale and Lease-Back plan for two new B777-300ER aircraft from C & L Leasing Company Ltd.
June 13, 2007	1. Re-appoint Chairman and Vice Chairman of BOD with re-election of Directors and Supervisors. 2. Approve wet-lease of one MD-90 aircraft numbered B-17926 from UNI Air Corporation. 3. Relax limitations on business competition for managers. 4. Accept sale-back option for second unsecured convertible corporate bond, issued in 2004 and outstanding for three years.
August 24, 2007	1. Change to subsequent lease of A330-200 aircraft numbered B-16302 from Wells Fargo Bank Northwest, National Association. 2. Accept 2007 H1 Financial Report and Consolidated Financial Report. 3. Amend 2007 Internal Audit Plan. 4. Sell one MD-11 aircraft. 5. Invest US$270 million in subsidiary, Concord Pacific Limited and participate in investment in the cash capital increase of Shanghai Airlines Cargo Intl. Co., Ltd via Concord Pacific Limited.
October 29, 2007	1. Purchase one B747-400 aircraft numbered B-16406 from C & L Leasing Company Ltd.
December 20, 2007	1. Appoint Fion Chen, Oliver Chang of KPMG as EVA's CPAs and accept the audit fee. 2. Amend Internal Control Procedures, Detailed Rules for the Internal Auditor and Procedures for Self-assessment of Internal Control. 3. Formulate 2008 Internal Audit Plan. 4. Purchase one B747-400 aircraft numbered B-16407 from C & L Leasing Company Ltd.

Financial and Operating Results

Financial Results

Balance Sheet

NT$ (Thousand)

Item \ Year	2007	2006	Difference Amount	Difference %
Current Assets	27,700,085	28,645,719	(945,634)	(3.30)
Funds and Investments	10,943,935	11,766,686	(822,751)	(6.99)
Fixed Assets	94,866,512	78,892,242	15,974,270	20.25
Other Assets	15,627,263	18,845,517	(3,218,254)	(17.08)
Total Assets	**149,137,795**	**138,150,164**	**10,987,631**	**7.95**
Current Liabilities	31,486,357	31,232,795	253,562	0.81
Long-Term Liabilities	70,767,076	58,640,800	12,126,276	20.68
Other Liabilities	2,696,266	2,135,966	560,300	26.23
Total Liabilities	**104,949,699**	**92,009,561**	**12,940,138**	**14.06**
Common Stock	38,749,794	38,749,794	0	0.00
Capital Surplus	4,582,191	4,580,118	2,073	0.05
Retained Earnings	18,864	1,890,782	(1,871,918)	(99.00)
Other Adjustments	837,247	919,909	(82,662)	(8.99)
Total Stockholders' Equity	**44,188,096**	**46,140,603**	**(1,952,507)**	**(4.23)**

Due to purchasing new aircraft financing through bank loan, fixed assets and long-term liabilities were increased dichotomously.

Income Statement

NT$ (Thousand)

Item \ Year	2007	2006	Increase (Decrease) Amount	Change (%)
Operating Revenue	93,103,131	93,903,564	(800,433)	(1)
Operating Cost	88,518,900	90,334,648	(1,815,748)	(2)
Gross Profit from Operations	4,584,231	3,568,916	1,015,315	28
Operating Expenses	6,858,651	6,906,700	(48,049)	(1)
Operating Income	(2,274,420)	(3,337,784)	1,063,364	(32)
Non-Operating Income and Gains	2,623,229	3,100,998	(477,769)	(15)
Non-Operating Expenses and Losses	2,306,958	2,027,138	279,820	14
Income before Income Tax	(1,958,149)	(2,263,924)	305,775	(14)
Income Tax Benefit (Expenses)	86,231	416,648	(330,417)	(79)
Cumulative effect of changes in accounting principle	-	160,691	(160,691)	-
Net Income	(1,871,918)	(1,686,585)	(185,333)	11

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

NT$ (Thousand)

	Before and After Period of Increase (Decrease) Change Amount	Favorable (Unfavorable) Variance				
		Variance in Sales Price	Variance in Cost Price	Variance in Sales Segmentation	Variance in Volume	Other
Passenger	2,030,536	2,877,409	(814,800)	(75,206)	43,133	
Cargo	(1,070,676)	(108,539)	(909,408)	84,642	(137,371)	
Other	55,455					55,455
Total	1,015,315	2,768,870	(1,724,208)	9,436	(94,238)	55,455

- Variance in sales price: The price increase this year led to positive results amounting to NT$ 2,768,870,000.
- Variance in cost price: The relentless climb in oil prices this year led to negative results amounting to NT$1,724,208,000.
- Variance in sales segmentation: Declining cargo traffic carried for long- haul routes led to positive results amounting to NT$9,436,000.
- Variance in volume:

  Passenger: Increased frequencies on Nagoya route, more passengers on US routes and introduction of Bombay service in December 2007 led to positive results amounting to NT$43,133,000.

  Cargo: Decreased cargo capacity due to returning two freighters to WOA led to negative results amounting to NT$137,371,000.

  Integrating the above variance led to negative results amounting to NT$94,238,000.
- Other:

  Higher income from sales of aircraft parts led to positive results amounting to a total of NT$55,455,000.

■ Lower net operating income was a result from the same reason as gross profit margins.

Cash Flow Analysis

Changes in cash flow analysis over recent two years

Item / Year	2007	2006	Increase (Decrease) Ratio%
Ratio of Cash Flow (%)	23.00	13.00	76.92%
Cash Flow Adequacy Ratio (%)	42.00	82.00	(48.78%)
Ratio of Re-investment for Cash (%)	5.00	3.00	66.67%

With higher cash flow from operations, ratio of cash flow and ratio of re-investment for cash is climbing.

Owing to purchasing of aircraft, capital expenditures increased and led to declining cash flow adequacy ratio.

Remedy Measures for Negative Cash Balance

EVA expects to pay the capital expenditures by cutting investment of bond fund and financing through long-term mortgage loans.

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
2,956,763	5,483,411	25,296,980	(16,856,806)	-	19,770,000

- Operating activities: Fuel prices in 2008 are expected to rise above the prices in 2007, so we estimated cash flow from operations to be lower than in 2007.
- Investment activities: We expect to decrease short-term bond-fund investments.
- Financing activities: For the delivery of new aircraft in 2008, we will increase both mid-tem & long-term mortgage loans to finance the capital expenditures.

Impact of Major Capital Expenditures on Financial Operations in Recent Years

Capital Utilization and Major Capital Expenditure Resources

NT$ (Thousand)

Item	Actual or Expected Resources	Actual or Expected Finish Date	Total Capital Required	Actual or Expected Capital Utilization		
				2008	2009	2010
Purchase of ULD (Unit Load Devices) Equipment	Financing	2010.12.31	20,000	-	-	20,000
Purchase of Other Equipment	Financing	2010.12.31	117,000	44,000	23,000	50,000
Purchase of Aircraft	Financing	2010.03.01	21,993,346	13,979,968	5,843,526	2,169,852

Expected future benefits

- By purchasing new B777-300ER aircraft, we estimate that we can increase annual revenue by NT$1,840,000,000 per aircraft.
- Entitling to tax incentives provided by the Statute for Upgrading Industries of ROC, an investment tax credit is available for the delivery of newly purchased aircraft.

Condensed Balance Sheet for 2003 - 2007

NT$ (Million)

	2007	2006	2005	2004	2003
Current Assets	27,700	28,646	26,425	25,762	24,694
Fixed Assets	94,867	78,892	67,947	60,493	59,102
Total Assets	149,138	138,150	128,523	117,705	114,668
Current Liabilities	31,486	31,233	31,375	33,975	28,863
Long-term Liabilities	70,767	58,641	50,969	37,937	45,165
Total Liabilities	104,950	92,010	84,547	74,597	76,455
Share Capital	38,750	38,750	33,899	32,714	27,534
Shareholders' Equity	44,188	46,141	43,976	43,108	38,213

Condensed Income Statement for 2003 - 2007

NT$ (Million)

	2007	2006	2005	2004	2003
Operating Revenue	93,103	93,904	88,518	82,655	65,388
Operating Costs	95,377	97,242	87,667	77,940	62,894
Operating Profit	(2,274)	(3,338)	851	4,715	2,494
Non-operating Income	2,623	3,101	2,072	1,122	905
Non-operating Expenses and Loss	2,307	2,027	1,786	2,155	2,182
Income before Tax	(1,958)	(2,264)	1,137	3,683	1,216
Tax	86	417	189	(440)	180
Net Income	(1,872)	(1,847)	1,326	3,243	1,396
Earnings per Share (EPS)	(0.48)	(0.45)	0.39	1.06	0.55

Revenue by Business Segment

NT$ (Million)

	Passenger		Cargo		Other		Total	
2007	48,956	53%	38,238	41%	5,909	6%	93,103	100%
2006	46,326	49%	41,382	44%	6,196	7%	93,904	100%
2005	42,653	48%	39,932	45%	5,934	7%	88,518	100%
2004	38,349	46%	38,534	47%	5,772	7%	82,655	100%
2003	29,196	45%	31,570	48%	4,621	7%	65,388	100%

Financial Ratio Analysis

Item	Year	2007	2006	2005	2004	2003
Financial Structure (%)	Debt Ratio	70.37	67.32	65.77	63.38	66.68
	Ratio of Long-Term Liabilities and Stockholders' Equity to Fixed Assets	121.18	132.82	139	134	141
Solvency (%)	Current Ratio	87.97	92.45	85	76	86
	Quick Ratio	54.62	54.23	42	44	51
	Times Interest Earned Ratio(Times)	0.10	0.05	2.70	2.75	1.53
Operating Performance Analysis	Average Collection Turnover (Times)	-	-	-	-	-
	Average Collection Days for Receivables	-	-	-	-	-
	Average Inventory Turnover (Times)	-	-	-	-	-
	Average Days for Sale of Goods	-	-	-	-	-
	Fixed Assets Turnover (Times)	1.07	1.28	1.37	1.38	1.08
	Total Assets Turnover (Times)	0.62	0.67	0.69	0.70	0.57
Profitability	Return on Total Assets (%)	(0.15)	(0.16)	2.14	4.01	2.61
	Return on Stockholders' Equity (%)	(4.14)	(3.74)	3	8	4
	Operating Income to Paid -in Capital (%)	(5.87)	(8.61)	1	14	9
	Return on Sales (%)	(2.01)	(1.8)	2	4	2
	Earnings per Share (NTD)	(0.48)	(0.45)	0.39	1.06	0.55
Cash Flow	Ratio of Cash Flows	23	13	13	25	25
	Cash Flow Adequacy Ratio	42	82	147	235	233
	Ratio of Re-Investment for Cash	5	3	2	8	6
Degree of Leverage	Degree of Operating Leverage	(9.65)	(1.7)	61	14	21
	Financial Leverage	0.51	0.63	(0.31)	1.67	7.14

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

	2007	2006	2005	2004	2003
Overall Capacity (Million)	8,986	9,778	9,894	9,884	8,727
Overall Traffic (Million)	6,954	7,344	7,364	7,439	6,345
Overall Load Factor (%)	77.4	75.1	74.4	75.3	72.7
Overall Yield (NT$)	12.54	11.94	11.21	10.33	9.58
Passenger Capacity (Million)	29,785	30,367	29,348	27,353	25,023
Passenger Traffic (Million)	24,226	24,277	23,099	21,755	18,133
Passengers Carried ('000)	6,181	6,172	5,904	5,438	4,321
Passenger Load Factor (%)	81.3	80.0	78.7	79.5	72.5
Passenger Yield (NT$)	2.02	1.91	1.85	1.76	1.61
Cargo Capacity (Million)	6,305	7,045	7,253	7,423	6,475
Cargo Traffic (Million)	4,774	5,160	5,285	5,481	4,713
Cargo Carried (Tons)	785,222	829,952	844,099	858,989	734,900
Cargo Load Factor (%)	75.7	73.2	72.9	73.9	72.8
Cargo Yield (NT$)	8.01	8.02	7.56	7.03	6.70
Unit Cost (NT$)	10.61	9.94	8.86	7.89	7.21
Number of Aircraft	52	49	51	50	45
Number of Employees	5,153	5,312	5,098	4,934	4,469
Capacity per Employee (Thousand)	1,744	1,841	1,941	2,003	1,953
Traffic per Employee (Thousand)	1,350	1,383	1,445	1,508	1,420
Revenue per Employee (Thousand)	18,068	17,678	17,363	16,752	14,631

Financial Statements

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, 2007 and 2006, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain non-consolidated investee companies. The Company's investments in these companies as of December 31, 2007 and 2006, were evaluated using the equity method, and the resulting book values of these investments amounted to NT$2,312,161 thousand (US$71,275 thousand), constituting 1.55% of total assets, and NT$2,435,421 thousand (US$74,706 thousand), constituting 1.76% of total assets, respectively. The resulting investment gains amounted to NT$32,745 thousand (US$997 thousand), constituting (1.67)% of loss before income tax and NT$306,578 thousand (US$9,433 thousand), constituting (13.54)% of loss before income tax, for the years 2007 and 2006, 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 Republic of China generally accepted auditing standards. 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, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and Republic of China generally accepted accounting principles.

