



長 榮 海 運 股 份 有 限 公 司  
EVERGREEN MARINE CORP. (TAIWAN) LTD.



# 2017

## Annual Report



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## **EMC GDRs**

SYMBOL: EGMD

EMC global depositary receipts(GDRs) are listed on

LONDON STOCK EXCHANGE.

Related information can be found at:

<http://www.londonstockexchange.com>

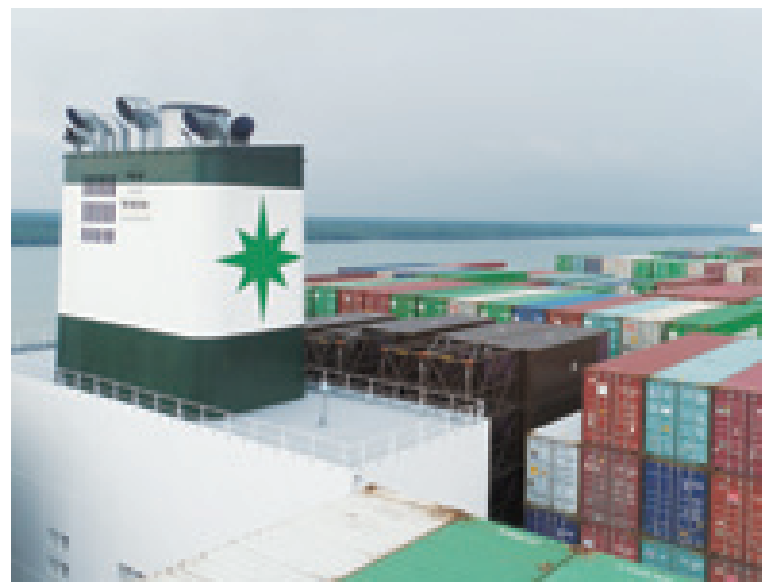
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**Dear Shareholders,**

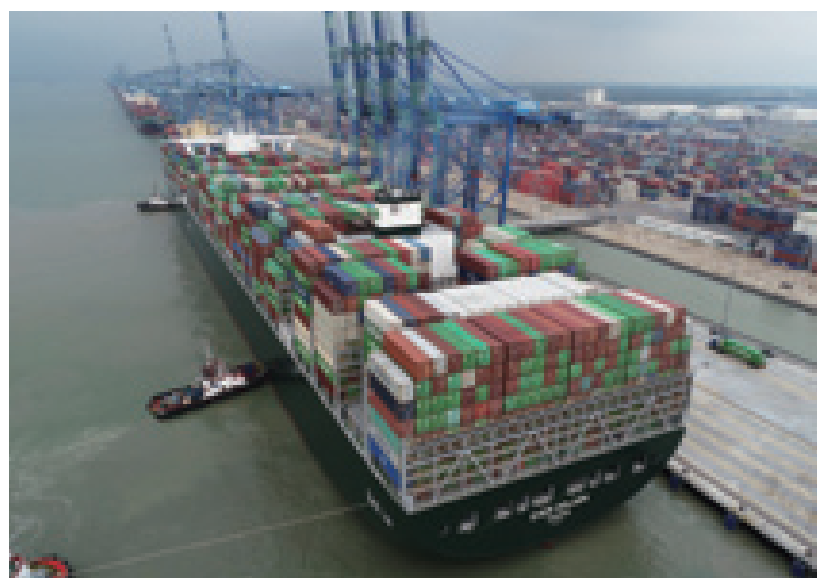
The global container shipping market has been in the doldrums for several years. 2017 finally ushered in an encouraging recovery. Despite the continued volatility of the global political situation, the geopolitical conflicts, and the trade protectionism, the global container shipping market maintained its integration trends in 2017. The balance of market supply and demand has been improved. Each of the main shipping alliances enlarged its fleet and service scope. Service networks were expanded and the slot utilization was at a higher level, hence operation costs were effectively reduced and revenues were increased. The global container shipping market is characterized by increasing stability.

Great team efforts were exerted by all Evergreen employees in implementing the policy of revenue maximization and cost reduction. Effective improvements were made in the fields of navigational safety, schedule reliability, terminal operation efficiency, container tracking, and document handling. On the other hand, operations within the alliance were enhanced as planned, enabling us to provide higher service quality with enlarged service scope, higher sailing frequencies, and more direct service at a lower cost level.

**I. 2017 Business Report****1. Container shipping market overview****(1) Cargo volume growth**

According to the World Economic outlook published by the International Monetary Fund (IMF), global GDP grew by 3.8% in 2017, which represents an increase by 3.2% compared to 2016. The average GDP growth rate in developed countries is 2.3%, which is significantly higher than the average growth rate of 1.7% in the past 5 years. In emerging countries, the average GDP growth rate in 2017 was 4.8%, remaining unchanged compared to the rate in the past 5 years. All relevant economic indicators show that 2017 is a relatively bullish year compared to past years.

Global container shipping market demands have grown steadily in sync with the global economic recovery.



A survey by Clarkson, a professional research institute for Maritime Containers reveals that the global volume of container shipments recovered significantly in 2017. Annual growth of 5% led to a 9.2 million TEU increase which resulted in a total volume of 191 million TEU. The east-west route was up about 4.6% Year-on-year, and the north-south route grew by about 5.2%.

As per Container Trade Statistics, the 2017 Asia-Europe segment grew by about 4.12%. Datamyne statistics increased by about 5.81% in the Trans-Pacific eastward segment in 2017.

## **(2) Capacity Supply**

From April 2017, the major traditional markets are dominated by three major alliances - 2M, Ocean Alliance and THE Alliance. Under the operational framework of the alliance, investment by carriers in ultra large container vessels is increasing day by day.

According to statistics released by Alphaliner, 2017 global container fleet capacity growth rose to 3.7%, an increase of around 820,000 in TEU capacity. New deliveries totaled 146 ships at 1,126,131 TEU. A total of 156 vessels were dismantled, which was 421,562 TEU. The order of new vessels is 2,702,000 TEU, accounting for 12% of the total capacity. Among them, there were 59 ships at 18,000 TEU and 76 ships at 10,000 to 18,000 TEU. This shows that the development of ultra-large scale ships is turning into the mainstream.

In addition, the idle capacity in the market is 487,433 TEUs (about 126 ships), accounting for 2.3% of the total global fleet capacity. Compared to the end of 2016, the idle capacity was 1,419,649 TEUs, about 344 ships, accounting for 7% of the total global fleet capacity at the time.

A total of 92 ships with a capacity in excess of 18,000 TEU in 2017 account for 6% of the global fleet capacity; about 370 ships of a capacity of 12,500~18,000 TEU make up 16% of the global fleet capacity; about 221 ships of 10,000~12,500 TEU constitute 7% of the global fleet capacity. About 683 ships of a capacity of 10,000 TEU and above account for 29% of the global fleet capacity. It is estimated that the ratio of vessels of a capacity of 10,000 TEU or more will increase

to 37% in 2018.

### **(3) Freight Market Status**

With the gradual recovery of the global container shipping industry, the overall supply and demand situation improved in 2017 with rebounding freight rates. The financial position of the shipping lines was also significantly better than in the previous year.

According to the Alphaliner's statistics, the average profit level of the shipping industry has gradually improved from -1.2% in Q1 (-5.5% in 2016), 2.8% in Q2 (-9.2% in 2016) to 5.0% in Q3 (-7.8% in 2016). Q4 saw an increase to 0.9% (-1.2% in 2016), which represents a significant improvement 2017.

## **2. Company Operational Strategy**

Following the continuous improvement of shipping market supply and demand in the 2017 and the application of modern network technologies, the global shipping container market environment also gradually presented itself in a different light. Our operating strategies were adjusted in response to the changing business environment. Furthermore, through the adoption of new technologies, new platforms and new practices, our major operation costs were reduced and core competitiveness was enhanced. The operating principles can be summarized as follows:

- (1) Strengthening of carrier alliances to complement the expansion of service networks;
- (2) Optimal fleet deployment and enhanced slot utilization;
- (3) Optimize customer relationship management and active control of freight structure;
- (4) Reasonable and timely reflection of costs and firm grasp of opportunities for revenue improvement;
- (5) Strict control of operating cost and optimization of operating efficiency.

## **3. Annual Accounts & Profitability Analysis**

### **A. Annual Accounts**

In 2017, actual consolidated operating income totaled NT\$150.58 billion, an increase of NT\$26.11 billion compared to the NT\$124.47 billion in 2016. In 2017, actual consolidated operating costs were



NT\$139.69 billion, which represents an increase by NT\$11.73 billion compared to the NT\$127.96 billion in 2017.

### **B. Profitability Analysis**

ROA: 4.01 %

ROE: 11.07 %

Net Profit Margin: 4.42 %

EPS: NTD 1.97 per share

## **4. Research & Development**

### **(1) Green Fleet**

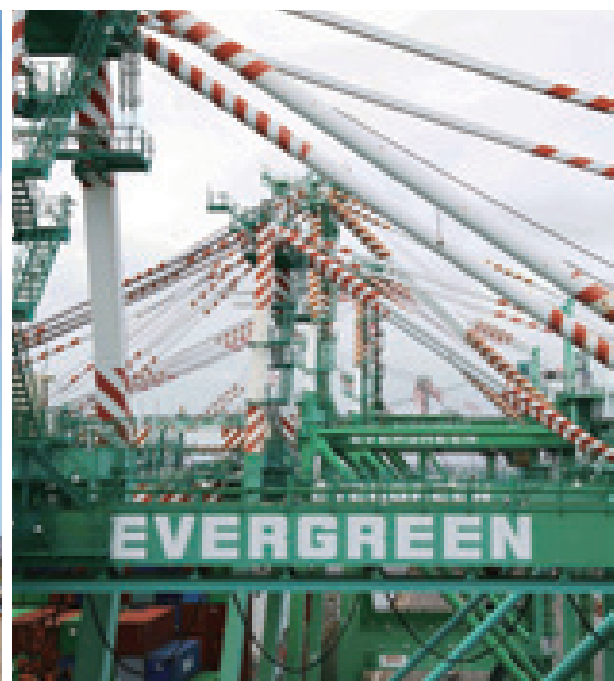
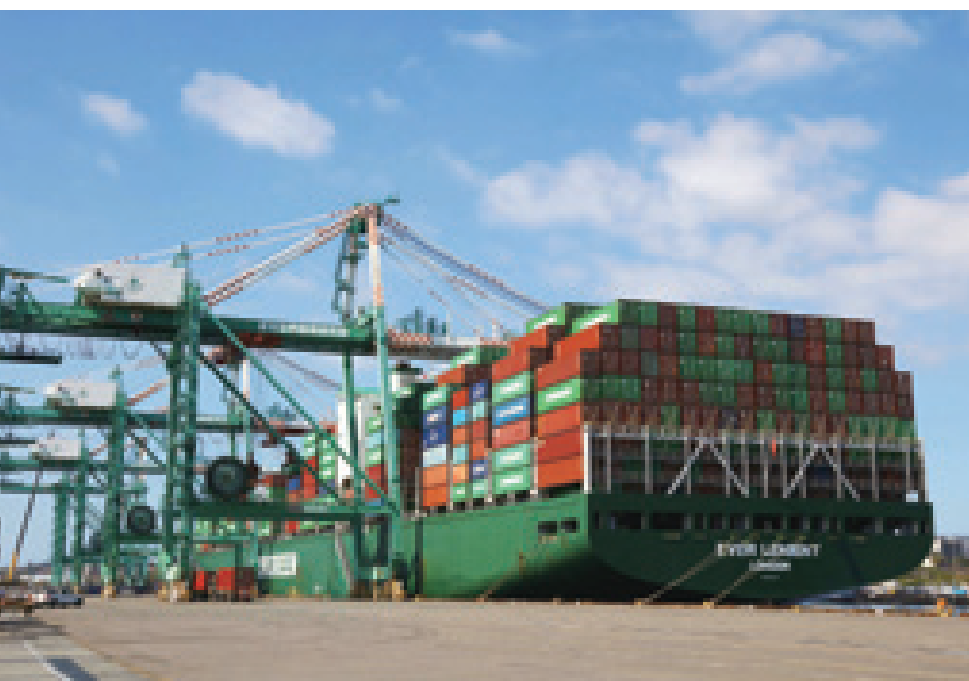
Evergreen's fleet equipment has been modified to conform to California Air Resource Board (CARB) regulations, which became effective on January 1, 2017, requiring all vessels docking at its ports to use shore electric power in order to reduce exhaust emissions by at least 70%.

The company prides itself on being the "Guardian of the Green Earth", it has pioneered the design of S-type ships with multiple environmental protection facilities such as double hulls, built-in oil tanks, and shore power systems in a forward-looking approach that exceeds international norms since 2003. L-type vessels that have been in operation since 2012 are equipped with more advanced technologies to enhance environmental performance and further reduce greenhouse gas emission rates. In addition, the Type B container vessels, which were delivered in the third quarter of 2017, are equipped with a newly-developed sword-type stern, which can effectively reduce the wave resistance during navigation and save fuel consumption compared to the conventional ball-type hull.

In addition, we maintain an "Environmental Guardians" page on our website so as to proactively disclose emissions management and treatment of ballast and sludge, as well as provide detailed information on S-type, L-type, and B-type designs and other green instruments for the easy reference of our customers.

### **(2) Maritime Training**

Evergreen embraces the spirit and vision of sustainable operations and is firmly committed to providing its ship masters and all crew





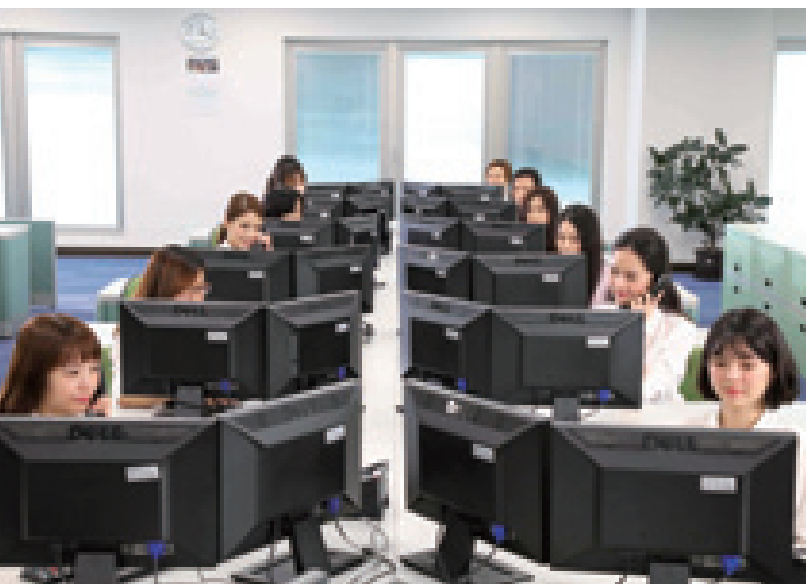
members with constant professional maritime training. Evergreen Seafarer Training Center has a full range of training equipment and offers rigorous and well-planned training courses to continuously improve professional knowledge and skills of seafarers with the goal of preventing maritime accidents and environmental pollution.

- (a) In 2017, the Evergreen Seafarer Training Center organized a total of 310 professional training courses in 29 categories for 1,743 trainees.
- (b) In November 2017, the UK Maritime and Coastguard Agency recertified the Company's electronic chart and data display system, Proficiency in preservation responsibility, and Proficiency in preservation awareness. The courses provided by the Evergreen Seafarer Training Center (ESTC) met the requirements of IMO STCW (Standards of Safety, Training, Certification, and Watch keeping) 2010 Amendments.
- (c) To actively recruit outstanding talent and aspiring maritime professionals, Evergreen strengthened its cooperation with National Kaohsiung Marine University, offering a graduate program in maritime transportation with a series of complete expertise and professional skills training courses. In addition, Evergreen cooperates with National Taiwan Ocean University, offering a graduate program in turbine technology and appointing outstanding managers as lecturers in several professional courses. The goal is to cultivate professional seafarer and administrative personnel for the future through a mechanism of selection, training, deployment, and retention.

### (3) E-Commerce

E-commerce is an important link of modern transportation services. Evergreen launched its e-commerce site in 2001 (ShipmentLink.com) and is firmly committed to constant development and updates by embracing a global outlook and localized services. The goal is to provide customers all over the world with localized services characterized by timeliness, convenience, and eco-friendliness.

E-commerce has flourished in recent years due to increased international transport demand derived from many small and medium-sized enterprises as a result of the expansion of business opportunities through e-commerce platforms. In view of the need for user-friendly



logistics services of smaller volume shippers, Evergreen Line is collaborating with Alibaba.com to allow shippers to search for freight rates and reserve cargo space on the Alibaba.com platform directly. This revolutionary booking service will be available primarily to suppliers in China. Once a booking is confirmed, selected price and capacity are also locked-in. In coordination with the supply chain management services of Evergreen logistics, we provide customers with more convenient services.

#### (4) Quality Recognition

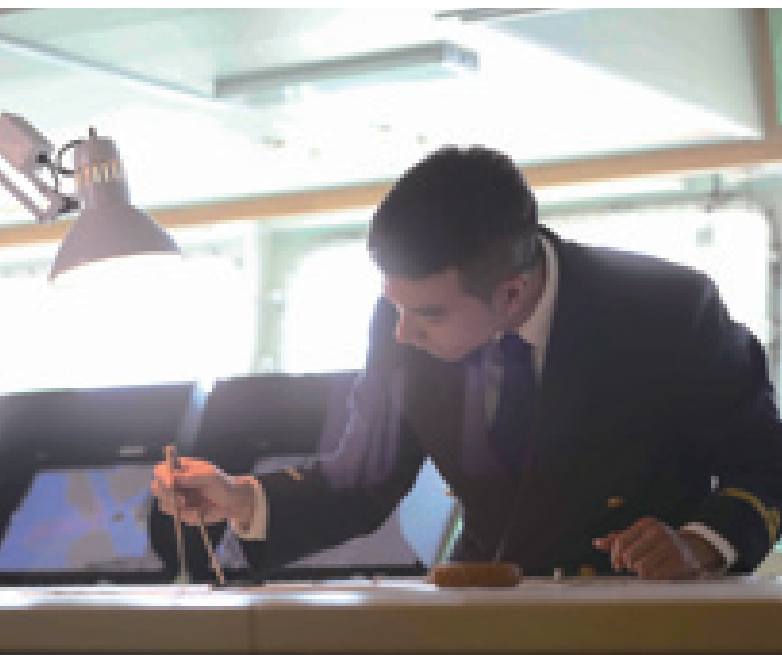
Evergreen has been constantly improving the quality of its services. The ultimate goal is to win the trust and approval of customers as well as recognition and certification from international media and organizations:

#### ■ **Evergreen Recognized for Corporate Governance Excellence for the Third Consecutive Year**

The Taiwan Stock Exchange (TWSE) announced the result of its third annual corporate governance evaluation of both listed and Over-The-Counter (OTC) companies in Taiwan. The Company is ranked among the top 5% of all listed companies for the third year in a row and is the only shipping company recognized for such excellent performance.

In line with global trends, the evaluation highlights the importance of corporate governance and requires both listed and OTC companies to disclose not only financial data but also non-fiscal information. The KPIs included in this evaluation assess protection of shareholders' rights; equitable treatment of shareholders; board composition and management; information transparency, safeguarding of stakeholder interests and corporate social responsibility.

In order to implement the corporate governance system, the company invited accountants, lawyers and other professionals to serve as independent directors in 2011. Through their professional background and independence, they further enhanced the functions of the board of directors and actively strengthened the role of management and supervision. In terms of information transparency, the company regularly discloses financial statements



and other related information pertaining to fulfillment of corporate social responsibilities, implementation of credit management, and maintenance of labor-management relations on the company's Chinese and English websites, and thereby enabling domestic and foreign investors, global customers, and supply chain partners to gain a clear understanding of the company's operating conditions.

■ **Evergreen honored with E-Commerce Excellence Award for three consecutive years**

The company was awarded the "E-Commerce Excellence Award" by LOG NET, a professional logistics information management agency in 2017. From 2014 to 2016, Evergreen won this prestigious award three consecutive times. Founded in 1991, LOG NET is headquartered in New Jersey, USA, and is the leading brand for logistics integrated information services. The company has held annual e-commerce service evaluations since 2003 to recognize the outstanding performance of logistics and transportation companies in information systems and e-commerce solutions.

Although the market situation and operational pressures in 2016 impacted the overall e-commerce capabilities of the maritime industry, the company still maintained consistently excellent performance and insisted on the quality of service. Evergreen Global Information System provides electronic data services including establishment of customer information, information integrity, immediacy, correctness, and various functions of information platforms in different regions. It also provides more than ten types of regionalized webpages in line with regional language and information needs to make it easier for customers to arrange their shipments online, and keep track of their progress and related information.

## **II. 2018 Business Plan**

Global container shipping market is expected to grow in sync with the global economy in 2018, and the volume of traded goods is also expected to grow by about 5.1%. However, imbalances are caused by supply exceeding demand and bunker oil prices continue to climb. As a result, container shipping competitive pressure persists.





## 1. Business Strategy

### (1) Constant Strengthening of Alliances and Collaboration-Full Utilization of the Core Network

The Ocean Alliance which is comprised of the French CMA CGM, China Ocean (COSCO), Hong Kong Orient Overseas (OOCL), and Evergreen was kicked off officially in April 2017. It has 41 service routes, 331 vessels, and a total operating capacity of nearly 3.34 million TEU making it the largest among world's three major shipping alliances. It has planned to further expand its cooperation to provide 42 service routes, 350 vessels, and a total operating capacity of nearly 3.71 million TEU to better serve customers' needs in 2018.

### (2) Accelerated Fleet Upgrade Plan-Strict control of Operating Costs

The Company will continue to put new 20,000 TEU, 11,000 TEU and 2,800 TEU eco-friendly ships into service.

In terms of container control, transshipment and cost reduction of fuel, the company strives to reduce the container supply factor to less than 1.6, significantly decrease the cost of transshipment, and increase the flexibility of space utilization through the Ocean Alliance network. Big data analysis software is adopted for ship operating information, coupled with the latest meteorological navigation information to improve navigation efficiency, save fuel costs, and enhance navigation safety.

## 2. Industry Outlook

### (1) Capacity Supply

At the beginning of 2018, the total capacity of the global fleet reached 21.1 million TEU, which was 3.7% higher than in the previous year. According to Alphaliner's estimates, about 1.5 million TEU new



ship capacity will be delivered this year, and the annual transportation capacity will grow by 6% over the previous year. Shipping companies in the market are gradually delaying the delivery of ships, which will ease the oversupply situation in the overall container shipping market.

#### (2) The Growth of Cargo Volume

According to an IMF research report, global GDP growth rate will reach 3.9% in 2018. (6.6%, 2.9%, and 2.4% in China, the United States, and the European Union, respectively). Despite increasing calls for trade protectionism and anti-globalization in recent years, it is expected that the cargo volume of shipments in 2018 will continue to grow. Alphaliner also predicts that global volume will grow by 5.1% in 2018.

In addition, Drewry, a British shipping advisory agency, pointed out in a recent study that turnover in each region is expected to continue to grow, raising the forecasted growth rate to 4.5% in 2018, which means there is an additional volume of 9 million TEU of goods to be shipped.

### 3. Competitive, Regulatory, and Economic Influences on Our Business

#### (1) External Competition

The price of marine fuel continued to rebound in 2017. Brent crude average price soared from US\$45 per barrel to US\$54, a rise of US\$9 dollars per barrel. The growth rate reached nearly 20% in 2017. Affected by the OPEC's agreement of fuel reduction, the market expects the average price of Brent crude oil to increase in 2018. The continuous rise in oil prices is a heavy burden for carriers.

#### (2) Regulatory Impact

##### a. Collection of fuel data and CO<sub>2</sub> monitoring by the International Maritime Organization (IMO)

From January 1st, 2018, all vessels above 5,000 tons gross tonnage in EU ports should collect and report the annual data of CO<sub>2</sub> emissions and related information for verification, and the shipping company should submit the monitoring plan to EU for verification by August 31, 2017.

The 69th session of IMO Marine Environment Protection Committee (MEPC) approved the global ship fuel consumption data collection mechanism and revised the Annex VI of the MARPOL Convention, which is the global ship fuel consumption data collection mechanism. The information collected by the IMO will be reported to the flag State after the end of each year. After verifying

the data, the flag State will issue a declaration of conformity to the vessel and submit the data to the IMO's database of ship fuel consumption.

- b. China has published new regulations designating three areas as sulphur control areas. Effective Jan. 1, 2018, all ships berthing at ports near the Pearl River Delta, Yangtze River Delta and the Bohai Sea must use fuel with a sulfur content of  $\leq 0.5\%$  m/m.
- c. The IMO and Marine Environment Protection Committee (MPEC) reached a decision that the 0.5% m/m global ship fuel sulphur limit will become effective on January 1, 2020. Ships operating within the Baltic, North Sea, North American, and U.S. Caribbean Emission Control Areas (ECAs) are required to comply with the stricter 0.1% m/m sulphur limit regulation.

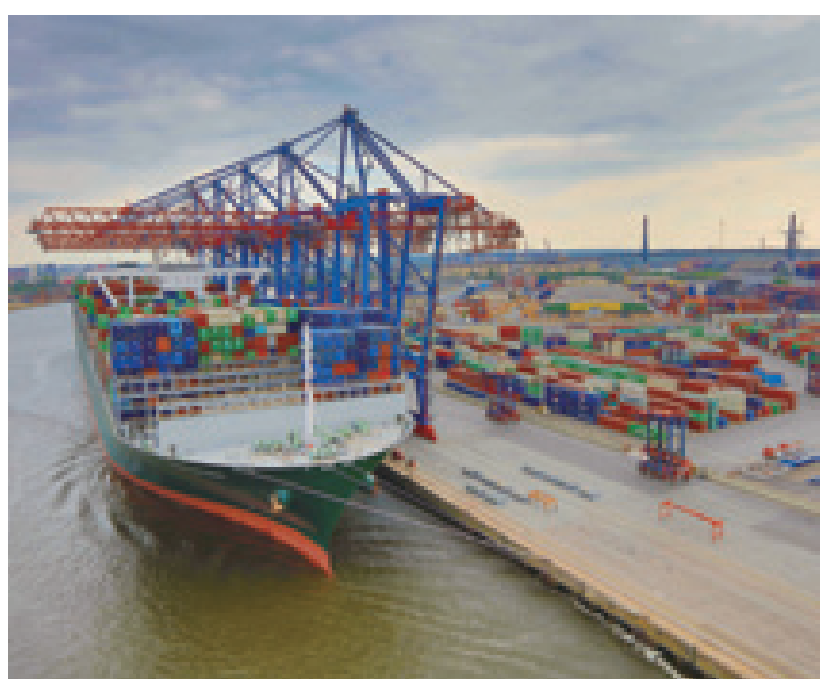
### (3) Macro Business Environment

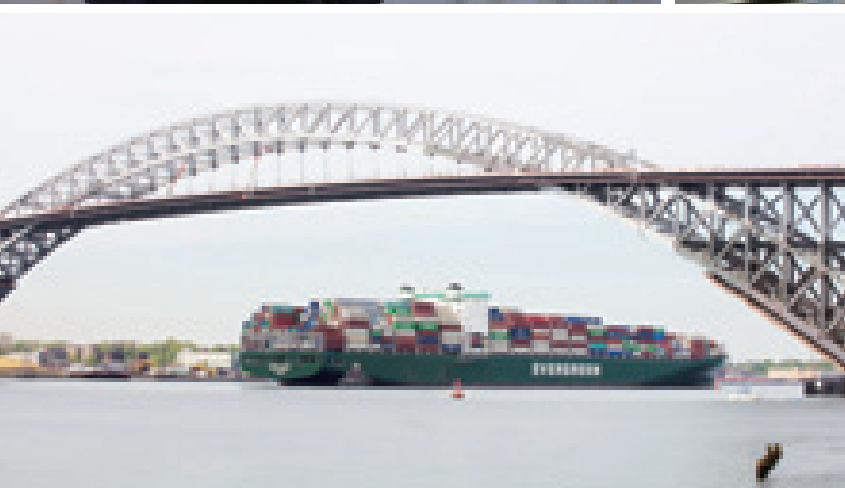
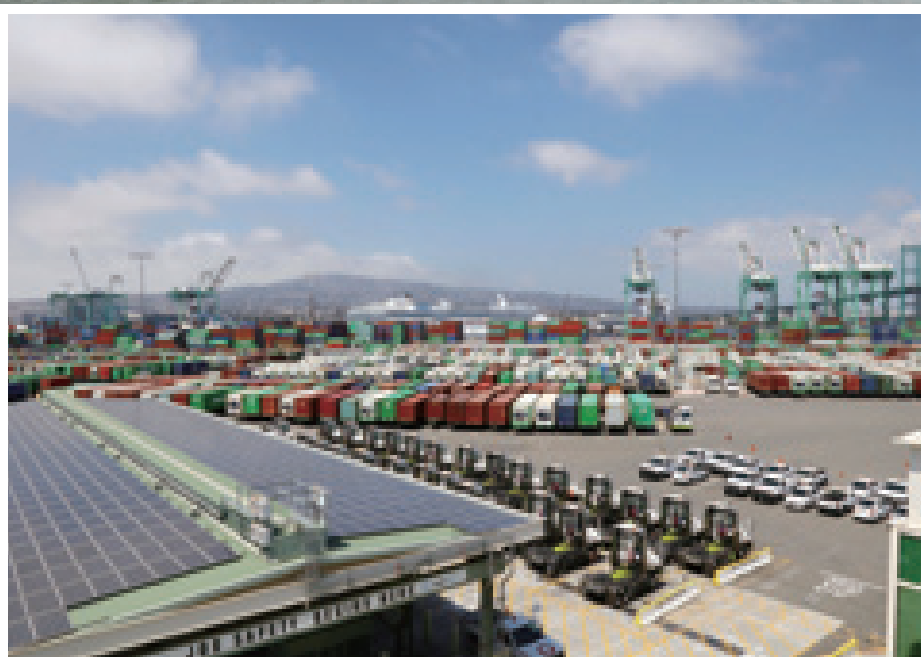
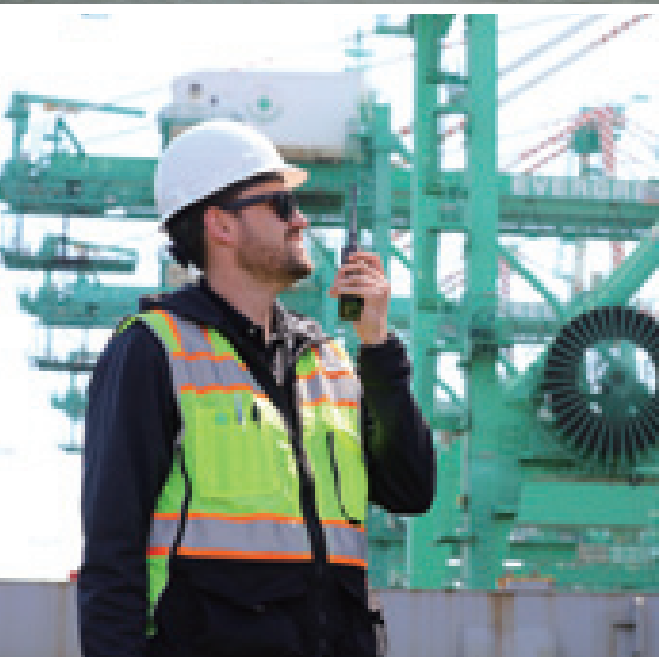
2017 was a year of transformations for global container transport operators. In the United States, Trump was elected as the president and de-globalization and trade protectionism became more prominent. The economic structure of China was transformed from "investment and export" to "consumption and domestic demand" orientation, which not only slowed economic growth, but also affected the world economy through production chain and other channels. The pending Brexit, added uncertainties, making it more difficult for enterprises to conduct investment planning and generating negative impacts on the market. However, the global container shipping operators continue to implement consolidation. The reshuffling of the three major alliances has been completed, and the carriers are also trying to find a balance between market share and freight income.

## 4. Future strategy

The economic growth rate of the major economies in 2018 is expected to be positive and trade volume will continue to grow. For the shipping industry, it could be the best year since the 2008 Financial Crisis. However, the threat of oversupply remains as more new ships will be delivered to the market, and the overall supply and demand is expected to face greater challenges.

As oil prices continue to rise, the coming into effect of the Ballast Water Convention and the requirements set forth new low sulfur fuel





regulations will also increase costs. We will seize the opportunity to adjust the schedule of fleet network in coordination with the Ocean Alliance and make more efficient use of transport capacity.

All staff members strive for constant improvement and self motivation. In addition to an active implementation of the operating performance indicators, our staff spares no effort in exploring new markets to increase revenue and continues to implement various policies of cost and expense reduction. Evergreen provides customers with differentiated services to win customer support by embracing the concept of continuous optimization of service quality. The company earns the trust of shareholders through profitability and sustainable operations.

### 1. Brief Introduction

**(1) Registration Date of the Company: September 25, 1968**

**(2) A Chronology of Evergreen Marine Corporation (Taiwan) Ltd.**

#### 1968-1976

- Established with a capital of NT\$2 million.
- Evergreen Shipping Agency (Japan) Corporation founded.
- Evergreen Shipping Agency (America) Corporation founded.

#### 1977-1986

- Evergreen Marine (UK) Limited founded.
- Launching of unprecedented round-the-world eastbound services and westbound regular full container services and construction of 24 G-type container vessels.
- Evergreen Shipping Agency (Deutschland) GmbH founded.

#### 1987-1996

- Listed on the Taiwan Stock Exchange with a capital of NT\$10 billion.
- Launching of a Far East/US West Coast refrigerated container service.
- Evergreen Marine (Hong Kong) Ltd. founded.
- Issuance of Global Depository Receipts of a total value of US\$115 million on the London Stock Exchange.

#### 1997-2001

- Evergreen Shipping Agency Philippines Corporation founded.
- Colon Container Terminal S.A. in Panama becomes fully operational as a common user facility.
- Evergreen Shipping Agency (Poland) SP.Z.O.O. founded.
- Evergreen Container Terminal No. 5, Berths 79, 80 and 81 in Kaohsiung Port becomes fully operational and Taiwan's Customs authorities approved the implementation of an "overall self-management" system to improve and upgrade Evergreen's services to shippers.
- Evergreen Shipping Agency (France) S.A.S. founded.
- Evergreen Shipping Agency (Korea) Corporation founded.
- Evergreen Marine Corp. (Malaysia) Sdn. Bhd. founded.
- Evergreen Shipping Agency (Netherlands) B.V. founded.
- Evergreen Shipping Agency (Thailand) Co., Ltd. founded.
- Evergreen Marine (Singapore) Pte Ltd. founded.
- Taranto Container Terminal in the south of Italy, with Evergreen Group as one of the investors, opened for business with comprehensive feeder network serving other Italian ports, the western and eastern Mediterranean, the Adriatic Sea and the Black Sea.
- The Evergreen Seafarer Training Center is awarded ISO-9001:2000 for quality systems, marine simulator equipment, and training centers by DNV. The training center, an Evergreen Group investment opened in 1999, aims to boost the professional skills of Group crew, reduce the risk of accidents and environmental pollution at sea and conform to international regulations.
- Chang Yang Development Co., Ltd. is established as a joint venture with Tesco Taiwan for investment and construction of the Tesco Chingkuo Store in Taoyuan City.

**2002-2006**

- Evergreen Shipping Agency (Australia) Pty. Ltd. founded.
- Certified for “Safety, Quality & Environmental Management” by American Bureau of Shipping.
- PT. Evergreen Shipping Agency Indonesia founded.
- Evergreen Shipping Agency (Vietnam) Corporation founded.
- Evergreen Seafarer Training Center is awarded an Occupational Training Institution certificate by the Council of Labor Affairs of the Executive Yuan.
- Investment in Taipei Port Container Terminal Corp.
- Evergreen Group orders ten S-series container vessels from Mitsubishi Heavy Industries Ltd.
- Evergreen Shipping Agency (India) Private Ltd founded.
- Inauguration of a new state-of-the-art Pierce County Container Terminal at the Port of Tacoma, invested in by Evergreen Group.
- Evergreen Shipping Agency (Italy) S.P.A. founded.

**2007-2011**

- Evergreen Shipping Spain, S.L. founded.
- Evergreen Shipping Sweden founded.
- Evergreen Shipping South Africa founded.
- Evergreen Group ordered twenty L-series container vessels from Samsung Heavy Industries.

**2012-2016**

- Launching of “ShipmentLink Mobile”, an e-commerce app for handheld devices.
- Honored with AEO certificate by Customs Administration
- Evergreen Line and CKYH entered into Individual Cooperation Agreements.
- Launching of West Coast of Central America (WCA) service with X-Press.
- Evergreen Seafarer Training Center passes Class NK Certification.
- Launching of South China – Philippines – East Malaysia (CPM) service.
- Launching of China – Pacific South West (CPS2) service.
- Launching of China – Australia – Taiwan (CAT) service.
- Launching of New Ho Chi Minh (NHS) service.
- Evergreen Line signs agreements with Costamare and Shoei Kisen Kaisha for lease of five 14,000 TEU container ships each.
- Evergreen teams up with COSCO, K Line, Yang Ming and Hanjin to establish the CKYHE Alliance.
- Ever Living, Evergreen’s first L type containership built by CSBC is selected chosen “Ship of the Year” by the Taiwan Society Naval Architects and Marine Engineers.
- Evergreen Group signs time charter agreements with Shoei Kisen Kaisha in January to charter eleven 18,000 TEU vessels, including six units chartered by Evergreen Marine Corp. (EMC) and its subsidiary.
- Evergreen Line launches a new Taiwan – Shekou – Malacca Strait service (TSS) in March and introduces a dedicated Taiwan – Hong Kong service (THK). GHG emissions generated by land transport are reduced through a “Blue Highway” for containers in Northern, Central, and Southern Taiwan.
- Evergreen Line launches its new Vietnam-Singapore-Malaysia service (VSM) in May.
- Evergreen Group signs an agreement with CSBC Corporation in July to build ten 2,800 TEU B-type vessels.

