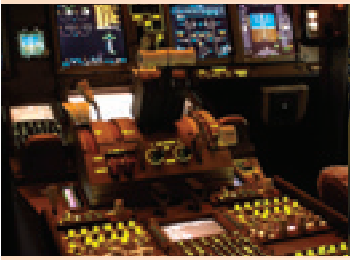
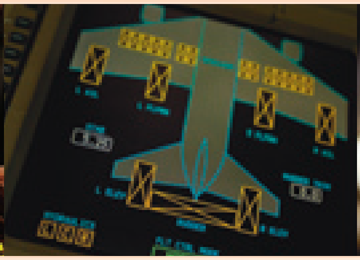




2005 ANNUAL REPORT

STOCK CODE : 2618

EVA AIR

Contents

Financial and Operating Highlights

		2005	2004	% Change
Financial				
Income Statement				
Revenue	NT$ thousand	88,015,966	82,655,351	6.5%
Passenger Revenue	NT$ thousand	42,652,809	38,348,799	11.2%
Cargo Revenue	NT$ thousand	39,931,818	38,534,229	3.6%
Total Costs	NT$ thousand	87,604,054	77,939,994	12.4%
Operating Profit	NT$ thousand	411,912	4,715,357	-91.3%
Net Profit	NT$ thousand	1,326,060	3,242,935	-59.1%
EPS	NT$	0.39	1.05	-62.9%
Profit Margin	%	0.47%	5.70%	-5.2ppt
Balance Sheet				
Total Assets	NT$ thousand	128,481,814	117,704,996	9.2%
Total Liabilities	NT$ thousand	84,505,942	74,596,784	13.3%
Total Equity	NT$ thousand	43,975,872	43,108,212	2.0%
Total Capital	NT$ thousand	33,898,869	32,714,259	3.6%
Book Value per Share	NT$	12.97	13.18	-1.6%
Debt Ratio	%	65.77%	63.38%	2.4ppt
Operating				
Overall Capacity	Thousand	9,893,897	9,884,479	0.1%
Overall Traffic	Thousand	7,364,227	7,439,441	-1.0%
Overall Load Factor	%	74.43%	75.26%	-0.8ppt
Overall Yield	NT$	11.21	10.33	8.6%
Passenger Capacity	Thousand	29,348,257	27,353,095	7.3%
Passenger Traffic	Thousand	23,098,868	21,754,920	6.2%
Passengers Carried	No. of Passengers	5,904,419	5,438,255	8.6%
Passenger Load Factor	%	78.71%	79.53%	-0.8ppt
Passenger Yield	NT$	1.85	1.76	5.1%
Cargo Capacity	Thousand	7,252,554	7,422,701	-2.3%
Cargo Traffic	Thousand	5,285,329	5,481,499	-3.6%
Cargo Carried	Tons	844,099	858,989	-1.7%
Cargo Load factor	%	72.88%	73.85%	-1.0ppt
Cargo Yield	NT$	7.56	7.03	7.5%
Unit Cost	NT$	8.85	7.89	12.3%
Number of Employees		5,098	4,934	3.3%
Capacity per Employee	Thousand	1,941	2,003	-3.1%
Traffic per Employee	Thousand	1,445	1,508	-4.2%
Revenue per Employee	NT$ thousand	17,265	16,752	3.1%

To Shareholders

2005 In Review

2005 Review

Due to serial impacts of the 2004 Tsunami in South Asia, unrealized fears related to the 2005 Avian Flu outbreak, and the relentless upward spiral in fuel prices, the global aviation industry faces daunting hurdles. EVA achieved its revenue targets for the year with aggressive marketing strategy and flexible fleet deployment, but fuel costs significantly eroded profit. Audited financial results show that total operating revenues were up 6.49% in 2005, or NT$5.361 billion YoY to NT$88.016 billion, and earnings after tax reached NT$1.326 billion. We carried 5.9 million passengers and 840 thousand tons of freight in 2005, achieving an overall load factor of 74.43%.

- Passenger revenue grew by 11.22% or NT$4.304 billion YoY in NT$42.653 billion.

Market demand on European and American routes was robust but the aftermath of the South Asia Tsunami impacted our network within the region. We compensated by embracing the opportunities created by Japan's visa-free admission policy, its EXPO 2005 in Aichi, and Korean pop fever.

We expanded charter service to Japan, increased Sapporo flights to nine per week, and raised Seoul frequency to daily round trips. We debut the world's first Hello Kitty Jet on our Fukuoka and Tokyo routes in October 2005 by painting and outfitting one of our new Airbus 330-200s in the character's cheerful theme, and successfully drove up load factors and demand for itineraries in Taiwan.

- Cargo revenues climbed by 3.63% or NT$1.397 billion YoY to NT$39.932 billion.

EVA expanded our airfreight business and upgraded service quality in Indochina by initiating code-sharing arrangements with Vietnam Airlines on the Hanoi to Ho Chi Minh City route and Far Eastern Air between Taipei and Phnom Penh. We also added capacity on our Osaka route by boosting freighter service from two to three flights per week, and began code-sharing with Air Nippon (ANK), further strengthening our cargo network in Northeast Asia.

On one of our return routes from Europe, we made a strategic decision to move our code-sharing stopover with Lufthansa Airlines from Dubai to Delhi, enhancing our uplift to and from Frankfurt. EVA also expanded our cooperative service in and out of China. We continued to use flexible deployment on existing routes and disciplined scrutiny of links that are less profitable to ensure achievement of our operating target.

EVA elevated passenger comfort and innovative services to the next generation by taking delivery of our first two Boeing 777-300ERs, placing these two new technologically advanced aircraft in service on our Bangkok and London routes in July and August 2005. We also added four Airbus 330-200 passenger aircraft, enabling us to gradually begin to retire our Boeing 767s. These acquisitions brought our passenger fleet up to 34 aircraft. Lease terms for one B747 and one MD-11 freighter expired. We maintained our freighter-fleet size at 17 by replacing aircraft with two MD-11s, one placed in operation in March and the other in August. By the end of 2005, EVA operated a fleet totaling 51 aircraft as detailed on the following chart:

Aircraft Type	Quantity
B747-400	6
B747-400 Combi	9
B747-400 Freighter	3
B767-300ER	2
MD-11 Freighter	14
MD-90	5
B777-300ER	2
A330-200	10
Total	**51**

Results Compared to Projections

We forecast 2005 operating revenues of NT$87.982 billion and EVA's actual results topped NT$88.016 billion, reaching an achievement ratio of 100.04%. Net profit before taxes was projected at NT$1.108 billion and we earned NT$1.137 billion, an achievement ratio of 102.62%.

Analyses of Financial Results

Total Revenues: NT$90.527 billion

Operating revenues for 2005 surpassed 2004 by 6.49% and climbed to NT$88.016 billion. Passenger revenue grew by 11.22% due primarily to steady growth in the global economy and higher passenger loads that were enhanced by the introduction of creative Hello Kitty Jet. Cargo business was recorded a marginal revenues growth of 3.63%, but non-operating income jumped 123.78% to NT$2.511 billion as a result of strong investment gains.

Total Expenses: NT$89.39 billion

Total operating expenses in 2005 rose by 12.4% from 2004 to NT$87.604 billion due to rising fuel costs, expenses associated with fleet expansion and carriage of more passengers. Non-operating expenses fell by 17.1% to NT$1.786 billion as a result of lower interest costs.

Profitability Analysis

Return on total assets: 2.14%

Return on shareholders' equity: 3%

Ratio of operating profit to paid-in capital: 1%

Return on sales: 2%

Earnings per share: NT$0.39

Research and Development

Optimizing advantages of today's electronic business model, EVA consolidated multiple network services for online reservations and e-ticketing, and also added seat selection, pre-flight online meal selection, lost and found, reward claims for Evergreen Club members and more user friendly features that have further improved service quality and made EVA more competitive.

2006 Preview

Operating Guidelines

EVA expects continuous operating rev-

enue growth in 2006. Upholding the values of aviation safety and traditionally friendly services, we operate a fleet of 51 aircraft, applying efficient fleet management and heightening service quality at every opportunity.

EVA Air Traffic Projections

Passenger Services:

Estimates for passenger traffic in 2006 are that it will grow by 6.6% to 6.29 million travelers compared to 5.9 million in 2005.

Basis of Estimation:

We anticipate that the stable market we experienced in 2005 will hold steady. We will add one Airbus 330-200 in May followed by one Boeing 777-300ER in June and another in

November, retiring two Boeing 767-300ERs and one MD90 from our fleet. As a result, we will maintain 34 passenger aircraft.

Cargo Services:

Cargo volume in 2006 is expected to reach 860-thousand tons, increasing by 2.4% over the 840-thousand tons transported in 2005.

Basis of Estimation:

Improving upon a neutral economic outlook for worldwide markets in 2006, indicators point to rapid growth in Mainland China. We are intensifying efforts to grow existing business and explore new opportunities in the Greater China region. EVA will maintain capacity with our current 17 freighters.

Key Marketing Strategies

Passenger Market

- EVA again provided Cross-Strait charter services during the Chinese New Year, and flied two flights from Taipei to each of three destinations: Beijing, Shanghai and Guangzhou.
- EVA is introducing our new Boeing 777-300ERs on American routes and increasing frequency to North American gateways to meet demand:

• We increased Taipei- Los Angeles service to 17 flights per week at the end of March.

• We will expand service between Taipei and San Francisco to 12 flights per week and also commence twice weekly Taipei - Seattle service in mid-June, in addition to the existing daily continuing service to New York (Newark).

• In addition to the code-sharing arrangement we have with Air Canada on our Vancouver route, we will serve the summer vacation market by increasing frequency of the flights that we operate ourselves from three to five weekly.

- EVA began using our new Airbus 330-200s on Japanese routes and expanded service to strong routes in the Pacific region:

• We increased Taipei - Sendai service to four flights per week in mid-January.

- We will expand Taipei - Osaka frequency to 9 flights each week and introduce Taipei - Nagoya service with 5 trips weekly in mid-July.
- We are continuing our code-sharing arrangement with Qantas Airways on three flights a week, but have switched the destination from Sydney to Brisbane.

Cargo Market

- EVA entered into a cooperative arrangement with Air Nippon (ANK) in February to strengthen our freighter service to Nagoya and Osaka.
- We are considering soaring fuel prices as we scrutinize our existing airfreight routes, re-assessing profitability to ensure the most efficient deployment of capacity and most effective cost controls, and we are ramping up measures to speed up turnover.
- We are continuing our cooperative arrangement with Shanghai Airlines and exploring additional collaborative service opportunities so that we can grow and extend our reach into Mainland China. In May 2006, we implemented a strategy to capture a larger share of the thriving airfreight business in South China and streamline services by establishing our new EVA Air South China Cargo Coordination Center in Hong Kong.

Looking beyond 2006 and taking a careful look at the fierce competition within the industry, EVA's corporate spirit of teamwork, service and innovation will continue to be our priorities as we improve operating efficiencies and reduce costs to meet the business challenges that may develop.

Core Strategies

Position Taiwan as a Regional Hub, Linking European, American and Asian Aviation Networks.

- EVA consistently adjusts long- and short-haul route capacity based on market demand, e.g. we redeploy our aircraft to accommodate travel from Southeast Asia to Europe and America, strengthen business on highly profitable routes, and apply measures that enhance capacity utilization. At the same time, we keep our competitive edge by nurturing potential passenger and cargo markets such as Northeast Asia, Mainland China and South Asia and by constantly monitoring traffic rights amendments.

Fleet Renewal

- EVA simplified our operations and maintenance

in June 2006 by selling or trading aircraft and creating a fleet of four models, Boeing 777s, 747s, MD11s and Airbus 330s. The consistency enables us to provide safer and more comfortable services, and to improve profit margins and strengthen management of controllable costs by increasing fleet utilization, upgrading software and hardware processes to systems that maximize operating profitability, etc.

Partnerships

- EVA has established operating alliances with 14 airlines, including American Airlines, Air Canada, Air Nippon, Qantas, British Airways (World Cargo), Lufthansa Cargo and more leading carriers. We are also expanding and exploring cooperative services with other Asian carriers. Through arrangements with carriers that have complementary aviation networks and support a reciprocal operating environment, we can reduce costs and diversify operating risks, and at the same time, provide better and more convenient services to our customers.

Electronic Services

- E-Ticketing - EVA began providing interline electronic ticketing services in partnership with Continental Airlines in September 2005 and is developing similar arrangements with other carriers.
- E-Communications - From electronic bulletins to promotional messages, electronic systems have made it easier and faster for us to deliver prompt, accurate information.
- Online Seat Selection - We will introduce

online seat selection system during the Q2 of 2006. By simplifying the process with our new e-system, EVA will save operating time and reduce costs.

Impacts of Competition, Changing Regulations and Macro Economy

Competition

- The emergence of low-cost carriers has affected the supply and demand balance of passenger markets in some regions, resulting in the inevitable loss of market share.
- Economic developments in Mainland China and offshore migration of Taiwanese manufacturing have had an effect on the Taiwan cargo market. But inadequate air-cargo capacity to and from Mainland China and heavy reliance of US & Europe-bound freight on transit via Taiwan have so far minimized the impact.

  Due to its open-sky policy, however, China is now actively purchasing aircraft, building airports and infrastructure, and opening traffic rights to European and American carriers, in addition to expanding its qualification of freighters. These developments may have a significant impact on the Taiwan air-cargo market.
- Development of transportation within Taiwan, i.e. the east-west highway and high-speed rail, has changed the way domestic carriers operate and to a certain extent, affected the supply and demand balance within the regional passenger market.

Changing Regulations

- Development of the air transport market goes hand-in-hand with the national political situation and economical stability.
- Uncertainty over Taiwan's cross-strait policies related to admission of tourists from Mainland China to Taiwan, investment in China, sea-to-inland transit, cargo charter flights, direct links and relevant bilateral policies leave the evaluation of evolutionary trends and market demand open to ongoing scrutiny.
- Holding fuel surcharges at levels below those allowed by foreign governments creates an unfavorable operating environment for Taiwan-based carriers.
- Rising consumer consciousness has caused some related policies to become burdensome to the aviation industry, e.g., the penalty code enacted by the European Union that sets compensation for over-selling.

Macro Economy

- Skyrocketing fuel prices may result in recession, inflation and/or stagnant consumer spending worldwide, leaving the aviation industry faced with a potential slide in public travel in addition to our own escalating costs.

- The Economy in the Asia Pacific region is expected to remain healthy, particularly in Mainland China, according to analyses (by DGBAS, Executive Yuan). The economic momentum demonstrated in 2005 is expected to continue with a projected 2006 growth rate of 9.4%, just under the 9.9% achieved last year. The inevitable appreciation of (China's) RMB and the termination of Japan's zero-interest policy will facilitate greater flow of international capital into the region in addition to triggering volatility for the US dollar interest rate.
- Global warming has caused climate changes, resulting in rampant floods, blizzards and hurricanes, etc. Additional threats of terrorist attacks or a widespread avian flu outbreak could devastate the air transport market and drive up operating costs.

While we brave all of these factors that are beyond our control, EVA Air will proceed with our plans for strategic market expansion, implement cost controls, strive for policy and law liberalization cautiously, practice financial hedging to strengthen our operational strength, and meet competition head-on.

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 51 aircraft(as of Dec.2005) 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 Chiang Kai-Shek 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

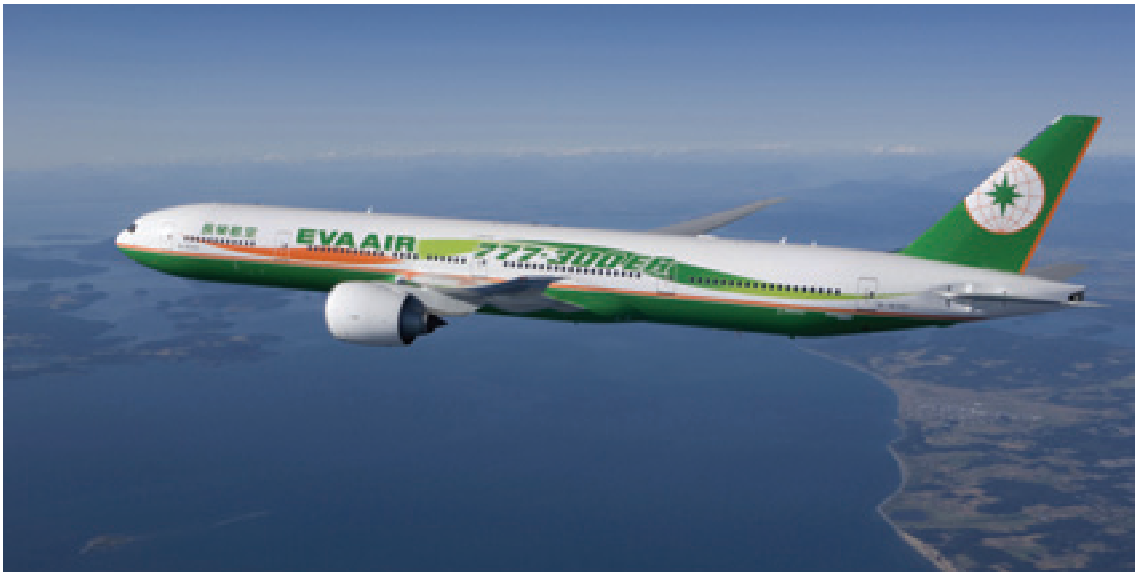
On September 1, 1988 at the celebration for the 20th birthday of Evergreen Marine Corporation, Group Chairman Y. F. Chang announced that Evergreen would launch an international airline. EVA Air was officially formed in March 1989. After careful deliberation, the fledgling airline signed a contract with 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 was inaugurated 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 are scheduled to begin in 2005. The carrier relocated its hub to the brand-new Terminal 2 at Chiang Kai-Shek 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 debut 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.

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 continue through 2009.

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."

Calendar of 2005 Events

February

EVA launched service to Vientiane, Laos with three flights per week.

March

EVA took the opportunity created by a new air traffic agreement between the governments

of Taiwan and Korea to upgrade flights to Seoul from charters to scheduled service. We also boosted frequency from seven to nine weekly flights.

June

Shareholders voted at their 2005 annual shareholders' meeting to distribute a stock dividend of NT$0.1 per share and a cash dividend of NT$0.5, in addition to allocating NT$51.17 million for employee bonuses and NT$20.40 million for supervisors and directors remuneration.

EVA resumed service between Taipei and Honolulu with three flights a week and introduced a new Airbus 330-200 featuring the airline's latest innovations in cabin amenities and entertainment on-demand.

July

EVA took delivery of its first brand-new Boeing B777-300ER at the aircraft maker's factory in Seattle, Washington, USA.

August

EVA invested IDR784,000,000 and acquired a 49% stake in PT Perdana Andalan Air Service.

October

EVA initiated an alliance with Far Eastern Air on the Taipei - Phnom Penh route, starting with two flights per week and increasing to five on November 1, 2005.

November

The Board of Directors approved the issue of 360,000,000 shares of common stock to purchase more new aircraft.

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	2004.06.15	3 Years	2004.06.15	236,587	0	402,619	0.01	19,667	0
Director	Chang Yung-Fa (Note 1)	2004.06.15	3 Years	1989.03.31	660,454,669	22.75	750,571,262	20.02	25,906,773	0.69
Director	Chang Kuo-Cheng (Note 1)	2004.06.15	3 Years	1989.03.31	660,454,669	22.75	750,571,262	20.02	0	0
Director	Chang Kuo-Wei	2004.06.15	3 Years	2001.04.19	70,977,610	2.44	80,762,241	2.15	0	0
Director	Lin Ching-En	2004.06.15	3 Years	2001.04.19	3,690,013	0.13	4,319,354	0.12	0	0
Director	Lin Shin-I	2004.06.15	3 Years	1998.05.06	0	0	0	0	0	0
Director	Kao Ruey-Perng	2004.06.15	3 Years	2002.06.18	275	0	1,048	0	0	0
Supervisor	Ko Li-Ching	2004.06.15	3 Years	1992.05.02	136,887	0	143,509	0	0	0
Supervisor	Owng Rong-Jong (Note 1)	2004.06.15	3 Years	1996.03.21	660,454,669	22.75	750,571,262	20.02	0	0
Supervisor	Chen Cheng-Pang	2004.06.15	3 Years	2001.04.19	5,770	0	6,398	0	6,351	0

Note 1: Representative of Evergreen Marine Corp.

Note 2: As of April 30, 2006, the Company has issued 3,749,886,920 shares.

April 30, 2006

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	Taipei Commercial High School Chairman, Evergreen Marine Corp.	Director, Evergreen Marine Corp. Director, Evergreen Intl. Corp.	Director Director	Chang Kuo-Cheng Chang Kuo-Wei	Son Son
0	0	BA, Boston University Chairman, Evergreen International Corp.	Chairman, Evergreen Marine Corp. Director, Evergreen Intl. Storage & Transport Corp. Director, Evergreen Intl. Corp. Director, Evergreen Sky Catering Corp.	Director Director	Chang Yung-Fa Chang Kuo-Wei	Father Brother
0	0	Master of Arts in Economics, California State University, Long Beach CEVP, EVA Airways Corp.	President, EVA Airways Corp. Director, Evergreen Sky Catering Corp.	Director Director	Chang Yung-Fa Chang Kuo-Cheng	Father Brother
0	0	MBA, Kobe University, Japan EVP, EVA Airways Corp., America.	Chairman, Evergreen Air Cargo Service Corp.	-	-	-
0	0	BA in Political Science, NTU. Director, China Development Industrial Bank	Chairman, United Holdings Corp.	-	-	-
0	0	Keelung Commercial School Director, Evergreen Container Terminal Corp.	Executive Director of Chang Yung-Fa Charity Foundation	-	-	-
0	0	Keelung Girl's Senior High School Executive VP, Evergreen International Corp.	Supervisor, Evergreen Marine Corp. Supervisor , Evergreen Intl.Storage & Transport Corp . Supervisor , Central Reinsurance Corp. Supervisor, Uni Airways Corp. Supervisor,Hsin-Tao Power Corp.	-	-	-
0	0	EMBA, Department of Business Administration, College of Business , National Taipei University Executive Vice President, Evergreen Marine Corp.	Exec.VP, Evergreen Marine Corp. Supervisor , Evergreen Intl. Storage & Transport Corp . Director , Central Reinsurance Corp.	-	-	-
0	0	BA, Soochow University Senior VP, Uniglory Marine Corp.	Senior VP, Italia Marittima S.P.A	-	-	-

Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2006

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp.	Evergreen International SA (Panama)

Representatives with Major Holdings in Institutional Investors

April 30, 2006

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen International SA (Panama)	Chang Yung-Fa, Chang Kuo-Hua, Chang Kuo-Ming, Chang Kuo-Cheng Chang Kuo-Wei

Criteria for Expertise and Independence of Directors and Supervisors

Qualifications / Name	More Than 5 Years of Experience in Business, Law, Finance or Areas Relevant to The Mission of The Company	Independence Criteria							Remarks
		1	2	3	4	5	6	7	
Lin Bou-Shiu	√		√	√	√	√	√	√	
Chang Yung-Fa	√	√							
Chang Kuo-Cheng	√								
Chang Kuo-Wei	√				√	√	√	√	
Lin Ching-En	√			√	√	√	√	√	
Lin Shin-I	√	√	√	√	√	√	√	√	
Kao Ruey-Perng	√	√	√	√	√	√	√	√	
Ko Li-Ching	√		√	√			√	√	
Owng Rong-Jong	√	√	√	√		√	√		
Chen Cheng-Pang	√	√	√	√	√	√	√	√	

(1) Not an employee of the Company or a director, supervisor or employee of affiliated companies; but an independent director or independent supervisor of the Company's parent company or affiliated companies would not be subject to this criteria.