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

The accompanying financial statements as of and for the years ended December 31, 2007 and 2006, have been translated into United States dollars. We have audited the translation, and in our opinion, the financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(c) of the notes to the accompanying financial statements.

KPMG

Taipei, Taiwan (the Republic of China)
March 12, 2008

Note to Readers

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

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

EVA AIRWAYS CORP.
Balance Sheets
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

Assets	2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
Current assets:				
Cash and cash equivalents (note 4(a))	$ 2,956,763	91,145	2,997,459	91,947
Financial assets at fair value through profit or loss-current (note 4(b))	63,245	1,949	21,684	665
Available-for-sale financial assets-current (note 4(b))	5,115,645	157,696	6,733,670	206,554
Notes receivable	281,354	8,673	391,740	12,016
Accounts receivable, net	8,358,045	257,646	8,263,219	253,473
Accounts receivable-related parties (note 5)	46,128	1,422	47,265	1,450
Other receivables (note 4(c))	321,463	9,909	238,263	7,309
Other receivables-related parties (note 5)	55,817	1,721	123,234	3,780
Inventories (note 4(d))	9,528,003	293,712	8,699,642	266,860
Prepaid expenses	94,616	2,917	58,779	1,803
Other prepayments	491,237	15,143	606,681	18,610
Deferred income tax assets-current (note 4(n))	313,292	9,658	397,126	12,182
Other current assets	74,477	2,296	66,957	2,054
Total current assets	27,700,085	853,887	28,645,719	878,703
Funds and investments:				
Financial assets at fair value through profit or loss-noncurrent (note 4(b))	106,756	3,291	64,955	1,992
Available-for-sale financial assets-noncurrent (note 4(b))	666,526	20,546	557,654	17,106
Financial assets carried at cost-noncurrent (note 4(b))	2,281,612	70,333	3,165,889	97,113
Long-term equity investments under equity method (note 4(e))	7,889,041	243,189	7,978,188	244,730
Total funds and investments	10,943,935	337,359	11,766,686	360,941
Property, plant and equipment (notes 4(f), 4(g), 6 and 7):				
Land	1,869,784	57,638	1,869,784	57,355
Buildings	4,543,278	140,052	4,543,278	139,364
Machinery and equipment	6,570,840	202,553	4,648,510	142,592
Aircraft	84,596,114	2,607,772	74,709,837	2,291,713
Leased assets	19,979,240	615,883	11,593,946	355,643
Rotable parts	92,133	2,840	309,389	9,491
	117,651,389	3,626,738	97,674,744	2,996,158
Less: accumulated depreciation	(35,958,394)	(1,108,459)	(33,454,809)	(1,026,221)
Advances for purchases of equipment	13,173,517	406,089	14,672,307	450,071
Net property, plant and equipment	94,866,512	2,924,368	78,892,242	2,420,008
Intangible assets:				
Deferred pension cost (note 4(m))	109,182	3,366	136,476	4,186
Other assets:				
Refundable deposits (note 7)	7,500,806	231,221	10,907,844	334,596
Deferred charges (note 4(h))	5,851,223	180,371	5,968,599	183,086
Deferred income tax assets-noncurrent (note 4(n))	1,601,171	49,358	1,253,240	38,443
Other assets (note 6)	564,881	17,413	579,358	17,772
Total other assets	15,518,081	478,363	18,709,041	573,897
Total assets	$ 149,137,795	4,597,343	138,150,164	4,237,735

Liabilities and Stockholders' Equity	2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
Current liabilities:				
Short-term borrowings (note 4(i))	$ -	-	500,000	15,337
Financial liabilities at fair value through profit or loss-current (note 4(b))	85	3	255,284	7,831
Accounts payable	1,928,588	59,451	1,669,674	51,217
Accounts payable-related parties (note 5)	651,760	20,091	762,251	23,382
Accrued expenses	7,824,060	241,186	6,910,351	211,974
Other payables-related parties (note 5)	141,214	4,353	45,659	1,401
Derivative financial liabilities for hedge purposes-current (note 4(q))	-	-	356	11
Other payables (notes 4(l) and 6)	3,065,069	94,484	2,419,945	74,231
Unearned revenue	7,006,846	215,994	6,466,699	198,365
Current portion of long-term liabilities (notes 4(j), 4(k), 6 and 7)	7,897,704	243,456	9,104,852	279,290
Lease liability-current (note 4(g))	1,455,294	44,861	1,858,271	57,002
Other current liabilities	1,515,737	46,724	1,239,453	38,020
Total current liabilities	31,486,357	970,603	31,232,795	958,061
Long-term liabilities:				
Financial liabilities at fair value through profit or loss-noncurrent (note 4(b))	1,176	36	768,482	23,573
Bonds payable (note 4(k))	10,661,300	328,647	9,100,000	279,141
Long-term borrowings (notes 4(j), 6 and 7)	32,911,612	1,014,538	27,464,642	842,474
Derivative financial liabilities for hedge purposes-noncurrent (note 4(q))	12,731	392	23,197	712
Aircraft payable (notes 4(l) and 6)	12,087,424	372,609	14,498,898	444,751
Lease liability-noncurrent (note 4(g))	15,092,833	465,254	6,785,581	208,147
Total long-term liabilities	70,767,076	2,181,476	58,640,800	1,798,798
Other liabilities:				
Accrued employee retirement liabilities (note 4(m))	590,714	18,209	828,012	25,399
Other liabilities	2,105,552	64,906	1,307,954	40,121
Total other liabilities	2,696,266	83,115	2,135,966	65,520
Total liabilities	104,949,699	3,235,194	92,009,561	2,822,379
Stockholders' equity (notes 4(b), 4(m), 4(o) and 4(q)):				
Common stock	38,749,794	1,310,325	38,749,794	1,310,325
Capital surplus	4,582,191	148,350	4,580,118	148,286
Retained earnings:				
Legal reserve	860,272	25,530	860,272	25,530
Retained earnings (accumulated deficit)	(841,408)	(28,707)	1,030,510	28,277
Total retained earnings	18,864	(3,177)	1,890,782	53,807
Other stockholders' equity adjustments:				
Cumulative translation adjustments	1,085,636	(85,946)	1,438,228	(81,338)
Net loss not yet recognized as net pension cost	(472,617)	(14,299)	(585,306)	(17,773)
Unrealized gains on financial instruments	224,228	6,896	66,987	2,049
Total other stockholders' equity adjustments	837,247	(93,349)	919,909	(97,062)
Total stockholders' equity	44,188,096	1,362,149	46,140,603	1,415,356
Commitments and contingencies (note 7)				
Total liabilities and stockholders' equity	$ 149,137,795	4,597,343	138,150,164	4,237,735

EVA AIRWAYS CORP.
Statements of Operations
For the years ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars, Except Earnings per Share)

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Operating revenue (note 5)	$ 93,103,131	2,834,189	93,903,564	2,889,341
Operating cost (notes 5 and 10)	(88,518,900)	(2,694,639)	(90,334,648)	(2,779,528)
Gross profit from operations	4,584,231	139,550	3,568,916	109,813
Operating expenses (notes 5 and 10)	(6,858,651)	(208,787)	(6,906,700)	(212,514)
Operating loss	(2,274,420)	(69,237)	(3,337,784)	(102,701)
Non-operating income and gains:				
Interest income	189,780	5,777	163,130	5,019
Investment income (note 4(e))	394,557	12,011	1,009,463	31,061
Gains on disposal of property, plant and equipment	69,296	2,110	217,392	6,689
Gains on sale of investments, net (notes 4(b) and 4(e))	-	-	794,027	24,432
Exchange gains, net	303,226	9,231	583,321	17,948
Gains on valuation of financial assets (note 4(r))	1,235,201	37,601	-	-
Other income	431,169	13,125	333,665	10,266
	2,623,229	79,855	3,100,998	95,415
Non-operating expenses and losses:				
Interest expenses, net of capitalized interest of NT$440,511 (US$13,410) and NT$410,770 (US$12,639) in 2007 and 2006, respectively (notes 4(f) and 4(r))	(2,215,286)	(67,436)	(1,961,357)	(60,349)
Losses on sale of investments (note 4(b))	(52,311)	(1,593)	-	-
Losses on valuation of financial assets (note 4(r))	-	-	(4,972)	(153)
Other losses	(39,361)	(1,198)	(60,809)	(1,871)
	(2,306,958)	(70,227)	(2,027,138)	(62,373)
Continuing operating loss before income tax	(1,958,149)	(59,609)	(2,263,924)	(69,659)
Income tax benefit (note 4(n))	86,231	2,625	416,648	12,820
Continuing operating loss after tax	(1,871,918)	(56,984)	(1,847,276)	(56,839)
Cumulative effect of changes in accounting principle (net of income tax expenses of NT$53,564 (US$1.648) (notes 3 and 4(n))	-	-	160,691	4,944
Net loss	$ **(1,871,918)**	**(56,984)**	**(1,686,585)**	**(51,895)**

	Loss before Income tax		Net loss		Income (loss) before income tax		Net Income (loss)	
Basic earnings per share (expressed in dollars) (note 4(p)):	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**
Continuing operating loss	$ (0.51)	(0.02)	(0.48)	(0.01)	(0.61)	(0.02)	(0.49)	(0.01)
Cumulative effect of changes in accounting principle	-	-	-	-	0.06	-	0.04	-
Net loss	$ **(0.51)**	**(0.02)**	**(0.48)**	**(0.01)**	**(0.55)**	**(0.02)**	**(0.45)**	**(0.01)**

EVA AIRWAYS CORP.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006

(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

NT dollars

		Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulated Deficit)	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains on Financial Instruments	Total
Balance on December 31, 2005	$	33,898,869	3,424,986	727,666	3,662,898	192,631	2,291,327	(222,505)	-	43,975,872
Effect of adopting SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006 (note 3)		-	-	-	-	-	-	-	27,185	27,185
Appropriation of earnings (note 4(o))										
Legal reserve		-	-	132,606	(132,606)	-	-	-	-	-
Cash dividends		-	-	-	(749,977)	-	-	-	-	(749,977)
Directors' and supervisors' remuneration		-	-	-	(10,900)	-	-	-	-	(10,900)
Employees' bonuses		-	-	-	(52,320)	-	-	-	-	(52,320)
Cash subscription		3,600,000	720,000	-	-	-	-	-	-	4,320,000
Convertible bonds converted into common stock		1,250,925	439,075	-	-	-	-	-	-	1,690,000
Decrease in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method		-	(3,943)	-	-	-	-	-	-	(3,943)
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method		-	-	-	-	-	401	-	-	401
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method		-	-	-	-	-	-	(41,824)	-	(41,824)
Recognized net loss not yet recognized as net pension cost		-	-	-	-	-	-	(320,977)	-	(320,977)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method		-	-	-	-	-	-	-	5,723	5,723
Change in unrealized gains on financial instruments		-	-	-	-	-	-	-	34,079	34,079
Deferred credit		-	-	-	-	(192,631)	-	-	-	(192,631)
Net loss for the year ended December 31, 2006		-	-	-	(1,686,585)	-	-	-	-	(1,686,585)
Translation adjustments for the year ended December 31, 2006		-	-	-	-	-	(853,500)	-	-	(853,500)
Balance on December 31, 2006		38,749,794	4,580,118	860,272	1,030,510	-	1,438,228	(585,306)	66,987	46,140,603
Increase in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method		-	2,073	-	-	-	-	-	-	2,073
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method		-	-	-	-	-	-	3,955	-	3,955
Recognized net loss not yet recognized as net pension cost		-	-	-	-	-	-	108,734	-	108,734
Decrease in net equity due to the change in percentage of ownership in long-term equity investments under equity method		-	-	-	-	-	(149)	-	-	(149)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method		-	-	-	-	-	-	-	10,025	10,025
Change in unrealized gains on financial instruments		-	-	-	-	-	-	-	147,216	147,216
Net loss for the year ended December 31, 2007		-	-	-	(1,871,918)	-	-	-	-	(1,871,918)
Translation adjustments for the year ended December 31, 2007		-	-	-	-	-	(352,443)	-	-	(352,443)
Balance on December 31, 2007	$	38,749,794	4,582,191	860,272	(841,408)	-	1,085,636	(472,617)	224,228	44,188,096