- Evergreen Group signs an agreement with Japanese shipbuilder Imabari in September for another ten 2,800 TEU B-type vessel.
- Evergreen Group's Colon Container Terminal, S.A. (CCT) completes construction of its Berth No. 4 in December. The facility can accommodate large containerhips of up to 14,000 TEU.
- Evergreen Line signs a Memorandum of Understanding with CMA CGM, COSCO Container Lines and OOCL to form the Ocean Alliance, which will provide a comprehensive service network covering Asia – Europe, Asia – Mediterranean, Asia – Red Sea, Asia-Middle East, Trans – Pacific, Asia – North America East Coast, and Trans – Atlantic trade routes. Subject to regulatory approval of the competent authority, the new Alliance plans to begin operations in April 2017.
- In order to train more marine professionals, Evergreen concludes a cooperation agreement with National Kaohsiung Marine University, offering marine technology classes for students who have not studied in this realm before.
- Evergreen Line named “Best Shipping Line – Trans-Pacific” by Asia Cargo News at the 2016 Asian Freight, Logistics and Supply Chain Awards (AFLAS).
- Evergreen's 8000 TEU vessel passes through the expanded Panama Canal in July. In light of the business opportunities offered by the expansion of the Canal, Evergreen has upgraded the size of ships utilized for Far East – US East Coast services.
- In a move designed to significantly enhance China-Indian Subcontinent trade, Evergreen Line teams up with Wan Hai, COSCO, K Line and PIL to offer two joint services.
- In response to the reorganization of Hanjin (a CKYHE alliance member), Evergreen Line has added new functions to its on-line e-commerce system, offering customers real time cargo status updates, and providing detailed service plans within its own networks as an effective substitute to cover the services impacted by Hanjin.
- Evergreen Line works with COSCO in operating a joint Adriatic – Israel service, providing direct and rapid service to customers.
- Evergreen teams up with YML, OOCL, MOL & “K” Line to offer a new joint North East Asia – Australia Express.
- Evergreen Line and Ocean Alliance partners sign a document entitled “the Day One” Product that sets out the proposed Ocean Alliance's network, including port rotation for each service loop.

### 2017

- For an unprecedented third consecutive year, Evergreen Line receives the E-Commerce Excellence Award from LOG-NET, a leading information systems integrator of ocean carriers and customers, striving to create efficient information system and reliable service chain, Evergreen continues to pursue growth and success for our valued customers.
- For cultivation of maritime talents and sustainable development of local shipping industry, Evergreen teams up with National Taiwan Ocean University to provide a special seafarer training program. The 18-month program is designed to offer professional engineering classes to those who have bachelor's degree and passion for ship maintenance but lack a background in mechanical engineering departments of maritime colleagues.
- Evergreen is recognized for corporate governance excellence for the third consecutive year.
- Rolls out online price inquiry and booking platform with Alibaba.com to offer guaranteed and more convenient sea freight services by relying on the Evergreen Professional Logistics and Supply Chain Management.
- Evergreen Line is named “Best Shipping Line – Asia-Africa” by Asia Cargo News at the

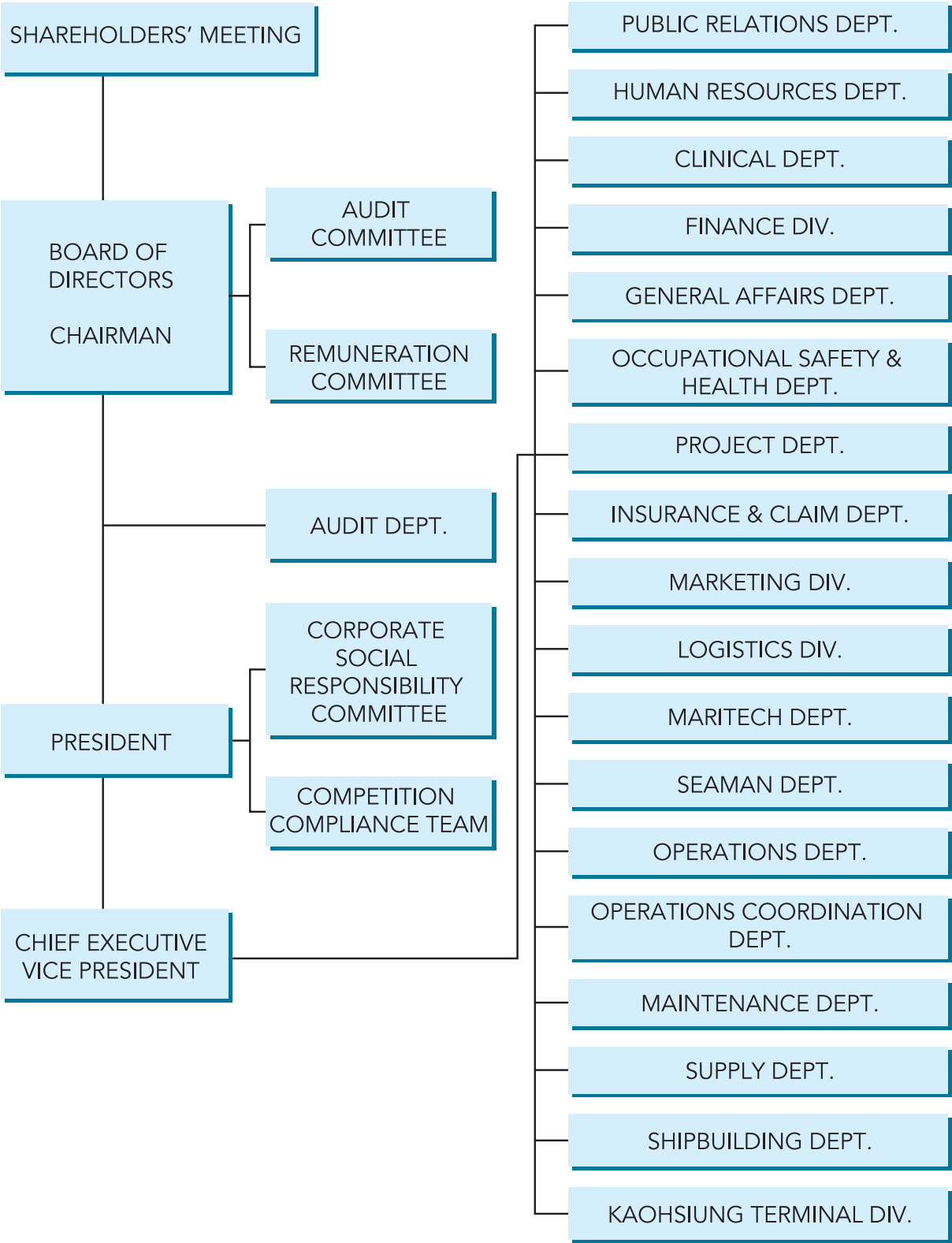
2017 Asian Freight, Logistics and Supply Chain Awards (AFLAS).

- Ocean Alliance officially commences operations, with service networks covering Asia – Europe/Mediterranean, Trans – Pacific, Asia – North America East Coast, Trans – Atlantic trades and Far East – Middle East trades.
- Evergreen Shipping Agency (Deutschland) GmbH renamed to Evergreen Shipping Agency (Europe) GmbH, and merger of Evergreen shipping agencies in the Netherlands, Belgium, France, Poland, Switzerland and Austria as branch offices.
- Evergreen and its subsidiary, Peony Investment S.A. acquired 80% shares of Evergreen Marine (Hong Kong) Ltd.

## **2018**

- Evergreen Line signed agreement with Samsung Heavy Industries and Shoei Kisen Kaisha, Ltd. to order eight and charter twelve 11,000 TEU containerships, total twenty ships.
- Introducing paperless Bill of Lading and dispatch documentation via ShipmentLink digital portal, Evergreen partner with Bolero International to provide advanced e-commerce solution.
- Establish its own shipping agency in Cambodia.
- Evergreen Line received the E-Commerce Excellence Award from LOG-NET for the fourth time. Striving to create efficient information system and reliable service chain, Evergreen continues to work for the growth and success of our valued customers.

2. Organization



### 3. Directors and Supervisors

Date: 2018/4/23

| Title                | Name                                                                        | Elected Date |
|----------------------|-----------------------------------------------------------------------------|--------------|
| Chairman             | Mr. Chang, Cheng-Yung<br>(Representative of Evergreen Steel Corp.)          | 2017.06.22   |
| Director             | Mr. Chang, Kuo-Hua<br>(Representative of Chang Yung-Fa Charity Foundation)  | 2017.06.22   |
| Director             | Mr. Chang, Kuo-Ming<br>(Representative of Chang Yung-Fa Charity Foundation) | 2017.06.22   |
| Director             | Ms. Ko, Lee-Ching<br>(Representative of Evergreen International S.A.)       | 2017.06.22   |
| Director             | Mr. Lee, Mong-Jye<br>(Representative of Evergreen International S.A.)       | 2017.06.22   |
| Director             | Mr. Hsieh, Huey-Chuan<br>(Representative of Evergreen Steel Corp.)          | 2017.06.22   |
| Independent Director | Mr. Yu, Fang-Lai                                                            | 2017.06.22   |
| Independent Director | Mr. Chang, Chia-Chee                                                        | 2017.06.22   |
| Independent Director | Mr. Li, Chang-Chou                                                          | 2017.06.22   |

### 4. Corporate Governance

#### (1) Composition and Operations of the Board of Directors

- A. The Board of Directors consists of nine directors (three independent directors are included) who were re-elected by the Shareholder' Meeting on June 22, 2017. A total of two board meetings were convened between Jan 1 and June 22, 2017, while five meetings were held between June 22 and December 31, 2017.
- B. The Company has established the Audit Committee in lieu of Supervisors from June 22, 2017. The Audit Committee comprises all independent directors and takes over the duties of Supervisors specified under the relevant laws and regulations.
- C. The directors' attendance status is as follows:

(a) Current Directors

Board Meetings were convened five (5) times between June 22, 2017 and Dec. 31, 2017.

| Title                   | Name                                                                              | Attendance<br>in person | Attendance<br>by proxy | Attendance<br>rate in<br>person (%) | Remarks                                 |
|-------------------------|-----------------------------------------------------------------------------------|-------------------------|------------------------|-------------------------------------|-----------------------------------------|
| Chairman                | Mr. Chang, Cheng-Yung<br>(Representative of<br>Evergreen Steel Corp.)             | 5                       | 0                      | 100%                                | Re-elected<br>on June 22,<br>2017       |
| Director                | Mr. Chang, Kuo-Hua<br>(Representative of<br>Chang Yung-Fa<br>Charity Foundation)  | 2                       | 3                      | 40%                                 |                                         |
| Director                | Mr. Chang, Kuo-Ming<br>(Representative of<br>Chang Yung-Fa<br>Charity Foundation) | 4                       | 0                      | 80%                                 | Newly<br>elected on<br>June 22,<br>2017 |
| Director                | Ms. Ko, Lee-Ching<br>(Representative of<br>Evergreen<br>International S.A.)       | 5                       | 0                      | 100%                                | Newly<br>elected on<br>June 22,<br>2017 |
| Director                | Mr. Lee, Mong-Jye<br>(Representative of<br>Evergreen<br>International S.A.)       | 4                       | 1                      | 80%                                 | Re-elected<br>on June 22,<br>2017       |
| Director                | Mr. Hsieh, Huey-Chuan<br>(Representative of<br>Evergreen Steel Corp.)             | 5                       | 0                      | 100%                                |                                         |
| Independent<br>Director | Mr. Yu, Fang-Lai                                                                  | 5                       | 0                      | 100%                                | Newly<br>elected on<br>June 22,<br>2017 |
| Independent<br>Director | Mr. Chang, Chia-Chee                                                              | 5                       | 0                      | 100%                                | Re-elected<br>on June 22,<br>2017       |
| Independent<br>Director | Mr. Li, Chang-Chou                                                                | 5                       | 0                      | 100%                                | Newly<br>elected on<br>June 22,<br>2017 |

## (b) Former Directors and Supervisors

The Board Meeting were convened two (2) times between Jan. 1, 2017 and June 21, 2017.

| Title                   | Name                                                                                | Attendance<br>in person | Attendance<br>by proxy | Attendance<br>rate in<br>person (%) | Remarks                           |
|-------------------------|-------------------------------------------------------------------------------------|-------------------------|------------------------|-------------------------------------|-----------------------------------|
| Chairman                | Mr. Chang, Cheng-Yung<br>(Representative of<br>Evergreen Airline<br>Services Corp.) | 2                       | 0                      | 100%                                | None                              |
| Director                | Mr. Chang, Kuo-Hua<br>(Representative of<br>Evergreen<br>International S.A.)        | 2                       | 0                      | 100%                                |                                   |
| Director                | Mr. Hu, Daw-Ming<br>(Representative of<br>Evergreen<br>International S.A.)          | 2                       | 0                      | 100%                                | Discharged<br>on June 22,<br>2017 |
| Director                | Mr. Lee, Mong-Jye<br>(Representative of<br>Chang Yung-Fa Charity<br>Foundation)     | 2                       | 0                      | 100%                                | None                              |
| Director                | Mr. Hsieh, Huey-Chuan<br>(Representative of<br>Evergreen Airline<br>Services Corp.) | 2                       | 0                      | 100%                                |                                   |
| Independent<br>Director | Mr. Chang, Chia-Chee                                                                | 2                       | 0                      | 100%                                |                                   |
| Independent<br>Director | Mr. Wu, Chin-Shun                                                                   | 2                       | 0                      | 100%                                | Discharged<br>on June 22,<br>2017 |
| Independent<br>Director | Mr. Chen, Ching-Kuhn                                                                | 2                       | 0                      | 100%                                |                                   |
| Supervisor              | Ms. Ko, Lee-Ching<br>(Representative of<br>Evergreen Steel Corp.)                   | 2                       | 0                      | 100%                                |                                   |
| Supervisor              | Ms. Ku Lai, Mei-Hsueh<br>(Representative of<br>Evergreen Steel Corp.)               | 2                       | 0                      | 100%                                |                                   |

## (2) Composition and Operations of the Audit Committee and Supervisors

### A. Audit Committee

(a) The Audit Committee consists of all independent directors of the Company. Four regular meetings were convened between June 22, 2017 and Dec. 31, 2017.

(b) The members' attendance status is as follows:

| Title    | Name                 | Attendance in person | Attendance by proxy | Attendance rate in person (%) |
|----------|----------------------|----------------------|---------------------|-------------------------------|
| Convener | Mr. Li, Chang-Chou   | 4                    | 0                   | 100%                          |
| Member   | Mr. Yu, Fang-Lai     | 4                    | 0                   | 100%                          |
| Member   | Mr. Chang, Chia-Chee | 4                    | 0                   | 100%                          |

### B. Supervisor

(a) According to Article 218-2 of the Company Law, supervisors of the Company may attend the board of directors' meeting to express their opinion.

(b) The Supervisors' attendance status between Jan. 1, 2017 and June 21, 2017 is as follows:

| Title      | Name                                                               | Attendance in person | Attendance by proxy | Attendance rate in person (%) | Remark                      |
|------------|--------------------------------------------------------------------|----------------------|---------------------|-------------------------------|-----------------------------|
| Supervisor | Ms. Ko, Lee-Ching<br>(Representative of Evergreen Steel Corp.)     | 2                    | 0                   | 100%                          | Discharged on June 22, 2017 |
| Supervisor | Ms. Ku Lai, Mei-Hsueh<br>(Representative of Evergreen Steel Corp.) | 2                    | 0                   | 100%                          |                             |

(c) The Supervisors shall gain a clear understanding of the financial and business status of the Company by communicating with internal auditors and independent accountants. Internal auditors submit audit reports to the supervisors periodically, and the Company's independent accountants present a financial report and audit status to the supervisors periodically.

### (3) Composition and Operations of the Remuneration Committee

A. The Company's Remuneration Committee consists of all independent directors.

B. The duties of the Remuneration Committee are as follows:

- (a) Establishment and periodical review of the performance evaluation and remuneration policy, system, standards, and structure for directors, supervisors and managers.
- (b) Periodical evaluation and establishment of remuneration of directors, supervisors, and managers.

C. The current members of Remuneration Committee were designated by the Board after the election of new Directors on June 22, 2017. The term of office of the current members lasts from June 22, 2017 to June 21, 2020.

The members' attendance status is as follows:

(a) Current Members

The Remuneration Committee met three (3) times between June 22, 2017 and Dec. 31, 2017.

| Title    | Name                 | Attendance in person | Attendance by proxy | Attendance rate in person (%) |
|----------|----------------------|----------------------|---------------------|-------------------------------|
| Convener | Mr. Yu, Fang-Lai     | 3                    | 0                   | 100%                          |
| Member   | Mr. Chang, Chia-Chee | 3                    | 0                   | 100%                          |
| Member   | Mr. Li, Chang-Chou   | 3                    | 0                   | 100%                          |

(b) Former Members

The Remuneration Committee met one (1) times between Jan. 1, 2017 and June 21, 2017.

| Title    | Name                 | Attendance in person | Attendance by proxy | Attendance rate in person (%) |
|----------|----------------------|----------------------|---------------------|-------------------------------|
| Convener | Mr. Wu, Chin-Shun    | 1                    | 0                   | 100%                          |
| Member   | Mr. Chang, Chia-Chee | 1                    | 0                   | 100%                          |
| Member   | Mr. Chen, Ching-Kuhn | 1                    | 0                   | 100%                          |

**(4) Information disclosure is required if the company has established principles related to corporate governance:** Details can be found on [http://www.evergreen-marine.com/tbi1/jsp/TBI1\\_Governance.jsp](http://www.evergreen-marine.com/tbi1/jsp/TBI1_Governance.jsp), <http://mops.twse.com.tw/> and <http://stock.evergreen.com.tw/>.

## **(5) Internal Control System Execution Status**

### **Evergreen Marine Corp. (Taiwan) LTD. Internal Control Statement**

Date: Mar. 26, 2018

The Company states the following with regard to its internal control system during the period from Jan. 1, 2017 to Dec. 31, 2017, based on the findings of self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or external circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies promulgated by the Securities and Futures Commission, Ministry of Finance (hereinbelow, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that during the stated time period its internal control system (including its supervision of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on Mar. 23, 2018, where zero of the 8 attending directors (include commissioned to attend) expressed dissenting opinions, and all affirmed the contents of this Statement.

Evergreen Marine Corp.(Taiwan) LTD.

Chairman:



President:



**(6) Risk management systems in relation to the financial reporting process**

**A.The effect of fluctuations in interest rates, exchange rates, and inflation on the company's profit and loss and future response measures:**

As freight income is mainly in USD, we pay attention to exchange rate fluctuations at all times and adopt the following measures in response:

- (a) Use of professional financial information systems, constant monitoring of international exchange rate fluctuations, maintenance of close contact with financial institutions to get the most up-to-date exchange rate information and gain a firm grasp of exchange rate fluctuations, which in turn allows the adoption of active response measures to cope with potential impacts of exchange rate fluctuations.
- (b) Use of the same currency for revenues and expenses if possible in order to achieve natural hedging and prevent exchange rate risk. Shipping revenues in foreign currencies are used to settle payments in foreign currencies in different countries. Natural hedging is utilized to minimize exchange risks.
- (c) Opening of foreign currency accounts to buy or sell foreign currencies in accordance with actual capital demands and exchange rate developments.

**B.Guidelines for engaging in high risk, high leverage investments, lending to third parties, providing guarantees and endorsements, and engaging in derivative transactions:**

Currently there are no outstanding amounts for provision of loan to third parties. All endorsements and guarantees are provided to subsidiaries and affiliates. All related transactions are arranged according to our guidelines on providing loans, endorsements and guarantees to third parties.

All derivatives trades are conducted for the purpose of hedging. Interest rate and fuel swap agreements are done to hedge risk arising from market volatility and price fluctuation. Relevant operations are carried out pursuant to the Procedures Governing Derivative Trading.

## I. Business Highlights

### 1. Business Scope

#### (1) The company's main business areas

The core business of Evergreen is container shipping. Our fleet capacity ranked sixth in the world at the end of 2017. All of our service routes are operated on a regular liner basis. We also offer inland transport, stevedoring, and logistics support services. Our customers are drawn from the manufacturing, trading, and retail industries and come from all over the world thus the company's business performance is closely connected to the global economy.

#### (2) Present service items

The company's short-and long-haul service routes form a global network, including:

- a. Transpacific trade
- b. Far East-Europe/Mediterranean trade
- c. Transatlantic trade
- d. Far East-Latin America/Africa trade
- e. Intra-Asian trade

In addition to the above service routes, we also provide a regional feeder service network, such as within the Caribbean and the Indian subcontinent and other regions, to shorten delivery times.

#### (3) Planned service development

The maritime business environment has dramatically improved compared to last year. Major Carriers further strengthened different Shipping Alliances. Evergreen, as a founding member of Ocean Alliance since April 2017, embraces a strategy of simultaneous focus on stability and flexibility, in its constant optimization of the fleet network and service routes to cope with the latest market trends. Adjustments to our service routes in 2017 are summarized below:

#### **Transpacific routes**

In April 2017, a new Ocean Alliance composed of Evergreen, COSCO, CMA CGM and OOCL, was formed to expand port coverage and service scope through a brand new Ocean Alliance's network that encompasses 20 services in Transpacific with 13 Asia - North American West Coast services ( PRX / CEN / PE1 / AAC / CPS / PVCS / HTW / TPS / PCC1 / NP1 / PE2 / TPN / PNW1), and 7 Asia – North American East Coast ( PE2 / AUE / PE1 / NUE / SAX / PEX3 / GME ) service routes.

#### **Far East-Europe/Mediterranean strings**

1. As of April 2017, the Ocean Alliance, composed of Evergreen, COSCO, CMA CGM and OOCL, provides 6 services for the Far East - Northern Europe route scope, including a total 33 direct calling ports such as Gdansk and Southampton. Weekly Capacity increased by 295 TEU, (equivalent to 2%), compared to Q1 prior

to formation of Ocean Alliance; In addition, the alliance provides 5 services for the Far East - Mediterranean route scope, including 35 direct calling ports such as Venice and Haifa. Weekly Capacity increased by 1,100TEU, equivalent to 12%, compared to Q1 prior to formation of the Ocean Alliance.

2. Intra-Europe Feeder Services: In November 2017, Evergreen teamed up with YML and COSCO to create a new joint operation. This weekly service encompasses five ships of 4,250 TEU capacities, one each provided by Evergreen and YML and the remaining three by COSCO. The launch of this new service will enable Evergreen to provide a direct connection from North Europe to the Mediterranean, particularly to Morocco, Turkey, Israel and Egypt and dramatically shorten delivery times which is a benefit especially for reefer containers.
3. Mediterranean Regional Services:
  - (1) In 2017, Evergreen aimed to consolidate the Group Intra-Med feeder Network to provide customers with the best combination of transport needs. All main regional services continued throughout 2017 with minor rotation adjustments. Izmir and Gemlik, Turkey, services routes were shifted from GTS to ADL and BSM to GTS, respectively.
  - (2) Major changes occurred in the North Africa sector, where NAF, PAL and LYS2 services have been merged into one single service “NAFR” in response to lowered import demand from Asia. Besides, Mediterranean regional services to Tunis, Tunisia, have been temporarily suspended because the actual length of stay in port exceeds 30 days per voyage. Evergreen Line operations in Tunisia are now focusing on the port of Bizerte in Tunisia.
  - (3) Intensified co-operation with EMES to extend the service range to Casablanca, Morocco via Piraeus, was initiated in June 2017 and terminated in December. This paved the way for the new EMX service (Europe-Med Express), launched by EMU in cooperation with COSCO and through rational transshipment to strengthen service competitiveness in this area.

#### **Far East-Latin America/Africa routes**

1. Far East-East Africa services (AEF/ASEA): Maintenance of 2-string services through joint agreement with COSCO and X-press on AEF service, and provision of ASEA service through allocation swap with CMA CGM and Emirates, continuous enhancement of daily operations and provision of quality services to valuable customers.
2. Far East-South Africa services (FAX/ASA): Maintenance of the well-regarded ASA / FAX 2-loop service with Cosco / K-Line / PIL / MOL team to offer the most competitive and stable individual services to Durban and Cape Town.
3. Far East-Panama/Caribbean: The Company utilizes a part of the capacity of the Far East-North American East Coast services to expand deployment in Panama/

Caribbean Sea. As of April 2017, we provide enough capacity for clients due to Ocean Alliance service expansion. There are currently two services (AUE and NUE) in the Far East-Panama/Caribbean trade.

4. Far East-Mexico/South American West Coast (WSA/WSA2): There are 11 vessels in WSA joint service and 10 vessels in WSA2 joint service. The Company deploys 6 vessels in WSA and 1 vessel in WSA2.
5. Far East-South American East Coast (ESA/ESA2): There are 12 vessels in ESA joint service (4 of them deployed by Evergreen). Evergreen swaps slots with NYK in ESA2.

#### **Far East-Middle East/Red Sea/India Subcontinent/Australia routes**

1. Far East-Middle East Service: After the Ocean Alliance commenced operations in April 2017, the service network for Far East to Middle East has been upgraded. There are six sailings a week and the port coverage could be the one of the best in the market.
2. Far East-Red Sea Service: From April 2017, the Ocean Alliance enlarged vessel capacity to eight 9,600 TEU and eight 6,500 TEU container ships with 2-string weekly services to expand port coverage from Far East to Red Sea loop and cater to the local demand with “service quality” and “schedule reliability”.
3. Far East-Indian Subcontinent Service: In 2017, one 2,800 TEU containership and one 4,200 TEU containership are separately deployed in two West-North India joint direct services. Apart from that, there is one 4,200 TEU containership deployed in Pakistan joint direct service. In December 2017, the capacity was increased by a further 200 TEU in South-East India direct service to expand the service scope and market share of the India-Pakistani market.
4. Far East- Australia Service: Evergreen put one more vessel into the NEAX service at the end of May 2017. There are a total three vessels in the Far East to Australia string to meet customers demand and strengthen service competitiveness.

#### **Intra-Asia Routes**

1. In order to strengthen the network from China to Indonesia, the CIT service route (China – Indonesia – Thailand route) was launched in March 2017 to provide express services and to meet customer demands.
2. To provide better shipping services from China to Vietnam, Singapore and Malaysia, the CVM service was launched in March 2017 to provide express services. The overall transit time was shortened to meet customer needs.
3. The NSB service (Northeast Asia-Southeast Asia Route) was extended to Shanghai in March 2017 and to Port Klang North Port in July 2017. This route provides direct services between Shanghai and Singapore and strengthens the direct service of Klang Port. Meanwhile, it enhances the coverage of the NSB route schedules.

4. In order to optimize direct services from South Korea and Central China to the Philippines, KTP service (South Korea - Taiwan - Philippines) Subic Bay was added in April 2017 and Central China – Philippines was added in October. These services provide customers more convenient services from South Korea and China to the Philippines.
5. Since September 2017, JTP service (Japan-South China-Vietnam) was reshuffled to add Haiphong as a port of call and provide Japan-Haiphong bidirectional service. This move has effectively improved the space utilization, drastically shortened the transit time and greatly improved the quality of shipping services.
6. TPH service (Taiwan-Philippines) has been enhanced to provide customers with a more extensive service by adding Cagayan in November 2017. This service increases Evergreen's market share in the Philippines.
7. In line with terminal draught limitations and environmental energy saving requirements, a wider ship design has been adopted to enhance cargo loading capacity, schedule punctuality, and market competitiveness. A total of twenty 2,800 TEU Type-B container vessels were ordered by Evergreen Group. Three of these vessels have been deployed into the NSD service (Northeast Asia-Southeast Asia) in the fourth quarter of Year 2017 and the remaining new vessels are expected to be fully operational in the Intra Asia region by Year 2019.

## 2. Container Shipping Industry Profile

### (1) Macroeconomic Environment

According to Alphaliner statistics, the global container shipping demand grew by 6.5% in 2017, which represents a significant recovery from only 2.5% in 2016. The global fleet capacity growth rate rose from 1.8% in 2016 to 3.7% in 2017. As a result of sufficient cargo volume from the first quarter to the third quarter rarely seen in recent years (despite the softening in the fourth quarter), 2017 as a whole brought positive results for the ocean carriers.

Industry integration is the main theme of 2017. In Asia, the forth- ranked COSCO group's acquisition of the seventh-ranked OOCL is undoubtedly the largest merger and acquisition case of the shipping market in 2017. The purpose of the acquisition is to optimize the network of routes and the distribution of capacity, reduce the related cost of suppliers, integrate the container fleet and enhance the management capability. In addition, Japan's big three shipping companies also merged their container transport business (including overseas terminals business) to set up ONE Express. The official kick-off date is slated for April 1, 2018. In Europe, the Danish Maersk acquisition of German Hamburg-sud has been completed. Hapag-Lloyd also announced the completion of formal integration with UAE (UASC) of the Arab Emirates. It is expected that industry consolidation will continue over the next few years.

A series of consolidations of container shipping market significantly changed the market structure. Container shipping industry concentration has been greatly elevated. Three major alliances (2M, Ocean Alliance, and THE Alliance) now control most of the market capacity and the main market in east-west strings.

Looking ahead to 2018, Alphaliner reports point to a cargo volume growth rate of about 5%. After MSC and CMA CGM placed the order for the world's largest container ship, the market will face another record breaking year of Ultra Container Vessel delivery. Yet market fundamentals are encouraging, and port and trade statistics are expected to show a continued recovery in 2018.

## **(2) Relationships with Up-, Mid- and Downstream Companies**

Marine shipping is the main transportation tool used in international trade. The ratio of transportation volume via container ships and total cargo tonnage has been raised year on year, covering most consumer product items. Not only is its industry chain interconnectivity extremely high but it is also closely related to consumer livelihood. This is summarized below:

### **a. Upstream industry**

- Shipyards
- Transportation equipment manufacturers
- Ship or transport equipment rental providers

### **b. Mid-stream industries**

- Marine fuel suppliers
- Ship and transportation equipment repairers
- Terminal operators
- Land transportation logistics providers
- Shipping alliance or slot purchasing partners

### **c. Downstream industries**

- Direct shippers (manufacturers, retailers, service providers)
- Freight forwarding and logistics industry

## **(3) Product Development Trends**

### **a. Industry concentration at an all-time high**

Marine industry consolidation has accelerated in 2017. The combined capacity of the Top ten carriers accounted for a record high 77% at the end of 2017. This figure is expected to increase further to 82%, with the impending absorption of OOCL by COSCO and the merger of K Line, MOL and NYK to form “Ocean Network Express” (ONE).

### **b. Mainstream of ULCVs**

Containership deliveries reached a total of 1.19 Million TEU in 2017, 26% more than in the previous year. Ultra-large containerships of 14,000 TEU and beyond accounted for about 56% of this new capacity.

#### **c. Green Shipping Trends**

In recent years, due to the worsening issues of global warming and climate change, reduction of carbon emissions to protect the environment has turned into an issue of universal concern. Thus, green shipping concepts have become a prime focus for the industry. Relevant regulations are being enacted around the world. For example, China has designated three emission controls areas, the IMO has advanced the use of low sulphur fuels by 2020, and the main international ports are incentivizing the use of light diesel oil during docking and the active use of shore power to reduce environmental pollution. In response to these regulatory trends, new ships are adopting energy-efficient, low-pollution designs. Green shipping is the trend of the future.

#### **(4) Status of Market Competition**

##### **a. Top three Carriers retain market positions**

Maersk, MSC and CMA CGM retained their respective positions as the top three carriers in the global container shipping industry. But COSCO and Hapag-Lloyd have closed the gap through consolidation in the last two years. COSCO is expected to leap into the number three spot once it completes the acquisition of OOCL next year.

##### **b. New alliances dominate main East-West routes**

The reshuffle of the former 2M/G6/CKYHE/O3 alliances led to the formation of new Alliances on 1 April 2017. The three new Alliances, 2M+HMM, Ocean Alliance and THE Alliance, currently control 91% of the Far East - North America trade capacity and 99% of the Far East- Europe trade capacity.

### **3. Status of Technology and R&D**

#### **R&D expenditures and results during the reporting year**

##### **(1) Green Fleet**

The Company aims to be a "Guardian of the Green Earth". Since 2003, it has been leading the industry in the design of S-type systems with double hull, built-in oil tanks, shore power systems, and many other environmental protection facilities on ships. Type L vessels put into operation since 2012 have enhanced their environmental performance with more advanced technologies to further reduce their greenhouse gas emission rates. In addition, the Type B container wheel delivered beginning in the third quarter of 2017 is equipped with a newly developed sword-type bow and can effectively reduce the wave resistance during navigation and save fuel consumption compared with the traditional spherical bow.

In addition, we maintain an "Environmental Guardians" page on our website to provide detailed information on emissions management and treatment of ballast and

sludge, as well as introducing 17 state-of-the-art S-type, B-type and L-type designs and other green equipment for the easy reference of our customers.

## **(2) Maritime Certification**

Evergreen upholds the spirit and vision of sustainable development and firm commitment to professional maritime training. The Evergreen Seafarer Training Center has comprehensive training equipment and we rigorously organize training courses to continuously improve professional knowledge and skills of our crews so as to prevent the incidence of maritime accidents and environmental pollution.

In 2017, the Evergreen Seafarer Training Center organized a total of 310 professional training courses in 29 categories for 1,743 trainees.

In November 2017, the UK Maritime and Coastguard Agency recertified the electronic chart and data display system, Proficiency in preservation responsibility and Proficiency in preservation awareness of the company. The courses provided by the Evergreen Seafarer Training Center (ESTC) met the requirements set forth in IMO STCW (Standards of Safety, Training, Certification, and Watch keeping) 2010 Amendments.

Actively recruit outstanding talent and aspiring maritime professionals, Evergreen strengthened its cooperation with National Kaohsiung Marine University, offering a graduate program in maritime transportation with a series of complete knowledge and professional skills training courses, offering the opportunity for non-maritime undergraduates to engage in maritime work.

In addition, Evergreen cooperates with National Taiwan Ocean University, offering a graduate program in turbine technology and appointing outstanding managers as lecturers in several professional courses. The goal is to cultivate professional seafarer and administrative personnel for the future through a mechanism of selection, training, deployment, and retention.

## **(3) E-Commerce**

Evergreen continuously invests resources and exerts efforts in E-commerce services to create a safe and efficient information system and reliable service chain by adopting a perspective characterized by a global outlook and localized services to help customers seize business opportunities and strengthen market competitiveness.

E-commerce has flourished in recent years due to increased international transport demand derived from many small and medium-sized enterprises as a result of the expansion of business opportunities through e-commerce platforms. In view of the need for user-friendly logistics services of smaller volume shippers, Evergreen Line is collaborating with Alibaba.com to allow shippers to search for freight rates and reserve cargo space on the Alibaba.com platform directly. This revolutionary booking service will be available primarily to suppliers in China. Once a booking is confirmed,

selected price and capacity are also locked-in. In coordination with the supply chain management services of Evergreen logistics, we provide customers with more convenient services.

### **Future R&D Plans**

(1) We plan to invest NT\$20 million into future R&D projects listed below:

| <b>Projects</b>                                                                        | <b>Summary</b>                                                                                                                         | <b>Schedules</b> | <b>Description of Progress up to 2018/4/23</b> |
|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------|
| Microsoft EA (Enterprise Agreement) contract renewal Project                           | Microsoft EA periodic authorization renewal                                                                                            | 2018/08/31       | Under process of internal approval.            |
| Kaohsiung sea port terminal computer wireless equipment replacement                    | Replacement of terminal wireless equipment for daily real-time operation and electronic data transmission.                             | 2018/10/31       | Under process of internal approval.            |
| Email Auditor newly purchased server and software license renewal                      | Purchase of new server to maintain stable operation of the service and renewal of the e-mail audit software contract.                  | 2018/06/30       | Under process of project planning.             |
| ShipmentOnline disk storage replacement and purchase of data analysis software project | Replacement of SOL system disk storage and enhancement of the efficiency of Shipment data analysis.                                    | 2018/07/31       | Under process of internal approval.            |
| Mail archiving solution project                                                        | Archived mails are stored in the database and classified in effective way allowing real-time queries without magnetic tape processing. | 2018/06/30       | Under process of internal approval.            |

| Projects                                                                                           | Summary                                                                                                                                                                                                                                                                                                                                                     | Schedules  | Description of Progress up to 2018/4/23 |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------------------------|
| New solution for Anti APT (Advanced Persistent Threat)                                             | The goal is to quickly check the security status of the internal computer and correspondence, block malicious programs, and reduce the risk of enterprise security risk.                                                                                                                                                                                    | 2018/10/31 | Under process of project planning.      |
| Bolero electronic bill of lading project – phase II Enhancements                                   | Developing i-B/L, i-Dispatch and EB_HUB (data exchange platform) functions to provide A/C with electronic bill of lading, property transfer and electronic file exchange within the website and certification via Bolero platform.                                                                                                                          | 2018/06/30 | Under process of internal approval.     |
| Adoption of CargoSmart “ship port surveillance and vessel ocean route analysis information system” | The goal is to enhance vessel ocean route real time surveillance both for carrier owned service, joint venture service, and intelligent analysis of carrier’s service routes.                                                                                                                                                                               | 2018/04/30 | Under process of internal approval.     |
| Fleet equipment warranty management system                                                         | In order to improve the equipment warranty management of the fleet, we will systematically implement the warranty service management on manufactures and service providers. Warranty management system starts from case filing, progress monitoring, maintenance arrangement and cost control, and statistical analysis etc. to enhance fleet availability. | 2018/09/30 | Under process of project planning.      |

(2) Factors leading to success in future R&D projects

- A. Knowledge of trends;
- B. Sound planning;
- C. Coordinated execution.

## 4. Short & Long Term Business Plans

### **Short-Term: Enhanced competitiveness and maintenance of growth momentum**

- (1) Full grasp of market dynamics: provision differentiated services, strengthening of communication with customers, and improvement of service quality to gain more support.
- (2) Improvement of ship loading factors: Enhancement of schedule accuracy, loading efficiency, and fleet flexibility, etc. to achieve economies of scale.
- (3) Expansion of joint venture partnerships: Identification of the best routes and widening of service network coverage to provide customers with premium product mixes and optimized service quality.
- (4) Enforcement of line performance management: Appointment of line managers to conduct regular line inspections and reviews. Line managers are expected to improve ship loading factors, adjust cargo composition in order to maximize revenue on trade lanes, and immediately propose improvements for under-performing trade lanes.