(2) Not an individual shareholder directly or indirectly holding 1% or more of the total shares issued by the Company or one of the top 10 individual shareholders.

(3) Not a spouse or relative of the second-degree or closer to persons referenced in the previous two columns.

(4) Not a director, supervisor or employee of the institutional shareholder directly or indirectly holding 5% or more of the total stocks issued by the company or a director, supervisor or employee of one of the top five institutional shareholders.

(5) Not a director, supervisor, manager or a shareholder holding 5% or more of the outstanding shares issued by certain companies or institutions that have financial or business relationships with the Company.

(6) Not an owner, partner, director, supervisor or manager of any sole proprietorship, partnership, company or institution and his/her spouse, or a specialist and his/her spouse who has provided financial, commerce, or legal consultation and services to the Company or affiliated companies within one year.

(7) Not an institutional body or its representative as described in Article 27 of the Company Law.

Compensation for Directors

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">Transportation Allowance</th><th colspan="2">Compensation</th><th colspan="2">Compensation from Earnings Distribution</th></tr>
<tr><th>EVA</th><th>Consolidated Subsidiaries of EVA</th><th>EVA</th><th>Consolidated Subsidiaries of EVA</th><th>EVA</th><th>Consolidated Subsidiaries of EVA</th></tr>
<tr><td>Chairman</td><td>Lin Bou-Shiu</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">7,171</td><td rowspan="7">9,861</td><td rowspan="7">10,200</td><td rowspan="7">14,000</td></tr>
<tr><td>Director</td><td>Evergreen Marine Corp.
Chang Yung-Fa</td></tr>
<tr><td>Director</td><td>Evergreen Marine Corp.
Chang Kuo -Cheng</td></tr>
<tr><td>Director</td><td>Chang Kuo-Wei</td></tr>
<tr><td>Director</td><td>Lin Ching-En</td></tr>
<tr><td>Director</td><td>Lin Shin-I</td></tr>
<tr><td>Director</td><td>Kao Ruey -Perng</td></tr>
</table>

Note : Employee bonus from earnings distribution proposed by Board of Directors of NT$52,320 thousand is preliminary at the time of printing this report, and it has not been approved by shareholders yet.

Dec. 31, 2005

NT$ (Thousand)

Employee Bonus from Earnings Distribution								Total Amount		Total Amount in Net Profit (%)		Number of Employee Stock Options Granted		Other Compensation	
EVA				Consolidated Subsidiaries of EVA				EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
Cash	Stock			Cash	Stock										
	Shares	Price	Amount		Shares	Price	Amount								
Note	-	-	-	Note	-	-	-	17,371	23,861	1.31	1.43	-	-	-	-

Compensation for Supervisors

Title	Name	Transportation Allowance		Compensation		Compensation from Earnings Distribution	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
Supervisor	Ko Li-Ching	-	-	-	-	700	1,700
Supervisor	Evergrenn Marine Corp. Owng Rong-Jong						
Supervisor	Chen Cheng-Pang						

Dec. 31, 2005

NT$ (Thousand)

Total Amount		Total Amount in Net Profit (%)		Other Compensation	
EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
700	1,700	0.05	0.10	-	-

Principal Officers

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder	
			Number	(%)	Number	(%)	Number	(%)
President	Chang Kuo-Wei	2005.01.01	80,762,241	2.154	0	0	0	0
Chief Executive Vice President	Chen Hsing-Te	2005.10.01	359,930	0.010	0	0	0	0
Executive Vice President, Public Relations Div.	Nieh Kuo-Wei	2005.01.01	77,456	0.002	4,125	0	0	0
Executive Vice President, Corporate Planning Div.	Kao Wan-Hsin	2003.07.01	101,220	0.003	0	0	0	0
Executive Vice President, Flight Operations Div.	Yuen Ping-Yu	2004.01.01	82,041	0.002	0	0	0	0
Executive Vice President, CKS Airport Div.	Chiu Ke-Tai	2001.04.19	253,017	0.007	0	0	0	0
Executive Vice President, Flight Safety Div.	Ho Ching-Sheng	2005.01.01	450,101	0.012	0	0	0	0
Executive Vice President, Legal & Insurance Div.	Tai Jiin-Chyuan	2005.07.01	150,843	0.004	0	0	0	0
Senior Vice President, Finance Div.	Wu Kuang-Hui	2004.07.01	164,964	0.004	0	0	0	0
Senior Vice President, Passenger Div.	Li Shyn-Liang	2005.11.14	106,634	0.003	0	0	0	0
Senior Vice President, Flight Operations Div.	Han Jei-Li	2003.01.01	765	0	0	0	0	0
Senior Vice President, Cargo Div.	Yang Yung-Heng	2006.04.15	57,652	0.002	0	0	0	0

April 30, 2006

Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Blood Relationship of Each Other		
		Title	Name	Relationship
Master of Arts in Economics, California State University, Long Beach Chief Executive Vice President,EVA Airways Corp.	Director, Evergreen Sky Catering Corp.			
BA in Transportation Technology & Management, Chiao-Tung University Senior Vice President, Evergreen Intl. Corp.				
Master in Communications, Shih Hsin University Manager, Evergreen Intl.(UK) Ltd				
BA in French, Fu Jen University Senior Vice President, Uni Airways Corp.				
BA in Electrical Engineering, Cheng Kung University				
BA in Politics, Chinese Cultural University Junior Vice President, Evergreen Construction Corp.				
Graduate Institute of Flight Safety, University of Missouri				
Graduate Institute of Maritime Law, Ocean University Manager, Evergreen Intl. Corp.				
MBA, Sun Yat Sen University Junior Vice President ,Evergreen Intl.Corp.				
BA in Traffic and Transportation Management, Feng Chia University				
BA in Soil & Water Conservation, Tamkang University				
BA in Business Administration, Chinese Cultural University				

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder	
			Number	(%)	Number	(%)	Number	(%)
Senior Vice President Cabin Service Div.	Yang I-Teng	2006.04.01	12,682	0	0	0	0	0
Senior Vice President, Inflight Service Div.	Chang Lih-Lih	2004.01.01	156,340	0.004	0	0	0	0
Senior Vice President, Engineering& Maintenance Div.	Kuo Sheng-Yih	2003.01.01	103,398	0.003	885	0	0	0
Senior Vice President, Computer Div.	Fang Gwo-Shiang	2006.01.01	173,058	0.005	0	0	0	0
Senior Vice President, Personnel Div.	Lu Yu-Chuan	2006.01.01	71,050	0.002	0	0	0	0
Senior Vice President, Corporate Planning Div.	Sun Cyai-Ming	2006.04.24	83,461	0.002	0	0	0	0
Senior Vice President, Corporate Planning Div.	Li Jen-Ling	2006.01.01	93,958	0.003	589	0	0	0
Senior Vice President, Corporate Planning Div.	Lin Jyh-Jong	2006.01.01	127,061	0.003	0	0	0	0
Senior Vice President, Corporate Planning Div.	Cheng Chuan- Yi	2006.01.01	70,252	0.002	0	0	0	0
Deputy Senior Vice President, Auditing Div.	Li Ping-Yin	2005.01.01	115,558	0.003	891	0	0	0
Deputy Senior Vice President, Finance Div.	Tsai Ta-Wei	2004.07.01	749	0	828	0	0	0
Deputy Senior Vice President, CKS Airport Div.	Soong Allen	2005.04.01	12,310	0	0	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

Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Blood Relationship of Each Other		
		Title	Name	Relationship
Department of Chemical Engineering, Minghsin Institute Senior Vice President, Evergreen Sky Catering Corp.				
BA in Statistics, Tamkang University, Secretary, Evergreen Intl. Corp.				
Dept. of Marine Engineering, Kaohsiung Institute of Marine Technology				
BA in Computer Science, Feng Chia University Deputy Junior Vice President, Evergreen IT Corp.				
BA in Business Administration, Fu Jen University Junior Vice President, Evergreen Aviation Technologies Corp.				
BA in International Trade,Chinese Cultural University				
BA in Industrial & Business Management, National Taiwan University				
Graduate School of Maritime Science, Chinese Cultural University Deputy Manager, Evergreen America Corp.				
BA in International Trade, Tunghai University				
Graduate School of Management, Yuan Ze University Manager, Evergreen Heavy Industry Corp.				
BA in Accounting, Chinese Cultural University				
Dept. of Tourism, Shin-Hsin University				
BA in Sociology, Fu Jen University				

Compensation for President and Executive Vice Presidents

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">Salary</th><th colspan="2">Reward and Extraordinary Allowance</th></tr>
<tr><th>EVA</th><th>Consolidated Subsidiaries of EVA</th><th>EVA</th><th>Consolidated Subsidiaries of EVA</th></tr>
<tr><td>President</td><td>Chang Kuo-Wei</td><td rowspan="9">24,284</td><td rowspan="9">24,284</td><td rowspan="9">-</td><td rowspan="9">-</td></tr>
<tr><td>Chief Executive Vice President</td><td>Chen Hsing-Te</td></tr>
<tr><td>Executive Vice President</td><td>Chiu Ke-Tai</td></tr>
<tr><td>Executive Vice President</td><td>Kao Wan-Hsin</td></tr>
<tr><td>Executive Vice President</td><td>Yuen Ping-Yu</td></tr>
<tr><td>Executive Vice President</td><td>Ho Ching- Sheng</td></tr>
<tr><td>Executive Vice President</td><td>Nieh Kuo-Wei</td></tr>
<tr><td>Executive Vice President</td><td>Kou Jin- Cheng</td></tr>
<tr><td>Executive Vice President</td><td>Tai Jiin- Chyuan</td></tr>
</table>

Note : Employee bonus from earnings distribution proposed by Board of Directors of NT$52,320 thousand is preliminary at the time of printing this report, and it has not been approved by shareholders yet.

Dec. 31, 2005

NT$ (Thousand)

Employee Bonus from Earnings Distribution								Total Amount		Total Amount in Net Profit (%)		Number of Employee Stock Options Granted		Other Compensation	
EVA				Consolidated Subsidiaries of EVA				EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA
Cash	Stock			Cash	Stock										
	Shares	Price	Amount		Shares	Price	Amount								
Note	-	-	-	Note	-	-	-	24,284	24,284	1.83	1.46	-	-	-	-

Managers Granted Employee Bonuses, Distribution

Dec. 31, 2005

NT$ (Thousand)

	Title	Name	Stock Bonus			Cash Bonus	Total	Total Amount in
			Shares	Price	Amount	Amount	Amount	Net Profit (%)
Manager	President	Chang Kuo-Wei	-	-	-	Note	Note	Note
	Chief Executive Vice President	Chen Hsing-Te						
	Executive Vice President	Nieh Kuo-Wei						
	Executive Vice President	Kao Wan-Hsin						
	Executive Vice President	Yuen Ping-Yu						
	Executive Vice President	Chiu Ke-Tai						
	Executive Vice President	Ho Ching-Sheng						
	Executive Vice President	Tai Jiin-Chyuan						
	Executive Vice President	Kou Jin-Cheng						
	Senior Vice President	Wu Kuang-Hui						
	Senior Vice President	Han Jei-Li						
	Senior Vice President	Chang Lih-Lih						
	Senior Vice President	Kuo Sheng-Yih						
	Senior Vice President	Fang Gwo-Shiang						
	Senior Vice President	Chen Yeou-Yuh						
	Senior Senior Vice President	Li Shyn-Liang						
	Deputy Senior Vice President	Sun Cyai-Ming						
	Deputy Senior Vice President	Li Jen-Ling						
	Deputy Senior Vice President	Lin Jyh-Jong						
	Deputy Senior Vice President	Cheng Chuan-Yi						
	Deputy Senior Vice President	Lu Yu-Chuan						
	Deputy Senior Vice President	Li Ping-Yin						
	Deputy Senior Vice President	Tsai Ta-Wei						
	Deputy Senior Vice President	Soong Allen						

Note : Employee bonus from earnings distribution proposed by Board of Directors of NT$52,320 thousand is preliminary at the time of printing this report, and it has not been approved by shareholders yet.

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

Title	Name	2005		As of April 30,2006	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Lin Bou-Shiu	3,607	0	31,197	0
Director	Evergreen Marine Corp.	6,725,220	0	58,158,835	0
	Representative: Chang Yung-Fa	990,050	0	8,561,826	0
	Representative: Chang Kuo-Cheng	1,063,908	0	9,200,540	0
Director & President	Chang Kuo-Wei	722,744	0	6,350,202	0
Director	Lin Ching-En	(30,746)	0	297,789	0
Director	Kao Ruey-Perng	10	0	0	0
Director	Lin Shin-I	0	0	0	0
Supervisor	Ko Li-Ching	1,393	0	0	0
Supervisor	Evergreen Marine Corp.	6,725,220	0	58,158,835	0
	Representative: Owng Rong-Jong	299	0	0	0
Supervisor	Chen Cheng-Pang	62	0	0	0
Major Shareholder	Evergreen Marine Corp.	6,725,220	0	58,158,835	0
Major Shareholder	Evergreen International Corp.	3,693,082	0	31,636,754	0
Chief Executive Vice President	Chen Hsing-Te	2,597	0	92,465	0
Executive Vice President	Nieh Kuo-Wei	(8,566)	0	32,754	0
Executive Vice President	Kao Wan-Hsin	(44,131)	0	56,736	0
Executive Vice President	Yuen Ping-Yu	(17,406)	0	20,870	0
Executive Vice President	Chiu Ke-Tai	2,166	0	30,000	0
Executive Vice President	Ho Ching-Sheng	3,943	0	44,101	0

Title	Name	2005		As of April 30,2006	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Executive Vice President	Tai Jiin-Chyuan	634	0	85,489	0
Senior Vice President	Wu Kuang-Hui	850	0	77,358	0
Senior Vice President	Li Shyn-Liang	33,796	0	72,838	0
Senior Vice President	Han Jei-Li	(62,382)	0	59	0
Senior Vice President	Yang Yung-Heng (Note 2)	0	0	(10,000)	0
Senior Vice President	Yang I-Teng (Note 3)	0	0	0	0
Senior Vice President	Chang Lih-Lih	4,689	0	21,339	0
Senior Vice President	Kuo Sheng-Yih	(46,526)	0	60,595	0
Senior Vice President	Fang Gwo-Shiang	(26,077)	0	77,985	0
Senior Vice President	Lu Yu-Chuan	9	0	70,081	0
Senior Vice President	Sun Cyai-Ming	810	0	0	0
Senior Vice President	Li Jen-Ling	(35,275)	0	55,251	0
Senior Vice President	Lin Jyh-Jong	(17,582)	0	0	0
Senior Vice President	Cheng Chuan-Yi	(62,998)	0	70,019	0
Deputy Senior Vice President	Li Ping-Yin	408	0	73,530	0
Deputy Senior Vice President	Tsai Ta-Wei	(56,673)	0	(5,942)	0
Deputy Senior Vice President	Soong Allen	22	0	10,000	0
Deputy Senior Vice President	Wu Su-Shin (Note 4)	0	0	44,954	0

Note 1: Shareholders holding more than 10% of the Company's stock are noted as "major shareholders" and listed respectively.

Note 2: Senior Vice President Yang Yung-Heng was inaugurated on April 15, 2006.

Note 3: Senior Vice President Yang I-Teng was inaugurated on April 1, 2006.

Note 4: Deputy Senior Vice President Wu Su-Shin was inaugurated on January 1, 2006.

Information on Stock Transfer: Nil

Information on Stock Pledged: Nil

Capital and Shares

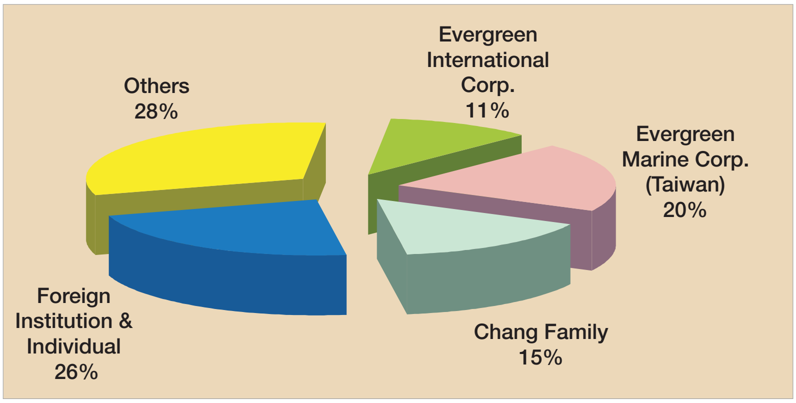
As of 31 December, 2005, EVA Air had authorized share capital of 4,000,000,000 in common stock at NT$10 par value per share with 3,389,887,000 shares issued and outstanding.

History of Capitalization

Month/ Year	Price	Authorized Capital Shares ('000)	Authorized Capital Amount ('000)	Issued Capital Shares ('000)	Issued Capital Amount ('000)	Sources of Capital ('000)	Non-Monetary Capital Expansion
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 conversion414,656	-
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	-

Month/ Year	Price	Authorized Capital		Issued Capital		Sources of Capital ('000)	Non-Monetary Capital Expansion
		Shares ('000)	Amount ('000)	Shares ('000)	Amount ('000)		
06/2005	10	4,000,000	40,000,000	3,356,745	33,567,445	Corporate bond conversion 523,550	-
08/2005	10	4,000,000	40,000,000	3,389,667	33,896,675	Capitalization of Profit 329,230	-
12/2005	10	4,000,000	40,000,000	3,389,887	33,898,869	Corporate bond conversion 2,194	-
03/2006	10	4,000,000	40,000,000	3,749,887	37,498,869	Cash offering 3,600,000	-

Shareholders Structure



Status of Shareholders

As of April 16,2006

	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution & Individual	Total
Number of Shareholders	3	4	124	82,958	775	83,864
Shareholdings	164	3,494,408	1,245,577,542	1,518,850,501	981,964,305	3,749,886,920
Holding Percentage	0	0.09	33.22	40.50	26.19	100.00

Distribution of Common Shares

As of April 16,2006

Range of Shareholdings	Number of Shareholders	Number of Shares	%
1- 999	23,158	4,813,602	0.1284
1,000-5,000	29,216	66,184,861	1.7650
5,001-10,000	11,644	82,530,059	2.2009
10,001-15,000	6,671	78,064,883	2.0818
15,001-20,000	2,687	47,658,645	1.2710
20,001- 30,000	3,638	86,961,120	2.3190
30,001-50,000	2,948	113,910,460	3.0377
50,001-100,000	2,332	159,409,190	4.2510
100,001-200,000	947	126,005,563	3.3602
200,001-400,000	303	81,795,382	2.1813
400,001-600,000	83	39,396,944	1.0506
600,001- 800,000	51	35,565,048	0.9484
800,001-1,000,000	20	18,150,490	0.4840
1,000,001 and above	166	2,809,440,673	74.9207
Total	83,864	3,749,886,920	100

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

Items		Year	2004 (Distributed in 2005)	2005 (Distributed in 2006)	As of April 30, 2006
Market Price per Share	Highest		NT$22.5	NT$17.45	NT$14.55
	Lowest		NT$12.05	NT$12.05	NT$12.10
	Average		NT$14.98	NT$14.66	NT$13.24
Net Worth per Share	Before Distribution		NT$13.18	NT$12.97	NT$12.08
	After Distribution		NT$12.53	NT$12.73	-
Earnings per Share	Weighted Average Shares		3,090,044,000 shares	3,362,148,000 shares	3,429,887,000 shares
	Earnings Per Share	Before Adjustment	NT$1.06	NT$0.39	NT$0.07
		After Adjustment	NT$1.05	-	-
Dividends per Share	Cash Dividends		NT$0.49040005	NT$0.2	-
	Stock Dividends	Dividends from Retained Earnings	NT$0.09808001	-	-
		Dividends from Capital Surplus	-	-	-
Return on Investment	Price/Earnings Ratio (Note 1)		13.71	37.21	-
	Price/Dividend Ratio (Note 2)		29.36	72.55	-
	Cash Dividend Yield Rate (Note 3)		3.41%	1.38%	-

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, the Company has adopted a remainder appropriation method as its dividend policy to accommodate future operations and expansion, distributing cash dividends and stock dividends alternately with cash dividends that range from 0 to 50% and stock dividends from 100% to 50%. To maintain profitability and govern the impact of stock dividends on its operating performance, the Company 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 2005 dividend distribution at its meeting on April 24, 2006 that cash dividends of NT$0.2 per share will be distributed to shareholders. The proposed dividend distribution will be effected upon the approval of shareholders at the Annual Shareholder Meeting in June 2006.