US dollars

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulated Deficit)	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains on Financial Instruments	Total
Balance on December 31, 2005	1,160,607	112,603	21,408	109,572	5,864	(64,723)	(6,644)	-	1,338,687
Effect of adopting SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006 (note 3)	-	-	-	-	-	-	-	828	828
Appropriation of earnings (note 4(o))									
Legal reserve	-	-	4,122	(4,122)	-	-	-	-	-
Cash dividends	-	-	-	(23,313)	-	-	-	-	(23,313)
Directors' and supervisors' remuneration	-	-	-	(339)	-	-	-	-	(339)
Employees' bonuses	-	-	-	(1,626)	-	-	-	-	(1,626)
Cash subscription	110,906	22,181	-	-	-	-	-	-	133,087
Convertible bonds converted into common stock	38,812	13,623	-	-	-	-	-	-	52,435
Decrease in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method	-	(121)	-	-	-	-	-	-	(121)
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	-	-	-	-	12	-	-	12
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(1,283)	-	(1,283)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(9,846)	-	(9,846)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	176	176
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	1,045	1,045
Deferred credit	-	-	-	-	(5,864)	-	-	-	(5,864)
Net loss for the year ended December 31, 2006	-	-	-	(51,895)	-	-	-	-	(51,895)
Translation adjustments for the year ended December 31, 2006	-	-	-	-	-	(16,627)	-	-	(16,627)
Balance on December 31, 2006	1,310,325	148,286	25,530	28,277	-	(81,338)	(17,773)	2,049	1,415,356
Increase in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method	-	64	-	-	-	-	-	-	64
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	122	-	122
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	3,352	-	3,352
Decrease in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	-	-	-	-	(5)	-	-	(5)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	309	309
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	4,538	4,538
Net loss for the year ended December 31, 2007	-	-	-	(56,984)	-	-	-	-	(56,984)
Translation adjustments for the year ended December 31, 2007	-	-	-	-	-	(4,603)	-	-	(4,603)
Balance on December 31, 2007	1,310,325	148,350	25,530	(28,707)	-	(85,946)	(14,299)	6,896	1,362,149

EVA AIRWAYS CORP.
Statements of Cash Flows
For the years ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Cash flows from operating activities:					
Net loss	$	(1,871,918)	(56,984)	(1,686,585)	(51,895)
Adjustments to reconcile net loss to net cash flow provided by operating activities:					
Depreciation		7,344,746	223,584	6,113,356	188,103
Amortization and maintenance expense		1,313,919	39,998	1,198,250	36,869
Amortization expense recorded as interest expenses		27,137	826	24,766	762
Losses (gains) on sale of investments		52,311	1,592	(794,027)	(24,432)
Gains on disposal and obsolescence of property, plant and equipment		(51,340)	(1,563)	(187,038)	(5,755)
Exchange gains arising from disposal of foreign operating units		(240,165)	(7,311)	(369,383)	(11,366)
Provision for unrealized exchange gain from long-term borrowings		(6,378)	(194)	(11,402)	(351)
Investment income		(394,557)	(12,010)	(1,009,463)	(31,061)
Amortization of deferred gain from sale and leaseback of fixed assets		(505)	(15)	(952)	(29)
Amortization of other deferred gain		(147,440)	(4,488)	(166,564)	(5,125)
Proceeds from cash dividends on long-term equity investments		630,978	19,208	466,740	14,361
Deferred income tax benefit		(120,094)	(3,656)	(414,587)	(12,757)
Changes in operating assets and liabilities, net:					
Financial assets at fair value thought profit or loss-current		(41,561)	(1,265)	473,906	14,582
Notes receivable		110,386	3,360	(1,415)	(44)
Accounts receivable (including related parties)		(113,853)	(3,466)	(260,030)	(8,001)
Other receivables (including related parties)		(18,447)	(562)	726,651	22,359
Inventories		(828,360)	(25,216)	(806,211)	(24,806)
Prepaid expenses		(35,837)	(1,091)	15,818	487
Other prepayments		115,444	3,514	116,112	3,573
Other current assets		(7,520)	(229)	7,444	229
Financial assets at fair value through profit or loss-noncurrent		(41,801)	(1,272)	(9,841)	(303)
Financial liabilities at fair value through profit or loss-current		(255,199)	(7,769)	255,284	7,855
Accounts payable (including related parties)		148,423	4,518	94,565	2,910
Other payables (including related parties)		810,021	24,658	(960,410)	(29,551)
Accrued expenses		913,709	27,815	246,492	7,584
Unearned revenue		540,147	16,443	890,137	27,389
Other current liabilities		276,284	8,411	427,142	13,143
Financial liabilities at fair value through profit or loss-noncurrent		(767,306)	(23,358)	431,767	13,285
Accrued employee retirement liabilities		(101,270)	(3,083)	(132,057)	(4,063)
Other liabilities		125,759	3,828	4,643	143

Cumulative effect of changes in accounting principle		-	-	(214,255)	(6,592)
Net cash provided by operating activities		7,365,713	224,223	4,468,853	137,503
Cash flows from investing activities:					
Withdrawal of long-term equity investments, net		3,290	100	6,563	202
Decrease (increase) in available-for-sale financial assets-current		1,704,450	51,886	(3,951,045)	(121,570)
Proceeds from sale of available-for-sale financial assets-noncurrent		6,694	204	162	4
Proceeds from sale of financial assets carried at cost-noncurrent		737,565	22,453	1,211,529	37,278
Payments for purchase of long-term equity investments under equity method		(89,124)	(2,713)	(295,438)	(9,090)
Proceeds from disposal of property, plant and equipment		12,838,975	390,836	7,006,173	215,575
Payments for purchase of property, plant and equipment		(25,312,297)	(770,542)	(22,013,123)	(677,327)
Decrease in refundable deposits and in other assets		3,381,844	102,948	4,858,180	149,482
Increase in deferred charges		(1,223,680)	(37,251)	(2,119,681)	(65,221)
Net cash used in investing activities		(7,952,283)	(242,079)	(15,296,680)	(470,667)
Cash flows from financing activities:					
Decrease in short-term borrowings		(500,000)	(15,220)	(2,599,662)	(79,990)
Increase in long-term borrowings		16,960,000	516,286	23,105,000	710,923
Redemption of long-term borrowings		(11,152,500)	(339,498)	(7,873,735)	(242,269)
Installment payments for purchase of property, plant and equipment		(2,428,693)	(73,933)	(2,389,495)	(73,523)
Redemption of lease liability		(2,332,933)	(71,018)	(1,767,821)	(54,394)
Payments of cash dividends		-	-	(749,977)	(23,313)
Cash subscription		-	-	4,320,000	133,087
Payment of employees' bonuses and directors' and supervisors' remuneration		-	-	(63,220)	(1,965)
Net cash provided by financing activities		545,874	16,617	11,981,090	368,556
Effect of exchange rate changes on cash		-	437	-	415
Net increase (decrease) in cash and cash equivalents		(40,696)	(802)	1,153,263	35,807
Cash and cash equivalents at beginning of year		2,997,459	91,947	1,844,196	56,140
Cash and cash equivalents at end of year	$	**2,956,763**	**91,145**	**2,997,459**	**91,947**
Additional disclosure of cash flow information:					
Cash payments of interest (excluding capitalized interest expense)	$	**2,105,812**	**64,104**	**1,818,517**	**55,954**
Cash payments of income tax	$	**12,148**	**370**	**12,817**	**394**
Supplemental schedule of noncash investing and financing activities:					
Current portion of long-term liabilities	$	**7,897,704**	**243,456**	**9,104,852**	**279,290**
Inventory transferred from fixed assets	$	**1**	**-**	**5**	**-**
Translation adjustments (including investee)	$	**(352,592)**	**(4,608)**	**(853,099)**	**(16,615)**
Unrealized gains on financial instruments (including investee)		**$157,241**	**4,847**	**39,802**	**1,221**
Increase in lease liability	$	**(10,291,848)**	**(313,298)**	**(2,285,627)**	**(70,327)**
Gains from sale and leaseback of fixed assets	$	**(908,152)**	**(27,645)**	**-**	**-**

EVA AIRWAYS CORP.
Notes to Financial Statements
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars and U.S. Dollars Unless Otherwise Specified)

1. Organization and Business Scope

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

The Company's business activities are

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

1.18 to engage in the retailing of books and stationery;
1.19 to engage in the retailing of sporting goods;
1.20 to engage in the retailing of toys and amusement goods;
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, 2007 and 2006, the Company had 5,153 and 5,312 employees, respectively.

2. Summary of Significant Accounting Policies

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

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

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

(a) Use of estimates

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

(b) Foreign currency transactions and translations

The Company maintains its books in New Taiwan dollars. Foreign currency transactions during the year are translated at the exchange rates on the transaction dates. Foreign currency-denominated assets and liabilities are translated into New Taiwan dollars at the exchange rate prevailing on the balance sheet date, and the resulting translation gains or losses are recognized as non-operating income or expenses. In accordance with amended Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates", non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NT dollars at foreign exchange rates ruling at the dates the fair value was determined. If the financial assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying non-consolidated statements of income. If the adjustments of financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

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

(c) Convenience translation into U.S. dollars

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

(d) Translation of foreign currency for foreign operating units

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

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

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

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

(e) Classification of current and noncurrent assets and liabilities

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

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

(f) Asset impairment

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

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

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

(g) Cash and cash equivalents

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

(h) Financial instruments

Financial instruments are classified into three accounts: financial assets at fair value through profit or loss; available-for-sale financial assets; and financial assets carried at cost.

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

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

1. Financial assets/liabilities at fair value through profit or loss: The main purposes of the financial instruments are selling or repurchasing in the short term. Except for the derivatives that the Company held for hedging purposes and are considered to be effective, all derivatives should be classified into this account. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

2. Available-for-sale financial assets: These are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective

evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets carried at cost: Equity investments which cannot be evaluated at fair value are booked at original cost. If there is evidence of impairment, impairment loss should be recognized, and the impairment amount cannot be reversed.

(i) Hedge accounting

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

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

1. Fair value hedges

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

2. Cash flow hedges

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

3. Hedge of net investment in foreign operation

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

(j) Inventories

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

(k) Long-term equity investments

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

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

When the Company owns more than 50% or loss than 50% but is able to exercise control ability to an investee of an investee's voting stock, it becomes the parent of its subsidiary. For general-purpose financial reporting, a parent and its subsidiaries present consolidated financial statements at the end of the half-year and the end of the fiscal year.

The Company adopted amended SFAS No. 5 "Long-term Investments under Equity

Method" commencing from January 1, 2006. If the differences come from the assets that can be depreciated, depleted or amortized, then the Company shall amortize such differences over estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then the Company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. When the fair value of identifiable net assets acquired exceeds the cost, the difference should be assigned to non-current assets acquired proportionate to their respective fair values. If these assets are all reduced to zero value, the remaining difference should be recognized as extraordinary gain.

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

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

(l) 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 are capitalized in the cost of related assets.

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: 55 years

Machinery and equipment: 3~18 years

Aircraft: 18 years

Ratable parts: 5~18 years

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

(m) Lease

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

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

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

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

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

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

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

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

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

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

(n) Deferred charges

Deferred charges principally include the capitalized costs for computer software, leasehold improvements, "D" check maintenance for aircraft and engines and others. These costs are amortized using the straight-line method over the shorter of the estimated years in which such assets are economically beneficial to the Company's operation or the lease terms.

Effective from January 1, 2007, the Company adopted Statements of Financial Accounting Standard No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increments revaluation in accordance with the laws, less any accumulated amortization and any accumulated impairment losses. The adoption of the above SFAS principle had no effect on the financial statements of the Company.

(o) Convertible bonds payable

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

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

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

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

The Company adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" on January 1, 2006. Convertible bonds were recorded as current portion of long-term liabilities, and reclassified as current liabilities two years after the issuance date. In accordance with the recommendation of the ROC Accounting Research and Development Foundation, the convertible bonds were reclassified as long-term liabilities after the redemption right period expired.

(p) Employee retirement plan

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

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

(i) employees who were covered by the Plan and opted to be subject to the pension mechanism under the New Act; and

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

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

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

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

(q) Revenue recognition

Passenger ticket sales are recorded as unearned revenue, included in current liabilities, and recognized as revenue when the services are provided.

(r) Income tax

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

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

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

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

(s) 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.

3. Reason for and Effect of Accounting Changes

(a) Income effects of changes in accounting principle

The Company adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" and SFAS No. 36 "Financial Instruments: Disclosure and Presentation" on January 1, 2006. The effects on net loss and basic earnings per share (EPS) for the year ended December 31, 2006, were as follows:

Nature of change in accounting	**Decrease in net loss**		**Decrease in basic EPS**	
principle	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**
Accounting for financial instruments	702,846	21,626	0.19	0.01

The accounting for financial instruments is recorded in accordance with SFAS No. 34 and No. 36. The changes are stated in note 4(b).

(b) Cumulative effect of changes in accounting principle and stockholders' equity adjustment

The Company adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" on January 1, 2006. The financial assets and liabilities at the beginning of the period should be evaluated at fair market value and cost after amortization. After reclassification and re-evaluation, the cumulative effects of changes in accounting principle, the effect of changes in accounting principle on earnings per share, and the stockholders' equity adjustment resulting from the changes in accounting principle were NT$160,691 (US$4,944), NT$0.04 (US$0.001), and NT$27,185 (US$828), respectively, for the year ended December 31, 2006.

(c) The Company adopted the newly amended SFAS No.1 "Conceptual Framework of Financial Accounting and Preparation of Financial Statements" and SFAS No. 5 "Long-term Investments under Equity Method" commencing from January 1, 2006. There were no significant impacts on the financial statements for the year ended December 31, 2006.