### **Long-Term: Reduction of operating costs and pursuit of sustainable profitability**

- (1) Training courses: We believe that employees are the most valuable asset of the company. We provide employees with solid, professional training courses and enforce a rotation system to cultivate professional competencies and international viewpoints of our employees.
- (2) Encouragement of employees to think outside the box: business development must continue to inject new ideas, maximize benefits, and reduce costs as the goal, coupled with continuous improvement of operational efficiency.
- (3) Reduction of operating costs: This includes improvements in unit cost reduction and KPI achievement through shared responsibility and staff participation so as to boost operational efficiency.
- (4) Constant strengthening of physical fitness and enhancement of overall energy efficiency.

## II. Overview of the Industry

### 1. Market and Industry Analysis

#### (1) Key Performance Indicators of Main Service Scopes

Unit: Thousand NTD

| Service routes \ Year | Revenue of the Group for 2016 | Revenue of the Group for 2017 |
|-----------------------|-------------------------------|-------------------------------|
| America               | 47,309,728                    | 52,789,741                    |
| Europe                | 22,004,525                    | 37,900,327                    |
| Asia                  | 25,305,203                    | 29,778,828                    |
| Others                | 15,403,167                    | 14,889,414                    |

#### (2) Major Domestic Competitors & their Global Market (Fleet Capacity) Shares

| Taiwan-based Shipping lines \ Year/Item | March 2017     |                  | Mach, 2018     |                  |
|-----------------------------------------|----------------|------------------|----------------|------------------|
|                                         | Capacity (TEU) | Market Share (%) | Capacity (TEU) | Market Share (%) |
| Evergreen (Group)                       | 1,004,441      | 4.8              | 1,069,707      | 4.9              |
| Yang Ming Lines                         | 570,003        | 2.8              | 589,765        | 2.7              |
| Wan Hai Lines                           | 225,201        | 1.1              | 245,054        | 1.1              |
| TS Lines                                | 62,728         | 0.3              | 76,042         | 0.3              |

Data Source: Alphaliner

#### (3) Market Outlook for Supply-Demand and Growth

##### Far East to North America Trade

Goldman Sachs forecasted an increase of the US economic growth rate in 2018 from 2.3% to 2.6%. The unemployment rate approached a 50-year-low of 3.7% starting in November 2017. The continuing recovery of the job market is expected to stimulate private consumption and raise the investment of enterprises. Many new policies will continue to boost the overall U.S. economy. Salaries will grow by 3% to 3.25%, exceeding the current rate of 2.5%. In view of the above, it is expected that the overall export volume from the Far East to the United States in 2018 will grow steadily.

#### **North America to Far East Trade**

The Global Economy is expected to maintain its growth momentum in 2018. However, it is not likely that global trade will achieve significant growth as in 2017 since economic status is at a higher level compared to the previous year coupled with stable international raw material prices. Furthermore, Vietnam and China government have raised the barrier on DDGS by imposing new rules on pesticide and increased the import tax which will limit the volume of US exports. Besides, the new policy to control the quality of waste materials adopted by the Chinese government will further limit US export volume since waste materials are the major export commodities from US (small-scale businesses fail to meet relevant criteria in the field of equipment and product quality). Since the US export trend for 2018 is conservative and the market capacity supply continues to grow, the US export market will still pose a serious challenge caused by cut-throat price competition in 2018.

#### **Far East to Europe/Mediterranean Trade**

Against the backdrop of a major reshuffling to form 3 major alliances and European/ Mediterranean economic recovery, the overall capacity supply increased by 4.5%, while cargo volume increased by 6%. Consequently, ocean freight rates returned to reasonable and profitable levels. However, starting from September, the Chinese government adopted tougher environmental policies that caused market trends to slightly drop in Q4. In view of 2018 market outlook, overall market capacity in Europe/ Mediterranean trade is expected to increase by 6%. Major carriers including Evergreen will commission 20K TEU Ultra Large Container Ships. In view of the above, competitive pressures in the market are expected to persist in 2018.

#### **Europe to Far East Trade**

After China adjusted the regulations governing waste cargos, the main commodity (waste goods) exported from Europe is predicted to decline by 30% and allocated to alternative routes. Export cargo quantities from Europe are predicted to slightly increase by 3.8%. Ocean Alliance will adjust certain routes and calling ports in May 2018 in order to offer stable and exceptional service for our customers.

#### **Europe to North America Trade**

According to Datamyne, Alphaliner and Drewry reports, fleet capacity of Transatlantic Westbound market increased by 11.3% in 2017 while total demand increased by 3.6% only. The average revenue suffered from downward adjustments. Starting in the 2nd year of Ocean Alliance, Evergreen service will be more competitive with faster T/S time and expanded port coverage on the U.S. East Coast side with the aim to provide efficient and reliable services.

#### **Far East – Mexico/South America West Coast Market**

The capacity of WSA/WSA2 was enlarged in 2017. Starting from the second

quarter of 2017, ocean freight and cargo volume increased. The services of carriers will be reshuffled in the second quarter of 2018 due to consolidation trends. As long as the market supply remains balanced, our revenue is expected to grow.

### **Far East – Panama/Caribbean Market**

As for the Caribbean Market in 2017, the economy of major countries is stably growing along with increasing cargo sources and improved revenue, except for Venezuela which still reeled from political and economic chaos. IMF forecasts that Panama and other major Caribbean countries will maintain a positive growth rate of 5% and increasing cargo volume and revenue.

### **Far East to East Coast South America**

In 2017, the annual loading factor and the rate level reached a new high benefitted from the balance of supply and demand. The revenue also increased substantially due to appropriate addition of extra loader. The economic growth in Brazil, Argentina, Uruguay, and Paraguay in 2018 is expected to rise by roughly 3% according to forecasts by IMF. The bullish market of 2017 on the east coast of South America is expected to continue in 2018.

### **Far East to Africa Trade**

The South African economy gradually picked up steam, currency value was stable, and purchasing power was restored in 2017 compared to 2016. IMF forecasts that South Africa's GDP in 2018 will be 1.1% higher than in the previous year and the market is expected to continue its development. Export volume to East Africa fell short of the target mainly due to conservative customer attitudes as a consequence of instable political and economy situation in the wake of the presidential election in Kenya in Q4 2017. IMF has predicted a growth rate exceeding 5% in Kenya and Tanzania, and 1.1% growth in South Africa in 2018. As a result stable growth of the overall economy and cargo volume is expected in 2018.

### **Far East to Middle East/Red Sea/India Pakistan Trade**

Since the Ocean Alliance commenced operations in April 2017, the service network has been upgraded to six sailings to the Middle East and two sailings to the Red Sea per week. The port coverage could be one of the best in the market. A review of the market conditions of 2017 reveals a hike of the ocean freight rate level due to a peak in cargo movements rushed out from China before Holy Ramadan. After that time, the average rate had come down from July levels due to oversupply in capacity. In the India/Pakistan market, the market volume and GDP exhibited strong growth, and the freight rate level hit a five-year high because demand exceeded supply.

In 2018, the service network of the Middle East and Red Sea trade will be maintained in the context of the Ocean Alliance's cooperation structure. Middle Eastern

trade remained at a constant level and the coverage rate and capacity of the Far East to Red Sea loop will be upgraded with additional calls from North/South China/Korea and Sokhna, Egypt.

The Middle East and Red Sea market situation could be better than last year due to gradually rising oil prices the optimistic financial prospects in 2018. However, market supply and demand are still focal points in the future. South Asian countries are optimistic about their GDP growth rates and the volume of goods will increase in the near future. We will develop new Services to further expand the market share in India.

#### **Far East to Australia trade**

Due to improvements of the raw material market, the demand for imports from Australia increased and the supply of vessel capacity was tight. The freight rate of the Australian line approached a three-year high in the fourth quarter of 2017.

According to forecasts of the Australian Bureau of Statistics, the population of Australia will reach 24.9 million at the end of 2018. This represents an increase of 33% compared to the level of 18.77 million in 2001. Population growth boosted the real estate market and expanded the demand for products for domestic consumption. Evergreen is going to up-size the vessel capacity to meet the market demand. It will help Evergreen to further expand its market share.

#### **Intra-Asia Trade**

According to a recent IMF report, 2018 global economic activity strengthened with an economic growth rate of 3.7%, which represents the same level as in 2017. Asia continues to lead the global economy with its strong economic growth, with an estimated increase of 5.5% in 2018. Among Asian countries, China's GDP growth is the strongest with an expected increase of 6.5%, turning China into the fastest-growing region.

As for ASEAN, including Indonesia, Malaysia, the Philippines, Thailand and Vietnam, the overall GDP growth was 5.2%. It is expected that there will be room for growth in the bilateral trade volume between China and ASEAN, and the trade and logistics interactions between ASEAN countries will intensify. The outlook for Intra Asia trade in 2018 is therefore still optimistic.

#### **Reefer business**

Population and income growth have led to an increase in consumer demand. Besides, traditional reefer vessels have gradually declined over the years. Reefer container volume growth is estimated at about 4.5% in the coming three years.

In Asia, demand for frozen and refrigerated cargo has increased. The main sources of imports are fruits and vegetables, frozen meat, seafood and alcohol in North America, Europe, and South America, meat from South America, and meat, seafood, and fruits from India.

To cope with market demand, we will place an order for construction of 3,000 reefer units, while at the same time expanding reefer traffic in Intra-Asia, India, North and South American areas, as well as enhance Cold Treatment and CA(Controlled Atmosphere) service to diversify cargo source and grow our reefer business.

### **Special equipment**

Capitalizing on the global service network of Ocean Alliance, Evergreen's special container business kept growing in 2017 and traffic originating from the areas of China, Taiwan and Japan accounted for 73%.

Through an increase in infrastructure investments in particular, we are targeting the market in China and Asia. To cope with tonnage growth and market demand, Evergreen Line plans to place an order for new special equipment to enlarge the special cargo business, expand the market, and grasp business opportunities.

## **(4) A competitive niche**

### **Innovative Thinking**

The international shipping market is changing rapidly. It requires creative thinking to make corresponding adjustments to overcome the challenges of sustainability, such as assignment of line managers and adoption of a KPI system to monitor performance and make necessary adjustments to make the best use of corporate assets and create maximum revenue income.

### **Recognized Quality**

Evergreen strives to upgrade its service quality. In addition to gaining customers' trust and recognition, it also continues to receive international recognition and certifications from international media agencies and organizations:

#### **(1) Evergreen named Best Asia-Africa Shipping Line**

Evergreen Line was named Best Shipping Line - Asia-Africa by the Asia Cargo News at the 2017 Asian Freight, Logistics and Supply Chain Awards, Logistics and Supply Chain Awards (AFLAS).

Criteria for "Supply Chain Asia Logistics Awards" selection include shipment accuracy, efficiency of information systems, and the convenience of customer service system. Winners were selected by the readers of Asia Cargo News Global Reader Vote, rather than a jury composed of the industry experts. This award is therefore particularly significant as it signals a vote of confidence in the carrier's efforts to provide shippers with quality services.

#### **(2) Evergreen honored with E-Commerce Excellence Award for three consecutive years**

The company was awarded the "E-Commerce Excellence Award" by LOG NET, a professional logistics information management agency. From 2014 to 2016, Evergreen won this prestigious award three consecutive times. Founded in 1991,

LOG NET is headquartered in New Jersey, USA, and is the leading brand for logistics integrated information services. The company has held annual e-commerce service evaluations since 2003 to recognize the outstanding performance of logistics and transportation companies in information systems and e-commerce solutions.

Although the market situation and operational pressures in 2016 had a significant impact on the overall e-commerce capabilities of the maritime industry, the company still maintained consistently excellent performance and insisted on the quality of its services. Evergreen Global Information System provides electronic data services including the establishment of customer information, information integrity, immediacy, accuracy, and various functions of information platforms in different regions. It also provides more than ten types of regionalized webpages in line with regional language and information needs to make it easier for customers to arrange their shipments online, and keep track of their progress and related information.

#### **E-Commerce**

E-commerce is an important link of modern transportation services. Evergreen has been relentless in its pursuit of quality service and as early as in 2001. Evergreen launched of its E-commerce web site ShipmentLink.com to provide global customers with more real-time, more convenient and more eco-friendly services.

E-commerce has flourished in recent years due to increased transport demand derived from many small and medium-sized enterprises as a result of the expansion of business opportunities through E-commerce platforms. In view of the need for user-friendly logistics services of smaller volume shippers, Evergreen Line is collaborating with Alibaba.com to allow shippers to search for freight rates and reserve cargo space on the Alibaba.com platform directly. This revolutionary booking service that be available primarily to suppliers in China. Once a booking is confirmed, selected price and capacity are also locked-in. In coordination with the supply chain management services of Evergreen logistics, we provide customers with more convenient services.

#### **Eco-Friendliness**

Pursuant to the requirements set forth in Airborne Toxic Control Measure for Auxiliary Diesel Engines operated on Ocean-Going Vessels At-Berth in a California Port approved by California Air Resource Board (CARB), the Company fleet's use of shore electricity and emission reductions are required to be at least 70% effective as of January 1, 2017.

The Company actively participates in the ship deceleration plan led by the National Oceanic and Atmospheric Administration (NOAA). The initiative was aimed at reducing greenhouse gas emissions of vessels and avoiding whale collisions by encouraging slow sailing speeds in California's Santa Barbara Channel region.

Evergreen Line has received recognition for its excellent performance in a voluntary environmental and ecological protection program. In addition, the company will implement the concept of environmental protection in fleet planning, use the most advanced shipbuilding technology and equipment, and build an eco-friendly fleet. Ships participating in the Santa Barbara Water Speed Deceleration Plan include the eco-friendly S-type ship that won the Lloyd's Register “Best Ship Award of the Year” in the UK and the new-generation eco-friendly L-type ship that has been delivered and commissioned in recent years. The goal is to contribute to the sustainable development of transportation services and protection of the marine environment that international trade relies on through high-quality services.

## **(5) Advantages, Disadvantages and Response Strategies for Future Development**

### **Advantages**

- (1) Shipping mergers and acquisitions continued to be carried out and the industry concentration was further enhanced.
- (2) Carriers reap the benefits of cost reduction and cooperation by joining alliances.
- (3) The South Asia market is flourishing.
- (4) The cargo volume of emerging economies is growing.
- (5) The expansion of the Panama Canal in 2016 and the raising of the height of the New York-Brazil Bridge have been completed. Thus, 14,000 TEU vessels are able to pass through the Panama Canal to the East Coast. Carriers can benefit from the use of large vessels to reduce operating unit costs.
- (6) The Chinese “One Belt One Road initiative” invites investment, promotes the smooth flow of goods, and facilitates the development of shipping industry.

### **Disadvantages**

- (1) With many countries turning their attention to the domestic economy and a rising trend of protectionism, the pace of global economic and trade development may be curbed, further exacerbating political risks and affecting the shipping industry.
- (2) 20,000 TEU ships are successively deployed into Asia-European route. Thus, the 14,000 TEU ships originally deployed in this area are redeployed to the Asia- North American East Coast and other routes where smaller ships are used, causing excess supply in East-West and North-South routes.
- (3) Soaring fuel prices increase carriers' cost.
- (4) Cyber attacks persist.

### **Response strategies**

Facing the new normalcy of imbalanced capacity demand and supply, we adapt the following strategies:

- (1) Under the premise of providing customers with quality shipping services worldwide, any options that can enhance port coverage, reduce costs, optimize the combination of fleet investment and enhance competitiveness can be considered. The constant provision of better service routes in the global market according to customer's needs is the key.
- (2) Fleet renewal reduces operating costs and improves competitiveness. 28,000 TEU of chartering and 20,000 TEU in ships will be delivered to strengthen the company fleet network and create greater economies of scale.
- (3) Management and employees in general should make every effort to reach quantitative performance targets. KPI management will make overall operations easier to master, analyze and adjust to ensure achievement of set targets.
- (4) Establishment of a Computer Information Security Committee to regularly update policy content and review the status of policy implementation.

## 2. Key usage and manufacturing process of main products

### (1) Function of main products

| Main Product       | Functions                                                          |
|--------------------|--------------------------------------------------------------------|
| Container Shipping | Global transportation of standard and special containerized cargo. |

### (2) Manufacturing Process of Main Products

As a container shipping transportation service provider, our disclosed service string and their adjustments provide the details for processing of our main products.

## 3. Status of Supply of Main Materials

Being a container shipping transportation service provider, we do not use raw materials as manufacturers do, however we do have to use substantial fuel quantities for transportation equipment consumption which can be deemed main materials. Except for stable supply through cooperation with reputable vendors at major ports, we also tactically adjust fueling port rotations in line with fuel price developments in addition to strategic slow steaming measures for cost reduction.

## 4. Main customers who account for over 10% of total sales in recent 2 years and their individual purchase amounts and share: None.

## 5. Company's total expenses for environmental protection in 2017

In 2017, no major environmental pollution incidents occurred in our fleets, and there were no losses or penalties incurred. Expenses were simply for routine

maintenance of equipment, and additional costs for use of low pollutant fuels. Expense details are listed below:

- (1) The cost of maintenance and parts for environmental protection equipment, shore power systems and SOx Scrubber amounted to USD 5,722,373.89.
- (2) The cost for vessels using low-sulfur fuel for M/E, Generator Engine and Aux. boiler while sailing in emission control areas to comply with IMO regulations & CARB requirements of the US west coast amounted to USD 35,076,897.19.
- (3) The cost for vessels M/E, Generator and Aux. Boiler using Marine Gas oil when berthing at EU ports and using low-sulfur fuel oil while sailing in emission control areas amounted to USD 17,089,108.30.

## 6. Environmental protection policies and measures

The Company has formulated environmental protection policies to safeguard our marine environments. We continuously upgrade our shipboard equipment to reduce air pollution emissions and manage our own fleets with requirements exceeding international regulations. The Company is currently undertaking the following measures for environmental protection:

- (1) In compliance with the California Air Resources Board (CARB) regulation, fleet vessels sailing through the West Coast of U.S., within 24 nautical miles of the California baseline should use Marine Gas Oil for M/E, Generator Engines and Aux. Boiler.
- (2) Implementation of strict audits and corrective action for fleet and advance preparations in order to prevent deficiencies and pollution.
- (3) All seafarers are provided with accurate environmental awareness and knowledge through comprehensive environmental training programs.
- (4) Maintenance of all environmental equipment on board to ensure smooth crew operations.
- (5) Continuous monitoring of the operating condition of vessel's main engine and auxiliary machineries. Adoption of necessary actions in a prompt manner to increase fuel usage efficiency and thereby reach the goal of energy conservation and carbon emission reduction.
- (6) Maintenance of the validity of statutory certificates such as International Oil Pollution Prevention (IOPP), International Air Pollution Prevention (IAPP) and International Sewage Pollution Prevention (ISPP) for all vessels.
- (7) Continuous signing up for GARD Protection and Indemnity (GARD P&I) insurance.
- (8) Provision of the Vessel Certificate of Financial Responsibility (COFR) for all vessels sailing to United States to undertake relevant responsibilities and obligations if oil pollution occurs in US water.

- (9) Carrying out of M/E turbocharger cut-out operation in coordination with vessel's slow steaming in order to reduce fuel oil consumption and GHG emission.
- (10) Close scrutiny of the development of international regulations for environmental protection. Compliance with new regulations allows the fleet to meet the requirements for environmental protection in ports and around the world.
- (11) The maximum allowable Sulphur content of fuel oil used by ships at berth in EU port shall not exceed 0.1 % m/m after January 1, 2010.
- (12) For all ocean-going vessels entering the Emission Control Area (Baltic Sea, North Sea and the English Channel, North America) sulphur content of fuel oil used on board ships shall not exceed 0.1 % m/m after January 1, 2015.
- (13) All ocean-going vessels use cleaner fuel (the Sulphur content shall not exceed 0.5 % m/m) while at berth in Hong Kong waters with effect from July 1, 2015.
- (14) Vessels berthing at any ports within the emission control areas of Pearl River Delta, the Yangtze River Delta are required to use fuel oils whose sulphur content does not exceed 0.5% m/m after January 1, 2017.
- (15) North Atlantic Right Whale Seasonal Speed Restrictions are in effect. Restrictions imposed by the NOAA require vessels to proceed at 10 knots or less in restricted areas during specific times of the year (from Nov. to Apr.) in the Mid-Atlantic and Southeast U.S. Seasonal Management Areas (SMAs) of the U.S. East Coast. Vessels are allowed to operate at speeds greater than 10 knots, if necessary to maintain a safe maneuvering speed in areas where conditions are severely restricting ship maneuverability. Any deviation from the speed restriction should be entered in the logbook.
- (16) Commissioning of AMP system and use shore power for all E -Type, S-Type and L-Type vessels berthing at ports of USLAX, USOKL. And connection to the Cold Ironing running berthing at ports of CNXGA, CNSHG, CNNBO, CNXSM and CNYTY & CNXHK.
- (17) Evergreen Line has been recognized for its excellent performance in a voluntary environmental and ecological protection program. The initiative was aimed at reducing greenhouse gas emissions of vessels and avoiding whale collisions by encouraging slow sailing speeds in California's Santa Barbara Channel region.
- (18) In line with the EU MRV regulation, Evergreen has established a monitoring plan. All ships above 5,000 gross tonnage that have called at EU ports from January 1, 2018, should collect and report CO2 emissions information annually for verification.

## 7. New international environmental protection regulations

- (1) Starting from January 1, 2018, the vessels above 5,000 gross tonnage berthed at all the ports in the controlled waters of the Pearl River Delta, Yangtze River Delta and

Bohai Rim (Beijing-Tianjin-Hebei) waters of the Republic of China are required to use fuel with sulfur content  $\leq 0.5$  % m/m.

- (2) Maritime transport emits about 1 billion tons of CO<sub>2</sub> each year, accounting for about 2.5% of global greenhouse gas emissions. The European Parliament has moved a motion to include increasing maritime emissions into the EU's greenhouse gas emission reduction policy. After years of legislative process, the laws and regulations have taken effect. The European Union requires shipping companies to monitor and report on CO<sub>2</sub> emissions from ships of more than 5,000 gross tonnage that depart from, arrive at, or return to and from EU ports during shipping operations. All ships that have called at EU ports since 1 January 2018 should collect and report annual data on CO<sub>2</sub> emissions and related information for verification and shipping companies should submit the monitoring plan to the verification agency before August 31, 2017.

The 69th session of IMO Marine Environment Protection Committee (MEPC) approved the global data collection mechanism for ship fuel consumption. The MARPOL Annex VI has also been revised for the global collection mechanism. The information collected by the IMO will be reported to the flag State at the end of each year. After verifying the data, the flag State will issue a Declaration of Conformity to the ship and submit the data to the IMO Vessel Fuel Consumption Database.

- (3) IMO reached a decision that the 0.50% global fuel sulphur limit will be effective from January 1, 2020. Ships operating within the Baltic, North Sea, North American, and U.S. Caribbean Emission Control Areas (ECAs) will need to constantly comply with the 0.10% sulphur limits.

## 8. Code of Conduct/Courtesy

As a leading container carrier, the Company consistently upholds attitudes of integrity, transparency and accountability while engaging in business activities.

The Company established “Guidelines for the Adoption of Codes of Ethical Conduct” in December 2014. The Guidelines are adopted for the purpose of encouraging directors, supervisors, and managerial officers to act in line with ethical standards, and to help interested parties better understand the ethical standards of the company. To ensure implementation of the company's philosophy and core values, all employees are required to:

- (1) Observe the company's regulations and working manual as well as to act loyally, responsibly and under supervisors' orders, directions and supervision.
- (2) Conduct themselves in an impartial, prudent and self-disciplined manner, protect the company's reputation, discard bad habits, and respect fellow staff members.
- (3) Perform their duties and responsibilities; cooperate and coordinate with interrelated

departments to achieve goals set by the company.

- (4) Commit to performing all services in a conscientious without any practices that could be construed as bribery and/or corruption.
- (5) Strictly Refrain from discriminating against any employee, contractor or customer.
- (6) Comply with any and all competition law regimes that are relevant to their countries of operation.

## **9. Protection Measures for Safe Work Environment and Worker Safety**

The Company has set up an Occupational Safety and Health Department in accordance with the Occupational Safety and Health Act for the purpose of enhancing a complete occupational training mechanism and providing workers with a safe and healthy working environment. Continuous promotion of safety and health education is adopted to reduce the possibility of occupational accidents. The main functions of the Occupational Safety and Health Department are described below:

- (1) Employees are required to observe Safety and Health Work Rules, as the Law is effective from its date of promulgation.
- (2) Occupational Safety and Health Department is obliged to perform its duties and abide by the Occupational Safety and Health Act, arranging safety and health education and training for new and current employees.
- (3) Regular organization of fire safety training education or drills under the Fire Service Act.
- (4) A Medical Clinic Department is established to provide periodic health examinations, health care, and medical assistance.
- (5) Security guards and an entry access control system are deployed day and night to protect the company's property and workers' safety against occupational hazards.
- (6) Sexual harassment is a serious legal violation. The company emphasizes its importance and has set up a dedicated telephone and e-mail address to handle complaints concerning sexual harassment.

## **10. Social Responsibility**

Evergreen founder and group chairman Dr. Y.F. Chang strongly believed in giving back to society. In 1985, he founded the Chang Yung-fa Foundation, a non-profit organization committed to providing emergency and medical aid, promoting education and cultural exchange, as well as elevating moral standards for three decades.

Among its milestones are the formation of the Evergreen Symphony Orchestra and the launch of *Morals Monthly*, a magazine distributed free of charge with a monthly circulation of around 360,000 copies in more than 30 countries. The Foundation also operates the Evergreen Maritime Museum, an institution dedicated to the preservation of maritime heritage and promotion of maritime education.

Evergreen has also worked closely with maritime schools in Taiwan to support marine education.

In November 2013, Typhoon Haiyan devastated the central region of the Philippines, causing catastrophic damage. Evergreen worked with Crisis Relief Services & Training (CREST), a non-profit Christian humanitarian organization in Malaysia, offering free transportation services to transport relief supplies to the affected areas.

The officers and crew of Evergreen Line's 7,024-TEU containership EVER SUMMIT promptly responded to a distress call and successfully rescued 16 Indian seafarers from a sunken Panamanian tanker, BITU GULF, about 40 nautical miles off the coast of Vietnam in the South China Sea on January 20, 2014.

To celebrate the 300th anniversary of Karlsruhe, Taiwan presented the German city with a steel cable sculpture for exhibition in a summer festival. For the purpose of art promotion and cultural exchange, Evergreen Line sponsored the event and provided a free transportation service for this oversized object in August, 2015. The sculpture was created by Kang Mu-hsiang, a Taiwan artist renowned for transforming discarded items into eye-catching artworks.

In support of the Chang Yung-fa Foundation's efforts to promote education in remote areas, Evergreen donated 15 secondhand high-end servers and 100 personal computers to the Hsinchu County Education Department, providing assistance to local schools in improving their digital teaching ability.

The company was also honored with a Corporate Social Responsibility Award presented by Containerisation International and Lloyd's List, recognizing the company's commitment to environmental protection, education, and social concern. The Chang Yung-fa Foundation was recognized with a Group Excellence Award in the Arts & Education Contribution category presented by the Ministry of Education in 2015 for its deep commitment and efforts in the fields of music education, oceanic art, craftsmanship, and art education.

Evergreen Line voluntarily participates in Vessel Speed Reduction Program in 2017, led by NOAA's Channel Islands National Marine Sanctuary. The company's concrete actions to avoid whale collisions and reduce greenhouse gas emissions of vessels has been honored with an environmental protection award.

The officers and crew of Evergreen Line's containership EVER DIADEM joined forces with another ship to successfully rescue thirty seafarers forced to abandon their burning fishing vessel off the coast of Madagascar in the Indian Ocean.

## 11. Important Agreement

### (1) Short-haul Agreements

| AGREEMENT                | THE PARTY                                | DURATION                                                                                                                  | CONTENT                                                                                               | REMARK          |
|--------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------|
| Slot Exchange Agreement  | YANG MING MARINE TRANSPORT CORP.         | From: 2009.09.04<br>Till: Unlimited extensions;<br>Contract termination subject to 60 days advance notification.          | EMC slot exchanges with YML.<br>(Pan Asia Services)                                                   | Slot guaranteed |
| Slot Charter Agreement   | FUJIAN FOREIGN TRADE CENTRE SHIPPING CO. | From: 2008.03.01<br>Till: 2009.2.28<br>Can be extended.<br>Contract termination subject to 90 days advance notification.  | EMC slot charter from Fujian Foreign Trade Centre Shipping Co.<br>(Fuzhou- Kaohsiung Shuttle Service) | Slot guaranteed |
| Slot Charter Agreement   | CHINA UNITED LINES LTD.                  | From: 2010.09.27<br>Till: 2011.09.26<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | EMC is a slot charterer on Shanghai, Ningbo/ Taiwan sector.                                           | Slot guaranteed |
| Vessel Sharing Agreement | WAN HAI LINES LTD.                       | From: 2002.09.01<br>Till: 2003.08.31<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC and WHL jointly.<br>(Japan-Taiwan/ Hong Kong Service)                                 | Slot guaranteed |
| Vessel Sharing Agreement | WAN HAI LINES LTD.                       | From: 2008.09.12<br>Till: 2009.09.11<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC and WHL jointly.<br>(Japan/Taiwan/ Philippines Service)                               | Slot guaranteed |

| AGREEMENT                | THE PARTY                                                                            | DURATION                                                                                                                  | CONTENT                                                                                          | REMARK          |
|--------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------|
| Vessel Sharing Agreement | 1. OOCL (ASIA PACIFIC) LTD.<br>2. YANGMING (UK) LTD.                                 | From: 2006.4.30<br>Till: 2007.04.29<br>Can be extended.<br>Contract termination subject to 90 days advance notification.  | Operated by EMC, OOCL, YM (UK) Ltd. jointly.<br>(Taiwan/ Hong Kong/ Vietnam Service)             | Slot guaranteed |
| Vessel Sharing Agreement | 1. WAN HAI LINES LTD.<br>2. HAPAG-LLOYD CONTAINER LINE                               | From: 2006.04.30<br>Till: 2007.04.29<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC, WHL and HLCL jointly.<br>(Taiwan/ Mainland/ Singapore/ Malaysia/ India Service) | Slot guaranteed |
| Slot Exchange Agreement  | WAN HAI LINES LTD.                                                                   | From: 2009.02.22<br>Till: 2009.08.23<br>Can be extended.<br>Contract termination subject to 45 days advance notification. | EMC slot exchanges with WHL.<br>(Pan-Asia Service)                                               | Slot guaranteed |
| Vessel Sharing Agreement | 1. COSCO CONTAINER LINES SOUTH EAST ASIA PTE. LTD.<br>2. SIMATECH SHIPPING PTE. LTD. | From: 2013.11.29<br>Till: 2014.05.28<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | Operated by EMC, COSCONSEA and SSF jointly.<br>(ASEAN-Persian Gulf-ISC Service)                  | Slot guaranteed |
| Slot Exchange Agreement  | CNC LINE                                                                             | From: 2015.07.12<br>Till: 2016.01.12<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with CNC.<br>(Taiwan-Thailand / Singapore-Japan, Malaysia-Japan)              | Slot guaranteed |

| AGREEMENT                | THE PARTY                                                                                                                       | DURATION                                                                                                                  | CONTENT                                                                                                                   | REMARK          |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------|
| Slot Exchange Agreement  | CNC LINE                                                                                                                        | From: 2015.11.25<br>Till: 2016.05.25<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with CNC.<br>(Korea-Taiwan-Vietnam / North East Asia - South East Asia Service B)                      | Slot guaranteed |
| Vessel Sharing Agreement | 1. SIMATECH SHIPPING PTE. LTD.<br>2. K LINE<br>3. YANG MING LINES<br>4. HAPAG-LLOYD<br>5. PACIFIC INTERNATIONAL LINES PTE. LTD. | From: 2017.06.18<br>Till: 2018.03.18<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC, SSF, K Line, Yang Ming Lines, Hapag-Lloyd. and PIL.<br>(North China-India)                               | Slot guaranteed |
| Slot Charter Agreement   | WAN HAI LINES LTD.                                                                                                              | From: 2014.09.01<br>Till: 2015.02.28<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC charter from WHL.<br>(Korea - South East Asia)                                                                        | Slot guaranteed |
| Vessel Sharing Agreement | 1. YANG MING LINES<br>2. SINOTRANS CONTAINER LINES CO LTD.<br>3. TS LINE                                                        | From: 2013.06.07<br>Till: 2014.06.07<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC, YML, SINOTRANS and TSL jointly.                                                                          | Slot guaranteed |
| Slot Exchange Agreement  | SINOKOR MERCHANT MARINE CO., LTD.                                                                                               | From: 2015.07.08<br>Till: 2015.01.08<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with SKR.<br>(NorthEast Asia - SouthEast Asia service / Korea-China-Indonesia/ Korea-Vietnam-Thailand) | Slot guaranteed |

| AGREEMENT                | THE PARTY                                                                          | DURATION                                                                                                                  | CONTENT                                                                                                                                                     | REMARK          |
|--------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Slot Exchange Agreement  | X-Press                                                                            | From: 2016.03.27<br>Till: 2016.09.27<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with X-Press.<br>(Central China-SouthEast / Singapore-Bangkok / Kaohsiung-Cebu / Vietnam-Singapore-Malaysia / Kaohsiung-Manila service ) | Slot guaranteed |
| Slot Exchange Agreement  | T.S. LINE CO., LTD.                                                                | From: 2016.05.01<br>Till: 2016.11.01<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with TSL.<br>(Taiwan-Shanghai / Vietnam-Singapore-Malaysia service )                                                                     | Slot guaranteed |
| Slot Exchange Agreement  | MCC TRANSPORT SINGAPORE PTE. LTD.                                                  | From: 2016.09.04<br>Till: 2016.12.04<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with MCC.<br>(Taiwan-Shanghai / Vietnam-Malaysia-Indonesia service)                                                                      | Slot guaranteed |
| Vessel Sharing Agreement | 1. COSCONSEA<br>2. WAN HAI LINES LTD.<br>3. PACIFIC INTERNATIONAL LINES (PTE) LTD. | From: 2017.08.28<br>Till: 2018.02.27<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | Operated by EMC, CONCONSEA, WHL & PIL jointly.<br>(Pakistan-India Express Service)                                                                          | Slot guaranteed |
| Slot Exchange Agreement  | K LINE                                                                             | From: 2016.09.04<br>Till: 2016.12.04<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with K Line.<br>(Pakistan-India Express / Pakistan-Mundra Express service)                                                               | Slot guaranteed |

| AGREEMENT                | THE PARTY                                                                  | DURATION                                                                                                                  | CONTENT                                                                                                  | REMARK          |
|--------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------|
| Slot Exchange Agreement  | OOCL                                                                       | From: 2017.09.18<br>Till: 2017.12.16<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with OOCL.<br>(Pakistan-India Express / Pakistan-Mundra Express service)              | Slot guaranteed |
| Slot Exchange Agreement  | COSCO                                                                      | From: 2017.04.25<br>Till: 2017.11.25<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with COSCO.<br>(China North / China-Thailand / Taiwan -Indonesia service)             | Slot guaranteed |
| Vessel Sharing Agreement | 1. APL<br>2. K-LINE<br>3. YANG MING LINES<br>4. HAPAG LLOYD CONTAINER LINE | From: 2017.05.21<br>Till: 2018.03.21<br>Can be extended.<br>Contract termination subject to 90 days advance notification. | Operated by EMC, APL, K-LINE, YANG MING and HAPAG LLOYD jointly.<br>(Northeast Asia - Australia service) | Slot guaranteed |
| Slot Exchange Agreement  | SITC CONTAINER LINES CO.                                                   | From: 2017.09.18<br>Till: 2017.12.18<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with SITC.<br>(China-Indonesia / China-Vietnam-Indonesia Express service)             | Slot guaranteed |
| Slot Exchange Agreement  | MCC TRANSPORT SINGAPORE PTE LTD.                                           | From: 2017.12.20<br>Till: 2018.03.30<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC slot exchanges with MCC.<br>(Indonesia-Japan / Japan -Thailand Express service)                      | Slot guaranteed |

| AGREEMENT               | THE PARTY                           | DURATION                                                                                                                  | CONTENT                                                                                         | REMARK          |
|-------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------|
| Slot Charter Agreement  | SIMATECH SHIPPING PTE. LTD.         | From: 2017.11.23<br>Till: 2018.02.23<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC charter from SMH.<br>(Far East - East India service)                                        | Slot guaranteed |
| Slot Charter Agreement  | BENGAL TIGER LINE PTE LTD.          | From: 2017.12.13<br>Till: 2018.03.13<br>Can be extended.<br>Contract termination subject to 30 days advance notification. | EMC charter from BTL.<br>(Southeast Asia - East India service)                                  | Slot guaranteed |
| Slot Exchange Agreement | SINOTRANS CONTAINER LINES CO., LTD. | From: 2017.05.20<br>Till: 2018.03.30<br>Can be extended.<br>Contract termination subject to 60 days advance notification. | EMC slot exchanges with SNL.<br>(North China-Australia / South China-Australia Express service) | Slot guaranteed |