Employee Bonuses and Compensation Paid to Directors and Supervisors

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

Proposed Employee Bonus Plan Approved by Board of Directors

Employee Cash Bonus: NT$ 52,320,000

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: NT$ 10,900,000

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: NT$ 0.38

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

Employee Cash Bonus: NT$ 51,173,775

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: NT$ 20,400,000

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

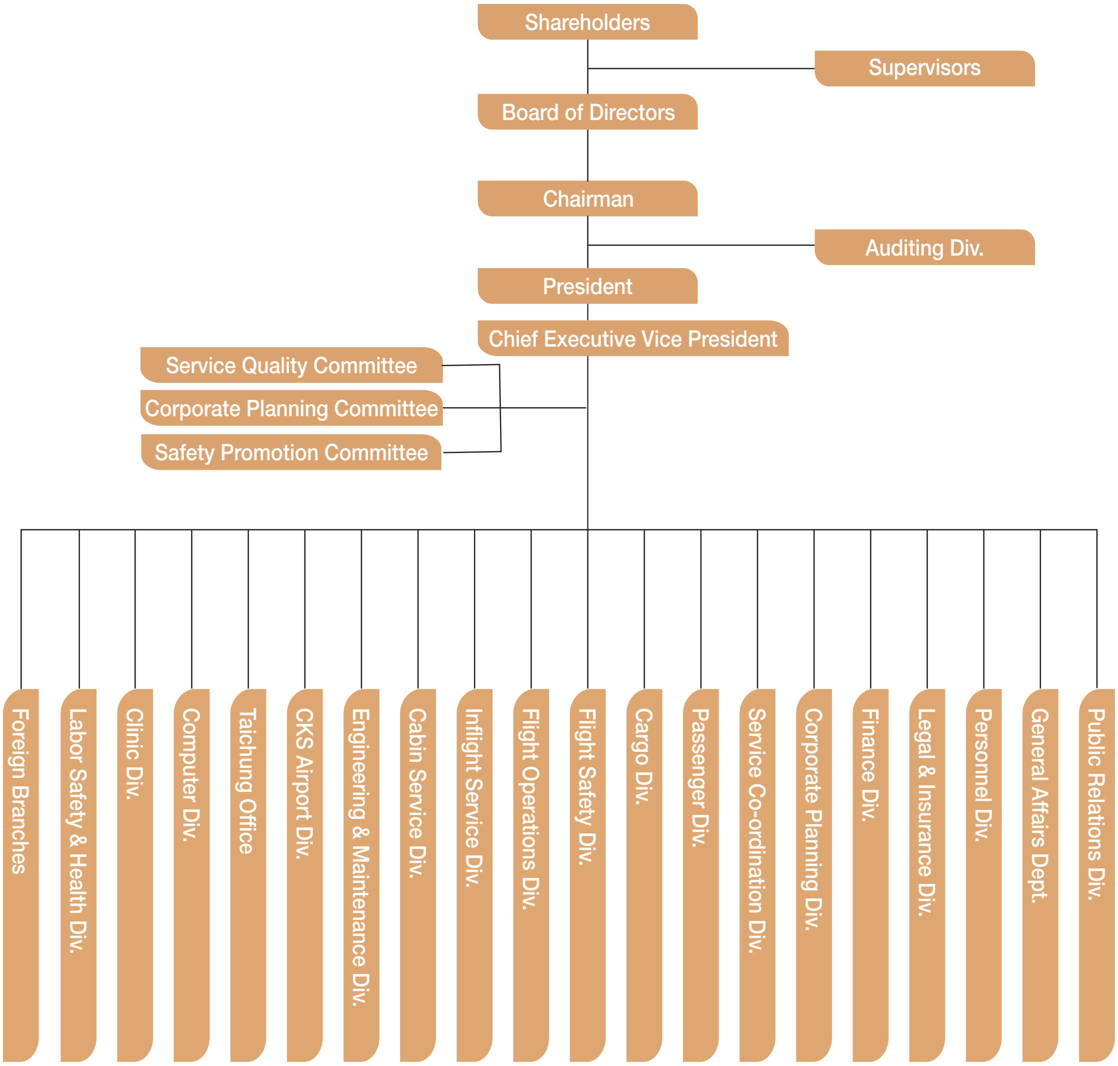
Estimated EPS after deduction of employee bonus and compensation to directors and supervisors: NT$ 1.04

Status of Stock Repurchase by the Company: N/A

EVA Air People

		2004	2005
No. of Employees	Pilots	719	738
	Cabin Crew	1,470	1,471
	Dispatchers	44	31
	Maintenance	79	106
	Other	2,622	2,752
	Total	4,934	5,098
Average Age		32.7	33.4
Average Seniority		7.0	7.4
Education	Doctorate	0.06%	0.08%
	Master's	3.15%	3.60%
	Bachelor's	85.91%	86.39%
	High School	10.21%	9.30%
	Other	0.67%	0.63%

Organization

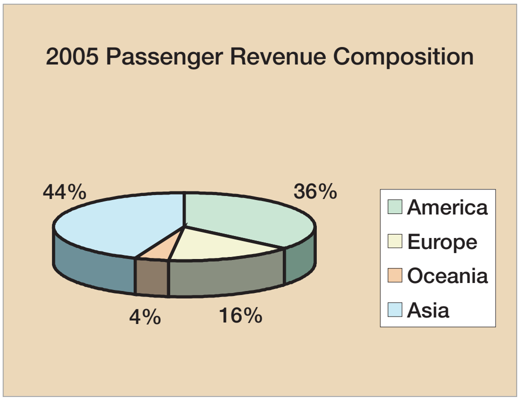


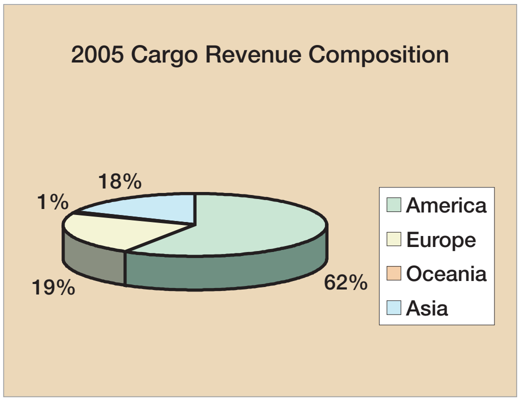
The Fleet

- January 2005 - ended a lease with ATLAS for one B747-400 freighter.
- March 2005 - leased a second MD-11 freighter from World Airways and one MD90 from UNI Airways, and took delivery of our seventh A330-200.
- April 2005 -sold one B767-200.
- May 2005 - returned one B767-300ER, sold one B767-200 and leased our eighth A330-200.
- June 2005 -returned a B767-300ER and a MD-11 freighter.
- July 2005 - took delivery of our first B777-300ER and our ninth A330-200.
- August 2005 - took delivery of our second B777-300ER, leased our third MD-11 freighter from World Airways, and retired one B767-200.
- October 2005 - took delivery of our tenth A330-200.
- November 2005 - bought back one B747-400 and sold our last B767-200 passenger aircraft.

Aircraft Type	Owned	Financial Lease	Operating Lease	Total	Age (as of Dec. 05)	On Order (Delivery Date)	Daily Avg. Utilization (hrs) - 2005
B747-400	1	3	2	6	10.30		14.03
B747-400 Combi	1	0	8	9	11.42		13.11
B767-300ER	0	0	2	2	13.55		8.20
A330-200	2	0	8	10	1.37	1 (May 2006)	10.11
MD-90	0	0	5	5	8.74		5.01
MD-11 Freighter	9	0	5	14	8.87		14.99
B747-400 Freighter	3	0	0	3	4.46		14.92
B777-200LR	0	0	0	0		3 (March, June, 2008/ March 2009)	NA
B777-300ER	0	0	2	2	0.39	10(Jan.,Nov. 2006/Feb.,May, Aug.,Dec.2007/ May,July,Oct. 2008/ Jun. 2009)	11.88
Total	16	3	32	51	7.52		12.61

The Market





Passenger Operations

	ASK (Million)			RPK (Million)			Load Factor (%)		
	2005	2004	%	2005	2004	%	2005	2004	%
America	13,548	12,807	5.8%	11,171	10,637	5.0%	82.5	83.1	-0.6
Europe	5,441	5,096	6.8%	4,151	3,985	4.2%	76.3	78.2	-1.9
Asia	8,786	8,263	6.3%	6,656	6,251	6.5%	75.8	75.7	0.1
Oceania	1,573	1,187	32.5%	1,121	882	27.1%	71.3	74.3	-3.0
Total	29,348	27,353	7.3%	23,099	21,755	6.2%	78.7	79.5	-0.8

	Passenger No.			Revenue (Million)			Yield (NT$)		
	2005	2004	%	2005	2004	%	2005	2004	%
America	1,046,656	989,486	5.8%	15,182	13,871	9.5%	1.36	1.30	4.2%
Europe	523,735	510,225	2.6%	6,963	6,583	5.8%	1.68	1.65	1.5%
Asia	4,185,380	3,820,850	9.5%	18,801	16,566	13.5%	2.82	2.65	6.6%
Oceania	148,648	117,694	26.3%	1,707	1,329	28.4%	1.52	1.51	1.1%
Total	5,904,419	5,438,255	8.6%	42,653	38,349	11.2%	1.85	1.76	5.1%

Cargo Operations

	AFTK (Million)			FTK (Million)			Load Factor (%)		
	2005	2004	%	2005	2004	%	2005	2004	%
America	4,877	4,773	2.2%	3,421	3,408	0.4%	70.1	71.4	-1.3
Europe	1,258	1,497	-16.0%	1,072	1,288	-16.8%	85.2	86.0	-0.8
Asia	1,065	1,108	-3.9%	753	752	0.1%	70.7	67.9	2.8
Oceania	53	44	20.5%	39	33	18.2%	73.2	67.9	5.3
Total	7,253	7,423	-2.3%	5,285	5,481	-3.6%	72.9	73.9	-1.0

	Cargo Carried (Tons)			Revenue (Million)			Yield (NT$)		
	2005	2004	%	2005	2004	%	2005	2004	%
America	288,946	288,010	0.3%	24,801	23,200	6.9%	7.25	6.81	6.5%
Europe	111,602	133,885	-16.6%	7,467	8,380	-10.9%	6.97	6.50	7.2%
Asia	438,269	432,624	1.3%	7,411	6,732	10.1%	9.84	8.95	9.9%
Oceania	5,282	4,470	18.2%	253	222	14.0%	6.49	6.64	-2.3%
Total	844,099	858,989	-1.7%	39,932	38,534	3.6%	7.56	7.03	7.5%

Major Competitors and Market Shares

Item \ year		2005	2004
Number of Flights	EVA Airways	27,090	24,862
	Taiwan	139,194	131,706
	Market Share (%)	19.46	18.87
Number of Passengers	EVA Airways	5,467,933	4,976,282
	Taiwan	26,144,974	24,211,111
	Market Share (%)	20.91	20.55
Tons of Cargo	EVA Airways	468,536	478,507
	Taiwan	1,768,402	1,770,084
	Market Share (%)	26.49	27.03

Data Source: Monthly Digest of Statistics, CAA

2006 Outlook

The vigorous global economy in tandem with surging cross-strait economic currents and the inevitable removal of the ban against direct travel between Mainland China and Taiwan is creating a robust business and tourism travel market. Analyses of growth potential for EVA within this market show:

America

EVA Air now has 36 direct passenger flights to the US and Canada. To meet the demands of the busy summer schedule for 2006 (March 26 - October 28), EVA Air has increased frequency to 17 flights per week on the Los Angles route, to 12 per week on our San Francisco service and two weekly nonstop flights to Seattle. We are enhancing the convenience of our code-share relationship with Air Canada by raising frequency on the Vancouver route from three to five flights per week during the high season (late June - early September). And we have extended our routes and given passengers added conveniences of easy transit to domestic destinations throughout the US and Canada by maintaining code-sharing relationships with American Airlines, Air Canada, Continental Airlines and America West Airlines.

Balancing effective costing with service, we have expanded cargo capacity in North America. We now provide more than 40 weekly cargo flights to America, and cater to our customers' demands for airfreight services between Mainland China and the US and Canada. We have leveraged maximum return on investment by beefing up service and expanding our cargo capacity to the US, meeting our customers' demand and at the same time, remaining vigilant to conditions influencing operational effectiveness.

Europe

Starting with our 2005 winter schedule, EVA is operating six weekly flights to London via Bangkok using our new Boeing 777-300ER aircraft, and giving our passengers the most advanced and comfortable cabins available plus upgraded service standards.

EVA is now making 11 freighter trips to Europe every week. Further expanding our lift capabilities in this market, we have developed joint operating alliances with European carriers that rank among the world's top-10 airlines, including British Airways (BA) in the U.K. and Lufthansa Airlines (LH) in Germany. We also continue to successfully use the EVA Cargo Center, Europe in Belgium that we opened for business on August 18, 2003, to integrate our cargo network throughout Europe. In addition, we consistently monitor oil prices and accompanying changes in costs so that we can strategically move airfreight capacity to higher-yield routes whenever it's appropriate but maintain the smooth integration of our network.

New Zealand and Australia

After carefully evaluating market demand for passenger service against operating costs, EVA has kept its code-sharing arrangement with Qantas Airways on our Australia routes and

will operate direct passenger flights to Brisbane while the 2006 summer schedule is in effect. However, we ended our code-sharing service with Air New Zealand on the Auckland route and fly our own Airbus 330-200s to the region instead.

Asia

The International Civil Aviation Organization (ICAO) offers an optimistic outlook for development of the airfreight market in Asia. Within the Asia-Pacific region, Taiwan is situated to be a pivotal point for traffic between Southeast Asia and America. EVA has maximized the advantages of Taiwan's prime location by building a comprehensive network that links Southeast Asia and America. We believe we have developed the foundation we need to promote significant future growth.

EVA also plans to address strong travel demand by increasing services to Northeast Asia in 2006, taking advantage of the Japanese Government's September 2005 waiver of visa requirements for Taiwanese visitors. A 2006 bilateral air-traffic rights agreement between Taiwan and Japan will enable us to boost passenger flights on Sapporo, Sendai and Osaka routes and launch Nagoya service.

We recently increased cargo capacity on our Nagoya route in cooperation with Air Nippon (ANK), further extending our airfreight network in Northeast Asia. At the same time, we are continuing to scrutinize all our plans for fleet deployment so that we can refocus our resources on higher-performing routes when it's appropriate.

The overall air travel market is thriving, fed by the strong global economy. Following the successful charter-flight program between Taiwan and Mainland China during Chinese New Year holidays, we are optimistic about growth in both the passenger and cargo markets. An anticipated government-backed "Cross-Strait Direct Link" development would be positive news for EVA. But until the necessary approvals are in place, EVA will remain cautiously optimistic though prepared to respond swiftly when the opportunity becomes a reality.

長榮航空飛航路線圖 EVA AIR ROUTE MAP

PARTNERS

ARCTIC OCEAN
NORTH PACIFIC OCEAN
SOUTH PACIFIC OCEAN
Anchorage
Vancouver
Seattle
San Francisco
San Jose
Los Angeles
Denver
Las Vegas
Phoenix
St. Louis
Chicago
Cleveland
Pittsburgh
Dallas
Austin
Houston
Atlanta
Miami
Havana
Mexico City
Panama
Rochester
Toronto
Buffalo
Syracuse
Boston
New York
Philadelphia
Baltimore
Washington D.C.
Richmond
Hawaii
Auckland
Brisbane
Gold Coast
Sydney
San Paulo
Buenos Aires
Santiago
台北
Taipei
台灣
Taiwan
Hong Kong
Macau
Kaohsiung
Hanoi
Vientiane
Manila
Bangkok
Ho Chi Minh City
Phnom Penh
Penang
Kuala Lumpur
Singapore
Jakarta
Surabaya
Bali
INDIAN OCEAN
Sapporo
Sendai
Seoul
Tokyo
Osaka
Fukuoka
Kaohsiung
PACIFIC OCEAN

The Network

- EVA launched service to Vientiane, Laos with three flights a week in February 2005.
- EVA increased cargo flight to Osaka from two weekly to three in March 2005.
- EVA upgraded its Seoul route from chartered to regularly scheduled service and boosted frequency from seven to nine flights every week in March 2005.
- EVA resumed Taipei - Honolulu service with three flights per week in June 2005.
- EVA formed an alliance with Far Eastern Air on the Taipei - Phnom Penh route in October 2005, starting with two weekly flights and increasing to five on November 1, 2005.
- EVA increased its flights to Hokkaido, Sapporo, Japan to nine weekly in December 2005.

North America	Los Angeles	San Francisco	Seattle	Anchorage	Atlanta	Chicago
	Dallas	Vancouver	JFK	Newark	Hawaii	
South Pacific	Brisbane	Auckland	Sydney			
Europe	Vienna	London	Paris	Amsterdam	Brussels	Frankfurt
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	Hanoi	Vientiane
Middle East	Dubai					

Air cargo destination only
Total 45 destinations

Principal Subsidiaries

Focusing on delivering the best performance and services, EVA concentrated its 2005 investments within the airline industry. Investments in Evergreen Aviation Technologies Corp., Evergreen Airways Service (Macau) Ltd, and Evergreen Air Cargo Service Co. prospered due to thriving markets and strong management, rewarding EVA with 2005 profits of NT$ 796,799,000. No additional investments in subsidiary companies are planned for 2006.EVA subsidiary companies are presented in the following table.

Dec.31, 2005

Company	Principal Activities	Location	Date Founded	Capital	Share %
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT$361.75 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$3.2 billion	80.00%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT$1 billion	100%
Evergreen Air Cargo Service Co.	Cargo terminal operation	Taiwan	Mar.2000	NT$1.2 billion	60%
Uni Japan Co., Ltd	Travel business	Japan	Feb.2002	JPY10 million	49.50%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR 1.6 billion	49.00%

Important Resolutions by Shareholders and BOD

Important Shareholders' Resolutions

Date of Meeting	Summary of Important Proposals	Result of Resolution	Execution
June 16, 2005	1. Distribution of retained earnings: (1) 10 shares of stock dividends will be distributed for every 1,000 shares, amounting to NT$329,229,550. In addition, NT$0.5 in cash dividends will be distributed for each share, amounting to NT$1,646,147,703. (2) Remuneration for directors and supervisors amounted to NT$20,400,000. (3) Employee bonuses were NT$51,173,775.	All shareholders present agreed unanimously.	A resolution by the Board of Directors on July 19, 2005 set August 22, 2005 as the date of record for dividend distribution and October 3 as the date for cash dividend distribution. By resolution of the Board of Directors on July 29, 2005, EVA adjusted the stock-dividend rate for shareholders to 9.808001 shares for every 1,000 in holdings and the additional cash dividend to shareholder to NT$ 0.49040005 per share. Remuneration for directors and supervisors, and employee bonuses were distributed on July 29, 2005.
	2. Capitalization of retained earnings amounted to NT$329,229,550.	All shareholders present agreed unanimously. .	The capital increase with recapitalized earnings became effective with Approval Letter (Jin-Guan-Cheng-Yi-Tze) No. 0940128674 dated July 14, 2005 from the Financial Supervisory Commission, Executive Yuan. Newly issued shares were distributed and available for trade from October 21, 2005.
	3. To amend the Articles of Incorporation.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Articles of Incorporation.
	4. To amend Procedures for Acquisition or Disposition of Assets.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Procedures for Acquisition or Disposition of Assets.
	5.To amend Procedures for Engaging in Derivative Trading.	All shareholders present agreed unanimously.	EVA operates in accordance with amended Procedures for Engaging in Derivative Trading.

Important Resolutions by the Board of Directors

Date of Meeting	Important Proposals
March 16, 2005	Proposal 1: To amend the Articles of Incorporation. Proposal 2: To amend Procedures for Acquisition or Disposition of Assets. Proposal 3: To amend Procedures for Engaging in Derivative Trading. Proposal 4: To stipulate Rules of Procedure for Meetings of the Board of Directors. Proposal 5: EVA convened its shareholders' meeting on June 16, 2005 (Thursday), and no stocks could be transferred during the period of April 18 through June 16, as stipulated by law. In addition, EVA's second unsecured convertible bond could not be transferred during this period.
April 11, 2005	The company purchased one spare engine from GE for approximately US$24,000,000.
April 19, 2005	Proposal 1: To accept the 2004 Financial Report. Proposal 2: To distribute 2004 retained earnings. Proposal 3: To raise operating capital by capitalizing retained earnings amounting to NT$329,229,550. Proposal 4: To amend Internal Control Systems and Internal Audit Implementation Rules. Proposal 5: An audit of Internal Controls was in agreement and presented a Declaration of Internal Control. Proposal 6: To cancel amendment No. 5 in EVA's Articles of Incorporation relating to the Amount of Capital.
July 6, 2005	EVA resolved to issue its 12th secured corporate bond to settle debt and reduce interest costs.
July 19, 2005	EVA set August 22, 2005 as the date of record for dividend distribution and capital increase with no stocks to be transferred from August 18 through August 22, as stipulated by law. It also set October 3 as the date for cash-dividend distribution.
July 29, 2005	Proposal 1: On August 22, 2005, the conversion price of a second unsecured convertible bond issued by EVA was adjusted to NT$ 13.67. Proposal 2: As required by the second unsecured convertible bond issued by EVA, shareholders converted the corporate bond into common stock and increased the number of shares outstanding of the Company. EVA resolved to adjust the stock-dividend rate for shareholders to 9.808001 shares for every 1,000 in holdings and to pay each shareholder an additional cash dividend of NT$ 0.49040005 for each share.
November 3, 2005	EVA purchased one B747-400(B-16403) from Fully Leasing Co., Ltd. for NT$2,236,050,497.
November 21, 2005	Proposal 1: EVA resolved to reduce convertible shares of a corporate bond to 248,862,746 shares. Proposal 2: EVA resolved to raise NT$3,600,000,000 to purchase aircraft and equipment and issued 360,000,000 new shares to the public at NT$10 each, retaining 10% or 36,000,000 shares. 10.91% or 39,267,932 of these shares were subscribed by employee and the remaining 79.09% or 284,732,068 shares were offered to shareholders. In accordance with the date of record for dividend distribution and capital, shareholders could purchase 84 of the new shares for every 1,000 in holdings. Partial shares were transferred for integration into the holdings of shareholders or by specific persons designated by the Chairman, and the balance of shareholder and employee purchases were allocated to specific persons designated by the Chairman.
December 7, 2005	EVA resolved to issue its 13th secured corporate bond to re-pay debt and reduce interest costs.
December 23, 2005	EVA set January 26, 2006 as the date of record for a capital increase with no stock to be transferred during the period of January 22 through January 26 as stipulated by law. Shareholder and employee subscription were required to be made between February 10 and March 10, and the balance was subscribed on March 15 by specific persons designated by the Chairman. EVA set March 16 as the date of record for capital increase.