4. Important Accounts

(a) Cash and cash equivalents

The components as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Cash on hand	$ 91,905	2,833	91,119	2,795
Cash in bank	2,864,858	88,312	2,906,340	89,152
	$ 2,956,763	**91,145**	**2,997,459**	**91,947**

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

The components as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Available-for-sale financial assets-current:				
Mutual funds	**$ 5,115,645**	**157,696**	**6,733,670**	**206,554**

As of December 31, 2007 and 2006, gains on disposal of available-for-sale financial assets-current amounted to NT$87,338 (US$2,659) and NT$66,946 (US$2,060), respectively, which were recorded under deduction of losses on sale of investment and gains on sale of investment, respectively.

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Available-for-sale financial assets-noncurrent:				
Trade-Van Information Services Co., Ltd.	$170,356	5,251	177,533	5,446
Central Reinsurance Corp.	496,170	15,295	380,121	11,660
	$ 666,526	**20,546**	**557,654**	**17,106**

Details of selling available-for-sale financial assets-noncurrent of the Company for the years ended December 31, 2007 and 2006, were as follows:

Unit: thousands of shares

	2007					2006				
		Cost		Gain on disposal of available-for-sale financial assets-noncurrent			Cost		Gain on disposal of available-for-sale financial assets-noncurrent	
Investee	Shares	NT dollars	US dollars	NT dollars	US dollars	Shares	NT dollars	US dollars	NT dollars	US dollars
Trade-Van Information Services Co., Ltd.	358	$ 2,921	89	3,773	115	10	81	2	81	2

Financial assets carried at cost-noncurrent:

	2007			2006		
	Shareholding	Book value		Shareholding	Book value	
Investee	percentage (%)	NT dollars	US dollars	percentage (%)	NT dollars	US dollars
Taiwan High Speed Rail Corp.	1.21	$ 1,250,000	38,533	1.21	1,250,000	38,343
Evergreen Development Corp.	9.47	870,000	26,819	9.47	870,000	26,687
Taiwan Fixed Network Corporation	-	-	-	1.30	840,000	25,767
Abacus International Holding Ltd.	2.11	115,743	3,568	2.11	115,743	3,550
Sun Shine Corp.	-	-	-	19.50	40,365	1,238
Technology Partner II Venture Capital Corp.	5.88	20,000	616	5.88	20,000	614
Chung Hwa Express Co., Ltd.	10.00	20,000	616	10.00	20,000	614
Pan-Pacific Venture Capital Co., Ltd.	2.30	5,869	181	2.30	9,781	300
Total		$ 2,281,612	70,333		3,165,889	97,113

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

Details of selling financial assets carried at cost-noncurrent of the Company for the years ended December 31, 2007 and 2006, were as follows:

Unit: thousands of shares

	2007					2006				
		Cost		Losses on disposal of financial assets carried at cost-noncurrent			Cost		Gain (loss) on disposal of financial assets carried at cost-noncurrent	
Investee	**Shares**	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**	**Shares**	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**
Pan-Pacific Venture Capital Co., Ltd.	356	$ 3,912	119	(622)	(19)	479	5,267	162	(479)	(15)
Hsin-Tao Power Corp	-	-	-	-	-	48,461	484,612	14,911	726,917	22,367
Taiwan Fixed Network Corp.	84,000	840,000	25,571	(142,800)	(4,347)	-	-	-	-	-
Sun Shine Corp.	4,037	40,365	1,229	-	-	-	-	-	-	-
		$ 884,277	**26,919**	**(143,422)**	**(4,366)**		**489,879**	**15,073**	**726,438**	**22,352**

As of December 31, 2007 and 2006, the components of derivative financial instruments were as follows:

	2007			2006		
	Nominal Amount	**Book Value**		**Nominal Amount**	**Book Value**	
		NT dollars	**US dollars**		**NT dollars**	**US dollars**
Derivative financial assets:						
Fuel option agreements		$ 63,245	1,949		21,684	665
Interest rate swap agreements	NTD 4,100,000			NTD 3,000,000		
	USD 90,000	106,756	3,291	USD 120,000	64,955	1,992
		$ 170,001	**5,240**		**86,639**	**2,657**

	2007			2006		
	Nominal Amount	**Book Value**		**Nominal Amount**	**Book Value**	
		NT dollars	**US dollars**		**NT dollars**	**US dollars**
Derivative financial liabilities:						
Fuel option agreements		$ 1,261	39		1,017,183	31,202
Interest rate swap agreements		-	-	NTD 1,100,000	6,583	202
		$ 1,261	**39**		**1,023,766**	**31,404**

Details of derivative financial assets and liabilities as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Financial assets at fair value through profit or loss-current	$ **63,245**	**1,949**	**21,684**	**665**
Financial assets at fair value through profit or loss-noncurrent	$ **106,756**	**3,291**	**64,955**	**1,992**
Financial liabilities at fair value through profit or loss-current	$ **85**	**3**	**255,284**	**7,831**
Financial liabilities at fair value through profit or loss-noncurrent	$ **1,176**	**36**	**768,482**	**23,573**

(c) Other receivables

The components as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Tax refund receivable	$ 284,433	8,768	177,189	5,435
Non-operating revenues receivable	23,305	718	16,372	502
Other receivables	13,725	423	44,702	1,372
	$ **321,463**	**9,909**	**238,263**	**7,309**

(d) Inventories

The components as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft spare parts	$ 10,200,256	314,435	9,596,308	294,365
Consumables for use and merchandise for sale during flight	403,045	12,424	424,257	13,014
Fuel for aircraft	57,714	1,779	20,092	616
Less: allowance for obsolete inventories	(1,133,012)	(34,926)	(1,341,015)	(41,135)
	$ **9,528,003**	**293,712**	**8,699,642**	**266,860**

(e) Long-term equity investments under equity method

Details as of and for the years ended December 31, 2007 and 2006, were as follows:

		2007					
		Book value		Cost		Investment income (loss)	
Investee	Shareholding percentage (%)	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Evergreen Airline Services Corp.	56.33	$ 489,484	15,089	111,175	3,427	67,974	2,069
RTW Air Services (S) Pte. Ltd.	49.00	24,363	751	13,217	407	4,075	124
Green Siam Air Services Co., Ltd.	49.00	32,118	990	9,421	290	13,117	399
Evergreen Sky Catering Corp.	49.80	735,280	22,666	498,000	15,351	74,790	2,277
Evergreen Airways Service (Macau) Ltd.	99.00	339,268	10,458	327	10	146,290	4,453
Uni Airways Corp.	17.92	(22,828)	(704)	1,124,845	34,675	(221,507)	(6,742)
Evergreen Aviation Technologies Corp.	80.00	3,935,173	121,306	2,000,450	61,666	341,274	10,389
Evergreen Security Corp.	31.25	53,677	1,655	25,000	771	5,292	161
Evergreen Air Cargo Services Corp.	60.00	939,381	28,957	726,098	22,383	49,951	1,520
Hsiang-Li Investment Corp.	100.00	1,060,351	32,687	1,000,000	30,826	54,066	1,646
PT Perdana Andalan Air Service	49.00	60,686	1,871	2,566	79	39,053	1,189
Sky Castle Investment Ltd.	100.00	206,984	6,381	163,818	5,050	32,960	1,003
Concord Pacific Ltd.	100.00	12,276	378	220,743	6,805	(212,778)	(6,477)
		7,866,213	242,485	**5,895,660**	**181,740**	**394,557**	**12,011**
Add: recorded as reduction of accounting/ other receivables-related parties		22,828	704				
		$ 7,889,041	**243,189**				

		2006					
		Book value		Cost		Investment income	
Investee	Shareholding percentage (%)	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Evergreen Airline Services Corp.	56.33	$ 460,178	14,116	111,174	3,410	96,519	2,970
RTW Air Services (S) Pte. Ltd.	49.00	25,024	767	13,217	405	5,509	170
Green Siam Air Services Co., Ltd.	49.00	27,864	855	9,421	289	12,741	392
Evergreen Sky Catering Corp.	49.80	722,741	22,170	498,000	15,276	97,762	3,008
Evergreen Airways Service (Macau) Ltd.	99.00	647,600	19,865	327	10	151,841	4,672
Uni Airways Corp.	17.92	195,978	6,012	1,124,845	34,505	1,886	58
Evergreen Aviation Technologies Corp.	80.00	3,590,811	110,148	2,000,450	61,364	456,067	14,033
Evergreen Security Corp.	31.25	48,385	1,484	25,000	767	7,558	232
Evergreen Air Cargo Services Corp.	60.00	925,457	28,388	726,098	22,273	73,477	2,261
Hsiang-Li Investment Corp.	100.00	1,006,192	30,865	1,000,000	30,675	89,949	2,768
Uni Japan Co., Ltd.	-	-	-	-	-	135	4
PT Perdana Andalan Air Service	49.00	29,794	914	2,566	79	10,991	338
Sky Castle Investment Ltd.	100.00	165,880	5,088	163,818	5,025	3,150	97
Concord Pacific Ltd.	100.00	132,284	4,058	131,620	4,037	1,878	58
		$ 7,978,188	**244,730**	**5,806,536**	**178,115**	**1,009,463**	**31,061**

Details of increases in long-term equity investments under the equity method of the Company in 2007 and 2006 were as follows:

Unit: thousands of shares

	2007			2006		
Investee	Shares	NT dollars	US dollars	Shares	NT dollars	US dollars
Evergreen Airline Services Corp.	-	$ 1	-	-	-	-
Concord Pacific Ltd.	2,700	89,123	2,713	4,000	131,620	4,050
Sky Castle Investment Ltd.	-	-	-	5,000	163,818	5,040
		$ 89,124	**2,713**		**295,438**	**9,090**

Details of selling long-term equity investments under equity method of the Company in 2006 were as follows:

Unit: thousands of shares

		2006			
		Cost		Gain on disposal of long-term investments under equity method	
Investee	Shares	NT dollars	US dollars	NT dollars	US dollars
Uni Japan Co., Ltd. (Note)	-	**$ 1,824**	**56**	**562**	**17**

Note: Uni Japan Co., Ltd. stopped operating on June 1, 2006, and went into liquidation from June 2 to August 29, 2006. The Company withdrew NT$1,775 (US$54). The difference between book value amounting to NT$1,824 (US$56) and credit balance of cumulative translation adjustments amounting to NT$611 (US$19) was gain on disposal of long-term investments under the equity method amounting to NT$562 (US$17), which was recorded as gains on sale of investments. The liquidation had been authorized by the local government.

(f) Property, plant and equipment

For the years ended December 31, 2007 and 2006, the Company capitalized the interest expenses on purchase of assets amounting to NT$440,511 (US$13,410) and NT$410,770 (US$12,639), respectively. The monthly interest rates on the above transactions were 0.25%~0.27% and 0.26%~0.27%, respectively.

(g) Lease assets

The details were as follows:

Lease item	Lessor	Lease term	Terms of lease contract	Present value of leased assets at the transaction date 2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
Aircraft	GECAS	2004.4.13~ 2017.5.12	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	$ 7,408,031	228,361	8,681,960	266,318
Aircraft	GECAS	2006.4.26~ 2008.4.25	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	2,313,641	71,321	2,325,052	71,321
Aircraft	C&L Leasing Co., Ltd.	2007.5.31~ 2019.12.27	The rent is payable every three months, and the present value of payment for future rental is higher than 90% of the fair value of the lease asset	10,210,930	314,764	-	-
Aircraft	Taiwan Life Financing Co., Ltd.	2004.6.29~ 2007.6.28	The rent is payable every three months, and the lease transfers ownership of the leased property by the end of the lease term	-	-	540,296	16,573
Computer equipment	IBM	2004.7.25~ 2009.7.24	The rent is payable monthly, and the lease transfers ownership of the leased property by the end of the lease term	46,638	1,437	46,638	1,431
				19,979,240	615,883	11,593,946	355,643
Less: accumulated depreciation				(3,580,632)	(110,377)	(2,783,744)	(85,391)
				$ 16,398,608	**505,506**	**8,810,202**	**270,252**

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

The abovementioned aircraft and engine were financed under sale and leaseback arrangements. The differences (deemed 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, 2007 and 2006, the book value and present value of lease liability were as follows:

Year due	2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
January 1, 2007~December 31, 2007	$ -	-	2,268,017	69,571
January 1, 2008~December 31, 2008	2,257,030	69,576	1,155,015	35,430
January 1, 2009~December 31, 2009	2,154,190	66,405	992,040	30,431
January 1, 2010~December 31, 2010	2,118,528	65,306	985,778	30,238
January 1, 2011~December 31, 2011	2,091,760	64,481	1,208,251	37,063
January 1, 2012~December 31, 2012	2,065,560	63,673	938,880	28,800
And after	10,553,614	325,327	3,070,920	94,200
Book value	21,240,682	654,768	10,618,901	325,733
Less: unrealized interest expenses	(4,692,555)	(144,653)	(1,975,049)	(60,584)
Present value	16,548,127	510,115	8,643,852	265,149
Less: current portion	(1,455,294)	(44,861)	(1,858,271)	(57,002)
	$ 15,092,833	**465,254**	**6,785,581**	**208,147**

(h) Deferred charges

As of December 31, 2007 and 2006, deferred charges, net of amortization, consisted of the following:

	2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
Leasehold improvements	$ 2,898,091	89,337	2,947,980	90,429
Major overhaul for aircraft and engines	2,465,805	76,011	2,424,528	74,372
Others	487,327	15,023	596,091	18,285
	$ 5,851,223	**180,371**	**5,968,599**	**183,086**

(i) Short-term borrowings

The components as of December 31, 2007 and 2006, were as follows:

	2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars
Unsecured loans	**$ -**	**-**	**500,000**	**15,337**

The interest expenses on the aforementioned short-term borrowings are calculated based on floating interest rates. For the years ended December 31, 2007 and 2006, the interest rates were 2.32%~2.40% and 1.40%~1.81%, respectively. As of December 31, 2007 and 2006, the unused credit line amounted to approximately NT$5,253,603 (US$161,948) and NT$7,591,615 (US$232,872), respectively.