**(2) Long-haul Agreements**

| Agreement                                  | THE PARTY                                                                                                                                   | DURATION                                                                                                         | CONTENT                                                                                    | REMARK          |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------|
| Vessel Sharing and Slot Exchange Agreement | 1.CMA CGM<br>2. COSCO<br>CONTAINER<br>LINE<br>3. OOCL                                                                                       | From: 2016.04.01<br>Till: 2022.03.31                                                                             | Operated by OCEAN Alliance.<br>(F.E. / EUR and MED / F.E-M.<br>E. / F.E.-Red Sea services) | Slot guaranteed |
| Slot Charter Agreement                     | NIPPON YUSEN<br>KAISHA                                                                                                                      | From: 2017.04.01<br>Till: 2019.03.31<br>Contract termination subject to 90 days advance notification.            | EMC charter from NYK.<br>(Japan / USWC service)                                            | Slot guaranteed |
| Vessel Sharing Agreement                   | 1. CMA CGM<br>2. COSCO<br>CONTAINER<br>LINE<br>3. YANG MING<br>LINE                                                                         | From: 2017.01.20<br>Till: 2018.12.20<br>Contract termination subject to 90 days advance notification.            | Operated by ELJSA & CMA CGM & COSCO & YML.<br>(F.E. / S.America service)                   | Slot guaranteed |
| Slot Exchange Agreement                    | NIPPON YUSEN<br>KAISHA                                                                                                                      | From: 2017.01.19<br>Till: 2018.12.19<br>Contract termination subject to 90 days advance notification.            | EMC slot exchanges with NYK.<br>(F.E. / S.America service)                                 | Slot guaranteed |
| Vessel Sharing Agreement                   | 1. COSCO<br>CONTAINER<br>LINE<br>2. KAWASAKI<br>KISEN KAISHA LTD.<br>3. MITSUI O.S.K.<br>LINES LTD.<br>4. PACIFIC<br>INTERNATIONAL<br>LINES | From: 2014.09.29<br>Till: Unlimited extensions.<br>Contract termination subject to 90 days advance notification. | Operated by EMC/ MOL/ PIL/ KLINE jointly.                                                  | Slot guaranteed |

| Agreement                | THE PARTY                                                                                            | DURATION                                                                                                         | CONTENT                                                          | REMARK          |
|--------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------|
| Vessel Sharing Agreement | 1. COSCO<br>2. YANG MING LINE                                                                        | From: 2015.12.26<br>Till: Unlimited extensions.<br>Contract termination subject to 90 days advance notification. | Operated by ELJSA & COSCO & YML.<br>(FE/ USWC)                   | Slot guaranteed |
| Vessel Sharing Agreement | 1. COSCO CONTAINER LINES<br>2. PACIFIC INTERNATIONAL LINES<br>3. WAN HAI LINES<br>4. YANG MING LINES | From: 2015.12.25<br>Till: Unlimited extensions.<br>Contract termination subject to 90 days advance notification. | Operated by ELJSA & COSCO, PACIFIC, WAN HAI & YML.<br>(FE/ USWC) | Slot guaranteed |

## 1. Five- Year Financial Summary

## (1) Consolidated Condensed Balance Sheet

Unit: NT\$ Thousands

| Item \ Year                                 |                     | Financial Summary for The Last Five Years |             |             |             |             | As of<br>March 31,<br>2018 |
|---------------------------------------------|---------------------|-------------------------------------------|-------------|-------------|-------------|-------------|----------------------------|
|                                             |                     | 2013                                      | 2014        | 2015        | 2016        | 2017        |                            |
| Current assets                              |                     | 56,741,092                                | 57,268,959  | 52,171,999  | 53,977,007  | 60,951,228  | 57,389,677                 |
| Property, plant and equipment               |                     | 76,169,083                                | 99,524,289  | 107,619,180 | 99,470,430  | 97,687,454  | 97,213,831                 |
| Intangible assets                           |                     | 9,658                                     | 22,578      | 22,371      | 121,341     | 159,667     | 157,514                    |
| Other assets                                |                     | 42,089,458                                | 32,119,181  | 32,838,657  | 36,184,986  | 41,281,548  | 41,838,335                 |
| Total assets                                |                     | 175,009,291                               | 188,935,007 | 192,652,207 | 189,753,764 | 200,079,897 | 196,599,357                |
| Current liabilities                         | Before distribution | 34,276,386                                | 40,653,423  | 39,356,167  | 42,031,169  | 44,760,401  | 45,021,051                 |
|                                             | After distribution  | -                                         | 41,001,181  | -           | -           | -           | -                          |
| Non-current liabilities                     |                     | 80,563,316                                | 83,445,251  | 92,001,438  | 94,084,094  | 88,630,706  | 85,733,009                 |
| Total liabilities                           | Before distribution | 114,839,702                               | 124,098,674 | 131,357,605 | 136,115,263 | 133,391,107 | 130,754,060                |
|                                             | After distribution  | -                                         | 124,446,432 | -           | -           | -           | -                          |
| Equity attributable to owners of the parent |                     | 57,242,048                                | 60,880,785  | 58,001,047  | 50,987,493  | 63,398,554  | 62,921,640                 |
| Common stock                                |                     | 34,749,523                                | 34,775,802  | 35,123,560  | 35,123,560  | 40,123,560  | 40,123,560                 |
| Capital surplus                             |                     | 7,271,957                                 | 7,292,458   | 7,986,633   | 7,989,014   | 10,838,075  | 10,798,548                 |
| Retained earnings                           | Before distribution | 16,049,508                                | 17,185,085  | 11,795,067  | 4,985,031   | 11,754,606  | 12,182,922                 |
|                                             | After distribution  | -                                         | 16,489,569  | -           | -           | -           | -                          |
| Other equity interest                       |                     | (828,940)                                 | 1,627,440   | 3,095,787   | 2,889,888   | 682,313     | (183,390)                  |
| Treasury shares                             |                     | -                                         | -           | -           | -           | -           | -                          |
| Non-controlling interest                    |                     | 2,927,541                                 | 3,955,548   | 3,293,555   | 2,651,008   | 3,290,236   | 2,923,657                  |
| Total equity                                | Before distribution | 60,169,589                                | 64,836,333  | 61,294,602  | 53,638,501  | 66,688,790  | 65,845,297                 |
|                                             | After distribution  | -                                         | 64,488,575  | -           | -           | -           | -                          |

**(2) Consolidated Condensed Statement of Comprehensive Income**

Unit: NT\$ Thousands

| Item \ Year                                                            | Financial Summary for The Last Five Years |             |             |             |             | As of<br>March 31,<br>2018 |
|------------------------------------------------------------------------|-------------------------------------------|-------------|-------------|-------------|-------------|----------------------------|
|                                                                        | 2013                                      | 2014        | 2015        | 2016        | 2017        |                            |
| Operating revenue                                                      | 139,216,384                               | 144,284,374 | 133,813,687 | 124,467,608 | 150,582,692 | 36,840,688                 |
| Gross Profit                                                           | 388,745                                   | 7,347,226   | 1,619,324   | (3,488,164) | 10,889,124  | 909,145                    |
| Operating income (loss)                                                | (773,161)                                 | 3,758,015   | (3,847,026) | (7,848,262) | 4,817,470   | (22,597)                   |
| Non-operating income and expenses                                      | (815,986)                                 | (546,272)   | (835,470)   | (960,721)   | 2,630,079   | 135,679                    |
| Profit (loss) before income tax                                        | (1,589,147)                               | 3,211,743   | (4,682,496) | (8,808,983) | 7,447,549   | 113,082                    |
| Profit (loss) from continuing operations                               | (2,046,804)                               | 2,035,049   | (4,739,297) | (8,565,311) | 6,661,621   | 15,876                     |
| Profit (loss) from discontinued operation                              | -                                         | -           | -           | -           | -           | -                          |
| Profit (loss) for the period                                           | (2,046,804)                               | 2,035,049   | (4,739,297) | (8,565,311) | 6,661,621   | 15,876                     |
| Other comprehensive income (loss), net of income tax                   | 1,457,237                                 | 2,594,253   | 851,149     | 906,829     | (2,971,907) | (591,110)                  |
| Total comprehensive income (loss)                                      | (589,567)                                 | 4,629,302   | (3,888,148) | (7,658,482) | 3,689,714   | (575,234)                  |
| Profit (loss), attributable to owners of the parent                    | (1,497,304)                               | 1,155,924   | (4,408,079) | (6,607,986) | 7,005,171   | 137,263                    |
| Profit (loss), attributable to non-controlling interest                | (549,500)                                 | 879,125     | (331,218)   | (1,957,325) | (343,550)   | (121,387)                  |
| Comprehensive income (loss), attributable to owners of the parent      | (250,135)                                 | 3,601,295   | (3,226,155) | (7,015,935) | 4,562,000   | (432,892)                  |
| Comprehensive income (loss), attributable to non-controlling interests | (339,432)                                 | 1,028,007   | (661,993)   | (642,547)   | (872,286)   | (142,342)                  |
| Earnings per share (in dollars)                                        | (0.43)                                    | 0.33        | (1.26)      | (1.88)      | 1.97        | 0.03                       |

**(3) Condensed Balance Sheet**

Unit: NT\$ Thousands

| Item \ Year                   |                     | Financial Summary for The Last Five Years |             |             |             |             |
|-------------------------------|---------------------|-------------------------------------------|-------------|-------------|-------------|-------------|
|                               |                     | 2013                                      | 2014        | 2015        | 2016        | 2017        |
| Current assets                |                     | 19,271,637                                | 20,382,555  | 24,394,141  | 26,797,737  | 29,795,801  |
| Property, plant and equipment |                     | 14,006,137                                | 20,522,164  | 27,982,312  | 26,055,383  | 27,118,687  |
| Intangible assets             |                     | 7,118                                     | 9,705       | 10,080      | 52,203      | 39,071      |
| Other assets                  |                     | 65,551,503                                | 63,359,304  | 58,542,582  | 53,141,674  | 63,841,016  |
| Total assets                  |                     | 98,836,395                                | 104,273,728 | 110,929,115 | 106,046,997 | 120,794,575 |
| Current liabilities           | Before distribution | 9,192,585                                 | 13,740,529  | 15,261,971  | 14,761,758  | 15,220,244  |
|                               | After distribution  | -                                         | 14,088,287  | -           | -           | -           |
| Non-current liabilities       |                     | 32,401,762                                | 29,652,414  | 37,666,097  | 40,297,746  | 42,175,777  |
| Total liabilities             | Before distribution | 41,594,347                                | 43,392,943  | 52,928,068  | 55,059,504  | 57,396,021  |
|                               | After distribution  | -                                         | 43,740,701  | -           | -           | -           |
| Common stock                  |                     | 34,749,523                                | 34,775,802  | 35,123,560  | 35,123,560  | 40,123,560  |
| Capital surplus               |                     | 7,271,957                                 | 7,292,458   | 7,986,633   | 7,989,014   | 10,838,075  |
| Retained earnings             | Before distribution | 16,049,508                                | 17,185,085  | 11,795,067  | 4,985,031   | 11,754,606  |
|                               | After distribution  | -                                         | 16,489,569  | -           | -           | -           |
| Other equity interest         |                     | (828,940)                                 | 1,627,440   | 3,095,787   | 2,889,888   | 682,313     |
| Treasury shares               |                     | -                                         | -           | -           | -           | -           |
| Total equity                  | Before distribution | 57,242,048                                | 60,880,785  | 58,001,047  | 50,987,493  | 63,398,554  |
|                               | After distribution  | -                                         | 60,533,027  | -           | -           | -           |

**(4) Condensed Statement of Comprehensive Income**

Unit: NT\$ Thousands

| Item \ Year                                   | Financial Summary for The Last Five Years |             |             |             |             |
|-----------------------------------------------|-------------------------------------------|-------------|-------------|-------------|-------------|
|                                               | 2013                                      | 2014        | 2015        | 2016        | 2017        |
| Operating revenue                             | 19,508,830                                | 26,151,838  | 25,134,073  | 23,060,494  | 28,897,616  |
| Gross Profit                                  | 1,224,693                                 | 3,175,924   | 1,932,085   | 910,018     | 2,011,325   |
| Operating income (loss)                       | (222,418)                                 | 3,589,338   | 469,199     | (764,840)   | 232,667     |
| Non-operating income and expenses             | (1,229,184)                               | (1,668,545) | (5,183,782) | (6,297,750) | 6,985,241   |
| Profit (loss) before income tax               | (1,451,602)                               | 1,920,793   | (4,714,583) | (7,062,590) | 7,217,908   |
| Profit (loss) from continuing operations      | (1,497,304)                               | 1,155,924   | (4,408,079) | (6,607,986) | 7,005,171   |
| Profit (loss) from discontinued operation     | -                                         | -           | -           | -           | -           |
| Profit (loss) for the year                    | (1,497,304)                               | 1,155,924   | (4,408,079) | (6,607,986) | 7,005,171   |
| Other comprehensive income, net of income tax | 1,247,169                                 | 2,445,371   | 1,181,924   | (407,949)   | (2,443,171) |
| Total comprehensive income                    | (250,135)                                 | 3,601,295   | (3,226,155) | (7,015,935) | 4,562,000   |
| Earnings per share (in dollars)               | (0.43)                                    | 0.33        | (1.26)      | (1.88)      | 1.97        |

## 2. Five- Year Financial Analysis

### (1) Consolidated Financial Analysis

| Item \ Year                                      | Year   |        |         |         |        |                            |
|--------------------------------------------------|--------|--------|---------|---------|--------|----------------------------|
|                                                  | 2013   | 2014   | 2015    | 2016    | 2017   | As of<br>March 31,<br>2018 |
| Financial structure (%)                          |        |        |         |         |        |                            |
| Debt ratio                                       | 65.62  | 65.68  | 68.18   | 71.73   | 66.67  | 66.51                      |
| Long-term funds to property, plant and equipment | 184.76 | 148.99 | 142.44  | 148.51  | 159.00 | 155.92                     |
| Solvency (%)                                     |        |        |         |         |        |                            |
| Current ratio                                    | 165.54 | 140.87 | 132.56  | 128.42  | 136.17 | 127.47                     |
| Quick ratio                                      | 147.73 | 127.35 | 123.12  | 118.34  | 124.33 | 116.00                     |
| Times interest earned (times)                    | (2.86) | 6.95   | (3.75)  | (6.07)  | 6.39   | 1.30                       |
| Operating performance                            |        |        |         |         |        |                            |
| Receivable turnover (times)                      | 10.46  | 10.30  | 10.19   | 10.32   | 11.42  | 2.90                       |
| Average collection days                          | 35     | 35     | 36      | 35      | 32     | 31                         |
| Accounts payable turnover (times)                | 10.21  | 9.78   | 9.48    | 9.94    | 9.81   | 2.35                       |
| Property, plant and equipment turnover (times)   | 2.08   | 1.64   | 1.29    | 1.20    | 1.53   | 0.38                       |
| Total assets turnover (times)                    | 0.84   | 0.79   | 0.70    | 0.65    | 0.77   | 0.19                       |
| Profitability                                    |        |        |         |         |        |                            |
| Return on total assets (%)                       | (1.03) | 1.36   | (2.06)  | (3.94)  | 4.01   | 0.16                       |
| Return on total equity (%)                       | (3.39) | 3.26   | (7.51)  | (14.90) | 11.07  | 0.02                       |
| Pre-tax income to paid-in capital (%)            | (4.57) | 9.24   | (13.33) | (25.08) | 18.56  | 0.28                       |
| Profit ratio (%)                                 | (1.47) | 1.41   | (3.54)  | (6.88)  | 4.42   | 0.04                       |
| Earnings per share (NT\$)                        | (0.43) | 0.33   | (1.26)  | (1.88)  | 1.97   | 0.03                       |
| Cash flow (%)                                    |        |        |         |         |        |                            |
| Cash flow ratio                                  | 6.44   | 27.54  | 13.26   | (1.83)  | 25.00  | 0.31                       |
| Cash flow adequacy ratio                         | 32.97  | 68.43  | 44.45   | 73.34   | 99.14  | 97.90                      |
| Cash flow reinvestment ratio                     | 1.16   | 5.56   | 2.28    | (0.36)  | 5.05   | 0.06                       |
| Leverage                                         |        |        |         |         |        |                            |
| Operating leverage                               | (9.66) | 4.20   | (2.76)  | (0.63)  | 3.93   | (121.36)                   |
| Financial leverage                               | 0.65   | 1.17   | 0.80    | 0.86    | 1.40   | 0.06                       |

**(2) Non-Consolidated Financial Analysis**

| Item \ Year                                      | 2013     | 2014   | 2015     | 2016      | 2017    |
|--------------------------------------------------|----------|--------|----------|-----------|---------|
| Financial structure (%)                          |          |        |          |           |         |
| Debt ratio                                       | 42.08    | 41.61  | 47.71    | 51.91     | 47.51   |
| Long-term funds to property, plant and equipment | 640.03   | 441.14 | 341.88   | 350.35    | 389.3   |
| Solvency (%)                                     |          |        |          |           |         |
| Current ratio                                    | 209.64   | 148.33 | 159.83   | 181.53    | 195.76  |
| Quick ratio                                      | 201.42   | 142.61 | 155.50   | 177.51    | 189.75  |
| Times interest earned (times)                    | (280.05) | 505.92 | (804.44) | (1048.67) | 1237.22 |
| Operating performance                            |          |        |          |           |         |
| Receivable turnover (times)                      | 15.02    | 13.27  | 12.07    | 11.2      | 10.87   |
| Average collection days                          | 24       | 28     | 30       | 33        | 34      |
| Accounts payable turnover (times)                | 9.64     | 10.29  | 9.96     | 9.07      | 8.63    |
| Property, plant and equipment turnover (times)   | 1.65     | 1.51   | 1.03     | 0.85      | 1.08    |
| Total assets turnover (times)                    | 0.20     | 0.25   | 0.23     | 0.21      | 0.25    |
| Profitability                                    |          |        |          |           |         |
| Return on total assets (%)                       | (1.22)   | 1.52   | (3.69)   | (5.62)    | 6.64    |
| Return on total equity (%)                       | (2.61)   | 1.95   | (7.41)   | (12.12)   | 12.24   |
| Pre-tax income to paid-in capital (%)            | (4.18)   | 5.52   | (13.42)  | (20.10)   | 17.98   |
| Profit ratio (%)                                 | (7.68)   | 4.42   | (17.53)  | (28.65)   | 24.24   |
| Earnings per share (NT\$)                        | (0.43)   | 0.33   | (1.26)   | (1.88)    | 1.97    |
| Cash flow (%)                                    |          |        |          |           |         |
| Cash flow ratio                                  | 32.96    | 22.97  | 2.20     | 4.59      | 16.85   |
| Cash flow adequacy ratio                         | 97.03    | 81.88  | 83.48    | 258.89    | 183.38  |
| Cash flow reinvestment ratio                     | 3.03     | 3.24   | (0.01)   | 0.68      | 2.24    |
| Leverage                                         |          |        |          |           |         |
| Operating leverage                               | (13.39)  | 1.37   | 7.66     | (3.29)    | 15.85   |
| Financial leverage                               | 0.37     | 1.15   | (9.01)   | 0.55      | (0.57)  |

### 3. Consolidated Financial Statements and Report of Independent Accountants

#### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Evergreen Marine Corporation (Taiwan) Ltd.

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) and its subsidiaries (collectively referred herein as the “Group”) as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other Matter* section of the report), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the reports of other independent accountants are sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide

a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2017 are as follows:

### **Accuracy of freight revenue**

#### Description

Please refer to Note 4(31) for accounting policies on revenue recognition, Note 5(2) for uncertainty of accounting estimates and assumptions applied on revenue recognition, and Note 6(21) for details of sales revenue.

Evergreen Marine Corporation (Taiwan) Ltd. primarily engages in global container shipping service covering ocean-going and near-sea shipping line, shipping agency business as well as container freight station business. In 2017, freight revenue was NT\$ 135,358,310 thousand, representing 89.89% of operating revenue. Since ocean-going shipping often lasts for several days, voyages are sometimes completed after the date of balance sheet. Also, demands for freight are consistently sent by forwarders during voyage. Due to the factors mentioned above, freight revenue is recognized under the percentage-of-completion method for each vessel during the reporting period.

Despite the Group conducting business worldwide, its transactions are all in small amounts, whereas the freight rate is subject to fluctuation caused by cargo loading rate as well as market competition. Worldwide shipping agencies use a system to record the transactions by entering data including shipping departure, destination, counterparty, transit time, shipping amounts, and freight price for the Group. Therefore, management could recognize freight revenue in accordance with the data on bill of lading reports generated from the system, accompanied by estimation made from past experience and current cargo loading conditions the revenue that would flow in, and calculate the revenue under percentage-of-completion method. As the process of recording transactions, communicating with agencies, maintaining the system are done manually, and the estimation of freight revenue are subject to management's judgement, therefore freight revenue involves high uncertainty and is material to the financial statements. Given the conditions mentioned above, we consider the accuracy of freight revenue and the appropriate use of cut-off by the Group and its investee companies as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the operation and industry of the Group to assess the reasonableness of policies and procedures on revenue recognition, and confirmed whether it is appropriate to the financial statements.
2. Obtained an understanding of the procedures of revenue recognition from booking, picking, billing to receiving. Assessed and tested relevant internal controls, including checking freight items and amounts of delivery information against the approved contracts and booking list. In addition, recalculated the accuracy of freight revenue, and ensured its consistency with the bill of lading report.
3. Obtained the estimated freight income report for vessels underway as of balance sheets date, and inquired with management for the reasonableness of judgement. In addition, checked historical freight revenue for total voyage under each individual vessel, along with comparing with current cargo loading condition as well as actual revenue received after period end to ensure the reasonableness of revenue assumptions.
4. Confirmed the completeness of vessels underway for the reporting period, including tracking the movements of shipments on the internet to ensure the vessels that depart before period end have been taken into consideration in the freight revenue calculation.
5. Verified accuracy of data used in calculating percentage of completion under each voyage, including selecting samples and check whether total shipping days shown on the Company's website are in agreement with cruise timetable as well as recalculating shipping days (days between departure and balance sheet date), in order to examine the soundness of percentage applied.

### **Impairment of property, plant and equipment**

#### Description

Please refer to Note 4(16) for accounting policies on property, plant and equipment, Note 5(2) for uncertainty of accounting estimates and assumptions applied on impairment of property, plant and equipment, and Note 6(8) for details of property, plant and equipment.

As of December 31, 2017, property, plant and equipment amounted to NT\$ 97,687,454 thousand, constituting 48.82% of total assets, and ship equipment, transport equipment and cargo handling equipment amounted to NT\$ 76,190,454 thousand, accounting for approximately 77.99% of total property, plant and equipment. As new ships have been built and put into operation by many carriers

around the world, market supply has exceeded demand. Therefore, the market imbalance led to price competition, resulting to losses for the industry and raising the risk of asset impairment. The valuation of impairment and recoverable amounts are evaluated by the Group using the present value of the future cash flows expected to be derived from an asset or cash-generating unit compared to the book value. The main assumptions of discount rates used in recoverable amounts, and expected operating revenue growth rates, gross profit, operating profit rates, capital expenditures and discount rates used in future cash flow estimates are subject to management's judgement and involve high uncertainty, and the estimated results are material to the consolidated financial statements. Given the conditions mentioned above, we consider the impairment assessment of ship equipment, transport equipment and cargo handling equipment in the property, plant and equipment under the Group and its investee companies as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the relevant policies, internal controls and process applied to valuation of assets impairments.
2. Interviewed with management regarding the impairment test report, and assessed the reasonableness of discounts rate and the reasonableness of operating revenue, gross profit, operating profit rate, growth rates and capital expenditure that management used in estimating future cash flows by checking actual performance under past operating plans and comparing the performance with industry forecast to evaluate the intention and capability of management.
3. Checked the parameters of the valuation model and recalculated the valuation model for accuracy.

#### ***Other matter – Audit by other independent accountants***

We did not audit the financial statements of all the consolidated subsidiaries. Those statements and the information disclosed in Note 13 were performed by other independent accountants whose reports thereon have been furnished to us, and our audit expressed herein is based solely on the reports of the other independent accountants. The statements reflect that total assets in these subsidiaries amounted to NT\$53,765,827 thousand and NT\$62,747,081 thousand, constituting 26.87% and 33.07% of the total consolidated assets as of December 31, 2017, and 2016, respectively. Net operating revenues in the subsidiaries amounted to NT\$55,681,727 thousand and NT\$46,208,197 thousand, constituting 36.98% and 37.12% of the total consolidated net operating revenues of 2017 and 2016 for the years then ended. In addition, we did not audit the financial statements of all the investee companies accounted for using

equity method. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our audit expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 related to these long-term equity investments, is based solely on the reports of other independent accountants. Long-term equity investments in these investee companies amounted to NT\$16,239,361 thousand and NT\$15,396,048 thousand, constituting 8.12% and 8.11% of the total consolidated assets as of December 31, 2017 and 2016, respectively, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) was NT\$1,892,245 thousand and NT\$1,049,924 thousand for the years then ended.

We have also audited the parent company only financial statement of Evergreen Marine Corporation (Taiwan) Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unqualified opinion with explanatory paragraph thereon.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group’s financial reporting process.

***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements

as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lai, Chung-Hsi

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2018

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

| Assets                                            | Notes       | December 31, 2017 |     | December 31, 2016 |     |
|---------------------------------------------------|-------------|-------------------|-----|-------------------|-----|
|                                                   |             | AMOUNT            | %   | AMOUNT            | %   |
| Current assets                                    |             |                   |     |                   |     |
| Cash and cash equivalents                         | 6(1)        | \$ 38,108,263     | 19  | \$ 34,413,449     | 18  |
| Held-to-maturity financial assets - current       | 6(3)        | -                 | -   | 170,000           | -   |
| Notes receivable, net                             |             | 66,410            | -   | 30,011            |     |
| Accounts receivable, net                          | 6(4)        | 12,976,049        | 7   | 11,572,595        | 6   |
| Accounts receivable, net - related parties        | 7           | 793,621           | -   | 922,674           | -   |
| Other receivables                                 |             | 396,179           | -   | 785,855           | -   |
| Other receivables - related parties               | 7           | 486,727           | -   | 287,067           | -   |
| Current income tax assets                         |             | 159,893           | -   | 218,829           | -   |
| Inventories                                       | 6(5)        | 3,719,429         | 2   | 3,174,920         | 2   |
| Prepayments                                       |             | 1,579,564         | 1   | 1,063,328         | 1   |
| Other current assets                              | 6(6)        | 2,665,093         | 1   | 1,338,279         | 1   |
| Current assets                                    |             | 60,951,228        | 30  | 53,977,007        | 28  |
| Non-current assets                                |             |                   |     |                   |     |
| Available-for-sale financial assets - non-current | 6(2)        | 2,282,619         | 1   | 2,694,826         | 2   |
| Held-to-maturity financial assets - non-current   | 6(3)        | 100,000           | -   | 50,000            | -   |
| Investments accounted for using equity method     | 6(7)        | 26,783,026        | 14  | 25,779,053        | 14  |
| Property, plant and equipment, net                | 6(8)        | 97,687,454        | 49  | 99,470,430        | 52  |
| Investment property, net                          | 6(9)        | 4,969,272         | 3   | 1,938,774         | 1   |
| Intangible assets                                 |             | 159,667           | -   | 121,341           | -   |
| Deferred income tax assets                        | 6(28)       | 708,266           | -   | 662,014           | -   |
| Other non-current assets                          | 6(10) and 8 | 6,438,365         | 3   | 5,060,319         | 3   |
| Non-current assets                                |             | 139,128,669       | 70  | 135,776,757       | 72  |
| Total assets                                      |             | \$ 200,079,897    | 100 | \$ 189,753,764    | 100 |

(Continued)

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity                                 | Notes     | December 31, 2017     |            | December 31, 2016     |            |
|--------------------------------------------------------|-----------|-----------------------|------------|-----------------------|------------|
|                                                        |           | AMOUNT                | %          | AMOUNT                | %          |
| <b>Current liabilities</b>                             |           |                       |            |                       |            |
| Accounts payable                                       |           | \$ 15,358,651         | 8          | \$ 12,615,885         | 7          |
| Accounts payable - related parties                     | 7         | 203,868               | -          | 291,777               | -          |
| Other payables                                         |           | 3,111,155             | 2          | 1,838,287             | 1          |
| Other payables - related parties                       | 7         | 1,002,731             | 1          | 142,174               | -          |
| Current income tax liabilities                         |           | 368,327               | -          | 108,469               | -          |
| Other current liabilities                              | 6(11)     | 24,715,669            | 12         | 27,034,577            | 14         |
| <b>Current liabilities</b>                             |           | <u>44,760,401</u>     | <u>23</u>  | <u>42,031,169</u>     | <u>22</u>  |
| <b>Non-current liabilities</b>                         |           |                       |            |                       |            |
| Corporate bonds payable                                | 6(12)     | 8,000,000             | 4          | -                     | -          |
| Long-term loans                                        | 6(13)     | 65,369,665            | 32         | 77,673,504            | 41         |
| Deferred income tax liabilities                        | 6(28)     | 1,749,020             | 1          | 633,182               | 1          |
| Other non-current liabilities                          | 6(14)(15) | 13,512,021            | 7          | 15,777,408            | 8          |
| <b>Non-current liabilities</b>                         |           | <u>88,630,706</u>     | <u>44</u>  | <u>94,084,094</u>     | <u>50</u>  |
| <b>Total liabilities</b>                               |           | <u>133,391,107</u>    | <u>67</u>  | <u>136,115,263</u>    | <u>72</u>  |
| <b>Equity attributable to owners of the parent</b>     |           |                       |            |                       |            |
| <b>Capital</b>                                         |           |                       |            |                       |            |
| Common stock                                           | 6(17)     | 40,123,560            | 20         | 35,123,560            | 18         |
| <b>Capital surplus</b>                                 | 6(18)     |                       |            |                       |            |
| Capital surplus                                        |           | 10,838,075            | 5          | 7,989,014             | 4          |
| <b>Retained earnings</b>                               | 6(19)     |                       |            |                       |            |
| Legal reserve                                          |           | 4,985,031             | 3          | 9,233,242             | 5          |
| Unappropriated retained earnings (deficit)             |           | 6,769,575             | 3          | (4,248,211)           | (2)        |
| <b>Other equity interest</b>                           | 6(20)     |                       |            |                       |            |
| Other equity interest                                  |           | 682,313               | 1          | 2,889,888             | 2          |
| <b>Equity attributable to owners of the parent</b>     |           | <u>63,398,554</u>     | <u>32</u>  | <u>50,987,493</u>     | <u>27</u>  |
| <b>Non-controlling interest</b>                        |           | <u>3,290,236</u>      | <u>1</u>   | <u>2,651,008</u>      | <u>1</u>   |
| <b>Total equity</b>                                    |           | <u>66,688,790</u>     | <u>33</u>  | <u>53,638,501</u>     | <u>28</u>  |
| <b>Significant Contingent Liabilities And</b>          | 9         |                       |            |                       |            |
| <b>Unrecognized Contract Commitments</b>               |           |                       |            |                       |            |
| <b>Significant events after the balance sheet date</b> | 11        |                       |            |                       |            |
| <b>Total liabilities and equity</b>                    |           | <u>\$ 200,079,897</u> | <u>100</u> | <u>\$ 189,753,764</u> | <u>100</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amounts)

| Items                                                                            | Notes           | Years ended December 31 |        |                  |         |
|----------------------------------------------------------------------------------|-----------------|-------------------------|--------|------------------|---------|
|                                                                                  |                 | 2017                    |        | 2016             |         |
|                                                                                  |                 | AMOUNT                  | %      | AMOUNT           | %       |
| <b>Operating revenue</b>                                                         | 6(21) and 7     | \$ 150,582,692          | 100    | \$ 124,467,608   | 100     |
| <b>Operating costs</b>                                                           | 6(26)(27) and 7 | ( 139,693,568 )         | ( 93 ) | ( 127,955,772 )  | ( 103 ) |
| <b>Gross profit (loss)</b>                                                       |                 | 10,889,124              | 7      | ( 3,488,164 )    | ( 3 )   |
| Unrealized profit from sales                                                     |                 | ( 27,306 )              | -      | ( 14,136 )       | -       |
| Realized profit on from sales                                                    |                 | 12,469                  | -      | 8,187            | -       |
| <b>Gross profit (loss)</b>                                                       |                 | 10,874,287              | 7      | ( 3,494,113 )    | ( 3 )   |
| <b>Operating expenses</b>                                                        | 6(26)(27) and 7 | ( 6,558,601 )           | ( 4 )  | ( 6,235,412 )    | ( 5 )   |
| <b>Other gains - net</b>                                                         | 6(22)           | 501,784                 | -      | 1,881,263        | 2       |
| <b>Operating profit (loss)</b>                                                   |                 | 4,817,470               | 3      | ( 7,848,262 )    | ( 6 )   |
| Other income                                                                     | 6(23)           | 954,306                 | 1      | 802,322          | 1       |
| Other gains and losses                                                           | 6(24)           | 572,894                 | -      | 470,571          | -       |
| Finance costs                                                                    | 6(25)           | ( 1,380,716 )           | ( 1 )  | ( 1,245,952 )    | ( 1 )   |
| Share of loss of associates and joint ventures accounted for using equity method |                 | 2,483,595               | 2      | ( 987,662 )      | ( 1 )   |
| <b>Total non-operating income and expenses</b>                                   |                 | 2,630,079               | 2      | ( 960,721 )      | ( 1 )   |
| <b>Profit (loss) before income tax</b>                                           |                 | 7,447,549               | 5      | ( 8,808,983 )    | ( 7 )   |
| Income tax expense                                                               | 6(28)           | ( 785,928 )             | ( 1 )  | 243,672          | -       |
| <b>Profit (loss) for the year</b>                                                |                 | \$ 6,661,621            | 4      | ( \$ 8,565,311 ) | ( 7 )   |

(Continued)

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amounts)

| Items                                                                                                                                                                                            | Notes | Years ended December 31 |      |                |      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------|------|----------------|------|
|                                                                                                                                                                                                  |       | 2017                    |      | 2016           |      |
|                                                                                                                                                                                                  |       | AMOUNT                  | %    | AMOUNT         | %    |
| <b>Other comprehensive income (loss)</b>                                                                                                                                                         |       |                         |      |                |      |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                                  |       |                         |      |                |      |
| Actuarial loss on defined benefit plan                                                                                                                                                           |       | (\$ 149,004)            | -    | (\$ 62,172)    | -    |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss |       | ( 114,187)              | -    | ( 155,908)     | -    |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss                                                                                   |       | 16,942                  | -    | 20,614         | -    |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                                  |       | ( 246,249)              | -    | ( 197,466)     | -    |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                                                                                      |       |                         |      |                |      |
| Exchange differences on translating the financial statements of foreign operations                                                                                                               |       | ( 2,564,224)            | ( 2) | 498,341        | 1    |
| Unrealized gain on valuation of available-for-sale financial assets                                                                                                                              |       | 103,671                 | -    | 145,411        | -    |
| Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method                                                                                    |       | ( 259,276)              | -    | 448,018        | -    |
| Income tax relating to the components of other comprehensive (loss) income                                                                                                                       |       | ( 5,829)                | -    | 12,525         | -    |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                                                                                      |       | ( 2,725,658)            | ( 2) | 1,104,295      | 1    |
| <b>Other comprehensive (loss) income for the year, net of income tax</b>                                                                                                                         |       | (\$ 2,971,907)          | ( 2) | \$ 906,829     | 1    |
| <b>Total comprehensive income (loss) for the period</b>                                                                                                                                          |       | \$ 3,689,714            | 2    | (\$ 7,658,482) | ( 6) |
| <b>Profit (loss), attributable to:</b>                                                                                                                                                           |       |                         |      |                |      |
| Owners of the parent                                                                                                                                                                             |       | \$ 7,005,171            | 4    | (\$ 6,607,986) | ( 5) |
| Non-controlling interest                                                                                                                                                                         |       | (\$ 343,550)            | -    | (\$ 1,957,325) | ( 2) |
| <b>Comprehensive income (loss) attributable to:</b>                                                                                                                                              |       |                         |      |                |      |
| Owners of the parent                                                                                                                                                                             |       | \$ 4,562,000            | 3    | (\$ 7,015,935) | ( 5) |
| Non-controlling interest                                                                                                                                                                         |       | (\$ 872,286)            | ( 1) | (\$ 642,547)   | ( 1) |
| <b>Earnings (loss) per share (in dollars)</b>                                                                                                                                                    | 6(29) |                         |      |                |      |
| <b>Basic earnings (loss) per share</b>                                                                                                                                                           |       | \$ 1.97                 |      | (\$ 1.88)      |      |
| <b>Diluted earnings (loss) per share</b>                                                                                                                                                         |       | \$ 1.97                 |      | (\$ 1.88)      |      |

The accompanying notes are an integral part of these consolidated financial statements.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

|                                                                            | Equity attributable to owners of the parent |                      |                                             |                     |                                              |                                                                    |                                                                |                                                                       | Total                | Non-controlling interest | Total equity         |
|----------------------------------------------------------------------------|---------------------------------------------|----------------------|---------------------------------------------|---------------------|----------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|----------------------|--------------------------|----------------------|
|                                                                            | Notes                                       | Common stock         | Capital surplus, additional paid-in capital | Retained Earnings   |                                              | Other equity interest                                              |                                                                |                                                                       |                      |                          |                      |
|                                                                            |                                             |                      |                                             | Legal reserve       | Unappropriated retained earnings / (deficit) | Financial statements translation differences of foreign operations | Unrealized gain or loss on available-for-sale financial assets | Hedging instrument gain (loss) on effective hedge of cash flow hedges |                      |                          |                      |
| Year 2016                                                                  |                                             |                      |                                             |                     |                                              |                                                                    |                                                                |                                                                       |                      |                          |                      |
| Balance at January 1, 2016                                                 |                                             | \$ 35,123,560        | \$ 7,986,633                                | \$ 9,233,242        | \$ 2,561,825                                 | \$ 2,155,086                                                       | \$ 1,461,850                                                   | (\$ 521,149 )                                                         | \$ 58,001,047        | \$ 3,293,555             | \$ 61,294,602        |
| Adjustments to share of changes in equity of associates and joint ventures | 6(18)                                       | -                    | 2,381                                       | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | 2,381                | -                        | 2,381                |
| Loss for the year                                                          |                                             | -                    | -                                           | -                   | ( 6,607,986 )                                | -                                                                  | -                                                              | -                                                                     | ( 6,607,986 )        | ( 1,957,325 )            | ( 8,565,311 )        |
| Other comprehensive income (loss) for the year                             | 6(20)                                       | -                    | -                                           | -                   | ( 202,050 )                                  | ( 900,464 )                                                        | 241,311                                                        | 453,254                                                               | ( 407,949 )          | 1,314,778                | 906,829              |
| Balance at December 31, 2016                                               |                                             | <u>\$ 35,123,560</u> | <u>\$ 7,989,014</u>                         | <u>\$ 9,233,242</u> | <u>(\$ 4,248,211 )</u>                       | <u>\$ 1,254,622</u>                                                | <u>\$ 1,703,161</u>                                            | <u>(\$ 67,895 )</u>                                                   | <u>\$ 50,987,493</u> | <u>\$ 2,651,008</u>      | <u>\$ 53,638,501</u> |
| Year 2017                                                                  |                                             |                      |                                             |                     |                                              |                                                                    |                                                                |                                                                       |                      |                          |                      |
| Balance at January 1, 2017                                                 |                                             | \$ 35,123,560        | \$ 7,989,014                                | \$ 9,233,242        | (\$ 4,248,211 )                              | \$ 1,254,622                                                       | \$ 1,703,161                                                   | (\$ 67,895 )                                                          | \$ 50,987,493        | \$ 2,651,008             | \$ 53,638,501        |
| Distribution of 2016 earnings:                                             | 6(19)                                       |                      |                                             |                     |                                              |                                                                    |                                                                |                                                                       |                      |                          |                      |
| Legal reserve used to cover accumulated deficit                            |                                             | -                    | -                                           | ( 4,248,211 )       | 4,248,211                                    | -                                                                  | -                                                              | -                                                                     | -                    | -                        | -                    |
| Issuance of common stock                                                   | 6(17)                                       | 5,000,000            | 2,711,222                                   | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | 7,711,222            | -                        | 7,711,222            |
| Cash capital increase reserved for employee preemption                     | 6(18)                                       | -                    | 76,280                                      | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | 76,280               | -                        | 76,280               |
| Adjustments to share of changes in equity of associates and joint ventures | 6(18)                                       | -                    | 67,866                                      | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | 67,866               | -                        | 67,866               |
| Profit (loss) for the year                                                 |                                             | -                    | -                                           | -                   | 7,005,171                                    | -                                                                  | -                                                              | -                                                                     | 7,005,171            | ( 343,550 )              | 6,661,621            |
| Other comprehensive income (loss) for the year                             | 6(20)                                       | -                    | -                                           | -                   | ( 235,596 )                                  | ( 2,389,736 )                                                      | 130,178                                                        | 51,983                                                                | ( 2,443,171 )        | ( 528,736 )              | ( 2,971,907 )        |
| Effect of business combination                                             |                                             | -                    | -                                           | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | -                    | 1,613,445                | 1,613,445            |
| Change in non-controlling interests                                        | 6(30)                                       | -                    | ( 6,307 )                                   | -                   | -                                            | -                                                                  | -                                                              | -                                                                     | ( 6,307 )            | ( 101,931 )              | ( 108,238 )          |
| Balance at December 31, 2017                                               |                                             | <u>\$ 40,123,560</u> | <u>\$ 10,838,075</u>                        | <u>\$ 4,985,031</u> | <u>\$ 6,769,575</u>                          | <u>(\$ 1,135,114 )</u>                                             | <u>\$ 1,833,339</u>                                            | <u>(\$ 15,912 )</u>                                                   | <u>\$ 63,398,554</u> | <u>\$ 3,290,236</u>      | <u>\$ 66,688,790</u> |

The accompanying notes are an integral part of these consolidated financial statements.

## EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

|                                                                                           |         | Years ended December 31 |                  |
|-------------------------------------------------------------------------------------------|---------|-------------------------|------------------|
|                                                                                           | Notes   | 2017                    | 2016             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                               |         |                         |                  |
| Profit (loss) before tax                                                                  |         | \$ 7,447,549            | ( \$ 8,808,983 ) |
| Adjustments                                                                               |         |                         |                  |
| Income and expenses having no effect on cash flows                                        |         |                         |                  |
| Depreciation                                                                              | 6(8)(9) | 7,691,699               | 8,106,130        |
| Amortization                                                                              | 6(26)   | 38,375                  | 30,501           |
| Bad debts expense                                                                         | 6(4)    | 21,646                  | 144,901          |
| Interest income                                                                           | 6(23)   | ( 436,954 )             | ( 277,749 )      |
| Interest expense                                                                          | 6(25)   | 1,380,716               | 1,245,952        |
| Dividend income                                                                           | 6(23)   | ( 117,436 )             | ( 142,152 )      |
| Gain on disposal of available-for-sale financial assets                                   |         | ( 612,704 )             | -                |
| Realized loss from capital reduction of available-for-sale financial assets               | 6(24)   | -                       | 1,878            |
| (Profit) loss on disposal of investments accounted for using equity method                |         | ( 6,578 )               | 1,865            |
| Share of (profit) loss of associates and joint ventures accounted for using equity method |         | ( 2,483,595 )           | 987,662          |
| Gain from bargain purchase                                                                | 6(31)   | ( 5,983 )               | -                |
| Net gain on disposal of property, plant and equipment                                     | 6(22)   | ( 501,784 )             | ( 1,881,263 )    |
| Realized loss from property, plant and equipment                                          | 6(24)   | -                       | 49,429           |
| Net loss on disposal of intangible assets                                                 |         | -                       | 3                |
| Loss on disposal of other investments                                                     |         | 312                     | -                |
| Realized income with affiliated companies                                                 |         | ( 19,912 )              | ( 17,120 )       |
| Unrealized income with affiliated companies                                               |         | 27,306                  | 14,136           |
| Cash capital increase reserved for employee preemption                                    |         | 76,280                  | -                |
| Changes in assets/liabilities relating to operating activities                            |         |                         |                  |
| Changes in operating assets                                                               |         |                         |                  |
| Notes receivable, net                                                                     |         | ( 17,342 )              | 8,823            |
| Accounts receivable                                                                       |         | ( 509,152 )             | ( 1,067,949 )    |
| Accounts receivable, net - related parties                                                |         | 238,192                 | ( 171,827 )      |
| Other receivables                                                                         |         | 416,368                 | ( 476,640 )      |
| Other receivables - related parties                                                       |         | ( 184,257 )             | 177,204          |
| Inventories                                                                               |         | ( 712,073 )             | ( 423,095 )      |
| Prepayments                                                                               |         | ( 364,000 )             | ( 160,259 )      |
| Other current assets                                                                      |         | ( 83,272 )              | 1,378,329        |
| Other non-current assets                                                                  |         | 2,740                   | ( 1,464 )        |
| Net changes in liabilities relating to operating activities                               |         |                         |                  |
| Accounts payable                                                                          |         | 1,785,500               | 165,241          |
| Accounts payable - related parties                                                        |         | ( 258,732 )             | 102,996          |
| Other payables                                                                            |         | 894,990                 | ( 106,113 )      |
| Other payables - related parties                                                          |         | 87,866                  | ( 28,318 )       |
| Other current liabilities                                                                 |         | ( 1,180,528 )           | 1,811,096        |
| Other non-current liabilities                                                             |         | 2,130                   | ( 63,008 )       |
| Cash inflow generated from operations                                                     |         | 12,617,367              | 600,206          |
| Interest received                                                                         |         | 436,954                 | 277,749          |
| Interest paid                                                                             |         | ( 1,456,592 )           | ( 1,282,509 )    |
| Income tax paid                                                                           |         | ( 406,889 )             | ( 333,038 )      |
| Net cash flows from (used in) operating activities                                        |         | 11,190,840              | ( 737,592 )      |

(Continued)

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

|                                                                                  |       | Years ended December 31 |                |
|----------------------------------------------------------------------------------|-------|-------------------------|----------------|
|                                                                                  | Notes | 2017                    | 2016           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |       |                         |                |
| Proceeds from disposal of available-for-sale financial assets                    |       | \$ 1,053,435            | \$ -           |
| Proceeds from capital reduction of available-for-sale financial assets           |       | -                       | 1,253          |
| Proceeds from disposal of held-to-maturity financial assets                      |       | 170,000                 | 200,000        |
| Acquisition of held-to-maturity financial assets                                 |       | ( 50,000 )              | -              |
| Proceeds from capital reduction of investments accounted for using equity method |       | -                       | 97,704         |
| Acquisition of investments accounted for using equity method                     |       | ( 16,683 )              | ( 2,866,762 )  |
| Proceeds from disposal of investments accounted for using equity method          |       | 42,803                  | -              |
| Acquisition of property, plant and equipment                                     | 6(32) | ( 1,559,769 )           | ( 1,669,499 )  |
| Proceeds from disposal of property, plant and equipment                          |       | 551,502                 | 2,651,016      |
| Acquisition of intangible assets                                                 | 6(32) | ( 55,744 )              | ( 76,428 )     |
| Increase in guarantee deposits paid                                              |       | ( 43,328 )              | ( 29,793 )     |
| Increase in other non-current assets                                             | 6(32) | ( 5,628,835 )           | ( 2,596,335 )  |
| Non-current prepayments for investments                                          |       | ( 23,166 )              | -              |
| Effect of initial consolidation of subsidiaries                                  | 6(32) | ( 5,106,379 )           | -              |
| Cash dividend received                                                           |       | 796,989                 | 848,702        |
| Net cash flows used in investing activities                                      |       | ( 9,869,175 )           | ( 3,440,142 )  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |       |                         |                |
| Increase in short-term loans                                                     |       | 600,000                 | 10,600,283     |
| Decrease in short-term loans                                                     |       | ( 600,000 )             | ( 10,600,283 ) |
| Increase (decrease) in other payables                                            | 7     | 814,101                 | ( 5,716 )      |
| Increase in long-term loans                                                      |       | 8,447,360               | 23,897,467     |
| Decrease in long-term loans                                                      |       | ( 16,660,954 )          | ( 18,353,483 ) |
| Net change in non-controlling interest                                           | 6(32) | ( 85,393 )              | -              |
| Increase in corporate bonds payable                                              |       | 8,000,000               | -              |
| Decrease in corporate bonds payable                                              |       | ( 3,000,000 )           | -              |
| Decrease other non-current liabilities                                           |       | ( 1,350,278 )           | ( 819,087 )    |
| Decrease in guarantee deposits received                                          |       | ( 1,262 )               | ( 8,012 )      |
| Proceeds from issuance of common stock                                           |       | 7,711,222               | -              |
| Net cash flows from financing activities                                         |       | 3,874,796               | 4,711,169      |
| Effect of exchange rate changes                                                  |       | ( 1,501,647 )           | 1,045,494      |
| Net increase in cash and cash equivalents                                        |       | 3,694,814               | 1,578,929      |
| Cash and cash equivalents at beginning of year                                   |       | 34,413,449              | 32,834,520     |
| Cash and cash equivalents at end of year                                         |       | \$ 38,108,263           | \$ 34,413,449  |

The accompanying notes are an integral part of these consolidated financial statements.

EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

**1. HISTORY AND ORGANISATION**

Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) was established in the Republic of China. The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in domestic and international marine transportation, shipping agency services, and the distribution of containers. The Company was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, R.O.C. to be a public company on November 2, 1982 and was further approved by the SFB to be a listed company on July 6, 1987. The Company’s shares have been publicly traded on the Taiwan Stock Exchange since September 21, 1987.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These consolidated financial statements were authorised by the Board of Directors on March 23, 2018.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)**

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

| New Standards, Interpretations and Amendments                                                           | Effective date by<br>International Accounting<br>Standards Board |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’  | January 1, 2016                                                  |
| Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’                    | January 1, 2016                                                  |
| IFRS 14, ‘Regulatory deferral accounts’                                                                 | January 1, 2016                                                  |
| Amendments to IAS 1, ‘Disclosure initiative’                                                            | January 1, 2016                                                  |
| Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’ | January 1, 2016                                                  |
| Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’                                           | January 1, 2016                                                  |
| Amendments to IAS 19, ‘Defined benefit plans: employee contributions’                                   | July 1, 2014                                                     |
| Amendments to IAS 27, ‘Equity method in separate financial statements’                                  | January 1, 2016                                                  |
| Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’                         | January 1, 2014                                                  |

| New Standards, Interpretations and Amendments                                        | Effective date by<br>International Accounting<br>Standards Board |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting' | January 1, 2014                                                  |
| IFRIC 21, 'Levies'                                                                   | January 1, 2014                                                  |
| Annual improvements to IFRSs 2010-2012 cycle                                         | July 1, 2014                                                     |
| Annual improvements to IFRSs 2011-2013 cycle                                         | July 1, 2014                                                     |
| Annual improvements to IFRSs 2012-2014 cycle                                         | January 1, 2016                                                  |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendments to IAS 19, 'Defined benefit plans: Employee contributions'

The amendment allows contributions made by employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions made by employees or third parties that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgements made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

Based on the Group's assessment, the amendment will result in an additional disclosure of judgements made by management in aggregating operating segments and a deletion of a reconciliation of segments' assets.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments                                                 | Effective date by<br>International Accounting<br>Standards Board |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'    | January 1, 2018                                                  |
| Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts' | January 1, 2018                                                  |
| IFRS 9, 'Financial instruments'                                                               | January 1, 2018                                                  |
| IFRS 15, 'Revenue from contracts with customers'                                              | January 1, 2018                                                  |

| New Standards, Interpretations and Amendments                                                                                            | Effective date by<br>International Accounting<br>Standards Board |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'                                                 | January 1, 2018                                                  |
| Amendments to IAS 7, 'Disclosure initiative'                                                                                             | January 1, 2017                                                  |
| Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'                                                         | January 1, 2017                                                  |
| Amendments to IAS 40, 'Transfers of investment property'                                                                                 | January 1, 2018                                                  |
| IFRIC 22, 'Foreign currency transactions and advance consideration'                                                                      | January 1, 2018                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' | January 1, 2018                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'                         | January 1, 2017                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'                       | January 1, 2018                                                  |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

#### B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

#### C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

- A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of \$2,282,619 by increasing financial assets at fair value through other comprehensive income in the amount of \$2,282,619.

B. In accordance with IFRS 9, the Group expects to reclassify held-to-maturity financial assets of \$100,000 by increasing financial assets at amortised cost in the amount of \$100,000.

C. In line with the regulations under IFRS 9 on provision for impairment, other equity interest will have to be decreased by \$192,156 and retained earnings increased by \$192,156.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments                                                                             | Effective date by<br>International Accounting<br>Standards Board   |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Amendments to IFRS 9, 'Prepayment features with negative compensation'                                                    | January 1, 2019                                                    |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by<br>International Accounting<br>Standards Board |
| IFRS 16, 'Leases'                                                                                                         | January 1, 2019                                                    |
| IFRS 17, 'Insurance contracts'                                                                                            | January 1, 2021                                                    |
| Amendments to IAS 19, 'Plan amendment, curtailment or settlement'                                                         | January 1, 2019                                                    |
| Amendments to IAS 28, 'Long-term interests in associates and joint ventures'                                              | January 1, 2019                                                    |
| IFRIC 23, 'Uncertainty over income tax treatments'                                                                        | January 1, 2019                                                    |
| Annual improvements to IFRSs 2015-2017 cycle                                                                              | January 1, 2019                                                    |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. Amendments to IAS 19, 'Plan amendment, curtailment or settlement'

When a change to a plan take place, the amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

### C. Annual improvements to IFRSs 2015-2017 cycle

#### (a) Amendments to IFRS 3, 'Business combinations'

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value at of the acquisition date.

#### (b) Amendments to IAS 12, 'Income taxes'

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

#### (d) Amendments to IAS 23, 'Borrowing costs'

The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### (1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

### (2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

## B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main business activities                                              | Ownership (%)     |                   | Description |
|------------------|--------------------|-----------------------------------------------------------------------|-------------------|-------------------|-------------|
|                  |                    |                                                                       | December 31, 2017 | December 31, 2016 |             |
| The Company      | TTSC               | Cargo loading and discharging                                         | 55.00             | 55.00             |             |
| The Company      | Peony              | Investments in transport-related business                             | 100.00            | 100.00            |             |
| The Company      | ETS                | Terminal Services                                                     | 100.00            | 100.00            |             |
| The Company      | EGH                | Container shipping and agency services dealing with port formalities  | 79.00             | -                 | (i)         |
| Peony            | GMS                | Container shipping                                                    | 100.00            | 100.00            |             |
| Peony            | Clove              | Investments in container yards and port terminals                     | 100.00            | 100.00            |             |
| Peony            | EMU                | Container shipping                                                    | 51.00             | 51.00             |             |
| Peony            | EHIC(M)            | Manufacturing of dry steel containers and container parts             | 84.44             | 84.44             |             |
| Peony            | Armand N.V.        | Investments in container yards and port terminals                     | 70.00             | 70.00             |             |
| Peony            | KTIL               | Loading, discharging, storage, repairs and cleaning                   | 20.00             | 20.00             | (a)         |
| Peony            | MBPI               | Containers storage and inspections of containers at the customs house | 95.03             | 95.03             |             |
| Peony            | MBT                | Inland transportation, repairs and cleaning of containers             | 17.39             | 17.39             |             |

| Name of Investor | Name of Subsidiary | Main business activities                      | Ownership (%)     |                   | Description |
|------------------|--------------------|-----------------------------------------------|-------------------|-------------------|-------------|
|                  |                    |                                               | December 31, 2017 | December 31, 2016 |             |
| Peony            | EGS                | Agency services dealing with port formalities | 51.00             | 51.00             |             |
| Peony            | EGK                | Agency services dealing with port formalities | 100.00            | 100.00            |             |
| Peony            | EGT                | Agency services dealing with port formalities | 85.00             | 51.00             | (j)         |
| Peony            | EGI                | Agency services dealing with port formalities | 99.99             | 99.99             |             |
| Peony            | EMA                | Agency services dealing with port formalities | 67.50             | 67.50             |             |
| Peony            | EIT                | Agency services dealing with port formalities | 55.00             | 55.00             |             |
| Peony            | EES                | Agency services dealing with port formalities | 100.00            | 55.00             | (k)         |
| Peony            | ERU                | Agency services dealing with port formalities | 51.00             | 51.00             |             |
| Peony            | EEU                | Agency services dealing with port formalities | 100.00            | 100.00            |             |
| Peony            | EGD-WWX            | Agency services dealing with port formalities | 100.00            | 100.00            | (d)         |
| Peony            | EGF                | Agency services dealing with port formalities | -                 | 100.00            | (c)         |
| Peony            | EGN                | Agency services dealing with port formalities | -                 | 100.00            | (g)         |
| Peony            | ESA                | Agency services dealing with port formalities | 55.00             | 55.00             |             |

| Name of Investor | Name of Subsidiary    | Main business activities                                             | Ownership (%)     |                   | Description |
|------------------|-----------------------|----------------------------------------------------------------------|-------------------|-------------------|-------------|
|                  |                       |                                                                      | December 31, 2017 | December 31, 2016 |             |
| Peony            | EGB                   | Real estate leasing                                                  | 95.00             | 95.00             |             |
| Peony            | EGM                   | Agency services dealing with port formalities                        | 100.00            | -                 | (h)         |
| Peony            | EGH                   | Container shipping and agency services dealing with port formalities | 1.00              | -                 | (i)         |
| EGH              | Ever shine (Shanghai) | Management consultancy and self-owned property leasing               | 100.00            | -                 |             |
| EGH              | Ever shine (Ningbo)   | Management consultancy and self-owned property leasing               | 100.00            | -                 |             |
| EMU              | Island                | Investments in operating machinery and equipment of port terminals   | 15.00             | 15.00             |             |
| EMU              | KTIL                  | Loading, discharging, storage, repairs and cleaning of containers    | 20.00             | 20.00             | (a)         |
| EMU              | EGU                   | Agency services dealing with port formalities                        | 100.00            | 100.00            |             |
| EMU              | EGUD                  | Agency services dealing with port formalities                        | 100.00            | 100.00            | (b)         |
| EEU              | EGDL                  | Agency services dealing with port formalities                        | 100.00            | 100.00            | (e)         |
| EEU              | EGDV                  | Agency services dealing with port formalities                        | -                 | 100.00            | (f)         |

| Name of Investor | Name of Subsidiary | Main business activities                                                      | Ownership (%)     |                   | Description |
|------------------|--------------------|-------------------------------------------------------------------------------|-------------------|-------------------|-------------|
|                  |                    |                                                                               | December 31, 2017 | December 31, 2016 |             |
| Clove            | Island             | Investments in operating machinery and equipment of port terminals            | 36.00             | 36.00             |             |
| Armand N.V.      | Armand B.V.        | Investments in container yards and port terminals                             | 100.00            | 100.00            |             |
| Island           | Whitney            | Investments and leases of operating machinery and equipment of port terminals | 100.00            | 100.00            |             |
| Island           | Hemlock            | Investments and leases of operating machinery and equipment of port terminals | 100.00            | 100.00            |             |
| MBPI             | MBT                | Inland transportation, repairs and cleaning of containers                     | 72.95             | 72.95             |             |

- (a) The Group shall present consolidated financial statements in which it consolidates its investments in KTIL since control is presumed to exist when the Group merely owns 40% interests of the entity and when there is power to cast the majority of votes at meetings of the Board of Directors.
- (b) On August 1, 2016, the Board of Directors has resolved that the subsidiary – Peony to sell 100% share ownership of EGUD to the indirect subsidiary – EMU. Since EMU obtained the wholly-owned ownership, the Board of Directors resolved a reorganization plan to transfer businesses from EGU and EGUD to EMU on August 1, 2016. As of the issuance of financial report, the liquidation of EGU and EGUD are still in process.
- (c) On May 12, 2017, the Board of Directors of the subsidiary, Peony, has approved the proposal of reorganisation and disposal of 100% of EGF's equity to the sub-subsidiary, EEU. After acquiring EGF's equity, EEU consummated a merger with its subsidiary, EGF, under the resolution of shareholders' meeting on August 1, 2017. The merger made EEU the surviving company as EGF was dissolved thereafter.

- (d) The proposal of reorganisation of the subsidiary, Peony, has been approved by the Board of Directors on May 12, 2017 to transfer EGDW's business to the sub-subsidiary, EEU, beginning on August 1, 2017. As of the issuance of financial report, the liquidation of EGDW is still in process.
  - (e) The proposal of reorganisation of the sub-subsidiary, EEU, has been resolved at the shareholders' meeting on May 18, 2017, to transfer its business to its subsidiary, EGDL, effective on August 1, 2017. As of the issuance of financial report, the liquidation of EGDL is still in process.
  - (f) The merger of the sub-subsidiary, EEU, and its subsidiary, EGDV, has been approved at the shareholders' meeting on July 4, 2017. The merger made EEU the surviving company as EGDV was dissolved thereafter.
  - (g) On May 12, 2017, the Board of Directors adopted a resolution to approve the reorganization of subsidiary Peony Investment. On December 21, 2017, the EGN business was handed over to subsidiary EEU. EGN has proceeded to deregister as a legal entity. At the time of the issuance of these financial statements, EGN is still in the process of deregistration.
  - (h) On November 30, 2017, the Board of Directors resolved to have subsidiary Peony Investment acquire the remaining 70% of the shares of EGM from the other shareholders. The acquisition date was December 27, 2017.
  - (i) On August 11, 2017, the Board of Directors resolved to have the Company and subsidiary Peony Investment acquire 79% and 1%, respectively, of the shares of EGH from Evergreen International S.A. The transaction amount was US \$212,000. The applicable transactions were approved by the Investment Commission of the Ministry of Economic Affairs. The acquisition date was December 18, 2017.
  - (j) On December 27, 2017, the Board of Directors resolved to have subsidiary Peony Investment acquire 34% of the shares of EGT from the non-controlling interest. The effective date of ownership transfer was December 31, 2017.
  - (k) On November 21, 2017, the Board of Directors resolved to have subsidiary Peony Investment acquire 45% of the shares of EES from the non-controlling interest. The effective date of ownership transfer was December 31, 2017.
- C. Subsidiary not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:
- As of December 31, 2017 and 2016, the non-controlling interest amounted to \$3,290,236 and \$2,651,008, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

| Name of subsidiary | Principal place of business | Non-controlling interest |     |                   |     | Description |
|--------------------|-----------------------------|--------------------------|-----|-------------------|-----|-------------|
|                    |                             | December 31, 2017        |     | December 31, 2016 |     |             |
|                    |                             | Ownership                |     | Ownership         |     |             |
|                    |                             | Amount                   | (%) | Amount            | (%) |             |
| EMU                | U.K.                        | \$ 598,392               | 49% | \$ 1,346,808      | 49% |             |
| EGH                | Hong Kong                   | 1,591,869                | 20% | -                 | -   |             |

Summarised financial information of the subsidiaries:

Balance sheets

|                         | EMU                 |                     |
|-------------------------|---------------------|---------------------|
|                         | December 31, 2017   | December 31, 2016   |
| Current assets          | \$ 9,113,834        | \$ 8,558,298        |
| Non-current assets      | 38,436,657          | 43,908,688          |
| Current liabilities     | ( 20,121,083)       | ( 18,383,253)       |
| Non-current liabilities | ( 26,208,199)       | ( 31,335,146)       |
| Total net assets        | <u>\$ 1,221,209</u> | <u>\$ 2,748,587</u> |

|                         | EGH                 |  |
|-------------------------|---------------------|--|
|                         | December 31, 2017   |  |
| Current assets          | \$ 3,119,694        |  |
| Non-current assets      | 8,673,850           |  |
| Current liabilities     | ( 2,054,676)        |  |
| Non-current liabilities | ( 1,779,522)        |  |
| Total net assets        | <u>\$ 7,959,346</u> |  |

Statements of comprehensive income

|                                                             | EMU                          |                              |
|-------------------------------------------------------------|------------------------------|------------------------------|
|                                                             | Year ended December 31, 2017 | Year ended December 31, 2016 |
| Revenue                                                     | <u>\$ 54,151,814</u>         | <u>\$ 44,957,343</u>         |
| Loss before income tax                                      | (\$ 1,313,841)               | (\$ 4,301,640)               |
| Income tax expense                                          | ( 15,818)                    | ( 11,309)                    |
| Loss for the period from continuing operations              | ( 1,329,659)                 | ( 4,312,949)                 |
| Other comprehensive loss, net of tax                        | ( 13,202)                    | ( 1,144)                     |
| Total comprehensive loss for the period                     | <u>(\$ 1,342,861)</u>        | <u>(\$ 4,314,093)</u>        |
| Comprehensive loss attributable to non-controlling interest | <u>(\$ 658,002)</u>          | <u>(\$ 2,113,906)</u>        |

|                                                                  | EGH                             |
|------------------------------------------------------------------|---------------------------------|
|                                                                  | Year ended<br>December 31, 2017 |
| Revenue                                                          | \$ 3,883,278                    |
| Profit before income tax                                         | \$ 977,953                      |
| Income tax expense                                               | ( 114,967)                      |
| Profit for the period                                            |                                 |
| from continuing operations                                       | 862,986                         |
| Other comprehensive loss,<br>net of tax                          | ( 3,310)                        |
| Total comprehensive income for<br>the period                     | \$ 859,676                      |
| Comprehensive income attributable<br>to non-controlling interest | \$ 12,402                       |

#### Statements of cash flows

|                                                          | EMU                             |                                 |
|----------------------------------------------------------|---------------------------------|---------------------------------|
|                                                          | Year ended<br>December 31, 2017 | Year ended<br>December 31, 2016 |
| Net cash provided by (used in)<br>operating activities   | \$ 4,996,091                    | (\$ 133,883)                    |
| Net cash (used in) provided by<br>investing activities   | ( 246,896)                      | 158,015                         |
| Net cash (used in) provided by<br>financing activities   | ( 4,648,565)                    | 98,750                          |
| Effect of exchange rates on cash<br>and cash equivalents | ( 150,575)                      | ( 36,117)                       |
| (Decrease) increase in cash<br>and cash equivalents      | ( 49,945)                       | 86,765                          |
| Cash and cash equivalents,<br>beginning of period        | 1,890,638                       | 1,803,873                       |
| Cash and cash equivalents,<br>end of period              | \$ 1,840,693                    | \$ 1,890,638                    |

|                                                       | EGH                             |
|-------------------------------------------------------|---------------------------------|
|                                                       | Year ended<br>December 31, 2017 |
| Net cash provided by operating activities             | \$ 1,944,965                    |
| Net cash provided by investing activities             | 80,984                          |
| Net cash used in financing activities                 | ( 1,252,423)                    |
| Effect of exchange rates on cash and cash equivalents | ( 39,186)                       |
| Increase in cash and cash equivalents                 | 734,340                         |
| Cash and cash equivalents, beginning of period        | 269,294                         |
| Cash and cash equivalents, end of period              | \$ 1,003,634                    |

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits with original maturities of one year or less that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are presented in 'financial assets carried at cost'.

**(9) Held-to-maturity financial assets**

- A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.
- B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using trade date accounting.
- C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

**(10) Notes, accounts and other receivables**

Notes and accounts receivable are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes, accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

**(11) Impairment of financial assets**

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
  - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial assets, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

**(14) Inventories**

Inventories refer to fuel inventories and steel inventories. Fuel inventories are physically measured by the crew of each ship and reported back to the Head Office through telegraph for recording purposes at balance sheet date. Valuation of inventories is based on the exchange rate prevailing at balance sheet date.

The perpetual inventory system is adopted for steel inventory recognition. Steel inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realisable value, and the individual item approach is used in the comparison of cost and net realisable value. The calculation of net realisable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

**(15) Investments accounted for using equity method / associates**

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains and loss on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously

recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

**(16) Property, plant and equipment**

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

|                                 |                |
|---------------------------------|----------------|
| Buildings                       | 20 ~ 135 years |
| Loading and unloading equipment | 2 ~ 20 years   |
| Ships                           | 18 ~ 25 years  |
| Transportation equipment        | 6 ~ 10 years   |
| Lease assets                    | 3 ~ 90 years   |
| Other equipment                 | 2 ~ 15 years   |

(17) Leased assets/ operating leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
- (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.
- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.
- C. The accounting treatment of sale and leaseback transactions depends on the substance of the transaction. If sale and finance leaseback is in substance a financing transaction, the difference between the sales proceeds and the carrying value of the asset is deferred and amortised to the income statement over the lease term. If the sale price is below the fair value, the difference between sale price and carrying amount should be recognised immediately except that, if a loss arising is compensated by future rent at below market price, it should be deferred and amortised in proportion to the rent payments over the period for which the asset is expected to be used. If the sale price is above the fair value, the excess of proceeds over fair value should be deferred and amortised over the period for which the asset is expected to be used.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 ~ 60 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(22) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
  - (a) Hybrid (combined) contracts; or
  - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
  - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities

are recognised in profit or loss. Derivative liabilities that are linked to equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and that must be settled by delivery of such unquoted equity instruments are presented in 'financial liabilities measured at cost'.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Financial liabilities and equity instruments

A. Ordinary corporate bonds issued by the Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

B. Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument. Convertible corporate bonds are accounted for as follows:

- (a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- (b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- (c) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock

warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

- (d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(27) Derivative financial instruments and hedging activities

- A. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.
- B. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).
- C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- E. Cash flow hedge
  - (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains and losses'.
  - (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognised in operating costs.

- (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination

benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

**D. Employees' compensation and directors' and supervisors' remuneration**

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

**(29) Income tax**

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet

date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

### (30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

### (31) Revenue recognition

#### A. Sales of goods

Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

#### B. Sales of services

Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

## Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would transfer the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

## A. Revenue recognition

Revenue from delivering services and related costs are recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed.

## B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2017, the Group had property, plant, equipment and intangible assets amounting to \$97,687,454 and \$159,667, respectively.

C. Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Group assesses the recoverable amounts of an investment accounted for using equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyzes the reasonableness of related assumptions.

D. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2017, the carrying amount of unlisted stocks without active market was \$1,137,645.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

|                                       | December 31, 2017    | December 31, 2016    |
|---------------------------------------|----------------------|----------------------|
| Cash on hand and petty cash           | \$ 20,739            | \$ 17,294            |
| Checking accounts and demand deposits | 6,300,219            | 5,625,604            |
| Time deposits                         | 31,787,305           | 28,770,551           |
|                                       | <u>\$ 38,108,263</u> | <u>\$ 34,413,449</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Available-for-sale financial assets

| Items                       | December 31, 2017   | December 31, 2016   |
|-----------------------------|---------------------|---------------------|
| Non-current items:          |                     |                     |
| Listed (TSE and OTC) stocks | \$ 631,039          | \$ 1,023,088        |
| Emerging stocks             | -                   | -                   |
| Unlisted stocks             | 205,227             | 266,779             |
|                             | <u>836,266</u>      | <u>1,289,867</u>    |
| Valuation adjustment        | 1,446,353           | 1,404,959           |
|                             | <u>\$ 2,282,619</u> | <u>\$ 2,694,826</u> |

- A. The Group recognised \$41,394 and \$124,684 in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.
- B. The Company originally owned the emerging stock of Taiwan High Speed Rail Corporation which was first publicly traded on October 27, 2016. However, for the year ended December 31, 2015, the Company assessed that there had been objective evidence of impairment given that the market price of the shares continuously fell. As of December 31, 2017, the Company has recognized \$189,091 as impairment loss.
- C. The Group recognised impairment loss of \$3,065 on unlisted stocks.
- D. The Group has no available-for-sale assets pledged to others.

(3) Held-to-maturity financial assets

| Items              | December 31, 2017 | December 31, 2016 |
|--------------------|-------------------|-------------------|
| Current items:     |                   |                   |
| Financial bonds    | \$ -              | \$ 170,000        |
| Non-current items: |                   |                   |
| Financial bonds    | \$ 100,000        | \$ 50,000         |

- A. The Group recognised interest income of \$2,339 and \$8,197 for amortised cost in profit or loss for the years ended December 31, 2017 and 2016, respectively.
- B. The counterparties of the Group's investments have good credit quality.
- C. The Group has no held-to-maturity financial assets held by the Group pledged to others.

(4) Accounts receivable, net

|                               | December 31, 2017    | December 31, 2016    |
|-------------------------------|----------------------|----------------------|
| Accounts receivable           | \$ 13,072,332        | \$ 11,671,670        |
| Less: Allowance for bad debts | ( 96,283)            | ( 99,075)            |
|                               | <u>\$ 12,976,049</u> | <u>\$ 11,572,595</u> |

- A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy.

|         | December 31, 2017    | December 31, 2016    |
|---------|----------------------|----------------------|
| Group 1 | \$ 1,438,533         | \$ 1,284,920         |
| Group 2 | 9,514,967            | 8,806,443            |
|         | <u>\$ 10,953,500</u> | <u>\$ 10,091,363</u> |

Note:

- Group 1: Low risk: The Group's ten largest customers, with sound performance and high transparency of financial information, are approved based on the Group's credit quality control policy.

Group 2: General risk.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

|                | December 31, 2017   | December 31, 2016   |
|----------------|---------------------|---------------------|
| Up to 30 days  | \$ 1,749,509        | \$ 1,232,006        |
| 31 to 180 days | 273,040             | 249,226             |
|                | <u>\$ 2,022,549</u> | <u>\$ 1,481,232</u> |

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted to \$96,283 and \$99,075 respectively.

(b) Movements on the Group provision for impairment of accounts receivable are as follows:

|                              | 2017                 |                 |                    |
|------------------------------|----------------------|-----------------|--------------------|
|                              | Individual provision | Group provision | Total              |
| At January 1                 | (\$ 99,075)          | \$ -            | (\$ 99,075)        |
| Provision for impairment     | ( 21,646)            | -               | ( 21,646)          |
| Reversal of impairment       | 18,569               | -               | 18,569             |
| Write-offs during the period | 3,490                | -               | 3,490              |
| Net exchange differences     | 2,379                | -               | 2,379              |
| At December 31               | <u>(\$ 96,283)</u>   | <u>\$ -</u>     | <u>(\$ 96,283)</u> |

|                              | 2016                 |                 |                    |
|------------------------------|----------------------|-----------------|--------------------|
|                              | Individual provision | Group provision | Total              |
| At January 1                 | (\$ 30,772)          | \$ -            | (\$ 30,772)        |
| Provision for impairment     | ( 97,446)            | -               | ( 97,446)          |
| Reversal of impairment       | 25,275               | -               | 25,275             |
| Write-offs during the period | 3,826                | -               | 3,826              |
| Net exchange differences     | 42                   | -               | 42                 |
| At December 31               | <u>(\$ 99,075)</u>   | <u>\$ -</u>     | <u>(\$ 99,075)</u> |

D. The Group does not hold any collateral as security.

#### (5) Inventories

|                  | December 31, 2017   |                              |                     |
|------------------|---------------------|------------------------------|---------------------|
|                  | Cost                | Allowance for valuation loss | Book value          |
| Ship fuel        | \$ 3,306,081        | \$ -                         | \$ 3,306,081        |
| Steel and others | 413,348             | -                            | 413,348             |
|                  | <u>\$ 3,719,429</u> | <u>\$ -</u>                  | <u>\$ 3,719,429</u> |

|                  | December 31, 2016   |                                 |                     |
|------------------|---------------------|---------------------------------|---------------------|
|                  | Cost                | Allowance for<br>valuation loss | Book value          |
| Ship fuel        | \$ 2,782,953        | \$ -                            | \$ 2,782,953        |
| Steel and others | 391,967             | -                               | 391,967             |
|                  | <u>\$ 3,174,920</u> | <u>\$ -</u>                     | <u>\$ 3,174,920</u> |

(6) Other current assets

|                        | December 31, 2017   | December 31, 2016   |
|------------------------|---------------------|---------------------|
| Shipowner's accounts   | \$ 1,207,851        | \$ 110,646          |
| Agency accounts        | 824,422             | 772,724             |
| Other financial assets | 324,508             | 183,200             |
| Temporary debits       | 308,312             | 271,709             |
|                        | <u>\$ 2,665,093</u> | <u>\$ 1,338,279</u> |

## A. Shipowner's accounts:

- (a) Temporary accounts, between the Group and other related parties – Evergreen International S.A., Gaining Enterprise S.A., Italia Marittima S.p.A., Evergreen Marine (Hong Kong) Ltd. and Evergreen Marine (Singapore) Pte. Ltd. incurred due to foreign port formalities and pier rental expenses.
- (b) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Group has joined Cosco Container Lines Co., Ltd., Kawasaki Kisen Kaisha, Ltd., Yang Ming (UK), Ltd. and Hanjin Shipping Co., Ltd. to form the CKYHE Alliance Transactions for trading of shipping spaces.
- (c) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Group has joined Cosco Container Lines Co., Ltd., CMA CGM, Ltd., and the Orient Overseas Container Line, Ltd. to form the OCEAN Alliance on March 31, 2017 for trading of shipping space.

## B. Agency accounts:

The Group entered into agency agreements with its related parties, whereby the related parties act as the Group's agents to deal with domestic and foreign port formalities, such as arrival and departure of the Group's ships, cargo stevedoring and forwarding, freight collection, and payment of expenses incurred in domestic and foreign ports.