Financial and Operating Results

Financial Results

Balance Sheet

NT$(Thousand)

Item / Year	2005	2004	Difference	
			Amount	%
Current Assets	26,516,850	25,762,439	754,411	2.93
Long-term Equity Investments	11,285,396	10,782,295	503,101	4.67
Fixed Assets	67,946,716	60,492,595	7,454,121	12.32
Other Assets	22,732,852	20,667,667	2,065,185	9.99
Total Assets	**128,481,814**	**117,704,996**	**10,776,818**	**9.16**
Current Liabilities	31,374,815	33,975,195	(2,600,380)	(7.65)
Long-term Liabilities	50,611,028	37,936,631	12,674,397	33.41
Other Liabilities	2,520,099	2,684,958	(164,859)	(6.14)
Total Liabilities	**84,505,942**	**74,596,784**	**9,909,158**	**13.28**
Common Stock	33,898,869	32,714,259	1,184,610	3.62
Capital Surplus	3,424,986	3,099,862	325,124	10.49
Retained Earnings	4,390,564	5,111,455	(720,891)	(14.10)
Total Stockholders' Equity	**43,975,872**	**43,108,212**	**867,660**	**2.01**

The increase in long-term debt was mainly due to additional issuance of corporate bonds and borrowing to pay for new aircraft, and repay loans and debts.

Income Statement

NT$(Thousand)

Item / Year	2005	2004	Increase (Decrease) Amount	Change (%)
Operating Revenue	88,015,966	82,655,351	5,360,615	6
Operating Cost	80,795,304	71,114,492	9,680,812	14
Gross Profit from Operations	7,220,662	11,540,859	(4,320,197)	(37)
Operating Expenses	6,808,750	6,825,502	(16,752)	-
Operating Income	411,912	4,715,357	(4,303,445)	(91)
Non-operating Income and Gains	2,511,085	1,122,125	1,388,960	124
Non-operating expense and Losses	1,786,306	2,154,853	(368,547)	(17)
Income before Income Tax	1,136,691	3,682,629	(2,545,938)	(69)
Income Tax Benefit (Expenses)	189,369	(439,694)	629,063	(143)
Net Income	1,326,060	3,242,935	(1,916,875)	(59)

■ 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	(1,678,447)	1,288,147	(3,279,303)	(118,020)	430,729	-
Cargo	(1,624,696)	2,647,177	(4,206,264)	69,104	(134,713)	-
Other	(1,017,054)	-	-	-	-	(1,017,054)
Total	(4,320,197)	3,935,324	(7,485,567)	(48,916)	296,016	(1,017,054)

- Variance in sales price: The price increase this year led to positive results amounting to NT$3,935,324,000.
- Variance in cost price: The relentless climb in oil prices this year led to negative results amounting to NT$7,485,567,000.
- Variance in sales segmentation: Higher fuel costs for long- haul routes led to negative results amounting to NT$48,916,000.
- Variance in volume:
  Passenger: The addition of new routes led to positive results amounting to NT$430,729,000.
  Cargo: Decreased code-sharing frequency with other airlines led to negative results amounting to NT$134,713,000.
  Integrating the above variances led to positive results amounting to NT$296,016,000.
  Other: Lower war-risk surcharges and parts leasing income led to negative results amounting to a total of NT$1,017,054,000.

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

■ This year's healthy business environment enabled airline-related subsidiaries to produce better operating results and contribute higher investment income to EVA.

Cash Flow Analysis

Changes in Cash Flow Analysis Over Recent Two Years

Item / Year	2005	2004	Increase (Decrease) Ratio%
Ratio of Cash Flow	13.00	25.00	(48.00)%
Cash Flow Adequacy Ratio	147.00	235.00	(37.45)%
Ratio of Re-investment for Cash	2.00	8.00	(75.00)%

Although 2005 operating revenue increased, fuel costs grew even substantial, resulting in a diminished cash flow from operating activities with a lower ratio of re-investment for cash.

Remedy Measures for Negative Cash Balance

EVA unveiled increasing capital with cash injection and by issuing corporate bonds for advance payments on aircraft acquisitions, and to repay loans and debts as well as to improve financial structure.

Cash Liquidity Analysis for the Coming Year

NT$(Thousand)

Initial Cash Balance (1)	Net Cash Flow from Operating Activities 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
1,844,196	5,200,000	13,864,196	(6,820,000)	-	8,320,000

- Operating activities: Oil prices for 2006 are expected to stay relatively high and affect operating income, we estimated cash flow from operating activities to be slightly higher than in 2005.
- Investment activities: We expect to decrease short-term bond-fund investments.
- Financing activities: We will carry out capital increasing via cash injection and issue corporate bonds to repay loans and improve financial structure.

Impact of Major Capital Expenditures on Financial Operations in Recent Years

Capital Utilization and Major Capital Expenditure Resources

NT$(Thousand)

Items	Actual or Expected Resources	Actual or Expected Finish Date	Total Capital Required	Actual or Expected Capital Utilization				
				2006	2007	2008	2009	2010
Purchase of ULD (Unit Load Devices) Equipment	Financing	2010.12.31	60,000	20,000	20,000	-	-	20,000
Purchase of Other Equipment	Financing	2010.12.31	350,000	150,000	150,000	-	-	50,000
Purchase of Aircraft	Financing	2011.6.30	62,789,687	16,714,936	17,426,746	14,130,795	8,017,979	6,499,231

Expected Future Benefits

- By purchasing new A330-200, B777-300ER and B777-200LR aircraft, we estimate that we can increase annual revenue by NT$1,385,000,000, NT$1,840,000,000 and NT$1,404,000,000 respectively for each model.
- 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 2001 - 2005

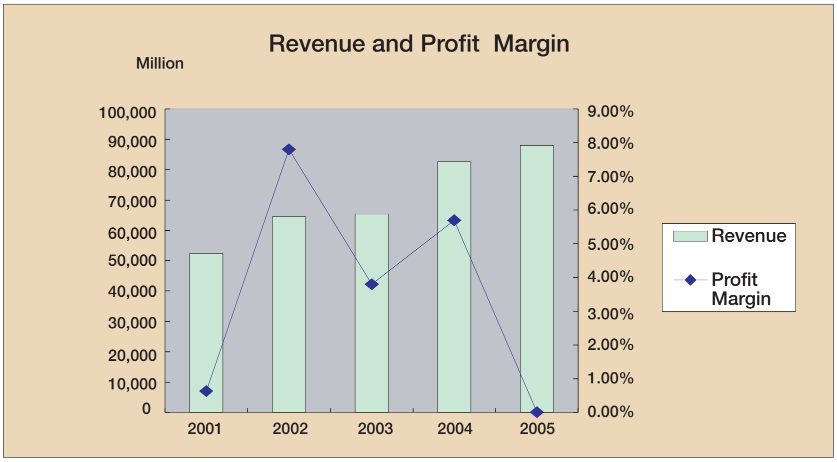
NT$(Million)

	2005	2004	2003	2002	2001
Current Assets	26,517	25,762	24,694	22,417	20,938
Fixed Assets	67,947	60,493	59,102	62,019	62,075
Total Assets	128,482	117,705	114,668	115,513	113,402
Current Liabilities	31,375	33,975	28,863	28,687	28,409
Long-term Liabilities	50,611	37,937	45,165	49,782	52,725
Total Liabilities	84,506	74,597	76,455	80,467	83,736
Share Capital	33,899	32,714	27,534	24,250	22,050
Shareholders' Equity	43,976	43,108	38,213	35,046	29,665

Condensed Income Statement for 2001 - 2005

NT$(Million)

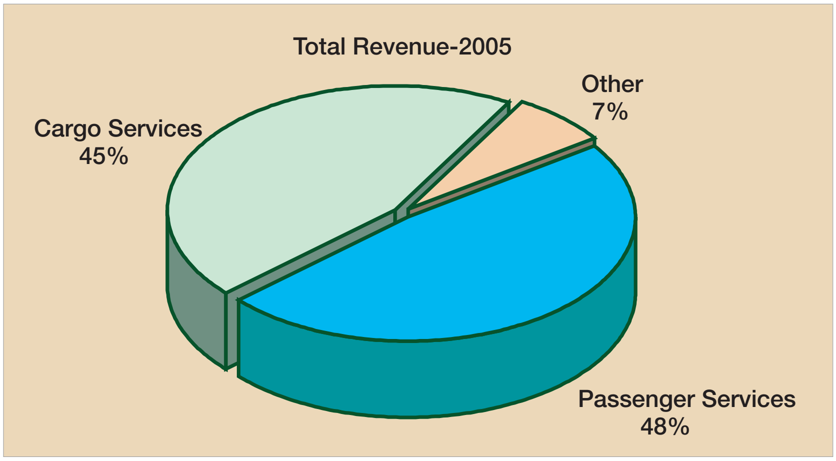
	2005	2004	2003	2002	2001
Operating Revenue	88,016	82,655	65,388	64,577	52,451
Operating Costs	87,604	77,940	62,894	59,520	52,123
Operating Profit	412	4,715	2,494	5,058	329
Non-operating Income	2,511	1,122	905	593	916
Non-operating Expenses and Losses	1,786	2,154	2,182	3,233	4,530
Income before Tax	1,137	3,683	1,216	2,417	(3,285)
Net Income	1,326	3,243	1,396	2,637	(3,175)
Earnings per Share (before Adjustment)	0.39	1.06	0.55	1.19	(1.44)



Revenue by Business Segment

NT$(Million)

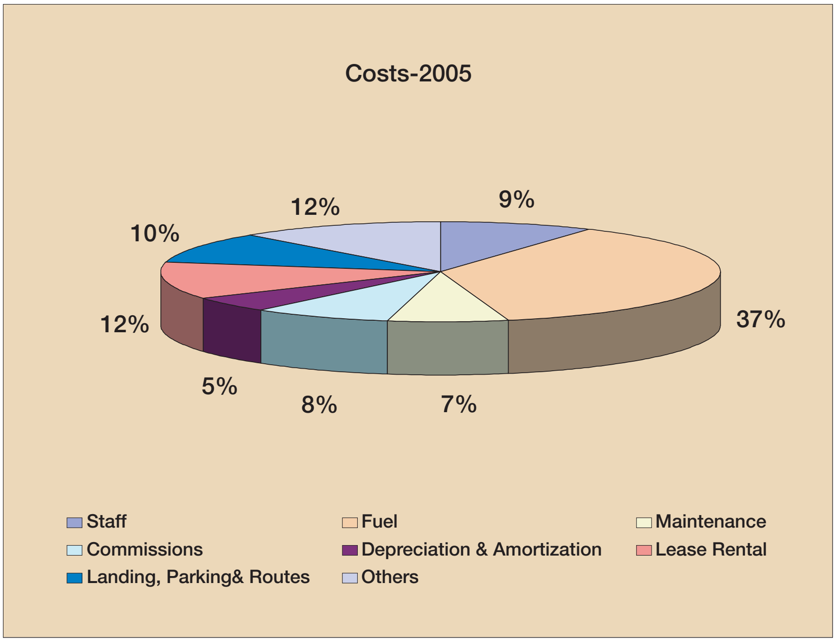
	Passenger		Cargo		Other		Total	
2005	42,653	48%	39,932	45%	5,431	7%	88,016	100%
2004	38,349	46%	38,534	47%	5,772	7%	82,655	100%
2003	29,196	45%	31,570	48%	4,621	7%	65,388	100%
2002	32,514	50%	27,519	43%	4,545	7%	64,577	100%
2001	29,550	56%	20,643	39%	2,258	5%	52,451	100%



Operating Costs

NT$(Million)

	2005	2004	2003	2002	2001
Fuel	32,080	23,474	15,300	13,637	12,348
Staff	7,548	8,050	7,009	6,324	6,328
Lease Rental	10,600	9,406	8,384	7,442	6,838
Depreciation and Amortization	4,721	4,863	4,813	4,734	4,734
Commissions	7,399	7,240	6,188	5,853	4,719
Landing, Parking and Routes	8,904	8,764	7,515	7,121	6,283
Maintenance	5,694	5,835	5,283	5,703	3,805
Other	10,658	10,308	8,402	8,706	7,068
Total	87,604	77,940	62,894	59,520	52,123



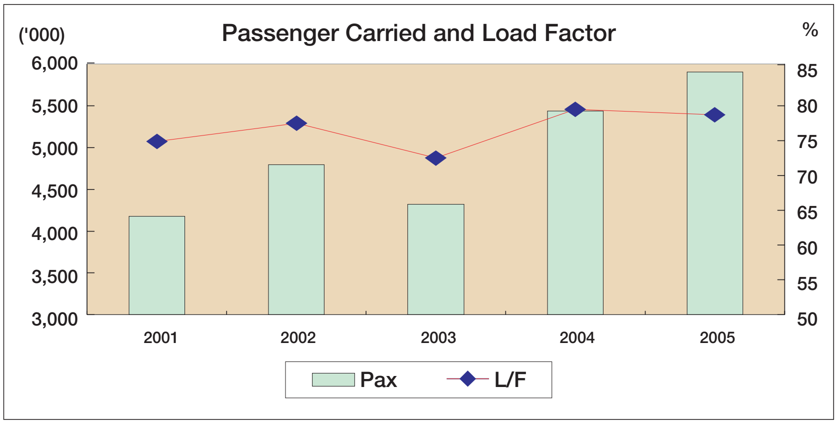
Financial Ratio Analysis

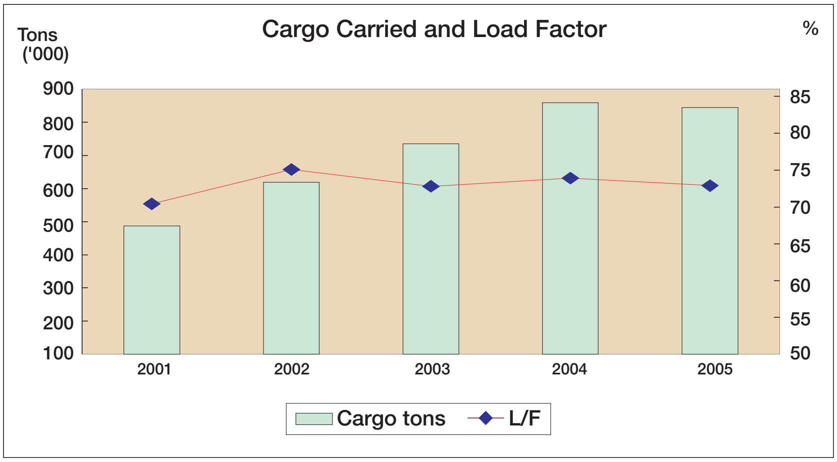
Item	Year	2005	2004	2003	2002	2001
Financial Structure (%)	Debt Ratio	65.77	63.38	66.68	69.66	74
	Ratio of Long-term Liabilities and Stockholders' Equity to Fixed Assets	139	134	141	137	133
Solvency (%)	Current Ratio	85	76	86	78	74
	Quick Ratio	42	44	51	45	38
	Times Interest Earned Ratio(Times)	2.70	2.75	1.53	1.78	0.10
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)	1.37	1.38	1.08	1.04	0.85
	Total Assets Turnover (Times)	0.69	0.70	0.57	0.56	0.46
Profitability	Return on Total Assets (%)	2.14	4.01	2.61	4.21	-
	Return on Stockholders' Equity (%)	3	8	4	8	(10)
	Operating Income to Paid -in Capital (%)	1	14	9	21	1
	Return on Sales (%)	2	4	2	4	(6)
	Earnings per Share (before Adjustment)	0.39	1.06	0.55	1.19	(1.44)
Cash Flow	Ratio of Cash Flows	13	25	25	33	2
	Cash Flow Adequacy Ratio	147	235	233	136	43
	Ratio of Re-investment for Cash	2	8	6	8	-
Degree of Leverage	Degree of Operating Leverage	61	14	21	10	125
	Financial Leverage	(0.31)	1.67	7.14	2.35	(0.10)

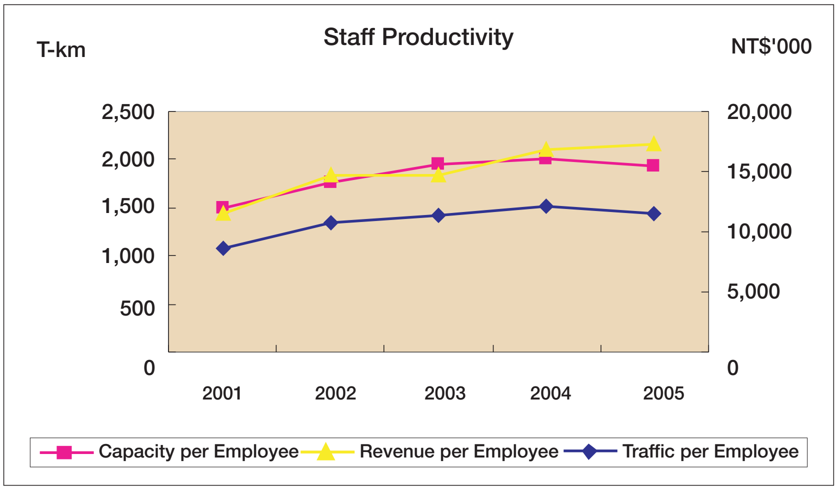
Note:
(1) Debt Ratio: Total Liabilities/Total Assets
(2) Ratio of Long-term Liabilities and Stockholders' Equity to Fixed Assets:
(Net Stockholders' Equity + Long-term Liabilities)/Net Fixed Assets
(3) Current Ratio: Current Assets/Current Liabilities
(4) Quick Ratio: Liquid Assets/Current Liabilities
(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 Liabilities
(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)

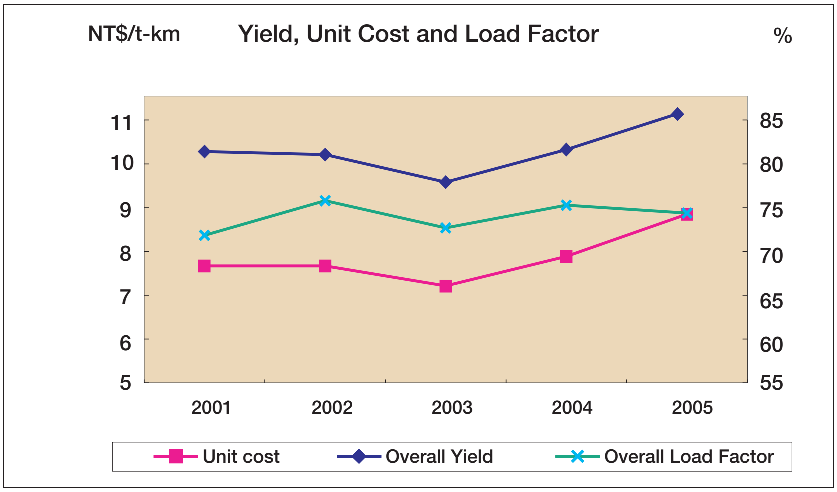
Operating Results

	2005	2004	2003	2002	2001
Overall Capacity (million)	9,894	9,884	8,727	7,758	6,791
Overall Traffic (million)	7,364	7,439	6,345	5,882	4,879
Overall Load Factor (%)	74.4	75.3	72.7	75.8	71.8
Overall Yield (NT$)	11.21	10.33	9.58	10.21	10.28
Passenger Capacity (million)	29,348	27,353	25,023	25,184	23,728
Passenger Traffic (million)	23,099	21,755	18,133	19,508	17,777
Passengers Carried ('000)	5,904	5,438	4,321	4,794	4,179
Passenger Load Factor (%)	78.7	79.5	72.5	77.5	74.9
Passenger Yield (NT$)	1.85	1.76	1.61	1.67	1.66
Cargo Capacity (million)	7,253	7,423	6,475	5,491	4,656
Cargo Traffic (million)	5,285	5,481	4,713	4,126	3,279
Cargo Carried (tons)	844,099	858,989	734,900	619,435	486,915
Cargo Load Factor (%)	72.9	73.9	72.8	75.1	70.4
Cargo Yield (NT$)	7.56	7.03	6.70	6.67	6.3
Unit Cost (NT$)	8.85	7.89	7.21	7.67	7.67
Number of Aircraft	51	50	45	42	37
Number of Employees	5,098	4,934	4,469	4,394	4,552
Capacity per Employee (thousand)	1,941	2,003	1,953	1,765	1,492
Traffic per Employee (thousand)	1,445	1,508	1,420	1,339	1,072
Revenue per Employee (thousand)	17,265	16,752	14,631	14,697	11,523




Cargo Carried and Load Factor
Tons ('000)
%
900
800
700
600
500
400
300
200
100
85
80
75
70
65
60
55
50
2001
2002
2003
2004
2005
Cargo tons
L/F


Staff Productivity
T-km
NT$'000
2,500
2,000
1,500
1,000
500
0
20,000
15,000
10,000
5,000
0
2001
2002
2003
2004
2005
Capacity per Employee
Revenue per Employee
Traffic per Employee


NT$/t-km
Yield, Unit Cost and Load Factor
%
11
10
9
8
7
6
5
85
80
75
70
65
60
55
2001
2002
2003
2004
2005
Unit cost
Overall Yield
Overall Load Factor

Financial Statements

Auditors' Report

The Board of Directors
EVA Airways Corp.:

We have audited the balance sheets of EVA Airways Corp. as of December 31, 2005 and 2004, 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, 2005 and 2004, were evaluated using the equity method, and the resulting book values of these investments amounted to NT$2,325,362 thousand (US$70,788 thousand) and NT$2,204,586 thousand (US$69,072 thousand), respectively. The resulting investment gains amounted to NT$292,026 thousand (US$9,078 thousand) and NT$206,836 thousand (US$6,192 thousand) for the years 2005 and 2004, 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 Republic of China generally accepted auditing standards and the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants". Those standards and rules 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 of EVA Airways Corp. referred to in the first paragraph present fairly, in all material respects, the financial position of EVA Airways Corp. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with Republic of China generally accepted accounting principles.

KPMG Certified Public Accountants

February 24, 2006

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.