(j) Long-term borrowings

As of December 31, 2007 and 2006, the details of long-term borrowings were as follows:

Nature	2007 Interest rate (%)	2007 NT dollars	2007 US dollars	2006 Interest rate (%)	2006 NT dollars	2006 US dollars
Secured loans:						
Land and buildings	2.42~2.97	$ 1,800,000	55,487	2.02~2.42	2,800,000	85,889
Aircraft						
NT$ loans	2.15~3.16	26,557,988	818,680	1.95~3.06	17,151,600	526,123
		26,557,988	818,680		17,151,600	526,123
Simulators						
US$ loans	5.81~5.97	143,495	4,424	4.71~6.10	288,344	8,845
		143,495	4,424		288,344	8,845
Subtotal		28,501,483	878,591		20,239,944	620,857
Unsecured loans:	1.91~3.34	12,307,833	379,403	1.63~2.65	14,757,000	452,669
Total		40,809,316	1,257,994		34,996,944	1,073,526
Less: current portion		(7,897,704)	(243,456)		(7,532,302)	(231,052)
		$ 32,911,612	**1,014,538**		**27,464,642**	**842,474**

As of December 31, 2007, the remaining balances of the borrowings were due as follows:

Year due	NT dollars	US dollars
January 1, 2008~December 31, 2008	$ 7,897,704	243,456
January 1, 2009~December 31, 2009	7,416,789	228,631
January 1, 2010~December 31, 2010	7,578,355	233,611
January 1, 2011~December 31, 2011	4,244,122	130,830
January 1, 2012~December 31, 2012	2,834,267	87,370
And after	10,838,079	334,096
	$ 40,809,316	**1,257,994**

As of December 31, 2007 and 2006, the unused credit lines for long-term borrowings amounted to NT$500,000 (US$15,413) and NT$900,000 (US$27,607), respectively. The pledge for these long-term borrowings is disclosed in note 6.

(k) Bonds payable

Details of bonds payable as of December 31, 2007 and 2006, were as follows:

Description				2007		2006	
	Guaranteed by	Annual interest rate	Issue date	NT dollars	US dollars	NT dollars	US dollars
Bonds payable	Taiwan Cooperative Bank	Floating	2004.02	$ 500,000	15,413	500,000	15,337
Bonds payable	Land Bank	2.25%	2004.07	500,000	15,413	500,000	15,337
	Chang Hwa Bank	2.25%	2004.07	500,000	15,413	500,000	15,337
	Taipei Fubon Bank	2.25%	2004.07	500,000	15,413	500,000	15,337
Bonds payable	Bank of Taiwan	2.11%	2005.01	500,000	15,413	500,000	15,337
	Taiwan Cooperative Bank	2.11%	2005.01	500,000	15,413	500,000	15,337
Bonds payable	Far-Eastern International Bank	1.85%	2005.08	500,000	15,413	500,000	15,337
	Shanghai Commercial & Savings Bank	1.85%	2005.08	500,000	15,413	500,000	15,337
	Chinatrust Commercial Bank	1.85%	2005.08	600,000	18,496	600,000	18,405
	Hua Nan Bank	1.85%	2005.08	500,000	15,413	500,000	15,337
Bonds payable	Cathay United Bank	2.08%	2006.01	2,000,000	61,653	2,000,000	61,355
Bonds payable	Hua Nan Bank	2.29%	2006.07	500,000	15,413	500,000	15,337
	Taipei Fubon Bank	2.29%	2006.07	500,000	15,413	500,000	15,337
	Bank of Taiwan	2.29%	2006.07	500,000	15,413	500,000	15,337
	Taiwan Cooperative Bank	2.29%	2006.07	500,000	15,413	500,000	15,337
Convertible bonds payable		0.00%	2004.08	1,561,300	48,129	1,572,550	48,238
Subtotal				10,661,300	328,647	10,672,550	327,379
Less: current portion				-	-	(1,572,550)	(48,238)
				$ 10,661,300	**328,647**	**9,100,000**	**279,141**

(l) Second convertible bonds payable

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

(i) Coupon rate: 0%

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

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

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

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

(vi) Conversion

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

B) Conversion price:

The conversion price is set at NT$14.50, which is a premium of 111% over the base price. The base price is defined as the average of the closing prices of the issuer's common shares traded on the Taiwan Stock Exchange for a period of 1, 3 or 5 trading days, whichever is adopted, immediately preceding but excluding the pricing date, which is July 26, 2004. The conversion price is subject to adjustments in the event that any change occurs to the capital structure. As of December 31, 2007, the conversion price was NT$13.51.

(l) Aircraft payable

The Company purchased aircraft by installments. As of December 31, 2007 and 2006, the details were as follows:

	2007		2006	
	NT dollars	**US dollars**	**NT dollars**	**US dollars**
Aircraft payable	$ 14,427,738	444,752	16,908,554	518,667
Less: current portion	(2,340,314)	(72,143)	(2,409,656)	(73,916)
	$ 12,087,424	**372,609**	**14,498,898**	**444,751**

The current portion of aircraft payable was recorded as other payables. As of December 31, 2007, the remaining balances of aircraft payable were due as follows:

Year due	**NT dollars**	**US dollars**
January 1, 2008~December 31, 2008	$ 2,340,314	72,143
January 1, 2009~December 31, 2009	2,396,370	73,871
January 1, 2010~December 31, 2010	2,428,353	74,857
January 1, 2011~December 31, 2011	1,936,431	59,693
January 1, 2012~December 31, 2012	1,537,952	47,409
And after	3,788,318	116,779
	$ 14,427,738	**444,752**

The interest expenses of the aforementioned aircraft payable are calculated based on floating interest rates. For the years ended December 31, 2007 and 2006, the average interest rates were 4.58%~6.77% and 4.14%~6.77%, respectively. The pledges for the aircraft payable are disclosed in note 6.

(m) Retirement plans

Net retirement plan liabilities based on the actuarial computation at December 31, 2007 and 2006, were as follows:

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Benefit obligation:					
Vested benefit obligation	$	151,564	4,672	178,289	5,469
Nonvested benefit obligation		2,266,478	69,867	2,201,791	67,539
Accumulated benefit obligation		2,418,042	74,539	2,380,080	73,008
Projected effects of salary adjustments		708,399	21,837	331,983	10,183
Projected benefit obligation		3,126,441	96,376	2,712,063	83,191
Plan assets at fair value		(1,827,328)	(56,329)	(1,552,068)	(47,609)
Projected benefit obligation in excess of plan assets		1,299,113	40,047	1,159,995	35,582
Unrecognized net transition obligation		(109,182)	(3,366)	(136,476)	(4,186)
Unrecognized pension loss		(1,108,500)	(34,171)	(840,818)	(25,792)
Pension liabilities that need to be accrued		509,283	15,699	645,311	19,795
Accrued employee retirement liabilities	**$**	**590,714**	**18,209**	**828,012**	**25,399**

The components of net pension cost were as follows:

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Service cost	$	168,493	5,129	160,823	4,949
Interest cost		72,848	2,218	74,256	2,285
Actual return on plan assets		(45,257)	(1,378)	(36,358)	(1,119)
Unrecognized net transition obligation		55,121	1,678	28,223	868
Net pension cost	**$**	**251,205**	**7,647**	**226,944**	**6,983**

Actuarial assumptions at December 31, 2007 and 2006, were as follows:

	2007	2006
Discount rate	2.75%	2.75%
Rate of increase in future compensation levels	2.00%	1.00%
Expected long-term rate of return on plan assets	2.75%	2.75%

As of and for the years ended December 31, 2007 and 2006, the details of the retirement plans were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Balance of the retirement fund:				
Bank of Taiwan	$ 1,827,328	56,329	1,552,068	47,609
Periodic pension cost:				
Defined benefit pension plan cost	251,205	7,647	226,944	6,983
Defined contribution pension plan cost	101,693	3,096	91,274	2,808

(n) Income tax

(1) For the years ended December 31, 2007 and 2006, the components of estimated income tax benefits were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Income tax benefits (expenses)-current	$ (33,863)	(1,031)	2,061	63
Income tax benefits-deferred	120,094	3,656	414,587	12,757
	$ 86,231	**2,625**	**416,648**	**12,820**

The deferred income tax benefits were as follows:

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Loss carryforwards	$ 641,817	19,538	822,581	25,310
Unrealized exchange gains	(7,331)	(223)	(21,260)	(654)
Investment tax credits	1,212,791	36,919	264,869	8,150
Provision (reversal) for loss on inventory market price decline	(52,001)	(1,583)	(359)	(11)
Purchase of fixed assets in installments, adjusted for tax purposes	22,396	682	48,818	1,502
Accrued employee retirement liabilities	(19,487)	(593)	(35,025)	(1,078)
Unrealized gains on financial instruments	(276,467)	(8,416)	234,282	7,209
Other	28,075	854	(39,319)	(1,209)
Valuation allowance for deferred income tax assets	(1,429,699)	(43,522)	(860,000)	(26,462)
	$ 120,094	**3,656**	**414,587**	**12,757**

(2) The Company is subject to ROC income tax at a maximum rate of 25%. The Company was subject to the "Income Basic Tax Act" commencing from January 1, 2006. The differences between expected income tax benefit at statutory rates and income tax benefit as reported in the accompanying financial statements for the years ended December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	**US dollars**	**NT dollars**	**US dollars**
Income tax benefits calculated on pre-tax financial loss at statutory income tax rate of 25%	$ 489,537	14,902	565,981	17,415
Gain (loss) on disposal of investments	(12,922)	(393)	197,577	6,079
Investment income recognized under equity method-unrealized	98,639	3,003	252,366	7,765
Dividend income	(97,317)	(2,962)	(31,352)	(964)
Permanent difference in depreciation expenses	(57,374)	(1,747)	(47,309)	(1,456)
Exchange losses recorded as translation adjustments	(5,019)	(153)	161,643	4,974
Increase in investment tax credits	1,193,305	36,326	264,869	8,150
Cumulative effect of changes in accounting principle	-	-	(53,564)	(1,648)
Valuation allowance for deferred income tax assets	(1,429,699)	(43,522)	(860,000)	(26,462)
Others	(92,919)	(2,829)	(33,563)	(1,033)
	$ 86,231	**2,625**	**416,648**	**12,820**

(3) The components of the deferred income tax assets (liabilities) as of December 31, 2007 and 2006, were as follows:

	2007				2006			
	Amount		Tax effect		Amount		Tax effect	
	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Deferred income tax assets (liabilities) -current								
Allowance for obsolete inventories	$ 1,133,012	34,926	283,253	8,732	1,341,015	41,135	335,254	10,284
Unrealized exchange losses (gains)	(3,388)	(104)	(847)	(26)	25,936	796	6,484	199
Unrealized loss (gains) on financial instruments	(63,160)	(1,947)	(15,790)	(487)	211,692	6,494	52,923	1,623
Others	186,704	5,755	46,676	1,439	9,860	302	2,465	76
Deferred income tax assets, net-current			$ 313,292	9,658			397,126	12,182

	2007				2006			
	Amount		Tax effect		Amount		Tax effect	
	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Deferred income tax assets (liabilities) -noncurrent:								
Unrealized loss (gains) on financial instruments	$ (105,580)	(3,255)	(26,395)	(814)	725,436	22,253	181,359	5,563
Unused investment tax credits	1,827,758	56,343	1,827,758	56,343	614,967	18,864	614,967	18,864
Accrued employee retirement liabilities	96,708	2,981	24,177	745	174,656	5,358	43,664	1,339
Purchase of fixed assets on installments, adjusted for tax purposes	3,154,708	97,247	788,677	24,312	3,065,124	94,022	766,281	23,505
Unused loss carryforwards	5,857,593	180,567	1,464,398	45,142	3,290,326	100,930	822,581	25,233
Others	(750,980)	(23,150)	(187,745)	(5,787)	(1,262,448)	(38,725)	(315,612)	(9,681)
			3,890,870	119,941			2,113,240	64,823
Less: Valuation allowance for deferred income tax assets			(2,289,699)	(70,583)			(860,000)	(26,380)
Deferred income tax assets, net-noncurrent			**$ 1,601,171**	**49,358**			**1,253,240**	**38,443**

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

As of December 31, 2007, unused investment tax credits available to the Company were as follows:

Year granted	Unused investment tax credits		Expiry year
	NT dollars	US dollars	
2005	$ 375,314	11,570	2009
2006	259,139	7,988	2010
2007	1,193,305	36,785	2011
	$ 1,827,758	**56,343**	

(5) As of December 31, 2007, unused loss carryforward tax credits available to the Company were as follows:

Year		Unused loss carryforward		Expiry year
		NT dollars	US dollars	
2006	$	2,955,056	91,093	2011
2007		2,902,537	89,474	2012
	$	**5,857,593**	**180,567**	

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

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Unappropriated earnings before 1997	$	-	-	-	-
Unappropriated earnings after 1998		(841,408)	(28,707)	1,030,510	28,277
	$	**(841,408)**	**(28,707)**	**1,030,510**	**28,277**
ICA	$	**726,582**	**22,398**	**564,276**	**17,309**

	2007		2006	
Creditable ratio for earnings distribution to domestic shareholders	-	**(estimated)**	-	**(actual)**

(7) The Company's income tax returns have been examined through 2004 by the ROC income tax authority. The Company was assessed additional 2001 and 2003 Corporate Income Tax of NT$12,998 (US$401) and NT$23,416 (US$722), respectively. This amount was due to the tax authority's rejection of the Company's meal allowance. The Company did not agree with this decision and filed an application for a second review. For the application for 2001, the ROC income tax authority has granted the Company a tax refund amounting to NT$10,336 (US$319), but the application for 2003 has not been assessed yet.