- C. On February 2, 2017, the aforementioned CKYHE member, Hanjin Shipping Co., Ltd. was judged by the Seoul Central District Court to undergo liquidation instead of reorganization, in accordance with Article 286 of Debtor Rehabilitation and Bankruptcy Act 2005 (Republic of Korea). For the year ended December 31, 2016, the Group recognised \$47,455 as impairment loss of net receivables from ship-owners due to a remote probability to recover the debt from the ship-owners.

(7) Investments accounted for using equity method

A. Details of long-term equity investments accounted for using equity method are set forth below:

|                                                           | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Evergreen International Storage and Transport Corporation | \$ 8,452,437             | \$ 8,517,744             |
| EVA Airways Corporation                                   | 9,462,402                | 8,699,063                |
| Taipei Port Container Terminal Corporation                | 1,428,295                | 1,414,293                |
| Charng Yang Development Co., Ltd.                         | 537,532                  | 531,069                  |
| Luanta Investment (Netherlands) N.V.                      | 1,865,804                | 1,993,507                |
| Balsam Investment (Netherlands) N.V.                      | 1,282,862                | 550,749                  |
| Colon Container Terminal S.A.                             | 2,532,187                | 2,740,375                |
| Others                                                    | 1,221,507                | 1,332,253                |
|                                                           | <u>\$ 26,783,026</u>     | <u>\$ 25,779,053</u>     |

## B. Associates

(a) The basic information of the associates that are material to the Group is as follows:

| <u>Company name</u>                                       | <u>Principal<br/>place of<br/>business</u> | <u>Ownership(%)</u>          |                              | <u>Nature of<br/>relationship</u>              | <u>Methods of<br/>measurement</u> |
|-----------------------------------------------------------|--------------------------------------------|------------------------------|------------------------------|------------------------------------------------|-----------------------------------|
|                                                           |                                            | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> |                                                |                                   |
| Evergreen International Storage and Transport Corporation | TW                                         | 39.74%                       | 39.74%                       | With a right over 20% to vote                  | Equity method                     |
| EVA Airways Corporation                                   | TW                                         | 16.31%                       | 16.31%                       | Have a right to vote in the Board of Directors | Equity method                     |

- (b) The summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

|                                             | Evergreen International Storage and Transport Corporation |                      |
|---------------------------------------------|-----------------------------------------------------------|----------------------|
|                                             | December 31, 2017                                         | December 31, 2016    |
| Current assets                              | \$ 5,429,946                                              | \$ 4,883,682         |
| Non-current assets                          | 27,662,565                                                | 28,917,060           |
| Current liabilities                         | ( 2,369,781)                                              | ( 2,380,308)         |
| Non-current liabilities                     | ( 9,031,865)                                              | ( 9,592,754)         |
| Total net assets                            | <u>\$ 21,690,865</u>                                      | <u>\$ 21,827,680</u> |
| Share in associate's net assets             | \$ 8,558,554                                              | \$ 8,611,875         |
| Unrealized income with affiliated companies | ( 106,117)                                                | ( 94,131)            |
| Carrying amount of the associate            | <u>\$ 8,452,437</u>                                       | <u>\$ 8,517,744</u>  |

|                                 | EVA Airways Corporation |                      |
|---------------------------------|-------------------------|----------------------|
|                                 | December 31, 2017       | December 31, 2016    |
| Current assets                  | \$ 69,002,340           | \$ 69,375,363        |
| Non-current assets              | 159,204,888             | 148,288,041          |
| Current liabilities             | ( 60,428,208)           | ( 62,284,933)        |
| Non-current liabilities         | ( 103,569,512)          | ( 96,042,190)        |
| Total net assets                | <u>\$ 64,209,508</u>    | <u>\$ 59,336,281</u> |
| Share in associate's net assets | <u>\$ 9,462,402</u>     | <u>\$ 8,699,063</u>  |

Statement of comprehensive income

|                                      | Evergreen International Storage and Transport Corporation |                              |
|--------------------------------------|-----------------------------------------------------------|------------------------------|
|                                      | Year ended December 31, 2017                              | Year ended December 31, 2016 |
| Revenue                              | <u>\$ 7,554,009</u>                                       | <u>\$ 7,472,097</u>          |
| Profit for the period                | \$ 884,258                                                | \$ 809,015                   |
| Other comprehensive loss, net of tax | ( 647,260)                                                | ( 123,347)                   |
| Total comprehensive income           | <u>\$ 236,998</u>                                         | <u>\$ 685,668</u>            |
| Dividends received from associates   | <u>\$ 148,422</u>                                         | <u>\$ 148,422</u>            |

| EVA Airways Corporation                          |                                 |                                 |
|--------------------------------------------------|---------------------------------|---------------------------------|
|                                                  | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
| Revenue                                          | \$ 163,561,731                  | \$ 144,679,665                  |
| Profit for the period                            | \$ 6,310,934                    | \$ 3,953,667                    |
| Other comprehensive (loss) income,<br>net of tax | ( 769,683)                      | 2,084,356                       |
| Total comprehensive income                       | \$ 5,541,251                    | \$ 6,038,023                    |
| Dividends received from associates               | \$ 132,191                      | \$ 188,845                      |

(c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$8,868,187 and \$8,562,246, respectively.

|                                      | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------------------------|---------------------------------|---------------------------------|
| Gain (loss) for the period           | \$ 2,410,843                    | (\$ 3,686,346)                  |
| Other comprehensive loss, net of tax | ( 4,318)                        | ( 22,627)                       |
| Total comprehensive income (loss)    | \$ 2,406,525                    | (\$ 3,708,973)                  |

C. The fair value of the Group's associates which have quoted market price was as follows:

|                                                              | December 31, 2017 | December 31, 2016 |
|--------------------------------------------------------------|-------------------|-------------------|
| Evergreen International Storage<br>and Transport Corporation | \$ 6,000,494      | \$ 5,428,009      |
| EVA Airways Corporation                                      | 10,790,460        | 9,649,978         |
|                                                              | \$ 16,790,954     | \$ 15,077,987     |

D. Investment income (loss) accounted for using equity method was based on the financial statements of the investee companies for the corresponding periods which were audited by independent accountants.

E. To meet the operational needs in Vietnam, the Board of Directors has resolved on November 13, 2015, that the Company to participate in VIP Greenport Joint Stock Company's capital increase as the original shareholder. The investment amount was VND125,000 thousand and the capital increase was effective from January 16, 2016. The shareholding ratio is 21.74% after the capital increase and VIP Greenport Joint Stock Company is accounted for using equity method.

F. On May 12, 2017, the Board of Directors resolved to purchase newly issued shares of VIP Greenport Joint Stock Company for VND 12,500,000 as an original shareholder. The ownership percentage remains at 21.74% after the purchase.

- G. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. to participate in Ningbo Victory Container Co., Ltd. capital increase as the original shareholder, and the investment amount was USD 6,144 thousand as of May 26, 2016. The shareholding ratio remained at 40% after the capital increase and Ningbo Victory Container Co., Ltd. is accounted for using equity method.
- H. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. to participate in Balsam Investment (Netherlands) N.V.'s capital increase as an original shareholder. The investment amount was USD 76,930 thousand for the year ended December 31, 2016. The shareholding ratio remains at 49% after the capital increase and Balsam Investment (Netherlands) N.V. is accounted for using equity method.

(8) Property, plant and equipment, net

|                                     | Land       | Buildings    | Machinery equipment | Loading and unloading equipment | Computer and communication equipment | Transportation equipment | Ships          | Office equipment | Lease assets  | Leasehold improvements | Others     | Total          |
|-------------------------------------|------------|--------------|---------------------|---------------------------------|--------------------------------------|--------------------------|----------------|------------------|---------------|------------------------|------------|----------------|
| At January 1, 2017                  |            |              |                     |                                 |                                      |                          |                |                  |               |                        |            |                |
| Cost                                | \$ 845,610 | \$ 1,632,334 | \$ 600,442          | \$ 9,269,204                    | \$ 1,064,943                         | \$ 17,025,213            | \$ 110,782,722 | \$ 511,701       | \$ 21,192,069 | \$ 366,787             | \$ 138,493 | \$ 163,429,518 |
| Accumulated depreciation            | -          | ( 1,004,644) | ( 479,520)          | ( 5,612,263)                    | ( 248,689)                           | ( 7,412,028)             | ( 42,981,997)  | ( 411,375)       | ( 5,565,381)  | ( 242,660)             | ( 531)     | ( 63,959,088)  |
| 2017                                | \$ 845,610 | \$ 627,690   | \$ 120,922          | \$ 3,656,941                    | \$ 816,254                           | \$ 9,613,185             | \$ 67,800,725  | \$ 100,326       | \$ 15,626,688 | \$ 124,127             | \$ 137,962 | \$ 99,470,430  |
| Opening net book amount             | \$ 845,610 | \$ 627,690   | \$ 120,922          | \$ 3,656,941                    | \$ 816,254                           | \$ 9,613,185             | \$ 67,800,725  | \$ 100,326       | \$ 15,626,688 | \$ 124,127             | \$ 137,962 | \$ 99,470,430  |
| Additions                           | -          | 1,891        | 3,169               | 202,894                         | 58,911                               | 985,566                  | 207,088        | 21,224           | 70,957        | 15,488                 | 35,235     | 1,602,423      |
| Disposals                           | -          | ( 1,067)     | ( 285)              | ( 3,875)                        | ( 617)                               | ( 25,375)                | ( 3,451)       | ( 3,721)         | ( 6,337)      | ( 6,155)               | -          | ( 50,883)      |
| Reclassifications                   | -          | 7,130        | -                   | 482,220                         | 76,298                               | -                        | 3,660,780      | ( 4,012)         | ( 81,527)     | 204,088                | ( 81,922)  | 4,263,055      |
| Depreciation                        | -          | ( 40,958)    | ( 10,041)           | ( 464,240)                      | ( 192,670)                           | ( 1,328,043)             | ( 4,406,998)   | ( 33,435)        | ( 1,063,223)  | ( 120,753)             | ( 2,822)   | ( 7,663,183)   |
| Acquired from business combinations | -          | 5,615,200    | 173                 | -                               | 2,265                                | 2,970                    | 116,948        | 27,237           | -             | -                      | -          | 5,764,793      |
| Net exchange differences            | ( 15,865)  | ( 127,375)   | 1,831               | ( 152,091)                      | ( 56,521)                            | ( 518,868)               | ( 3,635,922)   | 2,642            | ( 1,190,470)  | ( 627)                 | ( 5,915)   | ( 5,699,181)   |
| Closing net book amount             | \$ 829,745 | \$ 6,082,511 | \$ 115,769          | \$ 3,721,849                    | \$ 703,920                           | \$ 8,729,435             | \$ 63,739,170  | \$ 110,261       | \$ 13,356,088 | \$ 216,168             | \$ 82,538  | \$ 97,687,454  |
| At December 31, 2017                |            |              |                     |                                 |                                      |                          |                |                  |               |                        |            |                |
| Cost                                | \$ 829,745 | \$ 7,194,260 | \$ 611,447          | \$ 9,600,294                    | \$ 1,120,713                         | \$ 16,325,955            | \$ 107,532,947 | \$ 533,874       | \$ 19,524,906 | \$ 574,438             | \$ 85,891  | \$ 163,934,470 |
| Accumulated depreciation            | -          | ( 1,111,749) | ( 495,678)          | ( 5,878,445)                    | ( 416,793)                           | ( 7,596,520)             | ( 43,793,777)  | ( 423,613)       | ( 6,168,818)  | ( 358,270)             | ( 3,353)   | ( 66,247,016)  |
|                                     | \$ 829,745 | \$ 6,082,511 | \$ 115,769          | \$ 3,721,849                    | \$ 703,920                           | \$ 8,729,435             | \$ 63,739,170  | \$ 110,261       | \$ 13,356,088 | \$ 216,168             | \$ 82,538  | \$ 97,687,454  |

|                          | Land       | Buildings    | Machinery equipment | Loading and unloading equipment | Computer and communication equipment | Transportation equipment | Ships          | Office equipment | Lease assets  | Leasehold improvements | Others     | Total          |
|--------------------------|------------|--------------|---------------------|---------------------------------|--------------------------------------|--------------------------|----------------|------------------|---------------|------------------------|------------|----------------|
| At January 1, 2016       |            |              |                     |                                 |                                      |                          |                |                  |               |                        |            |                |
| Cost                     | \$ 823,656 | \$ 1,658,060 | \$ 638,955          | \$ 8,698,643                    | \$ 235,114                           | \$ 19,390,776            | \$ 112,145,161 | \$ 516,257       | \$ 23,354,144 | \$ 350,042             | \$ 466,263 | \$ 168,277,071 |
| Accumulated depreciation | -          | ( 976,105)   | ( 499,554)          | ( 5,283,786)                    | ( 197,883)                           | ( 7,513,029)             | ( 39,141,571)  | ( 420,350)       | ( 6,450,500)  | ( 175,065)             | ( 48)      | ( 60,657,891)  |
| 2016                     | \$ 823,656 | \$ 681,955   | \$ 139,401          | \$ 3,414,857                    | \$ 37,231                            | \$ 11,877,747            | \$ 73,003,590  | \$ 95,907        | \$ 16,903,644 | \$ 174,977             | \$ 466,215 | \$ 107,619,180 |
| Opening net book amount  | \$ 823,656 | \$ 681,955   | \$ 139,401          | \$ 3,414,857                    | \$ 37,231                            | \$ 11,877,747            | \$ 73,003,590  | \$ 95,907        | \$ 16,903,644 | \$ 174,977             | \$ 466,215 | \$ 107,619,180 |
| Additions                | -          | 7,347        | 1,119               | 131,437                         | 29,450                               | 69,587                   | 289,117        | 25,971           | 639,439       | 17,937                 | 463,428    | 1,674,832      |
| Disposals                | -          | -            | -                   | ( 8,461)                        | ( 86)                                | ( 744,084)               | -              | ( 815)           | ( 17,134)     | ( 343)                 | -          | ( 770,923)     |
| Reclassifications        | 24,654     | 46,805       | -                   | 602,976                         | 814,578                              | 785                      | 97,989         | 14,540           | ( 103,230)    | 1,128                  | ( 782,244) | 717,981        |
| Depreciation             | -          | ( 34,456)    | ( 11,850)           | ( 442,298)                      | ( 64,211)                            | ( 1,427,453)             | ( 4,564,734)   | ( 33,466)        | ( 1,438,719)  | ( 68,970)              | ( 483)     | ( 8,086,640)   |
| Impairment loss          | -          | ( 42,932)    | -                   | ( 6,497)                        | -                                    | -                        | -              | -                | -             | -                      | -          | ( 49,429)      |
| Net exchange differences | ( 2,700)   | ( 31,029)    | ( 7,748)            | ( 35,073)                       | ( 708)                               | ( 163,397)               | ( 1,025,237)   | ( 1,811)         | ( 357,312)    | ( 602)                 | ( 8,954)   | ( 1,634,571)   |
| Closing net book amount  | \$ 845,610 | \$ 627,690   | \$ 120,922          | \$ 3,656,941                    | \$ 816,254                           | \$ 9,613,185             | \$ 67,800,725  | \$ 100,326       | \$ 15,626,688 | \$ 124,127             | \$ 137,962 | \$ 99,470,430  |
| At December 31, 2016     |            |              |                     |                                 |                                      |                          |                |                  |               |                        |            |                |
| Cost                     | \$ 845,610 | \$ 1,632,334 | \$ 600,442          | \$ 9,269,204                    | \$ 1,064,943                         | \$ 17,025,213            | \$ 110,782,722 | \$ 511,701       | \$ 21,192,069 | \$ 366,787             | \$ 138,493 | \$ 163,429,518 |
| Accumulated depreciation | -          | ( 1,004,644) | ( 479,520)          | ( 5,612,263)                    | ( 248,689)                           | ( 7,412,028)             | ( 42,981,997)  | ( 411,375)       | ( 5,565,381)  | ( 242,660)             | ( 531)     | ( 63,959,088)  |
|                          | \$ 845,610 | \$ 627,690   | \$ 120,922          | \$ 3,656,941                    | \$ 816,254                           | \$ 9,613,185             | \$ 67,800,725  | \$ 100,326       | \$ 15,626,688 | \$ 124,127             | \$ 137,962 | \$ 99,470,430  |

A. The Group has issued a negative pledge to granting banks for drawing borrowings within the credit line to purchase the above transportation equipment.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Investment property, net

|                                     | <u>Land</u>         | <u>Buildings</u>    | <u>Total</u>        |
|-------------------------------------|---------------------|---------------------|---------------------|
| At January 1, 2017                  |                     |                     |                     |
| Cost                                | \$ 1,414,631        | \$ 1,000,649        | \$ 2,415,280        |
| Accumulated depreciation            | -                   | ( 476,506)          | ( 476,506)          |
|                                     | <u>\$ 1,414,631</u> | <u>\$ 524,143</u>   | <u>\$ 1,938,774</u> |
| <u>2017</u>                         |                     |                     |                     |
| Opening net book amount             | \$ 1,414,631        | \$ 524,143          | \$ 1,938,774        |
| Reclassifications                   | 174                 | -                   | 174                 |
| Depreciation                        | -                   | ( 28,516)           | ( 28,516)           |
| Acquired from business combinations | -                   | 3,119,127           | 3,119,127           |
| Net exchange differences            | ( 48)               | ( 60,239)           | ( 60,287)           |
| Closing net book amount             | <u>\$ 1,414,757</u> | <u>\$ 3,554,515</u> | <u>\$ 4,969,272</u> |
| At December 31, 2017                |                     |                     |                     |
| Cost                                | \$ 1,414,757        | \$ 4,066,438        | \$ 5,481,195        |
| Accumulated depreciation            | -                   | ( 511,923)          | ( 511,923)          |
|                                     | <u>\$ 1,414,757</u> | <u>\$ 3,554,515</u> | <u>\$ 4,969,272</u> |
| At January 1, 2016                  |                     |                     |                     |
| Cost                                | \$ 1,420,461        | \$ 1,046,174        | \$ 2,466,635        |
| Accumulated depreciation            | -                   | ( 499,610)          | ( 499,610)          |
|                                     | <u>\$ 1,420,461</u> | <u>\$ 546,564</u>   | <u>\$ 1,967,025</u> |
| <u>2016</u>                         |                     |                     |                     |
| Opening net book amount             | \$ 1,420,461        | \$ 546,564          | \$ 1,967,025        |
| Reclassifications                   | ( 5,701)            | -                   | ( 5,701)            |
| Depreciation charge                 | -                   | ( 19,490)           | ( 19,490)           |
| Net exchange differences            | ( 129)              | ( 2,931)            | ( 3,060)            |
| Closing net book amount             | <u>\$ 1,414,631</u> | <u>\$ 524,143</u>   | <u>\$ 1,938,774</u> |
| At December 31, 2016                |                     |                     |                     |
| Cost                                | \$ 1,414,631        | \$ 1,000,649        | \$ 2,415,280        |
| Accumulated depreciation            | -                   | ( 476,506)          | ( 476,506)          |
|                                     | <u>\$ 1,414,631</u> | <u>\$ 524,143</u>   | <u>\$ 1,938,774</u> |

A. Rental income from the investment property and direct operating expenses arising from the investment property are shown below:

|                                                                                                                  | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Rental revenue from the lease of the investment property                                                         | \$ 125,880                      | \$ 109,254                      |
| Direct operating expenses arising from the investment property that generated rental income in the period        | \$ 25,294                       | \$ 21,986                       |
| Direct operating expenses arising from the investment property that did not generate rental income in the period | \$ 1,017                        | \$ 1,586                        |

B. The fair value of the investment property held by the Group as at December 31, 2017 and 2016 was \$6,743,253 and \$3,696,799, respectively. The fair value measurements were based on the market prices of recently sold properties in the immediate vicinity of a certain property.

C. Information about the investment property that were pledged to others as collaterals is provided in Note 8.

(10) Other non-current assets

|                           | December 31, 2017   | December 31, 2016   |
|---------------------------|---------------------|---------------------|
| Prepayments for equipment | \$ 6,080,908        | \$ 4,898,843        |
| Refundable deposits       | 197,413             | 159,013             |
| Others                    | 160,044             | 2,463               |
|                           | <u>\$ 6,438,365</u> | <u>\$ 5,060,319</u> |

Amount of borrowing costs capitalised as part of prepayment for equipment and the range of the interest rates for such capitalisation are as follows:

|                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------|---------------------------------|---------------------------------|
| Amount capitalised | \$ 107,084                      | \$ 55,774                       |
| Interest rate      | 1.31%~3.06%                     | 1.31%~2.93%                     |

(11) Other current liabilities

|                                         | December 31, 2017    | December 31, 2016    |
|-----------------------------------------|----------------------|----------------------|
| Receipt in advance                      | \$ 12,367            | \$ 13,827            |
| Long-term liabilities - current portion | 16,117,966           | 14,965,142           |
| Corporate bonds - current portion       | -                    | 3,000,000            |
| Shipowner's accounts                    | 2,322,289            | 3,535,446            |
| Agency accounts                         | 4,838,099            | 3,938,029            |
| Long-term leases payable - current      | 1,349,699            | 1,530,688            |
| Others                                  | 75,249               | 51,445               |
|                                         | <u>\$ 24,715,669</u> | <u>\$ 27,034,577</u> |

(12) Corporate bonds payable

|                                                     | December 31, 2017   | December 31, 2016 |
|-----------------------------------------------------|---------------------|-------------------|
| Domestic secured corporate bonds                    | \$ 8,000,000        | \$ 3,000,000      |
| Less: Current portion or exercise<br>of put options | -                   | ( 3,000,000)      |
|                                                     | <u>\$ 8,000,000</u> | <u>\$ -</u>       |

1. On April 25, 2017, the Company issued its thirteenth domestic secured corporate bonds (referred herein as the “Thirteenth Bonds”), totaling \$8,000,000. The Thirteenth Bonds are categorized into Bond A, B, C, D, E, F and G, depending on the guarantee institution. Bond A totals \$2,000,000, and the rest total \$6,000,000, with each par value of \$1,000,000. The major terms of the issuance are set forth below:

(a) Period: 5 years (April 25, 2017 to April 25, 2022)

(b) Coupon rate: 1.05% fixed per annum

(c) Principal repayment and interest payment

Repayments for the Thirteenth Bonds are paid annually on coupon rate, starting a year from the issuing date. For each category of the bonds mentioned above, half the principal must be paid at the end of the fourth year, and another half at the maturity date.

(d) Collaterals

The Thirteenth Bonds are secured. Bond A is guaranteed by Hua Nan Bank, Bond B is guaranteed by First Bank, Bond C is guaranteed by Mega International Commercial Bank, Bond D is guaranteed by Land Bank of Taiwan, Bond E is guaranteed by Chang Hwa Bank, Bond F is guaranteed by Taiwan Cooperative Bank, and Bond G is guaranteed by Bank Sinopac.

2. On April 26, 2012, the Company issued its twelfth domestic secured corporate bonds (referred herein as the “Twelfth Bonds”), totaling \$3,000,000. The Twelfth Bonds are categorized into Bond A and B, depending on the guarantee institution. Bond A totals \$2,000,000, and Bond B totals \$1,000,000. The major terms of the issuance are set forth below:

(a) Period: 5 years (April 26, 2012 to April 26, 2017)

(b) Coupon rate: 1.28% fixed per annum

(c) Principal repayment and interest payment

Repayments for the Twelfth Bonds are paid annually on coupon rate, starting a year from the issuing date. The principal of the Twelfth Bonds shall be repaid in lump sum at maturity.

(d) Collaterals

The Twelfth Bonds are secured. Bond A is guaranteed by Bank Sinopac, and Bond B is guaranteed by Far Eastern International Bank.

(13) Long-term loans

|                                          | December 31, 2017    | December 31, 2016    |
|------------------------------------------|----------------------|----------------------|
| Secured bank loans                       | \$ 55,586,429        | \$ 62,831,664        |
| Unsecured bank loans                     | 25,915,897           | 29,737,286           |
| Add : unrealised foreign exchange losses | 10,339               | 105,294              |
| Less: hosting fee credit                 | ( 25,034)            | ( 35,598)            |
|                                          | 81,487,631           | 92,638,646           |
| Less: current portion                    | ( 16,117,966)        | ( 14,965,142)        |
|                                          | <u>\$ 65,369,665</u> | <u>\$ 77,673,504</u> |
| Borrowing period                         | 107.02~116.06        | 106.03~116.06        |
| Interest rate                            | 1.18%~5.15%          | 0.85%~5.22%          |

Please refer to Note 8 for details of the collaterals pledged for the above long-term loans.

(14) Other non-current liabilities

|                                        | December 31, 2017    | December 31, 2016    |
|----------------------------------------|----------------------|----------------------|
| Long-term leases payable - non-current | \$ 10,381,197        | \$ 12,730,572        |
| Accrued pension liabilities            | 3,053,342            | 2,968,046            |
| Guarantee deposits received            | 37,608               | 23,322               |
| Unrealised gain on sale and leaseback  | 39,874               | 55,468               |
|                                        | <u>\$ 13,512,021</u> | <u>\$ 15,777,408</u> |

(15) Finance lease liabilities

The Group leases in loading and unloading equipment, ships and transportation equipment under finance lease, based on the terms of the lease contracts. Future minimum lease payments and their present values as at December 31, 2017 and 2016 are as follows:

| December 31, 2017                                 |                                 |                        |                                            |
|---------------------------------------------------|---------------------------------|------------------------|--------------------------------------------|
|                                                   | Total finance lease liabilities | Future finance charges | Present value of finance lease liabilities |
| <u>Current</u>                                    |                                 |                        |                                            |
| Not later than one year                           | \$ 1,761,272                    | (\$ 411,573)           | \$ 1,349,699                               |
| <u>Non-current</u>                                |                                 |                        |                                            |
| Later than one year but not later than five years | 11,124,634                      | ( 1,092,641)           | 10,031,993                                 |
| Over five years                                   | 356,716                         | ( 7,512)               | 349,204                                    |
|                                                   | 11,481,350                      | ( 1,100,153)           | 10,381,197                                 |
|                                                   | <u>\$ 13,242,622</u>            | <u>(\$ 1,511,726)</u>  | <u>\$ 11,730,896</u>                       |
| December 31, 2016                                 |                                 |                        |                                            |
|                                                   | Total finance lease liabilities | Future finance charges | Present value of finance lease liabilities |
| <u>Current</u>                                    |                                 |                        |                                            |
| Not later than one year                           | \$ 2,016,904                    | (\$ 486,216)           | \$ 1,530,688                               |
| <u>Non-current</u>                                |                                 |                        |                                            |
| Later than one year but not later than five years | 6,761,219                       | ( 1,397,946)           | 5,363,273                                  |
| Over five years                                   | 7,562,359                       | ( 195,060)             | 7,367,299                                  |
|                                                   | 14,323,578                      | ( 1,593,006)           | 12,730,572                                 |
|                                                   | <u>\$ 16,340,482</u>            | <u>(\$ 2,079,222)</u>  | <u>\$ 14,261,260</u>                       |

(16) Pension

A.(a) In accordance with the Labor Pension Act (“the Act”), effective July 1, 2005, which adopted a defined contribution scheme, employees of the Company and its subsidiary-TTSC may choose to be subject to either the Act, maintaining their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standard Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its subsidiary-TTSC contribute monthly an amount equal to 15% of the employees’ monthly salaries and wages to the retirement fund deposited with the Trust Department of Bank of Taiwan under the name of the Labor Pension Fund Supervisory Committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make

contributions to cover the deficit by next March.

- (b) The employees with R.O.C. nationality of the Group's subsidiaries, Evergreen Marine (Hong Kong) Ltd., Greencompass Marine S. A. and Evergreen Marine (UK) Limited, adopted the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

- (c) The amounts recognised in the balance sheet are as follows:

|                                                  | December 31, 2017 | December 31, 2016 |
|--------------------------------------------------|-------------------|-------------------|
| Present value of defined benefit obligations (\$ | 4,236,061)        | (\$ 4,165,132)    |
| Fair value of plan assets                        | 1,182,719         | 1,197,086         |
| Net defined benefit liability                    | (\$ 3,053,342)    | (\$ 2,968,046)    |

- (d) Movements in net defined benefit liabilities are as follows:

|                                                               | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan<br>assets | Net defined<br>benefit liability |
|---------------------------------------------------------------|----------------------------------------------------|---------------------------------|----------------------------------|
| <u>Year ended December 31, 2017</u>                           |                                                    |                                 |                                  |
| Balance at January 1                                          | (\$ 4,165,132)                                     | \$ 1,197,086                    | (\$ 2,968,046)                   |
| Current service cost                                          | ( 159,331)                                         | -                               | ( 159,331)                       |
| Interest (expense) income                                     | ( 59,773)                                          | 11,664                          | ( 48,109)                        |
| Past service cost                                             | 1,415                                              | -                               | 1,415                            |
| Settlement profit or loss                                     | 668                                                | -                               | 668                              |
|                                                               | <u>( 4,382,153)</u>                                | <u>1,208,750</u>                | <u>( 3,173,403)</u>              |
| Remeasurements:                                               |                                                    |                                 |                                  |
| Return on plan assets                                         |                                                    |                                 |                                  |
| (excluding amounts included in<br>interest income or expense) | -                                                  | ( 40,092)                       | ( 40,092)                        |
| Change in demographic assumptions                             | ( 6,478)                                           | -                               | ( 6,478)                         |
| Change in financial assumptions                               | ( 34,108)                                          | -                               | ( 34,108)                        |
| Experience adjustments                                        | ( 68,326)                                          | -                               | ( 68,326)                        |
|                                                               | <u>( 108,912)</u>                                  | <u>( 40,092)</u>                | <u>( 149,004)</u>                |
| Pension fund contribution                                     | 22,718                                             | 188,078                         | 210,796                          |
| Paid pension                                                  | 302,970                                            | ( 201,422)                      | 101,548                          |
| Exchange difference                                           | ( 33,781)                                          | 27,405                          | ( 6,376)                         |
| Effect of business combination                                | ( 36,903)                                          | -                               | ( 36,903)                        |
| Balance at December 31                                        | <u>(\$ 4,236,061)</u>                              | <u>\$ 1,182,719</u>             | <u>(\$ 3,053,342)</u>            |

|                                                               | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan<br>assets | Net defined<br>benefit liability |
|---------------------------------------------------------------|----------------------------------------------------|---------------------------------|----------------------------------|
| <u>Year ended December 31, 2016</u>                           |                                                    |                                 |                                  |
| Balance at January 1                                          | (\$ 4,118,557)                                     | \$ 1,106,224                    | (\$ 3,012,333)                   |
| Current service cost                                          | ( 163,423)                                         | -                               | ( 163,423)                       |
| Interest (expense) income                                     | ( 61,370)                                          | 17,649                          | ( 43,721)                        |
|                                                               | <u>( 4,343,350)</u>                                | <u>1,123,873</u>                | <u>( 3,219,477)</u>              |
| Remeasurements:                                               |                                                    |                                 |                                  |
| Return on plan assets                                         |                                                    |                                 |                                  |
| (excluding amounts included in<br>interest income or expense) | -                                                  | 62,596                          | 62,596                           |
| Change in demographic assumptions                             | ( 16,916)                                          | -                               | ( 16,916)                        |
| Change in financial assumptions                               | ( 77,889)                                          | -                               | ( 77,889)                        |
| Experience adjustments                                        | ( 29,963)                                          | -                               | ( 29,963)                        |
|                                                               | <u>( 124,768)</u>                                  | <u>62,596</u>                   | <u>( 62,172)</u>                 |
| Pension fund contribution                                     | -                                                  | 189,568                         | 189,568                          |
| Paid pension                                                  | 258,903                                            | ( 147,795)                      | 111,108                          |
| Exchange difference                                           | 44,083                                             | ( 31,156)                       | 12,927                           |
| Balance at December 31                                        | <u>(\$ 4,165,132)</u>                              | <u>\$ 1,197,086</u>             | <u>(\$ 2,968,046)</u>            |

- (e) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries-TTSC's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(f) The principal actuarial assumptions used were as follows:

|                         | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-------------------------|---------------------------------|---------------------------------|
| Discount rate           | 0%~7.3%                         | 0.05%~8.5%                      |
| Future salary increases | 0.5%~11%                        | 0.5%~11%                        |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|                                                          | Discount rate            |                          | Future salary increases |                         |
|----------------------------------------------------------|--------------------------|--------------------------|-------------------------|-------------------------|
|                                                          | Increase<br>0.025%~1.00% | Decrease<br>0.025%~1.00% | Increase<br>0.25%~1.00% | Decrease<br>0.25%~1.00% |
| <u>December 31, 2017</u>                                 |                          |                          |                         |                         |
| Effect on present value of<br>defined benefit obligation | ( <u>150,553</u> )       | <u>161,436</u>           | <u>108,296</u>          | ( <u>98,285</u> )       |
|                                                          | Discount rate            |                          | Future salary increases |                         |
|                                                          | Increase<br>0.025%~1.00% | Decrease<br>0.025%~1.00% | Increase<br>0.25%~1.00% | Decrease<br>0.25%~1.00% |
| <u>December 31, 2016</u>                                 |                          |                          |                         |                         |
| Effect on present value of<br>defined benefit obligation | ( <u>145,285</u> )       | <u>155,788</u>           | <u>102,046</u>          | ( <u>91,900</u> )       |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(g) Expected contributions to the defined benefit pension plans of the Company and its subsidiary-TTSC for the year ending December 31, 2018 amounts to \$96,497.

(h) As of December 31, 2017, the weighted average duration of the retirement plan is 9 ~ 21 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiary-TTSC have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary-TTSC contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$186,442 and \$184,067, respectively.

(17) Capital stock

- A. As of December 31, 2017, the Company's authorized capital was \$50,000,000, and the paid-in capital was \$ 40,123,560, consisting of 4,012,356 thousand shares of common stocks with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. On August 11, 2017, the Board of Directors of the Company resolved to increase capital of \$5,000,000 by issuing 500,000 thousand shares at a par value of NT\$10. Of which 50,000 thousand shares are reserved for employee stock purchase plan. The proposal of capital increase has been reported and become effective on December 5, 2017. The issue price is NT\$15.3 per share and amount of shares was \$7,711,222. All proceeds from share issuance was completed on December 27, 2017.

(18) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

|                                                                                        | 2017               |                                  |                                                                            |                |                |
|----------------------------------------------------------------------------------------|--------------------|----------------------------------|----------------------------------------------------------------------------|----------------|----------------|
|                                                                                        | Share premium      | Employee stock options exercised | Adjustments to share of changes in equity of associates and joint ventures | Donated assets | Others         |
| At January 1, 2017                                                                     | \$5,895,171        | \$ -                             | \$ 2,086,684                                                               | \$ 446         | \$6,713        |
| Issuance of common stock for cash                                                      | 2,711,222          | 76,280                           | -                                                                          | -              | -              |
| Recognition of change in equity of associates in proportion to the Company's ownership | -                  | -                                | 61,559                                                                     | -              | -              |
| At December 31, 2017                                                                   | <u>\$8,606,393</u> | <u>\$ 76,280</u>                 | <u>\$ 2,148,243</u>                                                        | <u>\$ 446</u>  | <u>\$6,713</u> |

|                                                                                              | 2016                |                                                                                        |                   |                 |
|----------------------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------|-------------------|-----------------|
|                                                                                              | Share<br>premium    | Adjustments to<br>share of changes<br>in equity of<br>associates and<br>joint ventures | Donated<br>assets | Others          |
| At January 1, 2016                                                                           | \$ 5,895,171        | \$ 2,084,303                                                                           | \$ 446            | \$ 6,713        |
| Recognition of change in equity<br>of associates in proportion to<br>the Company's ownership | -                   | 2,381                                                                                  | -                 | -               |
| At December 31, 2016                                                                         | <u>\$ 5,895,171</u> | <u>\$ 2,086,684</u>                                                                    | <u>\$ 446</u>     | <u>\$ 6,713</u> |

(19) Retained earnings

|                                                                     | 2017                | 2016                  |
|---------------------------------------------------------------------|---------------------|-----------------------|
| At January 1                                                        | (\$ 4,248,211)      | \$ 2,561,825          |
| Profit (loss) for the year                                          | 7,005,171           | ( 6,607,986)          |
| Legal reserve used to cover<br>accumulated deficits                 | 4,248,211           | -                     |
| Remeasurement on post employment<br>benefit obligations, net of tax | ( 235,596)          | ( 202,050)            |
| At December 31                                                      | <u>\$ 6,769,575</u> | <u>(\$ 4,248,211)</u> |

A. According to the Company's Articles of Incorporation, if there is any profit for a fiscal year, the Company shall first make provision for all taxes and cover prior years' losses and then appropriate 10% of the residual amount as legal reserve. Dividends shall be proposed by the Board of Directors and resolved by the stockholders.

## B. Dividend policy

In order to facilitate future expansion plans, dividends to stockholders are distributed mutually in the form of both cash and stocks with the basic principle that the ratio of cash dividends to total stock dividends shall not be lower than 10%.

## C. Legal reserve

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E.(a) As of 2015, the Company distributed no dividends to shareholders in order to facilitate future operation plans.

(b) For the year ended December 31, 2016, the Company incurred accumulated deficit. On June 22, 2017, the Board of Directors proposed to offset the accumulated deficit totaling \$4,248,211 with the legal reserve.

F. The appropriation of earnings of year 2017 as resolved by the Board of Directors on March 23, 2018 is as follows:

|                                             | Year ended December 31, 2017 |                                    |
|---------------------------------------------|------------------------------|------------------------------------|
|                                             | Amount                       | Dividend per share<br>(in dollars) |
| Accrual of legal reserve                    | \$ 700,517                   |                                    |
| Appropriate cash dividends to shareholders  | \$ 802,471                   | \$ 0.2                             |
| Appropriate stock dividends to shareholders | \$ 2,006,178                 | \$ 0.5                             |

As of March 23, 2018, the above-mentioned 2017 earnings appropriation had not been resolved by the stockholders.