EVA AIRWAYS CORP.
Balance Sheets

December 31, 2005 and 2004
(expressed in thousands of dollars)

Assets	2005 NT dollars	2005 US dollars	2004 NT dollars	2004 US dollars
Current assets:				
Cash and cash equivalents (note 4(a))	$ 1,844,196	56,140	1,472,601	46,138
Short-term investments (note 4(b))	2,713,075	82,590	5,350,027	167,623
Notes receivable	390,325	11,882	397,163	12,444
Accounts receivable, net	8,019,968	244,139	7,260,497	227,481
Accounts receivable–related parties (note 5)	30,486	928	46,888	1,469
Other receivables–related parties (note 5)	207,460	6,315	242,182	7,588
Other financial assets–current (notes 4(c) & (r))	784,532	23,882	239,662	7,509
Inventories (note 4(d))	7,893,426	240,287	7,246,633	227,046
Prepaid expenses	2,788,747	84,893	2,468,125	77,329
Other prepayments	722,793	22,003	288,614	9,043
Deferred income tax assets–current (note 4(o))	442,046	13,457	454,783	14,249
Other current assets (note 4(r))	679,796	20,694	295,264	9,251
Total current assets	26,516,850	807,210	25,762,439	807,170
Long-term equity investments (note 4(e)):				
Long-term equity investments under equity method	7,176,435	218,461	6,714,935	210,387
Long-term equity investments under cost method	4,108,961	125,082	4,067,360	127,436
Net long-term equity investments	11,285,396	343,543	10,782,295	337,823
Property, plant and equipment (notes 4(f) & (g), 6 and 7):				
Land	1,869,784	56,919	1,869,784	58,583
Buildings	4,391,446	133,682	4,391,446	137,590
Machinery and equipment	4,119,563	125,405	3,691,019	115,644
Aircraft	65,254,586	1,986,441	64,036,748	2,006,352
Rotable parts	337,390	10,270	429,547	13,458
	75,972,769	2,312,717	74,418,544	2,331,627
Less: accumulated depreciation	(26,585,649)	(809,304)	(28,318,551)	(887,256)
Leased assets, net	8,203,509	249,726	6,602,359	206,860
Construction in progress	4,868	148	4,868	152
Advances for purchases of equipment	10,351,219	315,106	7,785,375	243,926
Net property, plant and equipment	67,946,716	2,068,393	60,492,595	1,895,309
Other assets:				
Deferred pension cost (note 4(n))	163,770	4,985	191,064	5,986
Refundable deposits (note 7)	15,669,779	477,010	15,130,480	474,057
Deferred charges (note 4(h))	5,071,934	154,397	3,613,920	113,229
Deferred income tax assets–noncurrent (note 4(o))	1,295,471	39,436	955,811	29,947
Other assets (notes 4(r) and 6)	531,898	16,192	776,392	24,325
Total other assets	22,732,852	692,020	20,667,667	647,544
Total assets	$ 128,481,814	3,911,166	117,704,996	3,687,846

See accompanying notes to financial statements.

Liabilities and Stockholders' Equity	2005 NT dollars	2005 US dollars	2004 2004	2004 US dollars
Current liabilities:				
Short-term borrowings (notes 4(i) and 7)	$ 2,400,000	73,059	1,600,000	50,130
Payable on commercial paper (note 4(i))	699,662	21,299	99,958	3,132
Notes payable	247	8	242	7
Accounts payable	1,439,060	43,807	1,264,961	39,633
Accounts payable–related parties (note 5)	898,053	27,338	1,032,424	32,347
Tax payable	-	-	514,559	16,122
Accrued expenses (note 4(r))	6,663,859	202,857	5,764,087	180,596
Other payables–related parties (note 5)	86,018	2,618	98,234	3,078
Other payables (notes 4(l) & (m))	3,345,582	101,844	2,590,916	81,177
Unearned revenue	8,290,712	252,381	7,430,350	232,802
Current portion of long-term liabilities (notes 4(j) & (k), 6 and 7)	5,860,213	178,393	12,480,472	391,029
Other current liabilities (note 4(r))	812,311	24,728	520,333	16,302
Lease liability–current (note 4(g))	879,098	26,761	578,659	18,130
Total current liabilities	31,374,815	955,093	33,975,195	1,064,485
Long-term liabilities:				
Bonds payable (note 4(k))	8,383,754	255,213	6,973,154	218,478
Long-term borrowings (notes 4(j), 6 and 7)	17,907,532	545,131	11,679,522	365,934
Other installments payable (note 4(l))	-	-	493,905	15,475
Aircraft payable (note 4(m))	17,038,221	518,667	12,764,324	399,922
Lease liability–noncurrent (note 4(g))	7,281,521	221,660	6,025,726	188,794
Total long-term liabilities	50,611,028	1,540,671	37,936,631	1,188,603
Other liabilities:				
Accrued employee retirement liabilities (note 4(n))	666,386	20,286	833,969	26,129
Other liabilities (note 4(r))	1,853,713	56,429	1,850,989	57,994
Total other liabilities	2,520,099	76,715	2,684,958	84,123
Total liabilities	84,505,942	2,572,479	74,596,784	2,337,211
Stockholders' equity (note 4(p)):				
Common stock	33,898,869	1,160,607	32,714,259	1,123,557
Capital surplus	3,424,986	112,603	3,099,862	102,271
Retained earnings:				
Legal reserve	727,666	21,408	403,372	11,690
Retained earnings	3,662,898	109,572	4,708,083	139,411
Total retained earnings	4,390,564	130,980	5,111,455	151,101
Other stockholders' equity adjustments:				
Deferred credit	192,631	5,864	334,275	10,144
Cumulative translation adjustments	2,291,327	(64,723)	2,067,954	(29,883)
Net loss not yet recognized as net pension cost (note 4(n))	(222,505)	(6,644)	(219,593)	(6,555)
Total other stockholders' equity adjustments	2,261,453	(65,503)	2,182,636	(26,294)
Total stockholders' equity	43,975,872	1,338,687	43,108,212	1,350,635
Commitments and contingencies (note 7)				
Total liabilities and stockholders' equity	$ 128,481,814	3,911,166	117,704,996	3,687,846

EVA AIRWAYS CORP.
Statements of Operations
For the years ended December 31, 2005 and 2004
(expressed in thousands of dollars, except earnings per share)

		2005		2004	
		NT dollars	US dollars	NT dollars	US dollars
Operating revenue (note 5)	$	88,015,966	2,735,964	82,655,351	2,474,711
Operating cost (notes 4(r), 5 and 10)		(80,795,304)	(2,511,511)	(71,114,492)	(2,129,176)
Gross profit from operations		7,220,662	224,453	11,540,859	345,535
Operating expenses (notes 5 and 10)		(6,808,750)	(211,649)	(6,825,502)	(204,357)
Operating income		411,912	12,804	4,715,357	141,178
Non-operating income and gains:					
Interest income (note 4(r))		108,262	3,365	49,531	1,483
Investment income, net (note 4(e))		796,799	24,769	605,629	18,133
Gain on disposal of property, plant and equipment, net		763,659	23,738	14,211	425
Exchange gains, net		31,169	969	-	-
Other income		811,196	25,216	452,754	13,556
		2,511,085	78,057	1,122,125	33,597
Non-operating expenses and losses:					
Interest expenses, net of capitalized interest of NT$315,476 thousand (US$9,807 thousand) and NT$140,923 thousand (US$4,219 thousand) in 2005 and 2004, respectively (notes 4(f) & (r))		(1,749,587)	(54,386)	(1,937,289)	(58,003)
Exchange losses, net (note 4(r))		-	-	(173,839)	(5,205)
Other loss		(36,719)	(1,141)	(43,725)	(1,309)
		(1,786,306)	(55,527)	(2,154,853)	(64,517)
Income before income tax		1,136,691	35,334	3,682,629	110,258
Income tax benefit (expenses) (note 4(o))		189,369	5,886	(439,694)	(13,164)
Net income	$	1,326,060	41,220	3,242,935	97,094
Earnings per share (expressed in dollars) (note 4(q)):					
Basic earnings per share:					
Income before income tax	$	0.34	0.01	1.19	0.04
Net income	$	0.39	0.01	1.05	0.03
Diluted earnings per share:					
Income before income tax	$	0.32	0.01	1.08	0.03
Net income	$	0.37	0.01	0.95	0.03

See accompanying notes to financial statements.

EVA AIRWAYS CORP.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2005 and 2004
(expressed in thousands of dollars)

NT dollars

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Total
Balance on December 31, 2003	$ 27,534,330	2,599,741	263,754	2,764,841	193,865	4,989,232	(132,724)	38,213,039
Appropriation of earnings (note 4(p))								
Legal reserve	-	-	139,618	(139,618)	-	-	-	
Stock dividends	1,121,073	-	-	(1,121,073)	-	-	-	
Directors' and supervisors' remuneration	-	-	-	(10,000)	-	-	-	(10,000)
Employees' bonuses	-	-	-	(29,002)	-	-	-	(29,002)
Cashsubscription	2,200,000	330,000	-	-	-	-	-	2,530,000
Convertible bonds converted into common stock	1,858,856	159,944	-	-	-	-	-	2,018,800
Transfer of interest-premium arising from conversion option exercised to capital surplus	-	6,685	-	-	-	-	-	6,685
Transfer of donated assets of investee company under equity method to capital surplus	-	30	-	-	-	-	-	30
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	3,462	-	-	-	-	-	3,462
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	20,429	20,429
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(107,298)	(107,298)
Deferred credit	-	-	-	-	140,410	-	-	140,410
Net income for the year ended December 31, 2004	-	-	-	3,242,935	-	-	-	3,242,935
Translation adjustments for the year ended December 31, 2004	-	-	-	-	-	(2,921,278)	-	(2,921,278)
Balance on December 31, 2004	32,714,259	3,099,862	403,372	4,708,083	334,275	2,067,954	(219,593)	43,108,212
Appropriation of earnings (note 4(p)):								
Legal reserve	-	-	324,294	(324,294)	-	-	-	-
Stock dividends	329,230	-	-	(329,230)	-	-	-	-
Cashdividends	-	-	-	(1,646,147)	-	-	-	(1,646,147)
Directors' and supervisors' remuneration	-	-	-	(20,400)	-	-	-	(20,400)
Employees' bonuses	-	-	-	(51,174)	-	-	-	(51,174)
Convertible bonds converted into common stock	855,380	325,020	-	-	-	-	-	1,180,400
Transfer of donated assets of investee company under equity method to capital surplus	-	104	-	-	-	-	-	104
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(20,921)	(20,921)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	18,009	18,009
Deferred credit	-	-	-	-	(141,644)	-	-	(141,644)
Net income for the year ended December 31, 2005	-	-	-	1,326,060	-	-	-	1,326,060
Translation adjustments for the year ended December 31, 2005	-	-	-	-	-	223,373	-	223,373
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

US dollars

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Total
Balance on December 31, 2003	970,537	87,450	7,636	80,054	5,745	(23,015)	(3,833)	1,124,574
Appropriation of earnings (note 4(p))								
Legal reserve	-	-	4,054	(4,054)	-	-	-	
Stock dividends	32,551	-	-	(32,551)	-	-	-	
Directors' and supervisors' remuneration	-	-	-	(290)	-	-	-	(290)
Employees' bonuses	-		-	(842)	-	-	-	(842)
Cashsubscription	64,735	9,710	-	-	-	-	-	74,445
Convertible bonds converted into common stock	55,734	4,816	-		-	-	-	60,550
Transfer of interest-premium arising from conversion option exercised to capital surplus	-	192	-		-		-	192
Transfer of donated assets of investee company under equity method to capital surplus	-	1	-	-	-	-	-	1
Increase in net equity due to the change in percentage of ownership in long-term equity investments under equity method	-	102	-		-	-	-	102
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	640	640
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	(3,362)	(3,362)
Deferred credit	-	-	-	-	4,399	-	-	4,399
Net income for the year ended December 31, 2004	-	-	-	97,094	-		-	97,094
Translation adjustments for the year ended December 31, 2004	-	-	-	-	-	(6,868)	-	(6,868)
Balance on December 31, 2004	1,123,557	102,271	11,690	139,411	10,144	(29,883)	(6,555)	1,350,635
Appropriation of earnings (note 4(p)):								
Legal reserve	-	-	9,718	(9,718)	-	-	-	-
Stock dividends	9,866	-	-	(9,866)	-	-	-	-
Cashdividends	-	-	-	(49,330)	-	-	-	(49,330)
Directors' and supervisors' remuneration	-	-	-	(611)	-	-	-	(611)
Employees' bonuses	-	-	-	(1,534)	-	-	-	(1,534)
Convertible bonds converted into common stock	27,184	10,329	-	-	-	-		37,513
Transfer of donated assets of investee company under equity method to capital surplus	-	3	-	-	-	-		3
Increase in net equity due to recording net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(637)	(637)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	548	548
Deferred credit	-	-	-	-	(4,280)	-	-	(4,280)
Net income for the year ended December 31, 2005	-	-	-	41,220	-	-	-	41,220
Translation adjustments for the year ended December 31, 2005	-	-	-	-	-	(34,840)	-	(34,840)
Balance on December 31, 2005	1,160,607	112,603	21,408	109,572	5,864	(64,723)	(6,644)	1,338,687

EVA AIRWAYS CORP.
Statements of Cash Flows
For the years ended December 31, 2005 and 2004
(expressed in thousands of dollars)

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Cash flows from operating activities:				
Net income	$ 1,326,060	41,220	3,242,935	97,094
Adjustments to reconcile net income to net cash flow provided by operating activities:				
Depreciation	4,436,701	137,914	4,567,296	136,745
Amortization and maintenance expense	1,215,966	37,798	1,159,289	34,709
Amortization expense recorded as interest	15,710	488	11,026	346
Gain on disposal of short-term investments	(106,340)	(3,306)	(114,037)	(3,414)
Loss (gain) on disposal and obsolescence of property, plant and equipment	(733,276)	(22,794)	19,785	592
Gain on disposal of long-term equity investments	-	-	(1,016)	(30)
Provision for unrealized exchange gain from long-term borrowings	(9,156)	(285)	(17,409)	(521)
Investment income	(796,799)	(24,769)	(605,629)	(18,133)
Amortization of deferred gain from sale and leaseback of fixed assets	(89,765)	(2,790)	(174,800)	(5,234)
Amortization of other deferred gain	(417,913)	(12,991)	(353,281)	(10,577)
Proceeds from cash dividends on long-term equity investments	158,139	4,916	116,606	3,491
Deferred income tax benefit	(326,923)	(10,162)	(100,220)	(3,001)
Decrease (increase) in notes receivable	6,838	213	(8,809)	(276)
Increase in accounts receivable (including related parties)	(743,069)	(23,098)	(1,515,408)	(47,480)
Decrease (increase) in other receivables (including related parties)	34,722	1,079	(38,354)	(1,202)
Increase in inventories	(646,643)	(20,101)	(259,990)	(8,146)
Increase in prepaid expenses	(320,622)	(9,966)	(788,236)	(24,696)
Decrease (increase) in other prepayments	(434,179)	(13,496)	77,094	2,415
Increase in other financial assets–current	(544,870)	(16,937)	(71,799)	(2,250)
Increase in other current assets	(38,927)	(1,210)	(22,112)	(693)
Increase (decrease) in tax payable	(514,559)	(15,995)	514,559	16,122
Increase in notes and accounts payable (including related parties)	39,733	1,235	380,407	11,919
Increase (decrease) in other payables (including related parties)	452,869	14,077	(537,572)	(16,843)
Increase in accrued expenses	899,772	27,969	866,019	27,133
Increase in unearned revenue	860,362	26,744	2,106,946	66,013
Increase in other current liabilities	291,978	9,076	97,058	3,041
Decrease in accrued employee retirement liabilities	(122,280)	(3,801)	(63,156)	(1,979)
Increase in other liabilities	225,640	7,014	180,137	5,644
Net cash provided by operating activities	4,119,169	128,042	8,667,329	260,789

Cash flows from investing activities:				
Decrease in short-term investments	2,743,292	85,275	1,007,213	31,557
Proceeds from disposal of long-term equity investments	-	-	2,599	81
Payments for purchase of long-term equity investments	(48,920)	(1,540)	(148,317)	(4,647)
Withdrawal of long-term equity investments, net	152,937	4,556	360,000	10,529
Proceeds from disposal of property, plant and equipment	3,869,120	120,271	4,396,665	137,753
Payments for purchase of property, plant and equipment	(5,848,186)	(181,790)	(6,037,833)	(189,173)
Decrease (increase) in refundable deposits and other assets	(24,979)	(776)	4,479	140
Increase in deferred charges	(2,689,891)	(83,615)	(1,784,716)	(55,917)
Net cash used in investing activities	(1,846,627)	(57,619)	(2,199,910)	(69,677)
Cash flows from financing activities:				
Increase in short-term borrowings	11,919,662	370,521	14,067,352	440,748
Increase in long-term borrowings	11,662,169	362,517	9,610,000	301,093
Redemption of short-term borrowings	(10,519,958)	(327,011)	(16,546,910)	(518,436)
Redemption of long-term borrowings	(9,480,175)	(294,690)	(11,983,723)	(375,465)
Installment payments for purchase of property, plant and equipment	(2,266,687)	(70,460)	(2,000,584)	(62,681)
Installment payments for purchase of inventories	(746,530)	(23,206)	(1,915,872)	(60,027)
Redemption of lease liability	(751,707)	(23,367)	(416,161)	(13,039)
Payments of cash dividends	(1,646,147)	(49,330)	-	-
Proceeds from issuance of common stock	-	-	2,530,000	74,445
Payment of employees' bonuses and directors' and supervisors' remuneration	(71,574)	(2,145)	(39,002)	(1,132)
Net cash used in financing activities	(1,900,947)	(57,171)	(6,694,900)	(214,494)
Effect of exchange rate changes on cash	-	(3,250)	-	19,488
Net increase (decrease) in cash and cash equivalents	371,595	10,002	(227,481)	(3,894)
Cash and cash equivalents at beginning of year	1,472,601	46,138	1,700,082	50,032
Cash and cash equivalents at end of year	$ 1,844,196	56,140	1,472,601	46,138
Additional disclosure of cash flow information:				
Cash payments of interest (excluding capitalized interest expense)	$ 1,560,229	48,500	1,892,176	56,652
Cash payments of income tax	$808,321	25,127	24,747	741
Supplemental schedule of noncash investing and financing activities:				
Current portion of long-term borrowings	$ 5,860,213	178,393	12,480,472	391,029
Inventory transferred from fixed assets	$ 150	5	3,175	99
Translation adjustments	$ 223,373	(34,840)	(2,921,278)	(6,868)
Deferred credit	$(141,644)	(4,280)	140,410	4,399

See accompanying notes to financial statements.

EVA AIRWAYS CORP.
Notes to Financial Statements
December 31, 2005 and 2004
(amounts not otherwise specified are expressed in thousands of dollars)

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 Law of the Republic of China (ROC). The Company commenced 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 equipments;

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, 2005 and 2004, the Company had hired 5,098 and 4,934 employees, respectively.

2. Summary of Significant Accounting Policies

The Company prepared the accompanying financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC generally accepted accounting principles. The major accounting policies and basis of measurement used in preparing the financial statements are summarized below.

(a) Foreign currency transactions and translation

The Company maintains its books in New Taiwan dollars. Transactions negotiated and settled in foreign currencies are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, and unrealized exchange gains or losses are reflected in the statement of operations.

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 to the reporting currency are reported as cumulative translation adjustments. Cumulative translation adjustments are reported as a separate component of stockholders' equity.

(b) US dollar financial statement presentation

Financial statements stated in New Taiwan dollars are translated into US dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity accounts, which are translated at historical rates, and revenues, costs, and expenses, which are translated at the average exchange rates during the reporting period. Translation differences resulting from translation of the financial statements into US dollars are recorded as cumulative translation adjustments, a separate component of stockholders'equity.

(c) Translation of foreign currency for foreign operating units

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

The aircraft 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 translation differences resulting from the translation of the aircraft and the related US dollar loans into New Taiwan dollars at the exchange rate prevailing on the balance sheet date and historical rates are reported as cumulative translation adjustments. The aircraft stated in US dollars are depreciated by using the same method and the same useful lives, and the resulting US dollar depreciation amounts are translated into New Taiwan dollars at the current year's average exchange rate.

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 translation differences resulting from the translation of the aircraft at the exchange rate prevailing on the balance sheet date and historical rates are reported as cumulative translation adjustments. The leased aircraft stated in US dollars are depreciated by using the same method and the same useful lives, and the resulting US dollar depreciation amounts are translated into New Taiwan dollars at the current year's average exchange rate.

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

(d) Criterion to classify assets and liabilities as current or noncurrent

Current assets are cash and other assets that a business will convert to cash or use up in a relatively short period of time, one year or one operating cycle, whichever is longer. Current liabilities are debts due within one year or one operating cycle, whichever is longer.

(e) Asset impairment

Effective January 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS 35), "Accounting for Asset Impairment". In accordance with SFAS 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill 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 cash-generating unit to which goodwill is allocated on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

(f) Cash and cash equivalents

Cash includes cash on hand, savings and checking deposits, fixed time deposits, cash equivalents, etc. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(g) Short-term investments

Short-term investments are stated at the lower of aggregate cost or market value on the balance sheet date. Cost is determined by using the weighted-average method.

(h) 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.

(i) Long-term equity investments

Long-term equity investments in which the Company owns less than 20% of the investee's voting shares or is unable to exercise significant influence over the investee's operating and financial policies are accounted for as follows:

a) The long-term investments in listed equity securities are stated at the lower of cost or market value. Unrealized loss thereon is recorded as a reduction in stockholders' equity.

b) Long-term investments in nonlisted equity securities are stated at cost. If there is evidence showing that a decline in the market value of such investment is other than temporary and the possibility of recovery is remote, the carrying value of the investment is reduced to reflect the market value, and the resulting loss is recognized in the period of such reduction.

Stock dividends are not recognized as investment income but as an increase in the number of shares held. The cost of long-term equity investment sold is determined based on the weighted-average method.

When the Company owns more than 50% 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.

Long-term equity investments in which the Company owns more than 20% of the investee's voting shares, or less than 20% of voting shares but has significant influence on the operating and financial policies of the investee company, are accounted for by the equity method. According to ROC SFAS No. 23, "Interim Financial Reporting and Disclosures", the Company recognizes investment gains or losses under the equity method quarterly.