(o) Stockholders' equity

(1) Common stock

As of December 31, 2007 and 2006, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, at NT$10 par value per share, of which 3,874,979 thousand shares were issued and outstanding.

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

The details of capital surplus as of December 31, 2007 and 2006, were as follows:

	2007		2006	
	NT dollars	**US dollars**	**NT dollars**	**US dollars**
Cash subscription in excess of par value of shares	$ 2,514,333	83,975	2,514,333	83,975
Additional paid-in capital from bond conversion	1,184,621	36,334	1,184,621	36,334
Gain on disposal of property, plant and equipment of investee company	1,668	53	1,668	53
Increase in net equity due to change in percentage of ownership in long-term investments under equity method	232,194	6,745	230,167	6,682
Donated assets	649,375	21,243	649,329	21,242
	$ 4,582,191	**148,350**	**4,580,118**	**148,286**

The ROC Company Act stipulates that realized capital surplus should not be credited to capital except for making up deficiencies of the Company. The realized capital surplus includes the premiums from issuance of shares in excess of par value. In addition, the capitalization of capital surplus or other events in accordance with Article 8 of the ROC Securities and Exchange Law and the ROC Company Act can be credited to capital on the condition that the aforementioned capital surplus has been approved by and registered with the competent authority in the previous year.

Furthermore, the capital surplus from the issuance of shares in excess of par value and from gifts received which are credited to capital should not exceed 10 percent of the amount of paid-in capital in one year.

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

The Company's articles of incorporation stipulate that the Company must appropriate employees' bonuses of not less than 1% of estimated earnings of each year, and not more than 5% of estimated earnings of each year for remuneration of directors and supervisors. Such appropriations can only be made after offsetting accumulated deficit and appropriation of legal reserve, and must be accounted for as a reduction of retained earnings.

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

The related information on stockholders' bonuses, employees' bonuses and directors' and supervisors' remuneration appropriated from 2005 earnings was as follows:

		NT dollars	US dollars
Dividends per share (dollars)			
Cash	$	0.20	0.006
Employees' bonuses-cash	$	52,320	1,626
Directors' and supervisors' remuneration		10,900	339
	$	**63,220**	**1,965**

The appropriation earnings had no difference from the resolutions made by the Company's directors and stockholders. According to ROC SFC regulations, beginning 2002, information related to the appropriation of employees' bonuses and remuneration for directors and supervisors can be found on web sites such as the Market Observation Post System after the stockholders' meeting.

(p) Earnings per share

For the years ended December 31, 2007 and 2006, earnings per share were calculated as follows:

	NT dollars 2007					US dollars 2007				
	Dollars		Shares	Earnings per Share		Dollars		Shares	Earnings per Share	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share:	**$ (1,958,149)**	**(1,871,918)**	**3,874,979**	**$ (0.51)**	**(0.48)**	**(59,609)**	**(56,984)**	**3,874,979**	**(0.02)**	**(0.01)**

	NT dollars 2006					US dollars 2006				
	Dollars		Shares	Earnings per Share		Dollars		Shares	Earnings per Share	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share:										
Income (loss) before cumulative effect of changes in accounting principle	$ (2,263,924)	(1,847,276)		$(0.61)	(0.49)	(69,659)	(56,839)		(0.02)	(0.01)
Cumulative effect of changes in accounting principle	214,255	160,691		0.06	0.04	6,592	4,944		-	-
Net loss	**$ (2,049,669)**	**(1,686,585)**	**3,723,419**	**$ (0.55)**	**(0.45)**	**(63,067)**	**(51,895)**	**3,723,419**	**(0.02)**	**(0.01)**

(q) Hedge accounting

(1) Cash flow hedging

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

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

As of December 31, 2007 and 2006, the cash flow hedging items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument 2007 NT dollars	2007 US dollars	2006 NT dollars	2006 US dollars	Period of generating cash flow	Account
Floating interest rate of bonds payable	Interest rate swap agreements	$(12,731)	(392)	(23,197)	(712)	2004~2009	Derivative financial liabilities for hedge purposes-noncurrent
Floating price of fuel	Fuel swap agreements	-	-	(356)	(11)	2007	Derivative financial liabilities for hedge purposes-current

As of December 31, 2007 and 2006, the unrealized valuation loss on financial instruments due to hedging of cash flow amounted to NT$12,731 (US$392) and NT$23,553 (US$723), respectively, recorded under stockholders' equity.

(r) Disclosure of financial instruments

(1) Fair value of financial instruments

The details of financial instruments as of December 31, 2007 and 2006, were as follows:

	2007					
	NT dollars			US dollars		
		Fair value			Fair value	
	Book value	Public quote value	Assessment value	Book value	Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	$ 2,956,763	-	2,956,763	91,145	-	91,145
Notes and accounts receivable (including receivables from related parties)	8,741,344	-	8,741,344	269,462	-	269,462
Other receivables	321,463	-	321,463	9,909	-	9,909
Available-for-sale financial assets-current	5,115,645	5,115,645	-	157,696	157,696	-
Available-for-sale financial assets-noncurrent	666,526	666,526	-	20,546	20,546	-
Financial assets carried at cost-noncurrent	2,281,612	-	-	70,333	-	-
Interest rate swap agreements	106,756	-	106,756	3,291	-	3,291
Fuel option agreements	63,245	-	63,245	1,949	-	1,949
Financial liabilities:						
Notes and accounts payable (including payable from related parties)	2,721,562	-	2,721,562	83,895	-	83,895
Accrued expenses	7,824,060	-	7,824,060	241,186	-	241,186

	2007					
	NT dollars			US dollars		
		Fair value			Fair value	
	Book value	Public quote value	Assessment value	Book value	Public quote value	Assessment value
Other payable	3,065,069	-	3,065,069	94,484	-	94,484
Current portion of long-term liabilities	7,897,704	-	7,897,704	243,456	-	243,456
Bonds payable	10,661,300	-	9,942,809	328,647	-	306,498
Long-term borrowings	32,911,612	-	32,911,612	1,014,538	-	1,014,538
Aircraft payable	12,087,424	-	12,087,424	372,609	-	372,609
Lease liability	16,548,127	-	16,548,127	510,115	-	510,115
Interest rate swap agreements	12,731	-	12,731	392	-	392
Fuel option agreements	1,261	-	1,261	39	-	39
Off-balance-sheet financial instruments:						
Letters of credit	-	-	845,741	-	-	26,071

	2006					
	NT dollars			US dollars		
	Book value	Public quote value	Assessment value	Book value	Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	$ 2,997,459	-	2,997,459	91,947	-	91,947
Notes and accounts receivable (including receivables from related parties)	8,825,458	-	8,825,458	270,719	-	270,719
Other receivables	238,263	-	238,263	7,309	-	7,309
Available-for-sale financial assets-current	6,733,670	6,733,670	-	206,554	206,554	-
Available-for-sale financial assets-noncurrent	557,654	557,654	-	17,106	17,106	-
Financial assets carried at cost-noncurrent	3,165,889	-	-	97,113	-	-
Interest rate swap agreements	64,955	-	64,955	1,992	-	1,992
Fuel option agreements	21,684	-	21,684	665	-	665
Financial liabilities:						
Short-term borrowings	500,000	-	500,000	15,337	-	15,337
Notes and accounts payable (including payable from related parties)	2,477,584	-	2,477,584	76,000	-	76,000
Accrued expenses	6,910,351	-	6,910,351	211,974	-	211,974
Other payables	2,419,945	-	2,419,945	74,231	-	74,231
Current portion of long-term liabilities	9,104,852	-	9,259,577	279,290	-	284,036
Bonds payable	9,100,000	-	8,263,399	279,141	-	253,478
Long-term borrowings	27,464,642	-	27,464,642	842,474	-	842,474
Aircraft payable	14,498,898	-	14,498,898	444,751	-	444,751
Lease liability	8,643,852	-	8,643,852	265,149	-	265,149
Interest rate swap agreements	29,780	-	29,780	914	-	914
Fuel swap and option agreements	1,017,539	-	1,017,539	31,213	-	31,213
Off-balance-sheet financial instruments:						
Letters of credit	-	-	687,264	-	-	21,082

(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, short-term borrowings, accrued expenses, and other payables, are within one year of the balance sheet date, their book value is equal to their fair value.

ii) If public quoting of financial assets and liabilities is available, then the quote price will be the fair value. If market value is not available, an assessment method will be used. The assumptions used should be the same as those used by the financial market traders when quoting their prices.

iii) The fair value of bonds payable, long-term borrowings, aircraft payable, and lease liability is the discounted future cash flows, and the discount rates during the years ended December 31, 2007 and 2006, were 1.18%~6.93% p.a.

iv) The fair value of letters of credit and financing guaranty is based on the contract.

(3) For the years ended December 31, 2007 and 2006, the evaluation gain or loss on financial assets at fair value through profit amounted to a gain of NT$1,235,201 (US$37,601) and a loss of NT$4,972 (US$153), respectively.

(4) Disclosure of financial risks

(i) Market risk

As of December 31, 2007 and 2006, the bonds payable with the risk arising from floating interest rates amounted to NT$8,600,000 (US$265,105) and NT$8,600,000 (US$263,804), respectively.

The Company's bonds payable carried a fixed interest rate. If the market interest rate increases by 1%, the fair value of bonds payable would decrease by approximately NT$241,802 (US$7,454).

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.

(ii) Credit risk

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

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

(iii) Liquidity risk

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

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

As of December 31, 2007 and 2006, the financial liabilities with the risk arising from floating interest rates amounted to NT$40,809,316 (US$1,257,994) and NT$35,496,944 (US$1,088,863), respectively.