G. For information relating to employees', directors' and supervisors' remuneration, please refer to Note 6(29).

(20) Other equity items

|                                   | Hedging<br>reserve | Available-for-<br>sale investment | Currency<br>translation | Total             |
|-----------------------------------|--------------------|-----------------------------------|-------------------------|-------------------|
| At January 1, 2017                | (\$ 67,895)        | \$ 1,703,161                      | \$ 1,254,622            | \$ 2,889,888      |
| Revaluation – gross               | -                  | 103,585                           | -                       | 103,585           |
| Revaluation – tax                 | -                  | ( 8,110)                          | -                       | ( 8,110)          |
| Revaluation – associates          | -                  | 34,703                            | -                       | 34,703            |
| Cash flow hedges:                 |                    |                                   |                         |                   |
| – Fair value loss in the period   |                    |                                   |                         |                   |
| – Associates                      | 51,983             | -                                 | -                       | 51,983            |
| Currency translation differences: |                    |                                   |                         |                   |
| – Group                           | -                  | -                                 | ( 2,046,070)            | ( 2,046,070)      |
| – Group – tax                     | -                  | -                                 | 2,296                   | 2,296             |
| – Associates                      | -                  | -                                 | ( 345,962)              | ( 345,962)        |
| At December 31, 2017              | <u>(\$ 15,912)</u> | <u>\$ 1,833,339</u>               | <u>(\$ 1,135,114)</u>   | <u>\$ 682,313</u> |

|                                   | Hedging<br>reserve | Available-for-<br>sale investment | Currency<br>translation | Total               |
|-----------------------------------|--------------------|-----------------------------------|-------------------------|---------------------|
| At January 1, 2016                | (\$ 521,149)       | \$ 1,461,850                      | \$ 2,155,086            | \$ 3,095,787        |
| Revaluation – gross               | -                  | 145,411                           | -                       | 145,411             |
| Revaluation – tax                 | -                  | 10,331                            | -                       | 10,331              |
| Revaluation – associates          | -                  | 85,569                            | -                       | 85,569              |
| Cash flow hedges:                 |                    |                                   |                         |                     |
| – Fair value gain in the period   |                    |                                   |                         | -                   |
| – Associates                      | 453,254            | -                                 | -                       | 453,254             |
| Currency translation differences: |                    |                                   |                         |                     |
| – Group                           | -                  | -                                 | ( 811,853)              | ( 811,853)          |
| – Group – tax                     | -                  | -                                 | 2,194                   | 2,194               |
| – Associates                      | -                  | -                                 | ( 90,805)               | ( 90,805)           |
| At December 31, 2016              | <u>(\$ 67,895)</u> | <u>\$ 1,703,161</u>               | <u>\$ 1,254,622</u>     | <u>\$ 2,889,888</u> |

(21) Operating revenue

|                                                | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------|---------------------------------|---------------------------------|
| Marine freight income                          | \$ 135,358,310                  | \$ 110,022,623                  |
| Ship rental and slottage income                | 1,545,894                       | 2,061,104                       |
| Container manufacturing income                 | 1,659,315                       | 1,291,148                       |
| Commission income and agency<br>service income | 1,366,761                       | 1,267,085                       |
| Container income and others                    | 10,652,412                      | 9,825,648                       |
|                                                | <u>\$ 150,582,692</u>           | <u>\$ 124,467,608</u>           |

(22) Other income and expenses, net

|                                                       | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Gains on disposal of property, plant<br>and equipment | <u>\$ 501,784</u>               | <u>\$ 1,881,263</u>             |

(23) Other income

|                                                                                                              | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Rental revenue                                                                                               | \$ 127,807                      | \$ 111,613                      |
| Dividend income                                                                                              | 117,436                         | 142,152                         |
| Interest income:                                                                                             |                                 |                                 |
| Interest income from bank deposits                                                                           | 434,615                         | 269,552                         |
| Interest income from financial assets<br>other than financial assets at fair<br>value through profit or loss | 2,339                           | 8,197                           |
| Gain from bargain purchase                                                                                   | 5,983                           | -                               |
| Other income - other                                                                                         | 266,126                         | 270,808                         |
|                                                                                                              | <u>\$ 954,306</u>               | <u>\$ 802,322</u>               |

(24) Other gains and losses

|                                                           | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-----------------------------------------------------------|---------------------------------|---------------------------------|
| Net currency exchange gains                               | \$ 51,516                       | \$ 657,945                      |
| Gains on disposal of investments                          | 644,554                         | 432                             |
| Impairment loss on available-for-sale<br>financial assets | - (                             | 1,878)                          |
| Impairment loss on property, plant<br>and equipment       | - (                             | 49,429)                         |
| Other non-operating expenses                              | ( 123,176)                      | ( 136,499)                      |
|                                                           | <u>\$ 572,894</u>               | <u>\$ 470,571</u>               |

(25) Finance costs

|                                           | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-------------------------------------------|---------------------------------|---------------------------------|
| Interest expense:                         |                                 |                                 |
| Bank loans                                | \$ 1,417,937                    | \$ 1,263,326                    |
| Corporate bonds                           | 69,863                          | 38,400                          |
|                                           | 1,487,800                       | 1,301,726                       |
| Less: capitalisation of qualifying assets | ( 107,084)                      | ( 55,774)                       |
| Finance costs                             | <u>\$ 1,380,716</u>             | <u>\$ 1,245,952</u>             |

(26) Expenses by nature

|                                                  | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------------------------------------|---------------------------------|---------------------------------|
| Employee benefit expense                         | \$ 6,932,955                    | \$ 6,493,978                    |
| Depreciation on property, plant<br>and equipment | 7,663,183                       | 8,086,640                       |
| Amortisation on intangible assets                | 38,375                          | 30,501                          |
| Other operating costs and expenses               | 131,617,656                     | 119,580,065                     |
|                                                  | <u>\$ 146,252,169</u>           | <u>\$ 134,191,184</u>           |

(27) Employee benefit expense

|                                 | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------|---------------------------------|---------------------------------|
| Wages and salaries              | \$ 5,770,241                    | \$ 5,359,634                    |
| Labor and health insurance fees | 440,465                         | 423,550                         |
| Pension costs                   | 391,799                         | 391,211                         |
| Other personnel expenses        | 330,450                         | 319,583                         |
|                                 | <u>\$ 6,932,955</u>             | <u>\$ 6,493,978</u>             |

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for no less than 0.5% and pay remuneration to the directors and supervisors that account for no more than 2% of the total distributed amount.
- B. (a) For the year ended December 31, 2017, employees' compensation was accrued at \$36,322, while directors' and supervisors' remunerations were accrued at \$10,207. The aforementioned amounts were recognised in salary expenses.
- (b) The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.5% and 0.14% of distributable profit of current year for the year ended December 31, 2017.
- (c) For the year ended December 31, 2016, the Company generated loss and thus did not accrue employees' and supervisors' remuneration.

Information about the appropriation of employees', directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

## A. Income tax expense (benefit)

## (a) Components of income tax expense (benefit):

|                                                      | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------------|---------------------------------|---------------------------------|
| Current tax:                                         |                                 |                                 |
| Current tax on profits for the period                | \$ 629,009                      | \$ 294,699                      |
| Alternative Minimum Tax                              | 31,399                          | -                               |
| Prior year income tax overestimation                 | ( 32,894)                       | ( 71,897)                       |
| Total current tax                                    | <u>627,514</u>                  | <u>222,802</u>                  |
| Deferred tax:                                        |                                 |                                 |
| Origination and reversal of<br>temporary differences | 155,464                         | ( 466,474)                      |
| Impact of change in tax rate (Note 1)                | <u>2,950</u>                    | <u>-</u>                        |
| Total deferred tax                                   | <u>158,414</u>                  | <u>( 466,474)</u>               |
| Income tax expense (benefit)                         | <u>\$ 785,928</u>               | <u>(\$ 243,672)</u>             |

Note 1: The impact of the change in tax rate was primarily from the tax bill signed into law by the President of the United States on December 22, 2017 (Taiwan time), which lowered the corporate income tax rate from 35% to 21%.

## (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

|                                                                                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Fair value gains/losses on available-for-sale financial assets                     | (\$ 8,125)                      | \$ 10,331                       |
| Exchange differences on translating the financial statements of foreign operations | 2,296                           | 2,194                           |
| Remeasurement of defined benefit obligations                                       | <u>16,942</u>                   | <u>20,614</u>                   |
|                                                                                    | <u>\$ 11,113</u>                | <u>\$ 12,525</u>                |

## (c) The income tax charged/(credited) to equity during the period is as follows:

|                                                                                                         | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio | <u>(\$ 95)</u>                  | <u>(\$ 98)</u>                  |

## B. Reconciliation between income tax expense (benefit) and accounting profit:

|                                                                     | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------------------------------------------|---------------------------------|---------------------------------|
| Tax calculated based on profit before<br>tax and statutory tax rate | \$ 1,823,489                    | (\$ 940,918)                    |
| Expenses disallowed by tax regulation                               | 19,362                          | 781,390                         |
| Tax exempt income by tax regulation                                 | ( 1,028,143)                    | ( 11,824)                       |
| Effect from investment tax credits                                  | ( 42,068)                       | ( 423)                          |
| Prior year income tax overestimation                                | ( 32,894)                       | ( 71,897)                       |
| Effect from Alternative Minimum Tax                                 | 31,399                          | -                               |
| Effect from changes in tax regulation                               | 2,950                           | -                               |
| Effect from income tax deduction<br>from prior years                | 7,984                           | -                               |
| Effect of defferd tax from prior year<br>income tax underestimation | 3,849                           | -                               |
| Income tax expense (benefit)                                        | <u>\$ 785,928</u>               | <u>(\$ 243,672)</u>             |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

|                                                                        | 2017                |                                    |                                                   |                         |                            |                         |                       |
|------------------------------------------------------------------------|---------------------|------------------------------------|---------------------------------------------------|-------------------------|----------------------------|-------------------------|-----------------------|
|                                                                        | January 1           | Recognised<br>in profit or<br>loss | Recognised<br>in other<br>comprehensive<br>income | Recognised<br>in equity | Translation<br>differences | Business<br>combination | December 31           |
| Temporary differences:                                                 |                     |                                    |                                                   |                         |                            |                         |                       |
| — Deferred tax assets:                                                 |                     |                                    |                                                   |                         |                            |                         |                       |
| Bad debts expense                                                      | \$ 14,493           | \$ 1,501                           | \$ -                                              | \$ -                    | \$ 53                      | \$ -                    | \$ 16,047             |
| Loss on valuation of<br>financial assets                               | 1,766               | -                                  | 209                                               | -                       | 4                          | -                       | 1,979                 |
| Deferred profit from<br>disposal of loading and<br>unloading equipment | 16,708              | ( 2,790)                           | -                                                 | -                       | -                          | -                       | 13,918                |
| Unrealized expense                                                     | 32,248              | ( 1,301)                           | -                                                 | -                       | ( 762)                     | -                       | 30,185                |
| Unrealized exchange loss                                               | 50,198              | ( 9,482)                           | -                                                 | -                       | 25                         | -                       | 40,741                |
| Pension expense and<br>actuarial losses/(gains)                        | 365,725             | ( 13,376)                          | 15,284                                            | -                       | 2,026                      | -                       | 369,659               |
| Others                                                                 | 4,165               | ( 3,706)                           | -                                                 | -                       | ( 184)                     | -                       | 275                   |
| Net operating loss<br>carryforward                                     | 176,711             | 16,474                             | -                                                 | -                       | 209                        | -                       | 193,394               |
| Investment tax credits                                                 | -                   | 42,068                             | -                                                 | -                       | -                          | -                       | 42,068                |
| Subtotal                                                               | <u>\$ 662,014</u>   | <u>\$ 29,388</u>                   | <u>\$ 15,493</u>                                  | <u>\$ -</u>             | <u>\$ 1,371</u>            | <u>\$ -</u>             | <u>\$ 708,266</u>     |
| — Deferred tax liabilities:                                            |                     |                                    |                                                   |                         |                            |                         |                       |
| Temporary differences:                                                 |                     |                                    |                                                   |                         |                            |                         |                       |
| Gain on valuation of<br>financial assets                               | \$ -                | \$ -                               | \$ -                                              | \$ -                    | \$ -                       | \$ -                    | \$ -                  |
| Unrealized exchange gain                                               | ( 20,999)           | 20,112                             | -                                                 | -                       | 303                        | -                       | ( 584)                |
| Unrealized gain                                                        | ( 5,833)            | 454                                | -                                                 | -                       | 360                        | -                       | ( 5,019)              |
| Pension expense and<br>actuarial losses/(gains)                        | ( 233)              | -                                  | ( 133)                                            | -                       | ( 251)                     | -                       | ( 617)                |
| Foreign investment income                                              | ( 558,247)          | ( 207,171)                         | ( 4,247)                                          | ( 95)                   | 1,619                      | -                       | ( 768,141)            |
| Others                                                                 | ( 47,870)           | ( 1,197)                           | -                                                 | -                       | 22,026                     | ( 947,618)              | ( 974,659)            |
| Subtotal                                                               | <u>(\$ 633,182)</u> | <u>(\$ 187,802)</u>                | <u>(\$ 4,380)</u>                                 | <u>(\$ 95)</u>          | <u>\$ 24,057</u>           | <u>(\$ 947,618)</u>     | <u>(\$ 1,749,020)</u> |
| Total                                                                  | <u>\$ 28,832</u>    | <u>(\$ 158,414)</u>                | <u>\$ 11,113</u>                                  | <u>(\$ 95)</u>          | <u>\$ 25,428</u>           | <u>(\$ 947,618)</u>     | <u>(\$ 1,040,754)</u> |

|                                                                        | 2016                |                                 |                                                   |                         |                            |                     |
|------------------------------------------------------------------------|---------------------|---------------------------------|---------------------------------------------------|-------------------------|----------------------------|---------------------|
|                                                                        | January 1           | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | Recognised in<br>equity | Translation<br>differences | December 31         |
| Temporary differences:                                                 |                     |                                 |                                                   |                         |                            |                     |
| — Deferred tax assets:                                                 |                     |                                 |                                                   |                         |                            |                     |
| Bad debts expense                                                      | \$ 2,460            | \$ 11,859                       | \$ -                                              | \$ -                    | \$ 174                     | \$ 14,493           |
| Loss on valuation of<br>financial assets                               | 3,769               | -                               | ( 2,002)                                          | -                       | ( 1)                       | 1,766               |
| Deferred profit from<br>disposal of loading and<br>unloading equipment | 3,972               | 12,736                          | -                                                 | -                       | -                          | 16,708              |
| Unrealized expense                                                     | 26,520              | 5,875                           | -                                                 | -                       | ( 147)                     | 32,248              |
| Unrealized exchange loss                                               | 27,949              | 22,279                          | -                                                 | -                       | ( 30)                      | 50,198              |
| Pension expense and<br>actuarial losses/(gains)                        | 364,911             | ( 10,499)                       | 14,609                                            | -                       | ( 3,296)                   | 365,725             |
| Others                                                                 | 548                 | 3,816                           | -                                                 | -                       | ( 199)                     | 4,165               |
| Net operating loss<br>carryforward                                     | <u>59,402</u>       | <u>117,309</u>                  | <u>-</u>                                          | <u>-</u>                | <u>-</u>                   | <u>176,711</u>      |
| Subtotal                                                               | <u>\$ 489,531</u>   | <u>\$ 163,375</u>               | <u>\$ 12,607</u>                                  | <u>\$ -</u>             | <u>(\$ 3,499)</u>          | <u>\$ 662,014</u>   |
| — Deferred tax liabilities:                                            |                     |                                 |                                                   |                         |                            |                     |
| Temporary differences:                                                 |                     |                                 |                                                   |                         |                            |                     |
| Unrealized exchange gain                                               | (\$ 24,003)         | \$ 1,644                        | \$ -                                              | \$ -                    | \$ 1,360                   | (\$ 20,999)         |
| Unrealized gain                                                        | ( 9,131)            | 147                             | -                                                 | -                       | 3,151                      | ( 5,833)            |
| Pension expense and<br>actuarial losses/(gains)                        | ( 2,926)            | -                               | 5,558                                             | -                       | ( 2,865)                   | ( 233)              |
| Foreign investment income                                              | ( 876,385)          | 303,322                         | 14,974                                            | ( 98)                   | ( 60)                      | ( 558,247)          |
| Others                                                                 | ( 48,946)           | ( 2,014)                        | -                                                 | -                       | 3,090                      | ( 47,870)           |
| Subtotal                                                               | <u>(\$ 961,391)</u> | <u>\$ 303,099</u>               | <u>\$ 20,532</u>                                  | <u>(\$ 98)</u>          | <u>\$ 4,676</u>            | <u>(\$ 633,182)</u> |
| Total                                                                  | <u>(\$ 471,860)</u> | <u>\$ 466,474</u>               | <u>\$ 33,139</u>                                  | <u>(\$ 98)</u>          | <u>\$ 1,177</u>            | <u>\$ 28,832</u>    |

- D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

| Qualifying items                                          | December 31, 2017     |                                     |             |
|-----------------------------------------------------------|-----------------------|-------------------------------------|-------------|
|                                                           | Unused tax<br>credits | Unrecognised<br>deferred tax assets | Expiry year |
| Investments in emerging<br>important strategic industries | <u>\$ 42,068</u>      | <u>\$ -</u>                         | 2020        |

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2017 |                           |                     |                                     |             |
|-------------------|---------------------------|---------------------|-------------------------------------|-------------|
| Year incurred     | Amount filed/<br>assessed | Unused amount       | Unrecognised<br>deferred tax assets | Expiry year |
| 2017              | \$ 116,177                | \$ 116,177          | \$ -                                | 2027        |
| 2016              | 747,045                   | 747,045             | -                                   | 2026        |
| 2015              | 269,787                   | 269,787             | -                                   | 2025        |
|                   | <u>\$ 1,133,009</u>       | <u>\$ 1,133,009</u> | <u>\$ -</u>                         |             |
| December 31, 2016 |                           |                     |                                     |             |
| Year incurred     | Amount filed              | Unused amount       | Unrecognised<br>deferred tax assets | Expiry year |
| 2016              | \$ 747,045                | \$ 747,045          | \$ -                                | 2026        |
| 2015              | 292,430                   | 292,430             | -                                   | 2025        |
|                   | <u>\$ 1,039,475</u>       | <u>\$ 1,039,475</u> | <u>\$ -</u>                         |             |

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary difference unrecognised as deferred tax liabilities were \$13,018,477 and \$10,868,779, respectively.

G. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

H. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Accumulated deficit on December 31, 2016:

|                                     | December 31, 2016     |
|-------------------------------------|-----------------------|
| Deficit incurred in and before 1997 | <u>(\$ 4,248,211)</u> |

I. As of December 31, 2016, the balance of the imputation tax credit account was \$2,412,471. As of December 31, 2016, the Company has accumulated deficits and has no distributable earnings. As a result, creditable tax rate was not disclosed.

(29) Earnings (loss) per share

| Year ended December 31, 2017                                                                                                                 |                         |                                                                                                |                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------|
|                                                                                                                                              | <u>Amount after tax</u> | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(share in thousands)</u> | <u>Earnings per share<br/>(in dollars)</u> |
| <u>Basic earnings per share</u>                                                                                                              |                         |                                                                                                |                                            |
| Net income attributable to<br>ordinary shareholders of the<br>parent                                                                         | \$ 7,005,171            | 3,549,342                                                                                      | \$ 1.97                                    |
| <u>Diluted earnings per share</u>                                                                                                            |                         |                                                                                                |                                            |
| Net income attributable to<br>ordinary shareholders of the<br>parent                                                                         | 7,005,171               | 3,459,342                                                                                      |                                            |
| Assumed conversion of all<br>dilutive potential ordinary<br>shares                                                                           |                         |                                                                                                |                                            |
| Employees' compensation                                                                                                                      | -                       | 3,375                                                                                          |                                            |
| Net income attributable to<br>ordinary shareholders of the<br>parent plus assumed<br>conversion of all dilutive<br>potential ordinary shares | \$ 7,005,171            | 3,462,717                                                                                      | \$ 1.97                                    |
| Year ended December 31, 2016                                                                                                                 |                         |                                                                                                |                                            |
|                                                                                                                                              | <u>Amount after tax</u> | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(share in thousands)</u> | <u>Loss per share<br/>(in dollars)</u>     |
| <u>Basic loss per share</u>                                                                                                                  |                         |                                                                                                |                                            |
| Net loss attributable to<br>ordinary shareholders of<br>the parent                                                                           | (\$ 6,607,986)          | 3,512,356                                                                                      | (\$ 1.88)                                  |
| <u>Diluted loss per share</u>                                                                                                                |                         |                                                                                                |                                            |
| Net loss attributable to<br>ordinary shareholders of<br>the parent                                                                           | (\$ 6,607,986)          | 3,512,356                                                                                      | (\$ 1.88)                                  |

(30) Transactions with non-controlling interest

## A. Acquisition of additional equity interest in a subsidiary

(a) Subsidiary Peony Investment purchased 34% of outstanding shares of subsidiary EGT for cash of \$22,845 (approx. USD 769) on December 31, 2017. The carrying amount of non-controlling interest in EGT was \$15,311 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$15,311 and a decrease in the equity attributable to owners of the parent by \$7,534.

(b) Subsidiary Peony Investment purchased 45% of outstanding shares of subsidiary EES for cash of \$85,393 (approx. USD 2,875) on December 31, 2017. The carrying amount of non-controlling interest in EES was \$86,620 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$86,620 and an increase in the equity attributable to owners of the parent by \$1,227.

B. The effect of changes in interests in EGT and EES on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

|                                                                                                                                  | Year ended December<br>31, 2017 |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Carrying amount of non-controlling interest acquired                                                                             | \$ 101,931                      |
| Consideration paid to non-controlling interest                                                                                   | ( 108,238)                      |
| Capital surplus                                                                                                                  |                                 |
| - difference between proceeds on actual acquisition of or disposal<br>of equity interest in a subsidiary and its carrying amount | (\$ 6,307)                      |

(31) Business combinations

A. On December 18, 2017, the Company and subsidiary Peony Investment acquired 80% of the shares of EGH for cash of \$6,452,225 and obtained control of the company. The company primarily provides cargo services domestically and internationally and shipping agency services. As a result of the acquisition, the Group is expected to strengthen our foothold in the Greater China market and expand our shipping agency, liner transport, and other related businesses in the region.

B. On December 27, 2017, subsidiary Peony Investment acquired 70% of the shares of EGM for cash of \$280,668. Previously, on November 30, 2017, Peony Investment received 30% of the shares of EGM from its associate Green Peninsula Agencies SDN. BHD. as a dividend payment. Therefore, Peony owns 100% of the shares of EGM after the acquisition and has control of EGM. The company primarily provides cargo and shipping agency services in Malaysia. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

C. The following table summarises the consideration paid and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the

acquisition date:

|                                                                                                                | EGH               | EGM               | Total             |
|----------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Purchase consideration                                                                                         |                   |                   |                   |
| Cash paid                                                                                                      | \$ 6,452,225      | \$ 280,668        | \$ 6,732,893      |
| Fair value of equity interest in EGM held before the business combination                                      | -                 | 120,287           | 120,287           |
| Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets | <u>1,613,445</u>  | <u>-</u>          | <u>1,613,445</u>  |
|                                                                                                                | 8,065,670         | 400,955           | 8,466,625         |
| Fair value of the identifiable assets acquired and liabilities assumed                                         |                   |                   |                   |
| Cash and cash equivalents                                                                                      | 1,251,341         | 375,173           | 1,626,514         |
| Notes receivable                                                                                               | 3,327             | 18,084            | 21,411            |
| Accounts receivable                                                                                            | 1,360,142         | 294,674           | 1,654,816         |
| Prepayments                                                                                                    | 241,686           | 116,245           | 357,931           |
| Other receivables                                                                                              | 28,447            | 9,928             | 38,375            |
| Inventories                                                                                                    | 50,253            | -                 | 50,253            |
| Other current assets                                                                                           | 1,223,859         | 191,345           | 1,415,204         |
| Investments accounted for using equity method                                                                  | 4,195             | -                 | 4,195             |
| Property, plant and equipment, net                                                                             | 5,665,779         | 99,014            | 5,764,793         |
| Investment property, net                                                                                       | 3,119,127         | -                 | 3,119,127         |
| Intangible assets                                                                                              | 75,928            | -                 | 75,928            |
| Other non-current assets                                                                                       | 10,922            | 138,069           | 148,991           |
| Accounts payable                                                                                               | ( 1,655,631)      | ( 351,065)        | ( 2,006,696)      |
| Other payables                                                                                                 | ( 159,458)        | ( 82,512)         | ( 241,970)        |
| Current income tax liabilities                                                                                 | ( 108,094)        | ( 106,923)        | ( 215,017)        |
| Other current liabilities                                                                                      | ( 1,512,444)      | ( 292,605)        | ( 1,805,049)      |
| Long-term loans                                                                                                | ( 534,492)        | -                 | ( 534,492)        |
| Deferred income tax liabilities                                                                                | ( 947,618)        | -                 | ( 947,618)        |
| Other non-current liabilities                                                                                  | ( 50,046)         | ( 4,042)          | ( 54,088)         |
| Total identifiable net assets                                                                                  | <u>8,067,223</u>  | <u>405,385</u>    | <u>8,472,608</u>  |
| Gain from bargain purchase                                                                                     | <u>(\$ 1,553)</u> | <u>(\$ 4,430)</u> | <u>(\$ 5,983)</u> |

- D. The fair value of the acquired identifiable intangible assets was estimated to be \$75,928
- E. The Group originally held 30% of share ownership in EGM before the business combination. Gain on remeasurement of fair value amounted to \$30,253.
- F. The Company and subsidiary Peony Investment consolidated EGH as of December 18, 2017, and EGH contributed operating income and pre-tax loss of \$317,144 and \$28,251 respectively. Had EGH been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of \$2,340,377 and profit before income tax of \$455,118.

G. Subsidiary Peony Investment consolidated EGM as of December 27, 2017, and EGM contributed operating income and pre-tax loss of \$3,531 and \$331, respectively. Had EGM been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of \$341,516 and profit before income tax of \$98,988.

(32) Supplemental cash flow information

Investing activities with partial cash payments

A. Property, plant and equipment

|                                              | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Purchase of property, plant and equipment    | \$ 1,602,423                    | \$ 1,674,832                    |
| Add: Opening balance of payable on equipment | 15,693                          | 10,360                          |
| Less: Ending balance of payable on equipment | ( 58,347)                       | ( 15,693)                       |
| Cash paid during the period                  | <u>\$ 1,559,769</u>             | <u>\$ 1,669,499</u>             |

B. Prepayments for equipment (recorded as other non-current assets)

|                                                              | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------------------------------------------------|---------------------------------|---------------------------------|
| Purchase of prepayments for equipment                        | \$ 5,615,770                    | \$ 2,771,129                    |
| Add: Opening balance of payable on prepayments for equipment | 124,787                         | 5,767                           |
| Less: Ending balance of payable on prepayments for equipment | ( 4,638)                        | ( 124,787)                      |
| Capitalisation of qualifying assets                          | ( 107,084)                      | ( 55,774)                       |
| Cash paid during the period                                  | <u>\$ 5,628,835</u>             | <u>\$ 2,596,335</u>             |

C. Intangible assets

|                                                      | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------------|---------------------------------|---------------------------------|
| Purchase of intangible assets                        | \$ 7,397                        | \$ 124,775                      |
| Add: Opening balance of payable on intangible assets | 48,347                          | -                               |
| Less: Ending balance of payable on intangible assets | -                               | ( 48,347)                       |
| Cash paid during the period                          | <u>\$ 55,744</u>                | <u>\$ 76,428</u>                |

D. The balances of the assets and liabilities of consolidated subsidiaries for the current period are as follows:

|                                                  | Year ended December<br>31, 2017 |
|--------------------------------------------------|---------------------------------|
| Cash and cash equivalents                        | \$ 1,626,514                    |
| Notes receivable                                 | 21,411                          |
| Accounts receivable                              | 1,654,816                       |
| Prepayments                                      | 357,931                         |
| Other receivable                                 | 38,375                          |
| Inventories                                      | 50,253                          |
| Other current assets                             | 1,415,204                       |
| Investments accounted for using<br>equity method | 4,195                           |
| Property, plant and equipment, net               | 5,764,793                       |
| Investment property, net                         | 3,119,127                       |
| Intangible assets                                | 75,928                          |
| Deferred income tax assets                       | 142,849                         |
| Other non-current assets                         | 6,142                           |
| Accounts payable                                 | ( 2,006,696)                    |
| Other payables                                   | ( 241,970)                      |
| Current income tax liabilities                   | ( 215,017)                      |
| Other current liabilities                        | ( 1,805,049)                    |
| Long-term loans                                  | ( 534,492)                      |
| Deferred income tax liabilities                  | ( 947,618)                      |
| Other non-current liabilities                    | ( 54,088)                       |
| Gain from bargain purchase                       | ( 5,983)                        |
|                                                  | <u>\$ 8,466,625</u>             |
| <br>Cash paid for the acquisition                | <br>\$ 6,732,893                |
| Cash and cash equivalents                        | ( 1,626,514)                    |
| Net cash paid for the acquisition                | <u>\$ 5,106,379</u>             |

E. Change in non-controlling interest

|                                                      | Year ended December<br>31, 2017 |
|------------------------------------------------------|---------------------------------|
| Change in transactions with non-controlling interest | \$ 108,238                      |
| Add: Opening balance of payable on investments       | -                               |
| Less: Ending balance of payable on investments       | ( 22,845)                       |
| Cash paid during the period                          | <u>\$ 85,393</u>                |

## 7. RELATED PARTY TRANSACTIONS

### (1) Name of related parties and their relationship with the Group

| <u>Name of related parties</u>                                | <u>Relationship with the Group</u>                                   |
|---------------------------------------------------------------|----------------------------------------------------------------------|
| Evergreen International Storage and Transport Corp.           | Associate                                                            |
| Eva Airways Corp.                                             | Associate                                                            |
| Evergreen Security Corp.                                      | Associate                                                            |
| Charng Yang Development Co., Ltd.                             | Associate                                                            |
| Taipei Port Container Terminal Corp.                          | Associate                                                            |
| Ningbo Victory Container Co. Ltd.                             | Associate                                                            |
| Qingdao Evergreen Container Storage & Transportation Co. Ltd. | Associate                                                            |
| Evergreen Marine (Latin America) S.A.                         | Associate                                                            |
| Green Peninsula Agencies SDN.BHD                              | Associate                                                            |
| Luanta Investment (Netherlands) N.V.                          | Associate                                                            |
| Taranto Container Terminal S.p.A.                             | Associate                                                            |
| Balsam Investment (Netherlands) N.V.                          | Associate                                                            |
| Italia Marittima S.p.A.                                       | Associate                                                            |
| Colon Container Terminal S.A.                                 | Associate                                                            |
| PT. Evergreen Shipping Agency Indonesia                       | Associate                                                            |
| Evergreen Shipping Agency (Vietnam) Corp.                     | Associate                                                            |
| Evergreen Shipping Agency Co. (U.A.E) LLC                     | Associate                                                            |
| Evergreen International Corp.                                 | Other related party                                                  |
| Evergreen Airline Service Corp.                               | Other related party                                                  |
| Chang Yung-Fa Charity Foundation                              | Other related party                                                  |
| Chang Yung-Fa Foundation                                      | Other related party                                                  |
| Eever Accord Construction Corporation                         | Other related party                                                  |
| Evergreen International S.A.                                  | Other related party                                                  |
| Evergreen Marine (Singapore) Pte. Ltd.                        | Other related party                                                  |
| Gaining Enterprise S.A.                                       | Other related party                                                  |
| Eevergreen Insurance Company Limited                          | Other related party                                                  |
| Evergreen Shipping Agency (America) Corporation               | Other related party                                                  |
| Evergreen Shipping Agency (Japan) Corporation                 | Other related party                                                  |
| Evergreen Shipping Agency (Philippines) Corporation           | Other related party                                                  |
| Evergreen Marine (Hong Kong) Ltd.                             | Other related party<br>(As of subsidiary since<br>December 18, 2017) |

(2) Significant related party transactions and balances

## A. Operating revenue:

|                       | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-----------------------|---------------------------------|---------------------------------|
| Sales of services:    |                                 |                                 |
| Associates            | \$ 3,191,386                    | \$ 3,655,458                    |
| Other related parties | 10,692,025                      | 12,117,953                      |
|                       | <u>\$ 13,883,411</u>            | <u>\$ 15,773,411</u>            |

The business terms on which the Group transacts with related parties are of no difference from those with non-related parties.

## B. Purchases:

|                        | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------|---------------------------------|---------------------------------|
| Purchases of services: |                                 |                                 |
| Associates             | \$ 3,717,601                    | \$ 3,126,670                    |
| Other related parties  | 7,698,504                       | 5,880,186                       |
|                        | <u>\$ 11,416,105</u>            | <u>\$ 9,006,856</u>             |

Goods and services are purchased from associates and other related parties on normal commercial terms and conditions.

## C. Receivables from related parties :

|                       | December 31, 2017   | December 31, 2016   |
|-----------------------|---------------------|---------------------|
| Accounts receivable:  |                     |                     |
| Associates            | \$ 162,609          | \$ 183,493          |
| Other related parties | 631,012             | 739,181             |
| Subtotal              | <u>\$ 793,621</u>   | <u>\$ 922,674</u>   |
| Other receivables:    |                     |                     |
| Associates            |                     |                     |
| -Other                | \$ 3,038            | \$ 2,527            |
| Other related parties |                     |                     |
| -EIC                  | 162,433             | 181,900             |
| -Other                | 48,789              | 22,829              |
| Subtotal              | <u>\$ 214,260</u>   | <u>\$ 207,256</u>   |
| Total                 | <u>\$ 1,007,881</u> | <u>\$ 1,129,930</u> |

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions against receivables from related parties.

## D. Payables to related parties:

|                       | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------|--------------------------|--------------------------|
| Accounts payable:     |                          |                          |
| Associates            | \$ 57,279                | \$ 116,075               |
| Other related parties | <u>146,589</u>           | <u>175,702</u>           |
| Subtotal              | <u>\$ 203,868</u>        | <u>\$ 291,777</u>        |
| Other payables:       |                          |                          |
| Associates            | \$ 11,752                | \$ 5,992                 |
| Other related parties | <u>113,616</u>           | <u>72,921</u>            |
| Subtotal              | <u>\$ 125,368</u>        | <u>\$ 78,913</u>         |
| Total                 | <u><u>\$ 329,236</u></u> | <u><u>\$ 370,690</u></u> |

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

## E. Property transactions:

## (a) Acquisition of property, plant and equipment:

|                       | <u>Year ended December<br/>31, 2017</u> | <u>Year ended December<br/>31, 2016</u> |
|-----------------------|-----------------------------------------|-----------------------------------------|
| Associates            | \$ 4,350                                | \$ 10,620                               |
| Other related parties | <u>4,199</u>                            | <u>54,979</u>                           |
|                       | <u><u>\$ 8,549</u></u>                  | <u><u>\$ 65,599</u></u>                 |

## (b) Disposal of property, plant and equipment:

|                       | <u>Year ended December<br/>31, 2017</u> | <u>Year ended December<br/>31, 2016</u> |              |                |
|-----------------------|-----------------------------------------|-----------------------------------------|--------------|----------------|
|                       | Disposal                                | Gain (loss) on                          | Disposal     | Gain (loss) on |
|                       | proceeds                                | disposal                                | proceeds     | disposal       |
| Other related parties | <u>\$ 4,890</u>                         | <u>\$ 746</u>                           | <u>\$ 94</u> | <u>\$ 6</u>    |

## F. Agency accounts:

|                                    | <u>December 31, 2017</u>     | <u>December 31, 2016</u>   |
|------------------------------------|------------------------------|----------------------------|
| Debit balance of agency accounts:  |                              |                            |
| Associates                         | <u>\$ -</u>                  | <u>\$ 21,542</u>           |
|                                    | <u>December 31, 2017</u>     | <u>December 31, 2016</u>   |
| Credit balance of agency accounts: |                              |                            |
| Associates                         | (\$ 196,045)                 | (\$ 33,835)                |
| Other related parties              |                              |                            |
| -EIC                               | ( 515,617)                   | ( 645,696)                 |
| -Other                             | <u>( 1,258,818)</u>          | <u>-</u>                   |
|                                    | <u><u>(\$ 1,970,480)</u></u> | <u><u>(\$ 679,531)</u></u> |

## G. Shipowner's accounts:

|                                         | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------------------|--------------------------|--------------------------|
| Debit balance of shipowner's accounts:  |                          |                          |
| Other related parties                   |                          |                          |
| -EIS                                    | \$ 696,616               | \$ -                     |
| -GESA                                   | 25,028                   | 24,154                   |
|                                         | <u>\$ 721,644</u>        | <u>\$ 24,154</u>         |
|                                         | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
| Credit balance of shipowner's accounts: |                          |                          |
| Associates                              |                          |                          |
| -ITS                                    | (\$ 889,198)             | (\$ 310,278)             |
| Other related parties                   |                          |                          |
| -EMS                                    | ( 525,647)               | ( 496,707)               |
| -EGH                                    | -                        | ( 919,072)               |
| -EIS                                    | -                        | ( 865,317)               |
|                                         | <u>(\$ 1,414,845)</u>    | <u>(\$ 2,591,374)</u>    |

## H. Loans to/from related parties:

## (a) Loans to related parties:

## i. Outstanding balance:

|            | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|------------|--------------------------|--------------------------|
| Associates | <u>\$ 272,467</u>        | <u>\$ 79,811</u>         |

## ii. Interest income

|            | <u>Year ended December<br/>31, 2017</u> | <u>Year ended December<br/>31, 2016</u> |
|------------|-----------------------------------------|-----------------------------------------|
| Associates | <u>\$ 2,876</u>                         | <u>\$ 2,964</u>                         |

The loans to associates carry interest at floating rates for the years ended December 31, 2017 and 2016.

## (b) Loans from related parties:

## i. Outstanding balance:

|                       | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------|--------------------------|--------------------------|
| Associates            | \$ -                     | \$ 48,472                |
| Other related parties | 877,363                  | 14,789                   |
|                       | <u>\$ 877,363</u>        | <u>\$ 63,261</u>         |

## ii. Interest expense:

|                       | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-----------------------|---------------------------------|---------------------------------|
| Associates            | \$ 765                          | \$ 917                          |
| Other related parties | 15,401                          | -                               |
|                       | <u>\$ 16,166</u>                | <u>\$ 917</u>                   |

The loans from associates carry interest at floating rates for the years ended December 31, 2017 and 2016.