For a long-term equity investment accounted for by the equity method, where the investment cost is different from the Company's net equity in the investee company upon the investment, the difference is amortized over a period less than 20 years. The period of amortization is assessed and determined on a case-by-case basis.

When an investee issues new shares and the Company fails to subscribe to the new shares in proportion to the Company's ownership percentage in the investee, thus resulting in a change of net equity in the investee, the resulting difference is accounted for as an increase or a decrease in capital surplus (or retained earnings, whenever there is no capital surplus resulting from long-term equity investment to be deducted) and long-term equity investment.

Unrealized transaction gains or losses 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 should record investment losses; if the book value of long-term investment is insufficient to reduce investment losses, the Company should reduce accounts receivable and deferred credits.

(j) 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 related interest costs incurred prior to commencement of the use of such assets and includes such capitalized interest costs in the cost of related 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. If the depreciable assets are still in use when the useful lives have expired, such assets can be depreciated by their scrap value over the estimated remaining useful lives. The useful lives of the main property, plant and equipment were as follows:

Buildings: 55 years

Machinery and equipment: 3~18 years

Aircraft: 18 years

Rotable parts: 5~18 years

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

(k) Lease

The Company sold and leased back aircraft under operating lease agreements. If the translation differences resulting from the translation 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 disposing of 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 they should be deferred using the unearned gain on sales-leaseback account according to ROC Statement of Financial Accounting Standards (SFAS) No. 2, "Accounting for Leases", otherwise they should be taken as a loss.

The Company sold and leased back aircraft under capital lease agreements. The disposal gains resulting from the differences between the US dollar selling price and the US dollar book value of the aircraft at the exchange rates prevailing on the selling date are deferred using the unearned gain on sales-leaseback account according to ROC SFAS No. 2, "Accounting for Leases", otherwise, if it is a disposal loss, it should be recognized as a loss.

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

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

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

The lessee's periodic rental payment is composed of two parts: (i) the purchase of the leased property and (ii) the interest expense due to long-term or installment financing. Therefore, the lessee should recognize 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 equal to the beginning balance of the lease payable times the maximum borrowing rate.

b) If the value of the leased property is determined by its market price, then the interest expense is still equal to the beginning balance of the lease payable times the maximum borrowing rate. However, a service charge should be calculated by multiplying the beginning balance of the lease payable by 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 should calculate 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 above two paragraphs.

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

The lease liability should be classified as either a current liability or long-term liability, depending on the expiry date.

(l) Deferred charges

Deferred charges principally include costs for computer software, leasehold improvements, trademarks, air flight route development, training of navigators, and "D" check maintenance for aircraft and engines. 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.

(m) Other financial assets

Other financial assets are financial assets other than cash and cash equivalents, accounts receivable and other receivables, long-term equity investments, and refundable deposits.

(n) Derivative financial instruments

1) Foreign currency forward contracts

The Company enters into foreign currency forward contracts to hedge foreign currency fluctuation risk in relation to foreign currency receivables and payables. These foreign currency forward contracts are translated into reporting currencies at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recorded as current exchange gains or losses. The differences between forward rates and spot rates, when forward contracts entered into, are recognized as exchange gains or losses during the contract period. The net amount of the foreign currency receivables and payables is recorded as other current assets or other current liabilities on the balance sheet.

2) Other derivative financial instruments

Derivatives are to be recognized as assets or liabilities on the balance sheet and measured at fair value. Change in the fair value of derivatives should be recognized either in net income or in deferred debit or credit (a separate component of stockholders' equity), depending on the designated purpose of the derivatives.

(o) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan (the "Plan") covering full-time employees in the Republic of China. 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 the 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 defined contribution plan:

a) employees who originally adopted the Plan and opted to be subject to the pension mechanism under the New Act; or

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

In accordance with the New Act, the rate of 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.

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.

(p) Convertible bonds

The discount or premium on convertible bonds, which is measured as the difference between the issued price and par value, should be amortized over the period from issuance to maturity by using the interest method. The discount or premium on convertible bonds with a put option should be amortized over the period from its issuance date to the expiry date of the put option. The interest-premium of puttable convertible bonds, which is the difference between the specified put price and the par value, should be amortized by using the interest method and recognized as a liability over the period from the issuance date of the bonds to the expiry date of the put option.

When the holder exercises the conversion option, the issuer should write off the unamortized discount or premium, issued costs, interest payable, pay-back interest from the holder, recognized interest-premium, and par value of the convertible bonds. The net written-off carrying amount of the convertible bonds over the par value of the common stock exchange certificate should be recognized as additional paid-in capital.

If the holder of convertible bonds with a put option does not exercise the put option by the expiry date, the issuer should amortize the interest premium, which has been recognized as a liability, over the period from the expiry date to the maturity date by using the interest method. However, if the market price of exchangeable common stock is higher than the specified put price of the bond, the issuer should reclassify the interest-premium liability as additional paid-in capital.

(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, "Accounting for Income Tax". 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 when due.

(s) Earnings per share

The amount of earnings per share is 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. On the contrary, anti-dilutive potential common shares are ignored in calculating dilutive 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 shall be 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 (capitalization of retained earnings, additional paid-in capital, or employees' bonuses).

3. Reason for and Effect of Accounting Changes

The Company adopted Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment", in 2005. After performing an impairment test on those assets which had an indication of impairment, the Company determined that no impairment loss need to be recognized in 2005.

4. The Important Accounts Are Listed Below:

(a) Cash and cash equivalents

The components as of December 31, 2005 and 2004, are summarized below:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Cash on hand	$ 90,548	2,756	69,278	2,170
Cash in bank	1,753,648	53,384	1,403,323	43,968
	$ 1,844,196	56,140	1,472,601	46,138

(b) Short-term investments

The components as of December 31, 2005 and 2004, are summarized below:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Mutual funds	$ 2,713,075	82,590	5,350,027	167,623
Fair value	$ 2,720,864	82,827	5,397,898	169,123

(c) Other financial assets–current

The components as of December 31, 2005 and 2004, are summarized below:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Tax refund receivable	$ 230,024	7,002	200,174	6,272
Non-operating revenues receivable	10,390	316	12,621	395
Other receivables	544,118	16,564	26,867	842
	$ 784,532	23,882	239,662	7,509

(d) Inventories

The components as of December 31, 2005 and 2004, are summarized below:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft spare parts	$ 8,705,281	265,001	8,312,905	260,454
Consumables for use and merchandise for sale during flight	467,002	14,216	400,846	12,559
Fuel for aircraft	63,593	1,936	35,887	1,124
Less: allowance for obsolete inventories	(1,342,450)	(40,866)	(1,503,005)	(47,091)
	$ 7,893,426	240,287	7,246,633	227,046

The above inventories were fully insured.

(e) Long-term equity investments

Details as of and for the years ended December 31, 2005 and 2004, were as follows:

		2005					
		Book value		Cost		Investment income (loss)	
Investee	Shareholding percentage (%)	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Accounted for by the equity method:							
Evergreen Airline Services Corp.	56.33	$ 394,154	11,999	111,174	3,384	36,000	1,119
RTW Air Services (S) Pte. Ltd.	49.00	22,585	688	13,217	402	6,229	194
Green Siam Air Services Co., Ltd.	49.00	27,029	823	9,421	287	17,174	534
Evergreen Sky Catering Corp.	49.80	674,779	20,541	498,000	15,160	56,001	1,741
Evergreen Airways Service (Macau) Ltd.	99.00	762,254	23,204	326	10	197,370	6,135
Uni Airways Corp.	17.92	197,594	6,015	3,277,238	99,764	19,180	596
Evergreen Aviation Technologies Corp.	80.00	3,174,790	96,645	2,000,450	60,897	342,515	10,647
Evergreen Security Corp.	31.25	40,827	1,243	25,000	761	6,895	214
Evergreen Air Cargo Services Corp.	60.00	959,036	29,194	726,098	22,104	144,971	4,506
Hsiang-Li Investment Corp.	100.00	914,029	27,824	1,000,000	30,441	(35,112)	(1,091)
Uni Japan Co., Ltd.	49.50	1,689	51	1,820	55	473	15
PT Perdana Andalan Air Service	49.00	7,669	234	2,566	78	5,103	159
		7,176,435	218,461	7,665,310	233,343	796,799	24,769
Accounted for by the cost method:							
Publicly traded securities							
Trade-Van Information Services Co., Ltd.	5.85	94,490	2,876	94,490	2,876	-	-
Central Reinsurance Corp.	5.96	358,703	10,920	358,703	10,920	-	-
		453,193	13,796	453,193	13,796	-	-
Non-publicly traded securities							
Abacus International Holding Ltd.	2.11	115,743	3,523	102,233	3,112	-	-
Sun Shine Corp.	19.50	40,365	1,228	40,365	1,228	-	-
Taiwan High Speed Rail Corp.	1.21	1,250,000	38,052	1,250,000	38,052	-	-
Hsin-Tao Power Corp.	9.69	484,612	14,752	484,612	14,752	-	-

Technology Partner II Venture Capital Corp.	5.88	20,000	609	20,000	609	-	-
Chung Hwa Express Co., Ltd.	10.00	20,000	609	20,000	609	-	-
Taiwan Fixed Network Corporation	1.30	840,000	25,571	840,000	25,571	-	-
Evergreen Development Corp.	9.47	870,000	26,484	870,000	26,484	-	-
Pan-Pacific Venture Capital Co., Ltd.	2.14	15,048	458	15,048	458	-	-
		3,655,768	111,286	3,642,258	110,875	-	-
		4,108,961	125,082	4,095,451	124,671	-	-
Total		$ 11,285,396	343,543	11,760,761	358,014	769,799	24,769

		2004					
		Book value		Cost		Investment income (loss)	
Investee	Shareholding percentage (%)	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Accounted for by the equity method:							
Evergreen Airline Services Corp.	56.33	$ 388,721	12,179	111,174	3,483	51,468	1,541
RTW Air Services(S) Pte. Ltd.	49.00	19,546	612	13,217	414	4,557	136
Green Siam Air Services Co., Ltd.	49.00	24,253	760	9,421	295	15,215	456
Evergreen Sky Catering Corp.	49.80	656,626	20,573	498,000	15,603	66,940	2,004
Evergreen Airways Service (Macau) Ltd.	99.00	724,028	22,685	148,511	4,653	169,119	5,064
Uni Airways Corp.	17.92	194,067	6,080	3,277,238	102,680	(66,807)	(2,000)
Evergreen Aviation Technologies Corp.	80.00	2,837,181	88,892	2,000,450	62,677	282,123	8,447
Evergreen Security Corp.	31.25	33,932	1,063	25,000	784	3,186	95
Evergreen Air Cargo Services Corp.	60.00	886,065	27,762	726,098	22,750	132,133	3,956
Hsiang-Li Investment Corp.	100.00	949,140	29,738	1,000,000	31,331	(52,449)	(1,570)
Uni Japan Co., Ltd.	49.50	1,376	43	1,820	57	144	4
		6,714,935	210,387	7,810,929	244,727	605,629	18,133
Accounted for by the cost method:							
Publicly traded securities							
Trade-Van Information Services Co., Ltd.	5.85	94,491	2,961	94,491	2,961	-	-
Central Reinsurance Corp.	6.14	312,349	9,786	312,349	9,786	-	-
		406,840	12,747	406,840	12,747	-	-
Non-publicy traded securities							

Abacus International Holding Ltd.	2.11	115,743	3,626	102,233	3,202	-	-
Sun Shine Corp.	19.50	40,365	1,265	40,365	1,265	-	-
Taiwan High Speed Rail Corp.	1.40	1,250,000	39,164	1,250,000	39,164	-	-
Hsin-Tao Power Corp.	9.69	484,612	15,184	484,612	15,184	-	-
Technology Partner II Venture Capital Corp.	5.88	20,000	627	20,000	627	-	-
Chung Hwa Express Co., Ltd.	10.00	20,000	627	20,000	627	-	-
Taiwan Fixed Network Corporation	1.30	840,000	26,318	840,000	26,318	-	-
Evergreen Development Corp.	9.47	870,000	27,258	870,000	27,258	-	-
Pan-Pacific Venture Capital Co., Ltd.	1.50	19,800	620	19,800	620	-	-
		3,660,520	114,689	3,647,010	114,265	-	-
		4,067,360	127,436	4,053,850	127,012	-	-
Total		$ 10,782,295	337,823	11,864,779	371,739	605,629	18,133

Details of increases in long-term equity investments of the Company in 2005 and 2004 were as follows:

Unit: thousands of shares

	2005			2004		
		Amounts			Amounts	
Investee	Shares	NT dollars	US dollars	Shares	NT dollars	US dollars
Accounted for by the equity method:						
PT Perdana Andalan Air Service	39	$ 2,566	81	-	-	-
Accounted for by the cost method:						
Central Reinsurance Corp.	4,019	46,354	1,459	11,553	148,317	4,647
		$ 48,920	1,540		148,317	4,647

Details of selling long-term equity investments of the Company in 2005 and 2004 were as below:

Unit: thousands of shares

Investee	Shares	2005 Cost NT dollars	2005 Cost US dollars	Gain (loss)on disposal of long-term investments NT dollars	Gain (loss)on disposal of long-term investments US dollars
Accounted for by the cost method:					
Evergreen Airways Service (Macau) Ltd. (Note 1)		$ 148,185	4,413	41,779	1,244
Accounted for by the cost method:					
Pan-Pacific Venture Capital Co., Ltd. (Note 2)	432	4,752	143	(432)	(13)
		$ 152,937	4,556	41,347	1,231

Note 1: On November 30, 2005, Evergreen Airways Service (Macau) Ltd. decreased issued stock, and the Company withdrew NT$189,964 thousand (US$5,783 thousand). Exchange gain amounted to NT$41,779 thousand (US$1,299 thousand).

Note 2: On December 21, 2005, Pan-Pacific Venture Capital decreased issued stock by 24%, and the Company withdrew NT$4,320 thousand (US$132 thousand) in cash in proportion to the Company's ownership percentage, which caused losses amounting to NT$432 thousand (US$13 thousand).

Investee	Shares	2004 Cost NT dollars	2004 Cost US dollars	Gain on disposal of long-term investments NT dollars	Gain on disposal of long-term investments US dollars
Accounted for by the cost method:					
Trade-Van Information Services Co., Ltd.	194	$ 1,583	50	1,016	30
Taiwan Fixed Network Corporation(Note)	36,000	360,000	10,529	-	-
		$ 361,583	10,529	1,016	30

Note: On August 15, 2004, Taiwan Fixed Network Corporation decreased issued stock by 30%, and the Company withdrew NT$360,000 thousand (US$10,529 thousand) in cash in proportion to the Company's ownership percentage.

(f) Property, plant and equipment

In 2005 and 2004, the Company capitalized the interest expenses on purchase of aircraft amounting to NT$315,476 thousand (US$9,807 thousand) and NT$140,923 thousand (US$4,219 thousand), respectively. The monthly interest rates on the above transactions were 0.25%~0.27% and 0.23%~0.25%, respectively.

As of December 31, 2005 and 2004, insurance coverage for property, plant and equipment, and inventories amounted to approximately NT$51,823,727 thousand (US$1,577,587 thousand) and NT$56,284,500 thousand (US$1,763,465 thousand), respectively.

(g) Lease assets

The details were as follows:

Lease item	Quantity	Lessor	Lease term	Terms of lease contract
Boeing 747 aircraft	4	GECAS	2004.4.13~ 2016.11.12	Pay rent monthly, and the lease term is equal to 75% or more of the total estimated economic life of the leased property
Engines	6	Taiwan Life Financing Co., Ltd.	2004.6.29~ 2011.6.28	Pay rent every three months, and the lease transfers ownership of the leased property by the end of the lease term
Computers	1	IBM	2004.7.25~ 2009.7.24	Pay rent monthly, and the lease transfers ownership of the leased property by the end of the lease term

Discount rate of leased assets	Present value of leased assets at the transaction date			
	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
1.18%~6.93%	$ 8,748,540	266,318	6,426,010	201,335
1.76%	540,296	16,447	540,296	16,928
2.50%	41,844	1,274	41,844	1,311

The abovementioned aircraft and engines were financed by the sale and leaseback method. The differences (named unrealized gain on sale and leaseback) between sales price and book value of equipment were recorded as a reduction of depreciation expenses by lease term.

As of December 31, 2005, the details of leased assets were as follows:

	NT dollars	US dollars
Aircraft	$ 8,748,540	266,318
Engines	540,296	16,447
Computers	41,844	1,274
Less: accumulated depreciation	(1,127,171)	(34,313)
	$ 8,203,509	249,726

As of December 31, 2005, insurance coverage for leased assets amounted to approximately NT$10,768,403 thousand (US$327,805 thousand).

As of December 31, 2005, the book value and present value of lease liability were as follows:

Year due	NT dollars	US dollars
As of December 31, 2006	$1,221,019	37,170
As of December 31, 2007	926,355	28,200
As of December 31, 2008	964,033	29,346
As of December 31, 2009	998,062	30,382
As of December 31, 2010	992,671	30,218

And after	5,058,771	153,996
Book value	10,160,911	309,312
Less: unrealized interest expenses	(2,000,292)	(60,891)
Present value	8,160,619	248,421
Less: current portion	(879,098)	(26,761)
	$ 7,281,521	221,660

As of December 31, 2004, the details of leased assets were as follows:

	NT dollars	US dollars
Aircraft	$ 6,426,010	201,335
Engines	540,296	16,928
Computers	41,844	1,311
Less: accumulated depreciation	(405,791)	(12,714)
	$ 6,602,359	206,860

As of December 31, 2004, insurance coverage for leased assets amounted to approximately NT$8,273,054 thousand (US$259,205 thousand).

As of December 31, 2004, the book value and present value of lease liability were as follows:

Year due	NT dollars	US dollars
As of December 31, 2005	$917,925	28,760
As of December 31, 2006	850,243	26,639
As of December 31, 2007	785,879	24,623
As of December 31, 2008	745,976	23,372
As of December 31, 2009	740,701	23,207
And after	4,738,715	148,470
Book value	8,779,439	275,071
Less: unrealized interest expenses	(2,175,054)	(68,147)
Present value	6,604,385	206,924
Less: current portion	(578,659)	(18,130)
	$ 6,025,726	188,794

(h) Deferred charges

As of December 31, 2005 and 2004, deferred charges, net of amortization, consisted of the following:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Computer software	$ 288,062	8,769	309,968	9,712
Leasehold improvements	1,874,462	57,061	718,569	22,514
Air flight route development cost	1,262	39	13,452	421
Navigator training costs	15,087	459	51,050	1,599
Major overhaul for aircraft and engines	2,482,515	75,571	2,323,639	72,803
Others	410,546	12,498	197,242	6,180
	$ 5,071,934	154,397	3,613,920	113,229

(i) Short-term borrowings and payable on commercial paper

Details were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Unsecured loans	$ 2,400,000	73,059	1,600,000	50,130
Payable on commercial paper, net of prepaid interest of NT$338 thousand (US$10 thousand) for 2005 and NT$42 thousand (US$1 thousand) for 2004	699,662	21,299	99,958	3,132
	$ 3,099,662	94,358	1,699,958	53,262

The interest expenses on the aforementioned short-term borrowings were calculated based on floating interest rates. For the years ended December 31, 2005 and 2004, the interest rates were 1.15%~1.48% and 0.90%~1.30%, respectively. As of December 31, 2005 and 2004, the unused credit lines amounted to approximately NT$5,903,733 thousand (US$179,718 thousand) and NT$7,475,887 thousand (US$234,229 thousand), respectively.

(i) Long-term borrowings

As of December 31, 2005 and 2004, the details of long-term borrowings were as follows:

Nature	2005 Interest rate (%)	2005 NT dollars	2005 US dollars	2004 Interest rate (%)	2004 NT dollars	2004 US dollars
Secured loans:						
Land and buildings	2.05~2.43	$ 2,800,000	85,236	2.25~4.50	1,400,000	43,864
Aircraft						
NT$ loans	1.95~2.77	4,637,000	141,157	1.76~4.95	4,689,046	146,914
US$ loans	2.70~5.47	1,503,966	45,783	1.95~3.58	3,426,787	107,365
		6,140,966	186,940		8,115,833	254,279
Simulators						
US$ loans	2.58~4.71	290,591	8,846	1.59~2.11	282,338	8,846
		290,591	8,846		282,338	8,846
Subtotal		9,231,557	281,022		9,798,171	306,989
Unsecured loans:	1.55~4.62	14,036,188	427,281	1.25~6.50	10,401,823	325,902
Total		23,267,745	708,303		20,199,994	632,891
Less: current portion		(5,360,213)	(163,172)		(8,520,472)	(266,957)
		$ 17,907,532	545,131		11,679,522	365,934

As of December 31, 2005, the remaining balances of the loans were due as follows:

Year due	NT dollars	US dollars
As of December 31, 2006	$ 5,360,213	163,172
As of December 31, 2007	4,661,682	141,908
As of December 31, 2008	4,448,696	135,425
As of December 31, 2009	3,026,733	92,138

As of December 31, 2010	4,092,400	124,579
And after	1,678,021	51,081
	$ 23,267,745	708,303

Pursuant to the syndication loan agreement signed with Chiao-Tung Bank and fourteen other banks, the Company's liabilities-to-equity ratio and current ratio must be maintained at 300% and 75%, respectively, at the year-end. If any aircraft purchased with the financing of such loans is disposed of or sold, the Company must repay the loan immediately.

As of December 31, 2005 and 2004, the unused credit lines for long-term borrowings amounted to NT$900,000 thousand (US$27,397 thousand) and NT$2,600,000 thousand (US$81,461 thousand), respectively. The pledges for long-term borrowings are disclosed in note 6.