The Company's short-term and long-term borrowings carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rate and thereby influences the Company's future cash flow. As of December 31, 2007 and 2006, if the market interest rate were to increase by 1%, the Company's future cash outflow would increase by approximately NT$408,093 (US$12,423) and NT$354,969 (US$10,922), 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 Airline Services Corp.	Subsidiary
RTW Air Services (S) Pte. Ltd.	Subsidiary
Green Siam Air Services Co., Ltd.	Subsidiary
Evergreen Sky Catering Corp.	Subsidiary
Evergreen Aviation Technologies Corp.	Subsidiary
Evergreen Air Cargo Services Corp.	Subsidiary
Hsiang-Li Investment Corp.	Subsidiary
Evergreen Airways Service (Macau) Ltd.	Subsidiary
PT Perdana Andalan Air service	Subsidiary
Uni Japan Co., Ltd.	Subsidiary (the company was liquidated on August 29, 2006)
Evergreen International Storage & Transport Corp.	Investee company of the Company's major shareholders
Uni Airways Corp.	Investee company accounted for by equity method
Evergreen Security Corp.	Investee company accounted for by equity method
Shanghai Airlines Cargo International Co., Ltd.	Investee company of the Company's subsidiary

(b) Significant transactions with related parties

(1) Revenue, cost and expenses

During the years ended December 31, 2007 and 2006, the Company's transactions with related parties were as follows:

		2007			2006	
Revenue	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen Aviation Technologies Corp.	$ 244,825	7,453	0.26	133,421	4,105	0.14
Shanghai Airlines Cargo International Co., Ltd	55,230	1,681	0.06	2,406	74	-
Uni Airways Corp.	35,732	1,088	0.04	24,275	747	0.03
Evergreen Air Cargo Services Corp.	20,943	638	0.02	15,355	472	0.02
Evergreen International Corp.	17,371	529	0.02	16,116	496	0.02
Evergreen Airline Services Corp.	1,527	46	-	1,618	50	-
Others	5,476	166	0.01	5,293	163	-
	$ 381,104	**11,601**	**0.41**	**198,484**	**6,107**	**0.21**

Cost	2007 NT dollars	2007 US dollars	2007 Percentage	2006 NT dollars	2006 US dollars	2006 Percentage
Evergreen Aviation Technologies Corp.	$ 3,948,277	120,191	4.46	4,284,992	131,846	4.74
Evergreen Airline Services Corp.	884,177	26,916	1.00	866,204	26,653	0.96
Evergreen Sky Catering Corp.	811,243	24,695	0.91	921,226	28,345	1.02
Uni Airways Corp.	746,582	22,727	0.84	817,323	25,148	0.91
Evergreen Air Cargo Services Corp.	324,600	9,881	0.37	343,796	10,578	0.38
Evergreen International Storage & Transport Corp.	69,044	2,102	0.08	75,499	2,323	0.08
Evergreen International Corp.	44,394	1,351	0.05	61,680	1,898	0.07
Shanghai Airlines Cargo International Co., Ltd	25,272	769	0.03	-	-	-
Others	1,170	36	-	1,234	38	-
	$ 6,854,759	**208,668**	**7.74**	**7,371,954**	**226,829**	**8.16**

Expenses	2007 NT dollars	2007 US dollars	2007 Percentage	2006 NT dollars	2006 US dollars	2006 Percentage
Evergreen International Corp.	$ 116,772	3,555	1.70	119,300	3,671	1.73
Uni Airways Corp.	100,370	3,055	1.46	60,956	1,876	0.88
Green Siam Air Services Co., Ltd.	86,670	2,638	1.26	79,847	2,457	1.16
Evergreen Security Corp.	40,304	1,227	0.59	43,724	1,345	0.63
RTW Air Services (S) Pte. Ltd.	39,298	1,196	0.57	48,830	1,502	0.71
PT Perdana Andalan Air Service	30,890	940	0.45	31,587	972	0.46
Evergreen Airline Services Corp.	27,821	847	0.41	31,475	968	0.46
Evergreen Sky Catering Corp.	21,016	640	0.31	23,847	734	0.34
Evergreen International Storage & Transport Corp.	17,778	541	0.26	18,930	583	0.27
Evergreen Aviation Technologies Corp.	8,917	272	0.13	18,285	563	0.26
Uni Japan Co., Ltd.	-	-	-	8,820	271	0.13
Others	1,445	44	0.02	1,535	47	0.02
	$ 491,281	**14,955**	**7.16**	**487,136**	**14,989**	**7.05**

The Company sold spare parts to Evergreen Aviation Technologies Corp. amounting to NT$159,370 (US$4,851) and NT$42,201 (US$1,298) for the years ended December 31, 2007 and 2006, respectively.

(2) The abovementioned transactions with related parties were made with no significant difference from those with non-related parties, but sometimes the payments were overdue. Receivables and payables as of December 31, 2007 and 2006, resulting from the aforementioned transactions were as follows:

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Accounts receivable-related parties:					
Uni Airways Corp.	$	20,164	621	12,084	371
Evergreen Aviation Technologies Corp.		23,703	731	28,267	867
Shanghai Airlines Cargo International Co., Ltd		14,974	462	410	13
Evergreen Air Cargo Service Corp.		4,332	134	1,800	55
Evergreen International Corp.		2,205	68	2,447	75
Others		914	28	2,257	69
		66,292	2,044	47,265	1,450
Less: credit to long-term equity investments under equity method		(20,164)	(622)	-	-
		46,128	1,422	47,265	1,450
Other receivables-related parties:					
Uni Airways Corp.		20,987	647	115,454	3,542
Shanghai Airlines Cargo International Co., Ltd		28,438	877	3,618	111
Evergreen Aviation Technologies Corp.		7,610	234	-	-
Others		1,446	45	4,162	127
		58,481	1,803	123,234	3,780
Less: credit to long-term equity investments under equity method		(2,664)	(82)	-	-
		55,817	1,721	123,234	3,780
Total receivables-related parties	$	101,945	3,143	170,499	5,230

		2007		**2006**	
		NT dollars	**US dollars**	**NT dollars**	**US dollars**
Accounts payable-related parties:					
Evergreen Aviation Technologies Corp.	$	222,560	6,861	298,310	9,151
Evergreen Airline Services Corp.		141,082	4,349	143,752	4,409
Uni Airways Corp.		133,663	4,120	142,480	4,371
Evergreen Sky Catering Corp.		59,099	1,822	74,358	2,281
Evergreen Air Cargo Services Corp.		56,768	1,750	58,102	1,782
Green Siam Air Services Co, Ltd.		11,240	346	8,729	268
Evergreen International Corp.		9,081	280	13,125	403
PT Perdana Andalan Air Service		8,551	264	8,561	263
Evergreen International Storage & Transport Corp.		4,943	152	5,887	180
RTW Air Services (S) Pte Ltd.		4,646	143	8,848	271
Others		127	4	99	3
		651,760	20,091	762,251	23,382
Other payables-related parties:					
Evergreen Airline Services Corp.		65,469	2,018	9,263	284
Evergreen Aviation Technologies Corp.		31,683	977	2,949	90

	2007		2006	
	NT dollars	US dollars	NT dollars	US dollars
Evergreen International Corp.	18,815	580	15,828	486
Uni Airways Corp.	15,337	473	8,766	269
Evergreen Air Cargo Services Corp.	3,532	109	1,490	46
Evergreen Security Corp.	3,502	108	4,766	146
Evergreen Sky Catering Corp.	1,625	50	1,465	45
Evergreen International Storage & Transport Corp	1,212	37	1,037	32
Others	39	1	95	3
	141,214	4,353	45,659	1,401
Total payables-related parties	$ **792,974**	**24,444**	**807,910**	**24,783**

6. Pledged Assets

The book values of the pledged assets as of December 31, 2007 and 2006, were as follows:

		2007		2006	
Pledged assets	**Object**	**NT dollars**	**US dollars**	**NT dollars**	**US dollars**
Land	Long-term borrowings	$ 999,911	30,823	1,864,122	57,182
Buildings	Long-term borrowings	2,033,692	62,691	2,482,271	76,143
Aircraft	Long-term borrowings, Aircraft payable	48,449,062	1,493,498	42,677,297	1,309,119
Engines-included in machinery and equipment	Long-term borrowings	-	-	104,390	3,202
Simulators-included in machinery and equipment	Long-term borrowings	254,019	7,830	283,753	8,704
Time deposit-included in other assets	Customs duty and contract performance guarantees	564,881	17,413	579,358	17,772
		$ **52,301,565**	**1,612,255**	**47,991,191**	**1,472,122**

7. Commitments and Contingencies

(a) As of December 31, 2007, the outstanding contracts for purchases of aircraft were as follows:

Entering date	Type of aircraft	Quantity	Price of contract	Prepayments (Note)
June 2000	Boeing-777	3	US$ 559,311	NT$ 3,814,041 (US$117,572)
April 2004	Boeing-777	4	US$ 745,748	NT$ 8,803,838 (US$271,388)

Note: The prepayments were recorded as advances for purchases of equipment.

(b) As of December 31, 2007, the Company had issued NT$15,755,005 (US$485,666) worth of promissory notes to banks to obtain guaranties for credit lines and to lessors for leasing aircraft. As of December 31, 2007, the Company had obtained guaranties from ABN-AMRO Bank, Citibank, HSBC Bank, ANZ Bank, Calyon Corporate and Investment Bank, Mizuho Corporate Bank, and Bank of America amounting to NT$850,988 (US$26,233).

(c) The Company entered into aircraft, land, engine and aircraft parts lease contracts using the operating lease or capital lease method. As of December 31, 2007, the Company had paid NT$7,408,350 (US$228,371) as refundable deposits. According to these contracts, future lease payments in the following five years are as follows:

Year due		NT dollars	US dollars
January 1, 2008~December 31, 2008	$	9,037,381	278,588
January 1, 2009~December 31, 2009		7,811,360	240,794
January 1, 2010~December 31, 2010		6,629,311	204,356
January 1, 2011~December 31, 2011		6,019,520	185,558
January 1, 2012~December 31, 2012		5,993,320	184,751
And after		26,726,004	823,860
	$	**62,216,896**	**1,917,907**

(d) The Company is the subject of investigations in respect of its air cargo operations by the competition authorities of the United States. The Company has been cooperating with the authorities in their investigations. The investigations are focused on issues relating to competition and oil surcharges. The Company is represented by legal counsel in connection with the investigations. The investigations are ongoing, and the outcomes are subject to uncertainties.

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, 2007 and 2006, were as follows:

By function / By item	NT dollars Operating cost	NT dollars Operating expenses	NT dollars Total	US dollars Operating cost	US dollars Operating expenses	US dollars Total
2007						
Personnel expenses						
Salaries	$ 3,254,977	2,744,924	5,999,901	99,086	83,559	182,645
Insurance	134,172	118,920	253,092	4,084	3,620	7,704
Pension	204,425	148,473	352,898	6,223	4,520	10,743
Others (meal allowances, etc)	1,257,807	261,307	1,519,114	38,289	7,955	46,244
Depreciation	7,146,324	198,422	7,344,746	217,544	6,040	223,584
Amortization	1,129,321	184,598	1,313,919	34,378	5,620	39,998

By function / By item	NT dollars Operating cost	NT dollars Operating expenses	NT dollars Total	US dollars Operating cost	US dollars Operating expenses	US dollars Total
2006						
Personnel expenses						
Salaries	$ 3,244,963	2,616,014	5,860,977	99,845	80,493	180,338
Insurance	143,584	116,666	260,250	4,418	3,590	8,008
Pension	186,747	131,471	318,218	5,746	4,045	9,791
Others (meal allowances, etc)	1,232,724	257,482	1,490,206	37,930	7,922	45,852
Depreciation	5,903,066	210,290	6,113,356	181,633	6,470	188,103
Amortization	990,250	208,000	1,198,250	30,469	6,400	36,869

(b) Reclassification

Certain amounts in the financial statements for the year ended December 31, 2006, have been reclassified to conform with the presentation of the financial statements for the year ended December 31, 2007, for purposes of comparison These reclassifications do not have a significant impact on the financial statements.

11. Segment Financial Information

(a) Diversified industry:

The Company mainly operates an international air transportation business.

(b) Geographic area information:

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
South East Asia:					
Operating revenue	$	35,490,914	1,080,393	36,152,872	1,112,396
Loss from operations	$	(867,009)	(26,393)	(1,285,047)	(39,540)
Identifiable assets	$	262,771	8,101	316,121	9,697
North America:					
Operating revenue	$	18,825,453	573,073	17,935,581	551,864
Loss from operations	$	(459,888)	(14,000)	(637,517)	(19,616)
Identifiable assets	$	387,242	11,937	429,925	13,188
Other foreign areas:					
Operating revenue	$	7,978,938	242,890	8,047,535	247,617
Loss from operations	$	(194,918)	(5,934)	(286,048)	(8,801)
Identifiable assets	$	981,934	30,269	1,239,195	38,012
Domestic:					
Operating revenue	$	30,807,826	937,833	31,767,576	977,464
Loss from operations	$	(752,605)	(22,910)	(1,129,172)	(34,744)
Identifiable assets	$	136,668,669	4,212,968	124,463,192	3,817,889
Total operating revenue	$	93,103,131	2,834,189	93,903,564	2,889,341

		2007		2006	
		NT dollars	US dollars	NT dollars	US dollars
Loss from operations	$	(2,274,420)	(69,237)	(3,337,784)	(102,701)
Investment income, net		394,557	12,011	1,009,463	31,061
General income		2,137,000	65,053	2,025,754	62,330
Interest expenses		(2,215,286)	(67,436)	(1,961,357)	(60,349)
Loss before income tax	$	(1,958,149)	(59,609)	(2,263,924)	(69,659)
Total identifiable assets	$	138,300,616	4,263,275	126,448,433	3,878,786
Long-term equity investments		10,837,179	334,068	11,701,731	358,949
Total assets		$149,137,795	4,597,343	138,150,164	4,237,735

(c) Major customer information - The Company operates an air transportation business with no specific major customers.

(d) Export sales information - The main business of the Company is international air transportation services. Consequently, it is not practical to separate export and domestic sales.

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

Assets	2007 NT dollars	2006 NT dollars
Current assets:		
Cash and cash equivalents	$ 4,417,406	4,619,554
Financial assets at fair value through profit or loss-current	534,243	493,284
Available-for-sale financial assets-current	5,356,598	7,005,214
Notes receivable	282,430	392,787
Accounts receivable, net	9,960,644	9,822,189
Accounts receivable-related parties	197,966	127,993
Other receivables	458,790	358,866
Other receivables-related parties	55,907	123,906
Inventories	11,746,569	10,842,918
Prepaid expenses	248,515	177,540
Other prepayments	572,927	687,968
Deferred income tax assets-current	342,569	425,989
Restricted assets current	600	2,990
Other current assets	95,220	140,794
Total current assets	34,270,384	35,221,992
Funds and investments:		
Financial assets at fair value through profit or loss-noncurrent	106,756	64,955
Available-for-sale financial assets-noncurrent	705,153	587,246
Financial assets carried at cost-noncurrent	2,439,874	3,324,689
Long-term equity investments under equity method	858,083	1,084,398
Total funds and investments	4,109,866	5,061,288
Property, plant and equipment:		
Land	2,551,136	2,551,136
Buildings	12,560,045	12,531,858
Machinery and equipment	10,590,047	8,460,946
Aircraft	84,596,114	74,709,837
Leased assets	19,982,082	11,596,272
Rotable parts	451,339	643,454
	130,730,763	110,493,503
Less: accumulated depreciation	(41,005,209)	(37,791,136)
Advances for purchases of equipment	14,322,305	15,281,480
Net property, plant and equipment	104,047,859	87,983,847
Intangible assets:		
Deferred pension cost	160,540	183,362
Other assets:		
Refundable deposits	7,516,169	10,935,172
Deferred charges	5,909,722	6,019,593
Accounts receivable-related parities-noncurrent,net	62,486	45,959
Deferred income tax assets-noncurrent	1,664,906	1,319,563
Other assets	622,010	620,347
Total other assets	15,775,293	18,940,634
Total assets	$ 158,363,942	147,391,123

Liabilities and Stockholders' Equity	2007 NT dollars	2006 NT dollars
Current liabilities:		
Short-term borrowings	$ 1,670,554	2,043,136
Financial liabilities at fair value through profit or loss-current	85	255,284
Accounts payable	2,935,667	2,656,732
Accounts payable-related parties	151,914	165,539
Tax payables	123,029	246,228
Accrued expenses	8,330,404	7,319,617
Other payables-related parties	69,721	146,339
Derivative financial liabilities for hedge purposes-current	-	356
Other payables	3,109,802	2,450,463
Unearned revenue	7,267,584	6,687,265
Current portion of long-term liabilities	8,431,660	9,579,577
Lease liability-current	1,455,728	1,858,595
Other current liabilities	1,532,284	1,256,870
Total current liabilities	35,077,712	34,666,001
Long-term liabilities:		
Financial liabilities at fair value through profit or loss-noncurrent	1,176	768,482
Bonds payable	10,661,300	9,100,000
Long-term borrowings	35,769,140	30,576,628
Derivative financial liabilities for hedge purposes-noncurrent	12,731	23,197
Aircraft payable	12,087,424	14,498,898
Lease liability-noncurrent	15,094,298	6,787,134
Total long-term liabilities	73,626,069	61,754,339
Other liabilities:		
Accrued employee retirement liabilities	805,905	1,037,070
Other liabilities	1,796,160	1,046,361
Total other liabilities	2,602,065	2,083,431
Total liabilities	111,305,846	98,503,771
Stockholders' equity:		
Common stock	38,749,794	38,749,794
Capital surplus	4,582,191	4,580,118
Retained earnings:		
Legal reserve	860,272	860,272
Retained earnings (accumulated deficit)	(841,408)	1,030,510
Total retained earnings	18,864	1,890,782
Other stockholders' equity adjustments:		
Cumulative translation adjustments	1,085,636	1,438,228
Net loss not yet recognized as net pension cost	(472,617)	(585,306)
Unrealized gains on financial instruments	224,228	66,987
Total other stockholders' equity adjustments	837,247	919,909
Total stockholders' equity	44,188,096	46,140,603
Minority interest	2,870,000	2,746,749
Total stockholders' equity and minority interst	47,058,096	48,887,352
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 158,363,942	147,391,123

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Statements of Operations
For the years ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars, Except Earnings per Share)

		2007 NT dollars	2006 NT dollars
Operating revenue	$	98,871,044	99,105,024
Operating cost		(92,735,828)	(93,478,578)
Gross profit from operations		6,135,216	5,626,446
Operating expenses		(7,275,038)	(7,347,318)
Operating loss		(1,139,822)	(1,720,872)
Non-operating income and gains:			
Interest income		238,088	198,846
Investment income		-	153,564
Gains on disposal of property, plant and equipment, net		55,542	203,001
Gains on sale of investments, net		-	861,042
Exchange gains, net		319,946	571,946
Gains on valuation of financial assets		1,235,201	-
Other income		597,796	364,092
		2,446,573	2,352,491
Non-operating expenses and losses:			
Interest expenses, net of capitalized interest of NT$462,082 and NT$416,104 in 2007 and 2006, respectively		(2,332,176)	(2,080,177)
Investment loss		(267,062)	-
Losses on sale of investments, net		(47,990)	-
Losses on valuation of financial assets		-	(5,050)
Impairment loss		-	(11,130)
Other losses		(46,905)	(73,929)
		(2,694,133)	(2,170,286)
Continuing operating loss before income tax		(1,387,382)	(1,538,667)
Income tax benefit(expenses)		(197,454)	74,811
Cumulative effect of changes in accounting principle (net of income tax expenses of NT$53,564)		-	160,691
Net loss	$	**(1,584,836)**	**(1,303,165)**
Income attributable to:			
Parent company		(1,871,918)	(1,686,585)
Minority interest		287,082	383,420
	$	**(1,584,836)**	**(1,303,165)**

		Net income (loss) NT dollars	Net income (loss) NT dollars
Basic earnings per share:			
Income (loss) before cumulative effect of changes in accounting principle		(0.48)	(0.49)
Cumulative effect of changes in accounting principle		-	0.04
Net income (loss)	$	**(0.48)**	**(0.45)**

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulate Deficit)	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Unrealized Gains or Losses on Financial Instruments	Minority Interest	Total
Balance on December 31, 2005	33,898,869	3,424,986	727,666	3,662,898	192,631	2,291,327	(222,505)	-	2,546,061	46,521,933
Effect of adopting SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006	-	-	-	-	-	-	-	27,185		27,185
Appropriation of earnings									-	-
Legal reserve	-	-	132,606	(132,606)	-	-	-	-	-	-
Cash dividends	3,600,000			(749,977)	-	-	-	-	-	2,850,023
Directors' and supervisors' remuneration	1,250,925		-	(10,900)	-	-	-	-	-	1,240,025
Employees' bonuses	-		-	(52,320)	-	-	-	-	-	(52,320)
Cash subscription	-	720,000	-		-	-	-	-	-	720,000
Convertible bonds converted into common stock	-	439,075								439,075
Decrease in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method	-	(3,943)	-	-	-	-	-	-		(3,943)
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	-	-	-	-	401	-	-		401
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(41,824)	-	-	(41,824)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(320,977)	-	-	(320,977)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	5,723	-	5,723
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	34,079	-	34,079
Deferred credit	-	-	-	-	(192,631)	-	-	-		(192,631)
Decrease in minority interest									(182,732)	(182,732)
Net loss for the year ended December 31, 2006	-	-	-	(1,686,585)					383,420	(1,303,165)
Translation adjustments for the year ended December 31, 2006	-	-	-	-		(853,500)			-	(853,500)
Balance on December 31, 2006	38,749,794	4,580,118	860,272	1,030,510	-	1,438,228	(585,306)	66,987	2,746,749	48,887,352
Increase in net equity due to the change in percentage of capital surplus in long-term equity investments under equity method	-	2,073	-	-	-	-	-	-	-	2,073
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	3,955	-	-	3,955
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	108,734	-	-	108,734
Decrease in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	-	-	-	-	(149)	-	-	-	(149)
Increase in net equity due to the change in percentage of unrealized gains or losses on financial instruments in long-term equity investments under equity method	-	-	-	-	-	-	-	10,025	-	10,025
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	147,216	-	147,216
Decrease in minority interest	-	-	-	-	-	-	-	-	(163,831)	(163,831)
Net loss for the year ended December 31, 2007	-	-	-	(1,871,918)	-	-	-	-	287,082	(1,584,836)
Translation adjustments for the year ended December 31, 2007	-	-	-	-	-	(352,443)	-	-	-	(352,443)
Balance on December 31, 2007	**$ 38,749,794**	**4,582,191**	**860,272**	**(841,408)**	**0**	**1,085,636**	**(472,617)**	**224,228**	**2,870,000**	**47,058,096**

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

		2007 NT dollars	2006 NT dollars
Cash flows from operating activities:			
Net loss	$	(1,871,918)	(1,686,585)
Income for minority interest		287,082	383,420
Adjustments to reconcile net loss to net cash flow provided by operating activities:			
Depreciation		8,072,032	6,845,194
Impairment loss		-	11,130
Amortization and maintenance expense		1,357,877	1,247,188
Amortization expense recorded as interest expenses		27,137	24,766
Amortization expense recorded as other expenses		154	154
Gains on sale of investments, net		47,990	(861,042)
Exchange gains arising from disposal of foreign operating units		(240,165)	(369,383)
Gains on disposal and obsolescence of property, plant and equipment		(49,387)	(184,244)
Amortization of deferred gain from sale and leaseback of fixed assets		(505)	(952)
Amortization of other deferred gain		(147,440)	(166,564)
Fixed assets recorded as other expenses		84	-
Provision for unrealized exchange gain from long-term borrowings		(6,378)	(11,402)
Investment income		267,062	(153,564)
Proceeds from cash dividends on long-term equity investments		161,248	110,273
Deferred income tax benefit		(117,918)	(423,372)
Changes in operating assets and liabilities, net:			
Financial assets at fair value through profit or loss-current		(40,959)	284,960
Notes receivable and accounts receivable(including related parties)		(98,071)	(898,798)
Other receivables (including related parties)		(31,925)	612,167
Inventories		(903,650)	(1,459,112)
Prepaid expenses		(70,975)	(30,795)
Other prepayments		115,041	94,016
Restricted assets-current		2,390	-
Other current assets		45,574	(39,280)
Accounts receivable-related parties-noncurrent		(16,527)	40,589
Financial assets at fair value through profit or loss-noncurrent		(41,801)	(9,841)
Financial liabilities at fair value through profit or loss-current		(255,199)	255,284
Tax payable		(123,199)	104,067
Accounts payable (including related parties)		265,310	254,134
Accrued expenses		1,010,787	338,887
Other payables (including related parties)		737,969	(1,037,223)
Unearned revenue		580,319	1,195,894
Other current liabilities		275,414	422,764
Financial liabilities at fair value through profit or loss-noncurrent		(767,306)	431,767
Accrued employee retirement liabilities		(99,609)	(83,212)

Other liabilities		77,961	33,077
Cumulative effect of changes in accounting principle		-	(214,255)
		8,448,499	5,060,107
Net cash provided by operating activities			
Cash flows from investing activities:			
Withdrawal of long-term equity investments, net		3,290	13,188
Decrease (increase) in available-for-sale financial assets-current		1,730,327	(4,212,198)
Proceeds from sale of available-for-sale financial assets-noncurrent		6,694	162
Proceeds from sale of financial assets carried at cost-noncurrent		737,565	1,374,029
Payments for purchase of long-term equity investments under equity method		(215,177)	-
Proceeds from disposal of property, plant and equipment		12,841,871	7,009,625
Payments for purchase of property, plant and equipment		(26,219,396)	(22,940,854)
Decrease in refundable deposits and in other assets		3,374,474	4,854,057
Increase in deferred charges		(1,272,102)	(2,133,883)
Net cash used in investing activities		(9,012,454)	(16,035,874)
Cash flows from financing activities:			
Decrease in short-term borrowings		(372,582)	(2,296,172)
Increase in long-term borrowings		17,610,000	23,967,000
Redemption of long-term borrowings		(11,997,727)	(8,576,335)
Installment payments for purchase of property, plant and equipment		(2,428,693)	(2,389,495)
Redemption of lease liability		(2,333,301)	(1,768,270)
Increase (decrease) in minority interest		(163,831)	(182,732)
Payments of cash dividends		-	(749,977)
Payment of employees' bonuses and directors' and supervisors' remuneration		-	(63,220)
Cash subscription		-	4,320,000
Net cash provided by financing activities		313,866	12,260,799
Effect of exchange rate changes on cash		47,941	1,726
Effect of subsidiaries initial consolidation		(202,148)	1,286,758
Net increase (decrease) in cash and cash equivalents		4,619,554	3,332,796
Cash and cash equivalents at beginning of year	$	**4,417,406**	**4,619,554**
Cash and cash equivalents at end of year			
Additional disclosure of cash flow information:			
Cash payments of interest (excluding capitalized interest expense)	$	**2,243,927**	**1,962,394**
Cash payments of income tax	$	**423,503**	**241,052**
Supplemental schedule of noncash investing and financing activities:			
Current portion of long-term liabilities	$	**8,431,660**	**9,579,577**
Inventory transferred from fixed assets	$	**1**	**7**
Translation adjustments (including investee)	$	**(352,592)**	**(853,099)**
Unrealized gains on financial instruments (including investee)	$	**157,241**	**39,802**
Increase in lease liability	$	**(10,291,848)**	**(2,285,627)**
Gains from sale and leaseback of fixed assets	$	**(908,152)**	**-**

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