(k) Bonds payable

Details of bonds payable as of December 31, 2005 and 2004, are as follows:

Description				2005		2004	
	Guaranteed by	Annual interest rate	Issue date	NT dollars	US dollars	NT dollars	US dollars
Bonds payable	Farmers Bank	5.525%	2000.01	$ -	-	160,000	5,013
	Bank of Taiwan	5.525%	2000.01	-	-	400,000	12,532
Bonds payable	Shanghai Commercial & Savings Bank	5.470%	2000.07	-	-	300,000	9,399
	Chinatrust Commercial Bank	5.480%	2000.07	-	-	500,000	15,666
	Bank of Panhsin	5.640%	2000.07	-	-	300,000	9,399
	Chinatrust Commercial Bank	5.530%	2000.07	-	-	500,000	15,666
Bonds payable	International Commercial Bank of China	5.250%	2000.12	-	-	500,000	15,666

	Cathay United Bank	5.250%	2000.12	-	-	500,000	15,666
	Bank of Taiwan	5.250%	2000.12	-	-	400,000	12,532
	Farmers Bank	5.250%	2000.12	-	-	400,000	12,532
Bonds payable	Taipei Fubon Bank	3.700%	2001.07	500,000	15,221	500,000	15,666
Bonds payable	Taiwan Cooperative Bank	Floating	2004.02	500,000	15,221	500,000	15,666
Bonds payable	Land Bank	2.25%	2004.07	500,000	15,221	500,000	15,666
	Chang Hwa Bank	2.25%	2004.07	500,000	15,221	500,000	15,666
	Taipei Fubon Bank	2.25%	2004.07	500,000	15,221	500,000	15,666
Bonds payable	Bank of Taiwan	2.110%	2005.01	500,000	15,221	-	-
	Taiwan Cooperative Bank	2.110%	2005.01	500,000	15,221	-	-
Bonds payable	Far-Eastern International Bank	1.850%	2005.08	500,000	15,221	-	-
	Shanghai Commercial & Savings Bank	1.850%	2005.08	500,000	15,221	-	-
	Chinatrust Commerical Bank	1.850%	2005.08	600,000	18,263	-	-
	Hua Nan Bank	1.850%	2005.08	500,000	15,221	-	-
Convertible bonds payable		0.00%	2004.08	3,283,754	99,961	4,473,154	140,149
Subtotal				8,883,754	270,434	10,933,154	342,550
Less: current portion				(500,000)	(15,221)	(3,960,000)	(124,072)
				$ 8,383,754	255,213	6,973,154	218,478

(l) Second convertible bonds payable

The Company issued NT$4.5 billion of Taiwan domestic convertible bonds on August 9, 2004, for which the final terms and conditions were 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.

(vi) Conversion

A) The bondholders can ask the Company to convert the convertible bonds to 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 chosen, immediately preceding but excluding the pricing date, which is July 26, 2004. The conversion price will be subject to adjustments in the event that any change occurs to the capital structure. As of December 31, 2005, the conversion price was NT$13.67.

(l) Other installments payable

The Company purchased aircraft spare parts by installments. As of December 31, 2005 and 2004, the details were as follows:

		2005		2004	
		NT dollars	US dollars	NT dollars	US dollars
Installment amount payable	$	427,105	13,002	1,173,635	36,772
Less: current portion		(427,105)	(13,002)	(679,730)	(21,297)
	$	-	-	493,905	15,475

The current portion of other installments payable was recorded as other payables. As of December 31, 2005, the remaining balances of other installments payable were due as follows:

Year due		NT dollars	US dollars
As of December 31, 2005	$	427,105	13,002

The interest expenses of the aforementioned installments are calculated based on floating interest rates. For the years ended December 31, 2005 and 2004, the average interest rates were 2.33%~2.61% and 2.33%~3.19%, respectively.

(m) Aircraft payable

The Company purchased aircraft by installments. As of December 31, 2005 and 2004, the details were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Aircraft payable	$ 19,453,463	592,191	14,656,281	459,200
Less: current portion	(2,415,242)	(73,524)	(1,891,957)	(59,278)
	$ 17,038,221	518,667	12,764,324	399,922

The current portion of aircraft payable was recorded as other payables. As of December 31, 2005, the remaining balances of the aircraft payables were due as follows:

Year due	NT dollars	US dollars
As of December 31, 2006	$ 2,415,242	73,524
As of December 31, 2007	$ 2,428,135	73,916
As of December 31, 2008	2,369,893	72,143
As of December 31, 2009	2,426,657	73,871
As of December 31, 2010	2,459,044	74,856
And after	7,354,492	223,881
	$ 19,453,463	592,191

The interest expenses of the aforementioned aircraft payable are calculated based on floating interest rates. For the years ended December 31, 2005 and 2004, the average interest rates were 2.06%~6.77% and 1.12%~6.77%, respectively. The pledges for the aircraft payable are disclosed at note 6.

(n) Retirement plans

Net retirement plan liabilities based on the actuarial computation at December 31, 2005 and 2004, are detailed as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Benefit obligation:				
Vested benefit obligation	$ (66,876)	(2,035)	(86,487)	(2,710)
Nonvested benefit obligation	(1,808,946)	(55,067)	(1,658,727)	(51,970)
Accumulated benefit obligation	(1,875,822)	(57,102)	(1,745,214)	(54,680)
Projected effects of salary adjustments	(268,833)	(8,184)	(237,964)	(7,456)
Projected benefit obligation	(2,144,655)	(65,286)	(1,983,178)	(62,136)
Plan assets at fair value	1,209,436	36,817	911,245	28,551
Projected benefit obligation in excess of plan assets	(935,219)	(28,469)	(1,071,933)	(33,585)
Unrecognized net transition obligation	163,770	4,985	191,064	5,986
Unrecognized pension loss	456,691	13,902	443,831	13,906
Pension liabilities that need to be accrued	(351,628)	(10,704)	(396,931)	(12,436)
Accrued employee retirement liabilities	$ (666,386)	(20,286)	(833,969)	(26,129)

The components of net pension cost are summarized as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Service cost	$ 168,481	5,237	210,281	6,296
Interest cost	67,372	2,095	68,675	2,056
Actual return on plan assets	(15,311)	(476)	(9,043)	(271)
Amortization:				
Unrecognized net transition obligation	18,726	582	34,958	1,047
Net pension cost	$ 239,268	7,438	304,871	9,128

The pension cost from adopting the defined contribution scheme deposited in the Bureau of Labor Insurance amounted to NT$37,927 thousand (US$1,179 thousand).

Actuarial assumptions at December 31, 2005 and 2004, are summarized as follows:

	2005	2004
Discount rate	3.50%	3.50%
Rate of increase in future compensation levels	1.00%	1.00%
Expected long-term rate of return on plan assets	3.50%	3.50%

As of December 31, 2005 and 2004, the retirement fund deposited in the Central Trust of China was NT$1,209,436 thousand (US$36,817 thousand) and NT$911,245 thousand (US$28,551 thousand), respectively.

(o) Income tax

(1) The Company's earnings are subject to a maximum income tax rate of 25%. For the years ended December 31, 2005 and 2004, the components of estimated income tax benefits (expenses) were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Income tax expenses-current	$ (137,554)	(4,276)	(539,914)	(16,165)
Income tax benefits-deferred	326,923	10,162	100,220	3,001
	$ 189,369	5,886	(439,694)	(13,164)

(2) For the years ended December 31, 2005 and 2004, the differences between expected income tax expenses at statutory rates and income tax benefits (expenses) as reported in the accompanying financial statements were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Expected income tax expenses	$ (284,173)	(8,833)	(920,657)	(27,565)
Surtax on undistributed earnings	(134,147)	(4,170)	(105,021)	(3,144)
Gain on disposal of investments	26,585	826	28,949	867
Investment income recognized under equity method–unrealized	199,200	6,192	151,407	4,533
Dividend income	34,130	1,061	15,557	466
Permanent difference in depreciation expenses	(45,573)	(1,417)	(94,549)	(2,831)
Exchange losses recorded as translation adjustments	29,238	909	105,061	3,145
Increase in investment tax credits	460,237	14,306	50,790	1,521
Valuation allowance for deferred income tax assets, net	-	-	467,629	14,001
Others	(96,128)	(2,988)	(138,860)	(4,157)
	$ 189,369	5,886	(439,694)	(13,164)

(3) For the years ended December 31, 2005 and 2004, the deferred income tax benefits were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Loss carryforwards	$ -	-	(522,588)	(15,646)
Unrealized (realized) exchange losses	(51,288)	(1,595)	32,676	978
Investment tax credits	350,098	10,883	(112,772)	(3,376)
Provision (reversal) for reducing inventory to market price	(40,138)	(1,248)	83,592	2,503
Purchase of fixed assets by installments,adjusted for tax purposes	85,952	2,672	126,967	3,801
Deferred gains on disposal of fixed				

assets, adjusted for tax purposes	(96,390)	(2,996)	24,716	740
Valuation allowance for deferred income tax assets, net	-	-	467,629	14,001
Accrued employee retirement liabilities	78,689	2,446	-	-
	$ 326,923	10,162	100,220	3,001

(4) The components of the deferred income tax assets as of December 31, 2005 and 2004, are summarized as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Deferred income tax assets-current:				
Unrealized exchange losses	$ 27,744	845	79,032	2,476
Allowance for obsolete inventories	335,613	10,217	375,751	11,773
Other	78,689	2,395	-	-
	$ 442,046	13,457	454,783	14,249
Deferred income tax assets -noncurrent:				
Purchase of fixed assets by installments, adjusted for tax purposes	$ 717,463	21,841	631,511	19,786
Deferred gains on disposal of fixed assets, adjusted for tax purposes	227,910	6,938	324,300	10,161
Investment tax credits	350,098	10,657	-	-
	$ 1,295,471	39,436	955,811	29,947

The expiry years of the remaining investment tax credits as of December 31, 2005, are summarized as follows:

Expiry year		Investment tax credits: NT dollars	Investment tax credits: US dollars
2009	$	350,098	10,657

The Company's income tax returns have been examined and assessed through 2003 by the ROC income tax authority.

(p) Stockholders' equity

(1) Common stock

As of December 31, 2005, 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 3,389,887 thousand shares were issued and outstanding.

As of December 31, 2004, 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 3,271,426 thousand shares were issued and outstanding.

On June 16, 2005, the Company's stockholders resolved to transfer unappropriated earnings of NT$329,229 thousand by issuing 32,923 thousand shares of common stock, at NT$10 par value per share. The stock issuance was authorized by and registered with the government authorities on August 22, 2005.

On June 15, 2004, the Company's stockholders resolved to transfer unappropriated earnings of NT$1,121,073 thousand by issuing 112,107 thousand shares of common stock, at NT$10 par value per share. The stock issuance was authorized by and registered with the government authorities.

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

The details as of December 31, 2005 and 2004, were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Cash subscription in excess of par value of shares	$ 1,794,333	61,794	1,794,333	61,794
Gain on disposal of property plant and equipment of investee company	1,668	53	1,668	53
Additional paid-in capital from bond conversion	745,546	22,711	420,527	12,382
Increase in net equity due to changein percentage of ownership in long-term investments under equity method	234,600	6,816	234,600	6,816
Donated assets	648,839	21,229	648,734	21,226
	$ 3,424,986	112,603	3,099,862	102,271

The ROC Company Law 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 on shares issued above their par value. In addition, the transferred capital surplus from issuance of shares or other events in accordance with Article 8 of the ROC Securities and Exchange Law and the ROC Company Law can be credited to capital upon the condition that the aforementioned capital surplus has been approved by and registered with the competent authority in the previous year.

Furthermore, the amount of the capital surplus from the premiums on shares issued above their par value and earnings from gifts received credited to capital should not exceed 10 percent of the amount of paid-in capital in one year.

The ROC Company Law stipulates that the Company must retain 10% of its annual earnings, as defined in the Law, 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 to appropriate of each year, and remuneration of directors and supervisors of not more than 5% of estimated earnings to appropriate of each year. Such appropriations can only be made after offsetting accumulated deficit and appropriation of legal reserve, and must be accounted for as a reduction in 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 predicted earnings per share of a year in which 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 employees' bonuses and directors' and supervisors' remuneration appropriated from 2004 earnings was as follows:

	2004	
	NT dollars	US dollars
Employees' bonuses-cash	$ 51,174	1,534
Directors' and supervisors' remuneration	20,400	611
	$ 71,574	2,145

If the related expenditures listed above were taken as expenses incurred in 2004, the related imputed earnings per share (after tax) would be NT$1.03 (US$0.03).

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

(3) Unappropriated earnings, imputation credit account, and creditable ratio

The details of unappropriated earnings as of December 31, 2005 and 2004, were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Unappropriated earnings after 1998	$ 3,662,898	109,572	4,708,083	139,411

As of December 31, 2005 and 2004, the details of the ICA and the related creditable ratio were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
ICA	$ 783,829	23,861	116,460	3,649

	2004	2003
Creditable ratio	21.40% (estimated)	6.94% (actual)

(q) Earnings per share

For the years ended December 31, 2005 and 2004, earnings per share are calculated as follows:

	2005 NT dollars					2005 US dollars				
	Income		Shares	Earnings per Share		Income		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
Net income	$ 1,136,691	1,326,060				35,334	41,220			
Basic earnings per share:										
Net income belonging to common stockholders	$ 1,136,691	1,326,060	3,362,148	$ 0.34	0.39	35,334	41,220	3,362,148	0.01	0.01
Diluted earnings per share:										
Net income belonging to										

common stockholders	$ 1,136,691	1,326,060	3,362,148			35,334	41,220	3,362,148		
Effect in the period of dilutive potential common shares	-	-	237,842			-	-	237,842		
	$ 1,136,691	1,326,060	3,599,990	$ 0.32	0.37	35,334	41,220	3,599,990	0.01	0.01

	2004 NT dollars					2004 US dollars				
	Income		Shares	Earnings per Share		Income		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
Net income	$ 3,682,629	3,242,935				110,258	97,094			
Basic earnings per share:										
Net income belonging to common stockholders	$ 3,682,629	3,242,935	3,090,044	$ 1.19	1.05	110,258	97,094	3,090,044	0.04	0.03
Diluted earnings per share:										
Net income belonging to common stockholders	$ 3,682,629	3,242,935	3,090,044			110,258	97,094	3,090,044		
Effect in the period of dilutive potential common shares	-	-	310,345			-	-	310,345		
	$ 3,682,629	3,242,935	3,400,389	$ 1.08	0.95	110,258	97,094	3,400,389	0.03	0.03

(r) Financial instruments

(1) Derivative financial instruments

(i) As of December 31, 2005 and 2004, the nominal amounts and market value of derivative financial instruments were as follows:

	2005		2004	
	Nominal Amount	Market Value	Nominal Amount	Market Value
Interest rate swap agreements (recorded as other current assets)	USD 120,000 NTD 4,600,000	USD 415	USD 120,000 NTD 4,600,000	USD 1,564
Forward exchange contracts (recorded as other current liabilities)	-	-	USD 19,000	USD (101)
Fuel price option agreements (recorded as other current assets and other assets/liabilities)	-	USD 5,457	-	USD 8,909

(ii) The Company engaged in derivative financial instruments for the years ended December 31, 2005 and 2004. Details were as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Interest rate swap agreements:				
Interest expenses (recorded as non-operating expenses and losses - interest expenses)	$ -	-	36,225	1,085
Interest income (recorded as non-operating income and gains - interest income)	1,061	33	-	-
Interest receivable (recorded as other financial assets -current)	-	-	6,875	215
Interest payable (recorded as accrued expenses)	5,546	169	-	-
Option agreements:				
Gain on derivatives (recorded as non-operating expenses and losses -exchange losses, net)	-	-	18,370	550
Forward exchange contracts:				
Future net cash outflow	-	-	609,657	19,101
Future net cash inflow	-	-	606,423	19,000
Fuel price option agreements:				
Net gains (recorded as adjustment of operating cost)	1,382,272	42,078	1,264,493	37,859

(iii) Purposes and risks of engaging in derivative financial instruments

1) Interest rate swap agreements

The Company had several interest rate swap agreements to hedge its exposure to fluctuations in interest rates on long-term borrowings.

The counter-parties to the swap transactions were international financial institutions with excellent reputations. Management believed that the risk of loss due to non-performance of the counter-parties was remote.

2) Option agreements

The Company entered into several interest rate and currency option agreements for hedging purposes.

There were no such transactions for the year ended December 31, 2005.

3) Forward exchange contracts

The Company enter into several forward exchange contracts to hedge the risk of changes in exchange rates of foreign currency receivable and payables.

The related forward exchange contracts for the year ended December 31, 2005, were all expired.

4) Fuel price option agreements

The Company entered into several fuel price option agreements to hedge the risk of fluctuations in fuel price.

(2) Fair value of nonderivative financial instruments

There were no significant differences between the book value and the fair value for cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), other financial assets, other current assets, short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), tax payable, accrued expenses, other current liabilities, current portion of long-term liabilities, and lease payable because of the proximity of their due dates.

The details of other nonderivative instruments as of December 31, 2005 and 2004, are summarized as follows:

	2005			
	NT dollars		US dollars	
Nonderivative financial instruments	Book value	Fair value	Book value	Fair value
Assets:				
Short-term investments	$ 2,713,075	2,720,864	82,590	82,827
Long-term equity investments:				
Fair value can be estimated in fact	453,193	460,564	13,796	14,020
Fair value can not be estimated in fact	10,832,203	-	329,747	-
Long-term liabilities:				
Bonds payable	8,383,754	8,295,291	255,213	252,520
Long-term borrowings	17,907,532	17,907,532	545,131	545,131
Aircraft payable	17,038,221	17,038,221	518,667	518,667
Lease payable	7,281,521	7,281,521	221,660	221,660
Off-balance-sheet financial instruments:				
Letters of credit	-	286,248	-	8,714

	2004			
	NT dollars		US dollars	
Non-derivative financial instruments	Book value	Fair value	Book value	Fair value
Assets:				
Short-term investments	$ 5,350,027	5,397,898	167,623	169,123
Long-term equity investments:				

Fair value can be estimated in fact	406,840	449,671	12,747	14,089
Fair value can not be estimated in fact	10,375,455	-	325,076	-
Long-term liabilities:				
Bonds payable	6,973,154	7,290,045	218,478	228,406
Long-term borrowings	11,679,522	11,679,522	365,934	365,934
Other installments payable	493,905	493,905	15,475	15,475
Aircraft payable	12,764,324	12,764,324	399,922	399,922
Lease payable	6,025,726	6,025,726	188,794	188,794
Off-balance-sheet financial instruments:				
Letters of credit	-	517,952	-	16,228

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

(i) The fair value of short-term investments is market value.

(ii) The fair value of long-term equity investments is market value if they are traded on the public market.

(iii) The fair value of convertible bonds is market value.

(iv) The fair value of long-term liabilities (except convertible bonds) is the discounted future cash flows, and the discount rates during 2005 and 2004 were 3.14% and 2.93%, respectively.

(v) The fair value of letters of credit is based on the contract.

(vi) The fair value of the derivative instruments is based on the receipt or payment if the Company terminates the contracts on the balance sheet date, and generally includes the unrealized gain or loss of the unexpired contracts. Most of the derivative financial instruments have quotations from financial institutions.

(4) Off-balance-sheet credit risk financial instruments

Financing guaranty: For the period from June 8, 2002, to June 8, 2004, the Company provided a guaranty for an investee Company amounting to NT$80,000 thousand. As of December 31, 2005 and 2004, the Company had provided a guaranty for an investee company amounting to NT$0, respectively. The guaranty was used to guarantee financial borrowings, which have an off-balance-sheet credit risk. Credit risk means the probable accounting loss from a counter-party who violates the contract and/or a significant decrease in the value of a mortgage. If the credit line of the guarantee is used up and the borrowing still cannot be redeemed, the Company's credit risk is equal to the amount of the contract. The counter-party did not provide a mortgage when the Company promised to provide the financing guaranty.

(5) Concentrations of credit risk

The Company's primary potential credit risk is accounts receivable. However, there was no concentration of credit risk because there was more than one counter-party. To decrease the credit risk of accounts receivable, the Company continually evaluated the collectibility of accounts receivable and recognized allowance for doubtful accounts. All bad debts were within management's expectations.

5. Transactions with Related Parties

(a) Name and relationship of related parties

Name	Relationship with the Company
Evergreen Marine Corp.	Major shareholder
Evergreen International Corp.	Major shareholder
Evergreen International Storage & Transport Corp.	Investee company of the Company's major shareholders
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
Uni Japan Co., Ltd.	Subsidiary
Evergreen Airways Service (Macau) Ltd.	Subsidiary

PT Perdana Andalan Air Service	Subsidiary
Uni Airways Corp.	Investee company accounted for by equity method
Evergreen Security Corp.	Investee company accounted for by equity method

(b) Significant transactions with related parties

(1) Revenue, cost and expenses

During the years ended December 31, 2005, and 2004, the Company's transactions with related parties were as follows:

	2005			2004		
Revenue	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen Airline Services Corp.	$ 1,754	55	-	1,845	55	-
Uni Airways Corp.	32,428	1,008	0.04	43,454	1,301	0.06
Evergreen Aviation Technologies Corp.	146,784	4,563	0.17	198,225	5,935	0.24
Evergreen Air Cargo Services Corp.	17,298	538	0.02	8,489	254	0.01
Evergreen International Corp.	11,615	361	0.01	3,639	109	-
Others	4,264	133	-	2,544	76	-
	$ 214,143	6,658	0.24	258,196	7,730	0.31

	2005			2004		
Cost	NT dollars	US dollars	Percentage	NT dollars	US dollars	Percentage
Evergreen International Corp.	$ 53,925	1,676	0.07	45,785	1,371	0.06
Evergreen International Storage & Transport Corp.	75,081	2,334	0.09	60,429	1,809	0.09
Evergreen Airline Services Corp.	844,988	26,266	1.05	807,976	24,191	1.14
Evergreen Sky Catering Corp.	880,886	27,382	1.09	811,471	24,296	1.14
Uni Airways Corp.	944,139	29,349	1.17	707,956	21,196	1.00
Evergreen Aviation Technologies Corp.	4,599,514	142,975	5.69	3,892,027	116,528	5.47
Evergreen Air Cargo Services Corp.	345,149	10,729	0.43	358,647	10,738	0.50
Others	1,607	50	-	1,305	39	-
	$ 7,745,289	240,761	9.59	6,685,596	200,168	9.40

Expenses	2005 NT dollars	2005 US dollars	2005 Percentage	2004 NT dollars	2004 US dollars	2004 Percentage
Evergreen International Corp.	$ 140,383	4,364	2.06	121,931	3,651	1.79
Evergreen International Storage & Transport Corp.	19,195	597	0.28	21,809	653	0.32
Evergreen Airline Services Corp.	27,167	844	0.40	26,053	780	0.38
Evergreen Sky Catering Corp.	23,107	718	0.34	24,207	725	0.35
Uni Airways Corp.	78,652	2,445	1.16	112,532	3,369	1.65
Evergreen Aviation Technologies Corp.	22,012	684	0.32	16,212	485	0.24
Evergreen Security Corp.	48,697	1,514	0.72	43,108	1,291	0.63
RTW Air Services (S) Pte. Ltd.	51,108	1,589	0.75	47,956	1,436	0.70
Green Siam Air Services Co., Ltd.	71,885	2,235	1.06	75,931	2,273	1.11
Uni Japan Co., Ltd.	25,185	783	0.37	18,688	559	0.27
PT Perdalan Andalan Air Service	25,775	801	0.38	-	-	-
Others	969	30	-	2,426	73	0.04
	$ 534,135	16,604	7.84	510,853	15,295	7.48

(2) Guaranty

The Company's guaranty to a related party for the year ended December 31, 2004, was as follows:

	2004 Maximum balance NT dollars	2004 Maximum balance US dollars	2004 Ending balance NT dollars	2004 Ending balance US dollars
Uni Airways Corp.	$ 80,000	2,507	-	-

There were no such transactions during the year ended December 31, 2005.

(3) 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, 2005 and 2004, resulting from the aforementioned transactions are summarized as follows:

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Accounts receivable-related parties:				
Uni Airways Corp.	$ 11,406	347	13,809	433
Evergreen Aviation Technologies Corp.	14,722	448	32,550	1,020
Evergreen Marine Corp.	2,070	63	261	8
Evergreen Air Cargo Service Corp.	1,429	44	-	-
Others	859	26	268	8
	30,486	928	46,888	1,469
Other receivables-related parties:				
Uni Airways Corp. (Note)	133,242	4,056	163,934	5,136
Evergreen Air Cargo Services Corp.	6,971	212	3,822	120
Evergreen Aviation Technologies Corp.	38,689	1,178	48,246	1,512
Evergreen Airline Services Corp.	17,050	519	8,538	267
Evergreen International Corp.	5,933	181	3,100	97
Uni Japan Co., Ltd.	-	-	12,376	388
Evergreen Sky Catering Corp.	3,198	97	1,907	60
Others	2,377	72	259	8
	207,460	6,315	242,182	7,588
Total receivables-related parties	$ 237,946	7,243	289,070	9,057

Note: As of December 31, 2004, the overdue accounts receivable transferred to other receivables were NT$34,687 thousand (US$1,087 thousand), respectively. The aging report for the above-mentioned overdue accounts receivable was as shown below:

	2004							
			Aging report for overdue accounts receivable					
	Amount		Over 1~6 months		Over 7~12 months		Over one year	
	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars	NT dollars	US dollars
Uni Airways Corp.	$ 34,687	1,087	13,671	429	13,127	411	7,889	247

There were no such transactions during the year ended December 31, 2005.

	2005		2004	
	NT dollars	US dollars	NT dollars	US dollars
Accounts payable-related parties:				
Evergreen International Corp.	$ 8,429	257	9,435	296
Evergreen Airline Services Corp.	172,359	5,247	160,386	5,025
Evergreen Sky Catering Corp.	144,195	4,389	130,810	4,098
Uni Airways Corp.	131,136	3,992	142,577	4,467
Evergreen Aviation Technologies Corp.	355,065	10,809	520,568	16,310
Evergreen Air Cargo Services Corp.	61,819	1,882	56,754	1,778
Evergreen International Storage & Transport Corp.	6,807	207	347	11
Green Siam Air Services Co., Ltd.	6,474	197	7,490	235
RTW Air Services (S) Pte. Ltd.	5,989	182	4,057	127
PT Perdana Andalan Air Service	3,535	108	-	-
Others	2,245	68	-	-
	898,053	27,338	1,032,424	32,347
Other payables-related parties:				
Evergreen International Corp.	15,565	474	28,350	888
Evergreen Airline Services Corp.	42,931	1,307	32,827	1,029
Evergreen Sky Catering Corp.	1,871	57	2,436	76
Uni Airways Corp.	7,486	228	19,406	608
Evergreen Aviation Technologies Corp.	8,706	265	2,817	88

Evergreen Air Cargo Services Corp.	3,940	120	2,328	73
Evergreen International Storage & Transport Corp.	1,071	32	6,053	190
Evergreen Security Corp.	4,395	134	3,970	125
Evergreen Marine Corp.	53	1	47	1
	86,018	2,618	98,234	3,078
Total payables-related parties	$ 984,071	29,956	1,130,658	35,425

6. Pledged Assets

The book values of the pledged assets as of December 31, 2005 and 2004, were as follows:

		2005		2004	
Pledged assets	Object	NT dollars	US dollars	NT dollars	US dollars
Land	Long-term borrowings	$ 1,864,122	56,747	1,864,122	58,405
Buildings	Long-term borrowings	2,573,809	78,350	2,667,079	83,563
Aircraft	Long-term borrowings	38,452,290	1,170,542	34,488,218	1,080,559
Engines-included in machinery and equipment	Long-term borrowings	121,051	3,685	137,712	4,315
Simulators-included in machinery and equipment	Long-term borrowings	313,487	9,543	343,221	10,754
Time deposit-included in other assets	Customs duty and contract performance guaranties	531,389	16,176	605,242	18,963
		$ 43,856,148	1,335,043	40,105,594	1,256,559

7. Commitments and Contingencies

(a) As of December 31, 2005, the outstanding contracts for purchases of aircraft were as follows:

Entering date	Type of aircraft	Quantity	Total price of contract	Prepayments (Note)
June 2000	Boeing 777	5	US$ 1,260,851	NT$4,816,616 (US$146,625)
April 2004	Boeing 777	8	US$ 1,491,496	NT$4,003,662 (US$121,877)
November 2004	Airbus A330-200	1	US$ 138,608	NT$1,107,151 (US$33,703)

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

(b) As of December 31, 2005, the Company had issued a total of NT$8,131,479 thousand (US$247,534 thousand) in promissory notes to banks for obtaining guaranties for credit lines. As of December 31, 2005, the Company had obtained guaranties from ABN-AMRO Bank, Citibank, Bank of America and HSBC Bank amounting to NT$279,822 thousand (US$8,518 thousand).

(c) The Company entered into aircraft, land and engine lease contracts using the operating lease or capital lease method. As of December 31, 2005, the Company had paid $15,625,005 thousand (US$475,647 thousand) as refundable deposits. According to the contracts, future lease payments in the following five years are as follows:

Year due	NT dollars	US dollars
As of December 31, 2006	$ 11,484,402	349,601
As of December 31, 2007	8,998,803	273,936
As of December 31, 2008	7,110,998	216,469
As of December 31, 2009	6,244,051	190,078
As of December 31, 2010	5,374,265	163,600
	$ 39,212,519	1,193,684

8. Important Damage Losses: none

9. Important Subsequent Events: none

10. Others

(a) Total personnel, depreciation and amortization expenses for the years ended December 31, 2005 and 2004, are summarized below:

By function	NT dollars					
	2005			2004		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	$ 3,217,212	2,647,551	5,864,763	3,310,924	2,812,000	6,122,924
Insurance	132,828	111,169	243,997	114,902	102,091	216,993
Pension	164,380	114,219	278,599	177,837	127,034	304,871
Others (meal allowances, etc.)	940,608	219,902	1,160,510	914,301	198,255	1,112,556
Depreciation	4,224,112	212,590	4,436,702	4,356,802	210,494	4,567,296
Amortization	994,308	221,658	1,215,966	942,512	216,777	1,159,289

By function	US dollars					
	2005			2004		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	$ 100,006	82,299	182,305	99,129	84,192	183,321
Insurance	4,129	3,456	7,585	3,440	3,057	6,497
Pension	5,110	3,550	8,660	5,325	3,803	9,128
Others (meal allowances, etc.)	29,239	6,835	36,074	27,374	5,936	33,310

Depreciation	131,306	6,608	137,914	130,443	6,302	136,745
Amortization	30,908	6,890	37,798	28,219	6,490	34,709

(b) Reclassification

Certain amounts in the financial statements for the year ended December 31, 2004, have been reclassified to conform with the presentation of the financial statements for the year ended December 31, 2005, 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:

		2005		2004	
		NT dollars	US dollars	NT dollars	US dollars
South East Asia:					
Operating revenue	$	30,395,917	944,853	22,452,705	672,237
Income from operations	$	142,252	4,422	1,280,892	38,350
Identifiable assets	$	679,739	20,692	291,944	9,147
North America:					
Operating revenue	$	13,660,863	424,646	11,401,497	341,362
Income from operations	$	63,933	1,987	650,438	19,474
Identifiable assets	$	292,991	8,919	447,225	14,012

		2005		2004	
		NT dollars	US dollars	NT dollars	US dollars
Other foreign areas:					
Operating revenue	$	16,194,650	503,408	16,447,653	492,445
Income from operations	$	75,790	2,356	938,312	28,093
Identifiable assets	$	539,103	16,411	1,136,626	35,612
Domestic:					
Operating revenue	$	27,764,536	863,057	32,353,496	968,667
Income from operations	$	129,937	4,039	1,845,715	55,261
Identifiable assets	$	115,684,585	3,521,601	105,046,906	3,291,252
Total operating revenue	$	88,015,966	2,735,964	82,655,351	2,474,711
Income from operations	$	411,912	12,804	4,715,357	141,178
Investment income, net		796,799	24,769	605,629	18,133
General income (expenses)		1,677,567	52,147	298,932	8,950
Interest expenses		(1,749,587)	(54,386)	(1,937,289)	(58,003)
Income before income tax	$	1,136,691	35,334	3,682,629	110,258
Total identifiable assets	$	117,196,418	3,567,623	106,922,701	3,350,023
Long-term equity investments		11,285,396	343,543	10,782,295	337,823
Total assets	$	128,481,814	3,911,166	117,704,996	3,687,846

(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, 2005
(Amount Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

Assets	2005 NT dollars	2005 US dollars
Current assets:		
Cash and cash equivalents	$ 3,332,796	101,455
Short-term investments	3,006,319	91,517
Notes receivable	393,130	11,967
Accounts receivable, net	8,943,129	272,241
Accounts receivable–related parties	107,912	3,285
Other receivables–related parties	144,039	4,385
Other financial assets–current	854,744	26,020
Inventories	9,383,799	285,656
Prepaid expenses	3,164,710	96,338
Other prepayments	781,984	23,805
Deferred income tax assets–current	461,383	14,045
Restricted assets–current	2,990	91
Other current assets	706,909	21,519
Total current assets	31,283,844	952,324
Long-term equity investments		
Long-term equity investments under equity method	1,078,710	32,838
Long-term equity investments under cost method	4,411,236	134,284
Net long-term equity investments	5,489,946	167,122
Property, plant and equipment		
Land	2,551,136	77,660
Buildings	12,151,692	369,915
Machinery and equipment	7,595,355	231,213
Aircraft	65,254,586	1,986,441
Rotable parts	655,476	19,954
	88,208,245	2,685,183
Less: accumulated depreciation	(30,214,778)	(919,780)
Leased assets, net	8,203,509	249,726
Construction in progress	199,957	6,087
Advances for purchases of equipment	10,388,818	316,250
Net property, plant and equipment	76,785,751	2,337,466
Other assets:		
Deferred pension cost	240,014	7,306
Refundable deposits	15,699,336	477,910
Deferred charges	5,151,941	156,832
Accounts receivable–related parties–noncurrent, net	86,548	2,635
Deferred income tax assets–noncurrent	1,362,535	41,477
Other assets	572,606	17,431
Total other assets	23,112,980	703,591
Total assets	$ 136,672,521	4,160,503

Liabilities and Stockholders' Equity	2005 NT dollars	2005 US dollars
Current liabilities:		
Short-term borrowings	$ 3,005,000	91,476
Payable on commercial paper	1,334,308	40,618
Notes payable	247	8
Accounts payable	2,391,486	72,800
Accounts payable–related parties	176,404	5,370
Tax payable	142,161	4,328
Accrued expenses	7,293,093	222,012
Other payables–related parties	44,359	1,350
Other payables	3,438,474	104,672
Unearned revenue	8,294,392	252,493
Current portion of long-term liabilities	6,306,957	191,993
Other current liabilities	834,106	25,391
Lease liability–current	879,098	26,761
Total current liabilities	34,140,085	1,039,272
Long-term liabilities:		
Bonds payable	8,383,754	255,213
Long-term borrowings	20,888,099	635,863
Aircraft payable	17,038,221	518,667
Lease liability–noncurrent	7,281,521	221,660
Total long-term liabilities	53,591,595	1,631,403
Other liabilities:		
Accrued employee retirement liabilities	855,223	26,034
Other liabilities	1,563,685	47,601
Total other liabilities	2,418,908	73,635
Total liabilities	90,150,588	2,744,310
Stockholders' equity		
Common stock	33,898,869	1,160,607
Capital surplus	3,424,986	112,603
Retained earnings:		
Legal reserve	727,666	21,408
Retained earnings	3,662,898	109,572
Total retained earnings	4,390,564	130,980
Other stockholders' equity adjustments:		
Deferred credit	192,631	5,864
Cumulative translation adjustments	2,291,327	(64,723)
Net loss not yet recognized as net pension cost	(222,505)	(6,644)
Total other stockholders' equity adjustments	2,261,453	65,503
Total stockholders' equity	43,975,872	1,338,687
Minority interest	2,546,061	77,506
Total stockholders' equity and minority interest	46,521,933	1,416,193
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 136,672,521	4,160,503

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Statements of Operations
For the year ended December 31, 2005
(Amount Expressed in Thousands of New Taiwan Dollars and U.S. Dollars, Except Earnings Per Share)

	2005	
	NT dollars	US dollars
Operating revenue	$ 91,911,940	2,857,070
Operating cost	(83,039,370)	(2,581,267)
Gross profit from operations	8,872,570	275,803
Operating expenses	(7,255,064)	(225,523)
Operating income	1,617,506	50,280
Non-operating income and gains:		
Interest income	126,792	3,941
Investment income	200,906	6,245
Gain on disposal of property, plant and equipment, net	747,864	23,247
Exchange gain, net	31,950	993
Other income	909,014	28,257
	2,016,526	62,683
Non-operating expenses and losses:		
Interest expenses net of capitalized interest of NT$319,830 (US$9,942)	(1,858,908)	(57,784)
Investment losses	(55,075)	(1,712)
Other loss	(61,172)	(1,901)
	(1,975,155)	(61,397)
Income before income tax	1,658,877	51,566
Income tax benefit	4,858	151
Net income	$ 1,663,735	51,717
Income attributable to:		
Parent company	$ 1,326,060	41,220
Minority interest	337,675	10,497
	1,663,735	51,717
Earnings per share (expressed in dollars)		
Basic earnings per share	$ 0.39	0.01
Diluted earnings per share:	$ 0.37	0.01

EVA AIRWAYS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the year ended December 31, 2005
(Amount Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

NT dollars

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Minority Interest	Total
Balance on January 1, 2005	$ 32,714,259	3,099,862	403,372	4,708,083	334,275	2,067,954	(219,593)	-	43,108,212
Appropriation of earnings									
Legal reserve	-	-	324,294	(324,294)	-	-	-	-	-
Stock dividends	329,230	-	-	(329,230)	-	-	-	-	-
Cash dividends	-	-	-	(1,646,147)	-	-	-	-	(1,646,147)
Directors' and supervisors' remuneration	-	-	-	(20,400)	-	-	-	-	(20,400)
Employees' bonus	-	-	-	(51,174)	-	-	-	-	(51,174)
Convertible bonds converted into common stock	855,380	325,020	-	-	-	-	-	-	1,180,400
Transfer of donated assets of investee company under equity method to capital surplus	-	104	-	-	-	-	-	-	104
Increase in net equity due to net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(20,921)	-	(20,921)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	18,009	-	18,009
Deferred credit	-	-	-	-	(141,644)	-	-	-	(141,644)
Net income for the year ended December 31, 2005	-	-	-	1,326,060	-	-	-	337,675	1,663,735
Translation adjustments for the year ended December 31, 2005	-	-	-	-	-	223,373	-	-	223,373
Effect of subsidiaries initial consolidation	-	-	-	-	-	-	-	2,208,386	2,208,386
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

US dollars

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Deferred Credit	Cumulative Translation Adjustments	Net Loss Not Yet Recognized As Net Pension Cost	Minority Interest	Total
Balance on January 1, 2005	1,123,557	102,271	11,690	139,411	10,144	(29,883)	(6,555)	-	1,350,635
Appropriation of earnings									
Legal reserve	-	-	9,718	(9,718)	-	-	-	-	-
Stock dividends	9,866	-	-	(9,866)	-	-	-	-	-
Cash dividends	-	-	-	(49,330)	-	-	-	-	(49,330)
Directors' and supervisors' remuneration	-	-	-	(611)	-	-	-	-	(611)
Employees' bonus	-	-	-	(1,534)	-	-	-	-	(1,534)
Convertible bonds converted into common stock	27,184	10,329	-	-	-	-		-	37,513
Transfer of donated assets of investee company under equity method to capital surplus	-	3	-	-	-	-		-	3
Increase in net equity due to net loss not yet recognized as net pension cost in long-term equity investments under equity method	-	-	-	-	-	-	(637)	-	(637)
Recognized net loss not yet recognized as net pension cost	-	-	-	-	-	-	548	-	548
Deferred credit	-	-	-	-	(4,280)	-	-	-	(4,280)
Net income for the year ended December 31, 2005	-	-	-	41,220	-	-	-	10,497	51,717
Translation adjustments for the year ended December 31, 2005	-	-	-	-	-	(34,840)	-	-	(34,840)
Effect of subsidiaries initial consolidation	-	-	-	-	-	-	-	67,009	67,009
Balance on December 31, 2005	1,160,607	112,603	21,408	109,572	5,864	(64,723)	(6,644)	77,506	1,416,193

EVA AIRWAYS CORP. AND SUBSIDIARIES.
Consolidated Statements of Cash Flows
For the year ended December 31, 2005
(Amount Expressed in Thousands of New Taiwan Dollars and U.S. Dollars)

	2005	
	NT dollars	US dollars
Cash flows from operating activities:		
Net income	$ 1,663,735	51,717
Adjustments to reconcile net income to net		
cash flow provided by operating activities:		
Depreciation	5,118,214	159,099
Amortization and maintenance expense	1,260,913	39,195
Amortization expense recorded as interest expense	15,710	488
Gain on disposal and loss from obsolescence of property, plant and equipment	(730,756)	(22,715)
Amortization of deferred gain from sale and leaseback of fixed assets	(89,765)	(2,790)
Amortization of other deferred gain	(417,913)	(12,991)
Provision for unrealized exchange gain from long-term borrowings	(9,156)	(285)
Gain on disposal of short-term investments	(116,940)	(3,635)
Investment income	(200,906)	(6,245)
Investment losses	55,075	1,712
Proceeds from cash dividends on long-term equity investments	298,419	9,276
Deferred income tax benefit	(344,300)	(10,703)
Decrease in notes receivable	4,033	125
Increase in accounts receivable (including related parties)	(1,743,656)	(54,201)
Decrease in other receivables from related parties	98,143	3,051
Increase in accounts receivable–related parties–noncurrent	(86,548)	(2,690)
Increase in inventories	(2,137,016)	(66,429)
Increase in prepaid expenses	(696,585)	(21,653)
Increase in other prepayments	(493,370)	(15,336)
Increase in other financial assets–current	(615,082)	(19,120)
Increase in other current assets	(66,040)	(2,053)
Increase in deferred pension cost	(76,244)	(2,370)
Increase in notes and accounts payable (including related parties)	270,510	8,409
Increase in other payables (including related parties)	523,023	16,258
Increase in accrued expenses	1,529,006	47,529
Decrease in tax payable	(372,398)	(11,576)
Increase in unearned revenue	864,042	26,859
Increase in other current liabilities	294,852	9,165
Decrease in other liabilities	(64,388)	(2,001)
Increase in accrued employee retirement liabilities	66,557	2,069
Net cash provided by operating activities	3,801,169	118,159

Cash flows from investing activities:		
Decrease in short-term investments	2,460,648	76,489
Increase in restricted assets–current	(2,990)	(93)
Payments for purchase of long-term equity investments	(101,506)	(3,174)
Proceeds from disposal of property, plant and equipment	3,873,905	120,420
Payments for purchase of property, plant and equipment	(7,024,412)	(218,353)
Increase in refundable deposits and other assets	(95,445)	(2,967)
Return of long-term equity investments, net	4,752	143
Increase in deferred charges	(2,731,256)	(84,901)
Net cash used in investing activities	(3,616,304)	(112,436)
Cash flows from financing activities:		
Increase in short-term borrowings	13,199,308	410,299
Increase in long-term borrowings	15,625,334	485,711
Repayment of short-term borrowings	(10,559,958)	(328,255)
Repayment of long-term borrowings	(10,461,773)	(325,203)
Installment payments for purchase of property, plant and equipment	(2,266,687)	(70,460)
Installment payments for purchase of inventories	(746,530)	(23,206)
Repayment of lease liability	(751,707)	(23,367)
Increase the minority interest	2,208,386	67,009
Payments of cash dividends	(1,646,147)	(49,330)
Payment of employees' bonuses and directors' and supervisors' remuneration	(71,574)	(2,145)
Net cash used in financing activities	4,528,652	141,053
Effect of exchange rate changes on cash	(7,192)	(2,987)
Effect of subsidiaries initial consolidation	(2,846,130)	(88,472)
Net increase in cash and cash equivalents	1,860,195	55,317
Cash and cash equivalents at beginning of year	1,472,601	46,138
Cash and cash equivalents at end of year	$ 3,332,796	101,455
Additional disclosure of cash flow information:		
Cash payments of interest (excluding capitalized interest expense)	$ 1,671,214	51,949
Cash payments of income tax	$ 1,085,127	33,731
Supplemental schedule of noncash investing and financing activities:		
Current portion of long-term borrowings	$ 6,306,957	191,993
Inventory transferred from fixed assets	$ 150	5
Translation adjustments	$ 223,373	(34,840)
Deferred credit arising from mark to market valuation of derivatives	$ (141,644)	(4,280)

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Financial Calendar

Year ended December 31 2005

EVA AIR

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