## I. Endorsements and guarantees provided to related parties:

|            | December 31, 2017   | December 31, 2016   |
|------------|---------------------|---------------------|
| Associates | <u>\$ 3,035,391</u> | <u>\$ 2,689,558</u> |

(3) Key management compensation

|                                                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|----------------------------------------------------|---------------------------------|---------------------------------|
| Salaries and other short-term<br>employee benefits | \$ 207,058                      | \$ 166,850                      |
| Post-employment benefits                           | 3,909                           | 5,073                           |
|                                                    | <u>\$ 210,967</u>               | <u>\$ 171,923</u>               |

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

| Pledged assets                           | Book value           |                      | Purpose               |
|------------------------------------------|----------------------|----------------------|-----------------------|
|                                          | December 31, 2017    | December 31, 2016    |                       |
| Other financial assets                   |                      |                      | Performance guarantee |
| - Pledged time deposits                  | \$ 324,508           | \$ 183,200           |                       |
| Refundable deposits                      |                      |                      |                       |
| - Pledged time deposits                  | 2,000                | 2,000                | "                     |
| Property, plant and equipment            |                      |                      |                       |
| -Land                                    | 514,312              | 514,312              | Long-term loan        |
| -Buildings                               | 2,081,017            | 195,726              | "                     |
| -Loading and unloading equipment         | 1,968,231            | 2,977,745            | "                     |
| -Ships                                   | 56,643,395           | 60,825,653           | "                     |
| -Transportation equipment                | 603,463              | 801,241              | "                     |
| -Computer and<br>communication equipment | 659,279              | 740,223              | "                     |
| Investment property                      |                      |                      |                       |
| -Land                                    | 1,285,781            | 1,285,781            | Long-term loan        |
| -Buildings                               | 3,523,332            | 489,315              | "                     |
|                                          | <u>\$ 67,605,318</u> | <u>\$ 68,015,196</u> |                       |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACTCOMMITMENTS(4) Contingencies

None.

(5) Commitments

A. As of December 31, 2017, the Company had delegated Crédit Agricole Corporate and Investment Bank to issue Standby Letter of Credit amounting to USD 5,000 thousand.

B. A former stockholder of the Company sold some of its shares through issuance of global depository receipts (GDRs). The issuance of GDRs was approved by the SEC on June 19, 1996 as per Letter (85) Tai-Cai-Zheng (1) No. 35410. On August 2, 1996, the GDRs were approved by the UK governing authority to be listed on the London Stock Exchange and were issued in Asia, Europe and the US. The total amount of the issuance of GDRs was USD 115,000 thousand. The initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at \$50.50 (in dollars) per share, and the number of supplementary units issued was 817,438. In total, the number of units issued was 6,267,030, representing 62,670,300 shares of the Company's common stock at \$50.50 (in dollars) per share, and the GDRs issued amounted to USD 115,000 thousand. Another 2,089,061 units, representing 20,890,685 shares of the Company's common stock, were issued during the period from 1997 to December 31, 2017. As of December 31, 2017, 7,994,656 units were redeemed and 361,435 units were outstanding, representing 3,614,425 shares of the Company's common stock.

C. As of December 31, 2017, the long-term and medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Group's purchase of new ships and general working capital requirement amounted to \$95,626,923 and the unutilized credits was \$14,958,521.

## D. Operating lease

The estimated amount of charter expense in the following years under long-term contracts is set forth as follows:

|               | <u>December 31, 2017</u> |                  |
|---------------|--------------------------|------------------|
| Within 1 year | USD                      | 384,917          |
| 1~5 years     |                          | 1,364,964        |
| Over 5 years  |                          | 432,063          |
|               | <u>USD</u>               | <u>2,181,944</u> |

E. As of December 31, 2017, the amount of guaranteed notes issued by the Company for loans borrowed was \$74,174,616.

F. To meet its operational needs, the Company signed the shipbuilding contracts with Taiwan Shipbuilding Co., Ltd. and Imabari Shipbuilding Co., Ltd. As of December 31, 2017, the total price of the contracts, wherein the vessels have not yet been delivered, amounted to USD 648,900 thousand, USD 461,802 thousand of which remain unpaid.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$88,349 and \$129,570, respectively, which will be adjusted in the first quarter of 2018.
- B. For details of appropriation of earnings as proposed by the Board of Directors on March 23, 2018, please refer to Note 6(19).
- C. On February 8, 2018, the consolidated Company signed a shipbuilding contract with Samsung Heavy Industries Co., Ltd., which is valued at USD 755,040 for operational purposes. At the time of the issuance of these financial statements, no payments have been made yet.
- D. For operational purposes, the Board of Directors resolved on March 23, 2018 to purchase shipping equipment (including dry containers, reefer containers and freezing equipment) from China International Marine Containers (Group) Co., Ltd. and Carrier Transicold Pte. Ltd. for USD 144,148 and USD 18,900, respectively.
- E. In response to international regulations on sulfur content in shipping fuel, the Board of Directors resolved on March 23, 2018 to purchase sulfur emission abatement equipment from Wartsila Finland Oy and Alfa Laval Nijmegen B.V. for USD 54,500 and EUR 19,362, respectively.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares to maintain an optimal capital.

### (2) Financial instruments

#### A. Fair value information of financial instruments

- (a) Except for those listed in the table below, the book value of cash and cash equivalents and financial instruments measured at amortised cost (including notes receivable, accounts receivable, other receivables, other financial assets, refundable deposits, guarantee deposits received, held-to-maturity financial assets, short-term borrowings, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

|                                             | December 31, 2017    |                       |
|---------------------------------------------|----------------------|-----------------------|
|                                             | Book value           | Fair value            |
|                                             |                      | Level 3               |
| Financial liabilities:                      |                      |                       |
| Bonds payable                               | \$ 8,000,000         | \$ 8,177,927          |
| Long-term loans (including current portion) | 81,487,631           | 85,935,082            |
|                                             | <u>\$ 89,487,631</u> | <u>\$ 94,113,009</u>  |
|                                             |                      |                       |
|                                             | December 31, 2016    |                       |
|                                             | Book value           | Fair value            |
|                                             |                      | Level 3               |
| Financial liabilities:                      |                      |                       |
| Bonds payable (including current portion)   | \$ 3,000,000         | \$ 3,029,085          |
| Long-term loans (including current portion) | 92,638,646           | 97,079,974            |
|                                             | <u>\$ 95,638,646</u> | <u>\$ 100,109,059</u> |

(b) The methods and assumptions of fair value measurement are as follows:

i. Bonds payable:

With regards to corporate bonds issued by the Company, the coupon rate is approximate to the current market rate. This is due to the discounted value of the expected cash flows to estimate the fair value is equivalent with the carrying amount.

ii. Long-term loans:

The Group estimates the fair value using the discounted value of the expected cash flows.

#### B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by the Group's Finance Department under policies approved by the Board of Directors. The Group's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's Operating Department. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

## (a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and GBP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.
- ii. The Group's management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group's Finance Department. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group's Finance Department. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a foreign currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, GBP, EUR and others). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2017                       |                               |               |               |
|-----------------------------------------|-------------------------------|---------------|---------------|
|                                         | Foreign<br>currency<br>amount |               | Book value    |
|                                         | (In Thousands)                | Exchange rate | (NTD)         |
| (Foreign currency: functional currency) |                               |               |               |
| <u>Financial assets</u>                 |                               |               |               |
| <u>Monetary items</u>                   |                               |               |               |
| USD:NTD                                 | 946,352                       | 29.7005       | \$ 28,107,128 |
| EUR:USD                                 | 9,375                         | 1.1993        | 333,936       |
| <u>Financial liabilities</u>            |                               |               |               |
| <u>Monetary items</u>                   |                               |               |               |
| USD:NTD                                 | 830,955                       | 29.7005       | \$ 24,679,779 |
| HKD:USD                                 | 93,861                        | 0.1279        | 356,549       |
| RMB:USD                                 | 143,195                       | 0.1532        | 651,554       |

| December 31, 2016                       |                               |               |               |
|-----------------------------------------|-------------------------------|---------------|---------------|
|                                         | Foreign<br>currency<br>amount |               | Book value    |
|                                         | (In Thousands)                | Exchange rate | (NTD)         |
| (Foreign currency: functional currency) |                               |               |               |
| <u>Financial assets</u>                 |                               |               |               |
| <u>Monetary items</u>                   |                               |               |               |
| USD:NTD                                 | 763,170                       | 32.2315       | \$ 24,598,114 |
| GBP:USD                                 | 13,863                        | 1.2294        | 549,327       |
| <u>Financial liabilities</u>            |                               |               |               |
| <u>Monetary items</u>                   |                               |               |               |
| USD:NTD                                 | 620,961                       | 32.2315       | \$ 20,014,504 |
| GBP:USD                                 | 43,874                        | 1.2294        | 1,738,525     |

iv. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to \$51,516 and \$657,945, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| Year ended December 31, 2017            |                        |                             |                                            |
|-----------------------------------------|------------------------|-----------------------------|--------------------------------------------|
| Sensitivity analysis                    |                        |                             |                                            |
|                                         | Degree of<br>variation | Effect on<br>profit or loss | Effect on other<br>comprehensive<br>income |
| (Foreign currency: functional currency) |                        |                             |                                            |
| <u>Financial assets</u>                 |                        |                             |                                            |
| <u>Monetary items</u>                   |                        |                             |                                            |
| USD:NTD                                 | 1%                     | \$ 281,071                  | \$ -                                       |
| EUR:USD                                 | 1%                     | 3,339                       | -                                          |
| <u>Financial liabilities</u>            |                        |                             |                                            |
| <u>Monetary items</u>                   |                        |                             |                                            |
| USD:NTD                                 | 1%                     | \$ 246,798                  | \$ -                                       |
| HKD:USD                                 | 1%                     | 3,565                       | -                                          |
| RMB:USD                                 | 1%                     | 6,516                       | -                                          |

|                                         | Year ended December 31, 2016 |                          |                                      |
|-----------------------------------------|------------------------------|--------------------------|--------------------------------------|
|                                         | Sensitivity analysis         |                          |                                      |
|                                         | Degree of variation          | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) |                              |                          |                                      |
| <u>Financial assets</u>                 |                              |                          |                                      |
| <u>Monetary items</u>                   |                              |                          |                                      |
| USD:NTD                                 | 1%                           | \$ 245,981               | \$ -                                 |
| GBP:USD                                 | 1%                           | 5,493                    | -                                    |
| <u>Financial liabilities</u>            |                              |                          |                                      |
| <u>Monetary items</u>                   |                              |                          |                                      |
| USD:NTD                                 | 1%                           | \$ 200,145               | \$ -                                 |
| GBP:USD                                 | 1%                           | 17,385                   | -                                    |

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity would have increased/decreased by \$22,364 and \$26,514 for the years ended December 31, 2017 and 2016, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD, USD and GBP.
- ii. At December 31, 2017 and 2016, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been \$702,141 and \$795,571 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with high reputation are accepted.
- ii. For the years ended December 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. For credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6(5).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group's Finance Department. Group's Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Non-derivative financial liabilities:

| December 31, 2017                            | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total         |
|----------------------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|--------------|---------------|
| Accounts payable                             | \$ 15,358,566      | \$ 71                       | \$ 14                 | \$ -                  | \$ -         | \$ 15,358,651 |
| Accounts payable - related parties           | 188,582            | 15,286                      | -                     | -                     | -            | 203,868       |
| Other payables                               | 2,683,132          | 426,465                     | -                     | -                     | 1,558        | 3,111,155     |
| Other payables - related parties             | 138,764            | 863,967                     | -                     | -                     | -            | 1,002,731     |
| Bonds payable                                | -                  | 84,000                      | 84,000                | 8,210,000             | -            | 8,378,000     |
| Long-term loans (including current portion)  | 3,611,101          | 14,125,522                  | 19,548,867            | 32,884,400            | 16,685,608   | 86,855,498    |
| Long-term leases (including current portion) | 505,416            | 844,283                     | 1,672,398             | 8,359,595             | 349,204      | 11,730,896    |

Non-derivative financial liabilities:

| December 31, 2016                            | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total         |
|----------------------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|--------------|---------------|
| Accounts payable                             | \$ 12,609,645      | \$ 6,221                    | \$ 19                 | \$ -                  | \$ -         | \$ 12,615,885 |
| Accounts payable - related parties           | 291,777            | -                           | -                     | -                     | -            | 291,777       |
| Other payables                               | 1,465,884          | 367,305                     | 3,435                 | -                     | 1,663        | 1,838,287     |
| Other payables - related parties             | 78,913             | 63,261                      | -                     | -                     | -            | 142,174       |
| Bonds payable (including current portion)    | -                  | 3,038,400                   | -                     | -                     | -            | 3,038,400     |
| Long-term loans (including current portion)  | 4,605,509          | 12,025,996                  | 19,856,241            | 39,796,394            | 22,434,912   | 98,719,052    |
| Long-term leases (including current portion) | 542,235            | 988,453                     | 1,464,716             | 3,898,557             | 7,367,299    | 14,261,260    |

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A.Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

B.The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded

in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks, beneficiary certificates and derivative instruments with quoted market prices is included in Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

| December 31, 2017                        | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>      | <u>Total</u>        |
|------------------------------------------|---------------------|----------------|---------------------|---------------------|
| <b>Assets:</b>                           |                     |                |                     |                     |
| <u>Recurring fair value measurements</u> |                     |                |                     |                     |
| Available-for-sale financial assets      |                     |                |                     |                     |
| Equity securities                        | <u>\$ 1,144,974</u> | <u>\$ -</u>    | <u>\$ 1,137,645</u> | <u>\$ 2,282,619</u> |
| December 31, 2016                        | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>      | <u>Total</u>        |
| <b>Assets:</b>                           |                     |                |                     |                     |
| <u>Recurring fair value measurements</u> |                     |                |                     |                     |
| Available-for-sale financial assets      |                     |                |                     |                     |
| Equity securities                        | <u>\$ 1,638,024</u> | <u>\$ -</u>    | <u>\$ 1,056,802</u> | <u>\$ 2,694,826</u> |

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

|                     |                      |
|---------------------|----------------------|
|                     | <u>Listed shares</u> |
| Market quoted price | Closing price        |

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- (c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

|                                                                          | 2017                | 2016                |
|--------------------------------------------------------------------------|---------------------|---------------------|
| At January 1                                                             | \$ 1,056,802        | \$ 1,344,962        |
| Gains and losses recognised<br>in other comprehensive<br>income (Note 1) | 80,843              | ( 288,160)          |
| At December 31                                                           | <u>\$ 1,137,645</u> | <u>\$ 1,056,802</u> |

Note 1: Recorded as unrealised valuation gain or loss of available-for-sale financial assets.

G. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

H. The Group is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

|                                                          | Fair value at<br>December<br>31, 2017 | Valuation<br>technique      | Significant<br>unobservable<br>input | Range<br>(weighted<br>average) | Relationship of inputs<br>to fair value                                                                    |
|----------------------------------------------------------|---------------------------------------|-----------------------------|--------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------|
| Non-derivative equity instrument:                        |                                       |                             |                                      |                                |                                                                                                            |
| Unlisted shares                                          | \$ 1,129,949                          | Market comparable companies | Price to earnings ratio multiple     | 15.33~31.89                    | The higher the multiple and control premium, the higher the fair value                                     |
|                                                          |                                       |                             | Price to book ratio multiple         | 0.48~1.71                      | The higher the multiple and control premium, the higher the fair value                                     |
|                                                          |                                       |                             | Discount for lack of marketability   | 20%                            | The higher the weighted average cost of capital and discount for lack of control, the lower the fair value |
| Venture capital shares<br>Private equity fund investment | 7,696                                 | Net asset value             | Net asset value                      |                                | The higher the net asset value, the higher the fair value                                                  |
|                                                          | Fair value at<br>December<br>31, 2016 | Valuation<br>technique      | Significant<br>unobservable<br>input | Range<br>(weighted<br>average) | Relationship of inputs to<br>fair value                                                                    |
| Non-derivative equity instrument:                        |                                       |                             |                                      |                                |                                                                                                            |
| Unlisted shares                                          | \$ 1,049,106                          | Market comparable companies | Price to earnings ratio multiple     | 9.32~32.31                     | The higher the multiple and control premium, the higher the fair value                                     |
|                                                          |                                       |                             | Price to book ratio multiple         | 0.42~2.97                      | The higher the multiple and control premium, the higher the fair value                                     |
|                                                          |                                       |                             | Discount for lack of marketability   | 20%                            | The higher the weighted average cost of capital and discount for lack of control, the lower the fair value |
| Venture capital shares<br>Private equity fund investment | 7,696                                 | Net asset value             | Net asset value                      |                                | The higher the net asset value, the higher the fair value                                                  |

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

|                   |                                                                                  | December 31, 2017 |    |                              |                     |                                          |                     |
|-------------------|----------------------------------------------------------------------------------|-------------------|----|------------------------------|---------------------|------------------------------------------|---------------------|
|                   |                                                                                  |                   |    | Recognised in profit or loss |                     | Recognised in other comprehensive income |                     |
|                   |                                                                                  |                   |    | Favourable change            | Unfavourable change | Favourable change                        | Unfavourable change |
|                   | Input                                                                            | Change            |    |                              |                     |                                          |                     |
| Financial assets  |                                                                                  |                   |    |                              |                     |                                          |                     |
| Equity instrument | Price to earnings ratio/ price to book ratio/ discount for lack of marketability | ±1%               | \$ | -                            | \$                  | -                                        | \$ 11,299 \$ 11,299 |
|                   | Net asset value                                                                  | ±1%               |    | -                            | -                   | 77                                       | 77                  |
|                   |                                                                                  |                   | \$ | -                            | \$                  | -                                        | \$ 11,376 \$ 11,376 |
|                   |                                                                                  | December 31, 2016 |    |                              |                     |                                          |                     |
|                   |                                                                                  |                   |    | Recognised in profit or loss |                     | Recognised in other comprehensive income |                     |
|                   |                                                                                  |                   |    | Favourable change            | Unfavourable change | Favourable change                        | Unfavourable change |
|                   | Input                                                                            | Change            |    |                              |                     |                                          |                     |
| Financial assets  |                                                                                  |                   |    |                              |                     |                                          |                     |
| Equity instrument | Price to earnings ratio/ price to book ratio/ discount for lack of marketability | ±1%               | \$ | -                            | \$                  | -                                        | \$ 10,491 \$ 10,491 |
|                   | Net asset value                                                                  | ±1%               |    | -                            | -                   | 77                                       | 77                  |
|                   |                                                                                  |                   | \$ | -                            | \$                  | -                                        | \$ 10,568 \$ 10,568 |

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A.Loans to others: Please refer to table 1.
- B.Provision of endorsements and guarantees to others: Please refer to table 2.
- C.Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D.Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G.Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H.Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees (not including investees in Mainland China)

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

### 14. SEGMENT INFORMATION

#### (1) General information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

#### (2) Measure of segment information

The Group assesses the performance of the operating segments based on the profits and losses of segments.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

|                                                                                                    | Year ended December 31, 2017 |                      |                                |                       |
|----------------------------------------------------------------------------------------------------|------------------------------|----------------------|--------------------------------|-----------------------|
|                                                                                                    | Transportation<br>Department | Other<br>Departments | Adjustments and<br>written-off | Total                 |
| Revenue from<br>external customers                                                                 | \$ 148,746,685               | \$ 1,836,007         | \$ -                           | \$ 150,582,692        |
| Revenue from<br>internal customers                                                                 | 17,503,128                   | -                    | ( 17,503,128)                  | -                     |
| Segment revenue                                                                                    | 166,249,813                  | 1,836,007            | ( 17,503,128)                  | 150,582,692           |
| Interest income                                                                                    | 417,798                      | 19,156               | -                              | 436,954               |
| Interest expense                                                                                   | ( 1,336,931)                 | ( 43,785)            | -                              | ( 1,380,716)          |
| Depreciation<br>and amortisation                                                                   | ( 7,410,359)                 | ( 319,715)           | -                              | ( 7,730,074)          |
| Share of income (loss) of<br>associates and joint<br>ventures accounted for<br>using equity method | 1,401,092                    | 1,082,503            | -                              | 2,483,595             |
| Other items                                                                                        | ( 135,361,899)               | ( 1,583,003)         | -                              | ( 136,944,902)        |
| Segment profit (loss)                                                                              | <u>\$ 23,959,514</u>         | <u>\$ 991,163</u>    | <u>(\$ 17,503,128)</u>         | <u>\$ 7,447,549</u>   |
| Recognizable assets                                                                                | \$ 168,476,948               | \$ 4,819,923         | \$ -                           | \$ 173,296,871        |
| Investments accounted for<br>using equity method                                                   | 19,745,077                   | 7,037,949            | -                              | 26,783,026            |
| Segment assets                                                                                     | <u>\$ 188,222,025</u>        | <u>\$ 11,857,872</u> | <u>\$ -</u>                    | <u>\$ 200,079,897</u> |
| Segment liabilities                                                                                | <u>\$ 131,942,538</u>        | <u>\$ 1,448,569</u>  | <u>\$ -</u>                    | <u>\$ 133,391,107</u> |

| Year ended December 31, 2016                                                                       |                              |                                        |                      |                                |                       |
|----------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|----------------------|--------------------------------|-----------------------|
|                                                                                                    | Transportation<br>Department | Investing and<br>holding<br>Department | Other<br>Departments | Adjustments and<br>written-off | Total                 |
| Revenue from<br>external customers                                                                 | \$122,900,865                | \$ 275,595                             | \$ 1,291,148         | \$ -                           | \$ 124,467,608        |
| Revenue from<br>internal customers                                                                 | <u>16,132,037</u>            | <u>-</u>                               | <u>-</u>             | <u>( 16,132,037)</u>           | <u>-</u>              |
| Segment revenue                                                                                    | 139,032,902                  | 275,595                                | 1,291,148            | ( 16,132,037)                  | 124,467,608           |
| Interest income                                                                                    | 269,889                      | 5,071                                  | 2,789                | -                              | 277,749               |
| Interest expense                                                                                   | ( 1,194,704)                 | ( 51,238)                              | ( 10)                | -                              | ( 1,245,952)          |
| Depreciation<br>and amortisation                                                                   | ( 7,787,317)                 | ( 325,103)                             | ( 24,211)            | -                              | ( 8,136,631)          |
| Share of income (loss) of<br>associates and joint<br>ventures accounted for<br>using equity method | 968,689                      | ( 1,956,351)                           | -                    | -                              | ( 987,662)            |
| Other items                                                                                        | ( 121,831,922)               | ( 103,886)                             | ( 1,248,287)         | -                              | ( 123,184,095)        |
| Segment profit (loss)                                                                              | <u>\$ 9,457,537</u>          | <u>(\$ 2,155,912)</u>                  | <u>\$ 21,429</u>     | <u>(\$ 16,132,037)</u>         | <u>(\$ 8,808,983)</u> |
| Recognizable assets                                                                                | \$159,419,897                | \$ 3,004,703                           | \$ 1,550,111         | \$ -                           | \$ 163,974,711        |
| Investments accounted for<br>using equity method                                                   | <u>18,994,978</u>            | <u>6,784,075</u>                       | <u>-</u>             | <u>-</u>                       | <u>25,779,053</u>     |
| Segment assets                                                                                     | <u>\$178,414,875</u>         | <u>\$ 9,788,778</u>                    | <u>\$ 1,550,111</u>  | <u>\$ -</u>                    | <u>\$ 189,753,764</u> |
| Segment liabilities                                                                                | <u>\$134,304,831</u>         | <u>\$ 1,521,363</u>                    | <u>\$ 289,069</u>    | <u>\$ -</u>                    | <u>\$ 136,115,263</u> |

(4) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. The amounts provided to the Chief Operating Decision-Maker with respect to total assets are measured in a manner consistent with that in the balance sheet.
- C. The amounts provided to the Chief Operating Decision-Maker with respect to total liabilities are measured in a manner consistent with that in the balance sheet.
- D. The amounts provided to the Chief Operating Decision-Maker with respect to segment profit (loss) are measured in a manner consistent with the income (loss) before tax from continuing operations.

(5) Trading information

| Service routes | Year ended December 31, 2017 |                         | Year ended December 31, 2016 |                         |
|----------------|------------------------------|-------------------------|------------------------------|-------------------------|
|                | Amount                       | % of Account<br>Balance | Amount                       | % of Account<br>Balance |
| North America  | \$ 52,789,741                | 39                      | \$ 47,309,728                | 43                      |
| Europe         | 37,900,327                   | 28                      | 22,004,525                   | 20                      |
| Asia           | 29,778,828                   | 22                      | 25,305,203                   | 23                      |
| Others         | 14,889,414                   | 11                      | 15,403,167                   | 14                      |
|                | <u>\$ 135,358,310</u>        | <u>100</u>              | <u>\$ 110,022,623</u>        | <u>100</u>              |

(6) Geographical information

| Service routes | Year ended December 31, 2017 |                       | Year ended December 31, 2016 |                       |
|----------------|------------------------------|-----------------------|------------------------------|-----------------------|
|                | Revenue                      | Non-current<br>assets | Revenue                      | Non-current<br>assets |
| Taiwan         | \$ 26,534,097                | 32,260,172            | \$ 19,814,103                | 30,637,333            |
| America        | 66,722,280                   | 28,478,053            | 57,465,469                   | 30,781,100            |
| Europe         | 53,904,721                   | 38,404,276            | 44,776,521                   | 43,895,208            |
| Asia           | 2,890,167                    | 10,104,135            | 2,074,550                    | 1,273,640             |
| Others         | 531,427                      | 8,122                 | 336,965                      | 3,583                 |
|                | <u>\$ 150,582,692</u>        | <u>\$ 109,254,758</u> | <u>\$ 124,467,608</u>        | <u>\$ 106,590,864</u> |

(7) Major customer information

The Group provides services to customers all over the world. No single customer of the Group accounts for more than 10% of the Group's operating revenues.

Evergreen Marine Corporation (Taiwan) Ltd.  
Loans to others  
For the year ended December 31, 2017

Expressed in thousands of NT\$

Table 1

| Number<br>(Note 1) | Creditor                 | Borrower                               | General ledger<br>account (Note 2)  | Is a<br>related<br>party | Maximum outstanding balance<br>during the year ended December<br>31, 2017 (Note 3) | Balance at December<br>31, 2017 (Note 8) | Actual amount<br>drawn down | Interest rate     | Nature of loan<br>(Note 4) | Amount of<br>transactions with<br>borrower (Note 5) | Reason for short-term<br>financing (Note 6) | Allowance for<br>doubtful<br>accounts | Collateral |       | Limit on loans granted to a<br>single party (Note 7) | Ceiling on total<br>loans granted<br>(Note 7) | Footnote |
|--------------------|--------------------------|----------------------------------------|-------------------------------------|--------------------------|------------------------------------------------------------------------------------|------------------------------------------|-----------------------------|-------------------|----------------------------|-----------------------------------------------------|---------------------------------------------|---------------------------------------|------------|-------|------------------------------------------------------|-----------------------------------------------|----------|
|                    |                          |                                        |                                     |                          |                                                                                    |                                          |                             |                   |                            |                                                     |                                             |                                       | Item       | Value |                                                      |                                               |          |
| 1                  | Peony Investment<br>S.A. | Lunta Investment<br>(Netherlands) N.V. | Receivables from<br>related parties | Yes                      | \$ 78,238                                                                          | \$ 74,251                                | \$ 56,431                   | 2.437%-<br>2.6638 | 2                          | \$ -                                                | Working capital<br>requirement              | \$ -                                  | None       | \$ -  | \$ 6,060,035                                         | \$ 15,150,087                                 |          |
| 1                  | Peony Investment<br>S.A. | Clove Holding Ltd.                     | Receivables from<br>related parties | Yes                      | 696,647                                                                            | 683,112                                  | 525,699                     | 2.2942-<br>2.6349 | 2                          | -                                                   | Working capital<br>requirement              | -                                     | None       | -     | 12,120,070                                           | 15,150,087                                    | (Note 9) |
| 2                  | Clove Holding Ltd.       | Whitney Equipment<br>LLC.              | Receivables from<br>related parties | Yes                      | 93,885                                                                             | 89,102                                   | 89,102                      | 2.3356            | 2                          | -                                                   | Working capital<br>requirement              | -                                     | None       | -     | 518,448                                              | 1,036,695                                     | (Note 9) |
| 2                  | Clove Holding Ltd.       | Colon Container<br>Terminal S.A.       | Receivables from<br>related parties | Yes                      | 363,468                                                                            | 356,406                                  | 213,844                     | 2.3942-<br>2.6349 | 2                          | -                                                   | Working capital<br>requirement              | -                                     | None       | -     | 518,448                                              | 1,036,695                                     |          |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

Note 4: The column of 'Nature of loan' shall fill in '1: Business transaction' or '2: Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current period.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

1. According to the Company's credit policy, the total amount of loans granted to a single company should not exceed 20% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*20%=6,060,035

Clove Holding Ltd. : USD 87,262\*29.7005\*20%=518,348

The Company held 100% voting shares directly and indirectly in foreign company, that the total amount of loans granted to a single company should not exceed 40% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*40%=12,120,070

2. According to the Company's credit policy, the total amount of loans granted should not exceed 40% of the net worth stated in the latest financial statements.

Clove Holding Ltd. : USD 87,262\*29.7005\*40%=1,036,695

The Company held 100% voting shares directly and indirectly in foreign company, that the total amount of loans granted should not exceed 50% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*50%=15,150,087

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

Note 9: This transaction was written off when the consolidated financial statements were prepared.

Evergreen Marine Corporation (Taiwan) Ltd.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2017

Expressed in thousands of NTD

Table 2

| Number<br>(Note 1) | Endorser/Guarantor           | Party being endorsed/guaranteed      |                                                          | Limit on endorsements/<br>guarantees provided for a<br>single party (Note 3) | Maximum outstanding<br>endorsement/<br>guarantee amount as of<br>December 31, 2017<br>(Note 4) | Outstanding<br>endorsement/<br>guarantee amount<br>at December 31,<br>2017<br>(Note 5) | Actual amount drawn<br>down (Note 6) | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Ratio of<br>accumulated<br>endorsement/<br>guarantee<br>amount to net<br>asset value of<br>the endorser/<br>guarantor<br>company | Ceiling on total amount<br>of endorsements/<br>guarantees provided<br>(Note 3) | Provision of<br>endorsements/<br>guarantees by parent<br>company to subsidiary<br>(Note 7) | Provision of<br>endorsements/<br>guarantees by<br>subsidiary to parent<br>company<br>(Note 7) | Provision of<br>endorsements/<br>guarantees to the<br>party in Mainland<br>China<br>(Note 7) | Footnote |
|--------------------|------------------------------|--------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------|
|                    |                              | Company name                         | Relationship with<br>the endorser/<br>guarantor (Note 2) |                                                                              |                                                                                                |                                                                                        |                                      |                                                                        |                                                                                                                                  |                                                                                |                                                                                            |                                                                                               |                                                                                              |          |
| 0                  | Evergreen Marine Corporation | Greencompass Marine S.A.             | 3                                                        | \$ 126,797,107                                                               | \$ 35,449,742                                                                                  | \$ 30,736,753                                                                          | \$ 19,928,297                        | \$ -                                                                   | 48.48%                                                                                                                           | \$ 158,496,384                                                                 | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Peony Investment S.A.                | 2                                                        | 126,797,107                                                                  | 156,475                                                                                        | 148,503                                                                                | -                                    | -                                                                      | 0.23%                                                                                                                            | 158,496,384                                                                    | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Evergreen Marine (UK) Limited        | 3                                                        | 126,797,107                                                                  | 37,459,486                                                                                     | 31,733,797                                                                             | 30,333,753                           | -                                                                      | 50.05%                                                                                                                           | 158,496,384                                                                    | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Whitney Equipment LLC.               | 3                                                        | 126,797,107                                                                  | 701,632                                                                                        | 241,425                                                                                | 235,824                              | -                                                                      | 0.38%                                                                                                                            | 158,496,384                                                                    | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Hemlock Equipment LLC.               | 3                                                        | 126,797,107                                                                  | 433,748                                                                                        | 240,598                                                                                | 232,935                              | -                                                                      | 0.38%                                                                                                                            | 158,496,384                                                                    | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Colon Container Terminal S.A.        | 6                                                        | 31,699,277                                                                   | 2,162,196                                                                                      | 2,162,196                                                                              | 2,162,196                            | -                                                                      | 3.41%                                                                                                                            | 158,496,384                                                                    | N                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Balsam Investment (Netherlands) N.V. | 6                                                        | 31,699,277                                                                   | 1,234,431                                                                                      | 873,195                                                                                | 582,130                              | -                                                                      | 1.38%                                                                                                                            | 158,496,384                                                                    | N                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Everport Terminal Services Inc.      | 2                                                        | \$ 126,797,107                                                               | \$ 1,533,455                                                                                   | \$ 1,433,420                                                                           | \$ 1,205,191                         | \$ -                                                                   | 2.26%                                                                                                                            | \$ 158,496,384                                                                 | Y                                                                                          | N                                                                                             | N                                                                                            |          |
| 0                  | Evergreen Marine Corporation | Evergreen Marine (Hong Kong) Ltd.    | 3                                                        | 126,797,107                                                                  | 2,019,634                                                                                      | 2,019,634                                                                              | 705,387                              | -                                                                      | 3.19%                                                                                                                            | 158,496,384                                                                    | Y                                                                                          | N                                                                                             | N                                                                                            |          |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees"; and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

The calculation is as follows:

The Company:  $63,398,553 \times 250\% = 158,496,384$

Limit on endorsement or guarantees provided by the Company for a single entity is \$31,699,277 (Amounting to 50% of its net worth).

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$126,797,107.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Evergreen Marine Corporation (Taiwan) Ltd.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the year ended December 31, 2017

Expressed in thousands of shares/thousands

Table 3

| Securities held by<br>Evergreen Marine Corporation              | Marketable securities (Note 1) | Relationship with the<br>securities issuer (Note 2) | General ledger account                           | As of December 31, 2017 |                     |               |            | Footnote (Note 4) |
|-----------------------------------------------------------------|--------------------------------|-----------------------------------------------------|--------------------------------------------------|-------------------------|---------------------|---------------|------------|-------------------|
|                                                                 |                                |                                                     |                                                  | Number of shares        | Book value (Note 3) | Ownership (%) | Fair value |                   |
| Stock:                                                          |                                |                                                     |                                                  |                         |                     |               |            |                   |
| Power World Fund Inc.                                           |                                |                                                     | Available-for-sale financial asset - non-current | 770                     | \$ 7,696            | 5.68%         | \$ 7,696   |                   |
| Taiwan HSR Consortium                                           |                                |                                                     | "                                                | 13,356                  | 313,866             | 0.24%         | 313,866    |                   |
| Linden Technologies, Inc.                                       |                                |                                                     | "                                                | 50                      | 11,081              | 1.44%         | 11,081     |                   |
| TopLogis, Inc.                                                  |                                |                                                     | "                                                | 2,464                   | 14,750              | 17.48%        | 14,750     |                   |
| Ever Accord Construction Corp.                                  |                                | Other related party                                 | "                                                | 9,317                   | 119,427             | 17.50%        | 119,427    |                   |
| Central Reinsurance Corp.                                       |                                |                                                     | "                                                | 47,492                  | 831,108             | 8.45%         | 831,108    |                   |
| Financial bonds:                                                |                                |                                                     |                                                  |                         |                     |               |            |                   |
| Sunny Bank 2nd Subordinate Financial Debentures-B Issue in 2015 |                                |                                                     | Held-to-maturity financial asset - non-current   | -                       | 50,000              | -             | 50,000     |                   |
| Sunny Bank 3rd Subordinate Financial Debentures-B Issue in 2017 |                                |                                                     | "                                                | -                       | 50,000              | -             | 50,000     |                   |
| Hutchison Inland Container Depots Ltd.                          |                                |                                                     | Available-for-sale financial asset - non-current | 0.75                    | USD 199             | 4.60          | USD 199    |                   |
| South Asia Gateway Terminals (Private) Ltd.                     |                                |                                                     | "                                                | 18,942                  | USD 32,943          | 5.00          | USD 32,943 |                   |
| Zoll Pool Hafen Hamburg AG                                      |                                |                                                     | "                                                | 10                      | EUR 10              | 2.86          | EUR 10     |                   |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS39, 'Financial instruments: recognition and measurement'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

## Evergreen Marine Corporation (Taiwan) Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2017

Expressed in thousands of shares/thousands of NTD

Table 4

| Investor                           | Marketable securities<br>(Note 1)     | General ledger<br>account                                             | Counterparty<br>(Note 2)           | Relationship with the<br>investor (Note 2) | Balance as at January 1,<br>2017 |         | Addition (Note 3)   |            | Disposal (Note 3)   |               |            |                            | Balance as at December 31,<br>2017 |           |
|------------------------------------|---------------------------------------|-----------------------------------------------------------------------|------------------------------------|--------------------------------------------|----------------------------------|---------|---------------------|------------|---------------------|---------------|------------|----------------------------|------------------------------------|-----------|
|                                    |                                       |                                                                       |                                    |                                            | Number of<br>shares              | Amount  | Number of<br>shares | Amount     | Number of<br>shares | Selling price | Book value | Gain (loss)<br>on disposal | Number of<br>shares                | Amount    |
| Evergreen<br>Marine<br>Corporation | Beneficiary Certificates:             |                                                                       |                                    |                                            |                                  |         |                     |            |                     |               |            |                            |                                    |           |
|                                    | FSITC Taiwan Money<br>Market          | Financial assets at fair<br>value through profit or<br>loss - current |                                    |                                            | -                                | \$      | 3,958               | \$ 700,000 | 3,958               | \$ 700,094    | \$ 700,000 | \$ 94                      | -                                  | \$        |
|                                    | Taishin Ta-Chong Money<br>Market Fund | "                                                                     |                                    |                                            | -                                |         | 28,405              | 400,000    | 28,405              | 400,051       | 400,000    | 51                         | -                                  |           |
|                                    | Taishin 1699 Money Market<br>Fund     | "                                                                     |                                    |                                            | -                                |         | 44,742              | 600,000    | 44,742              | 600,058       | 600,000    | 58                         | -                                  |           |
|                                    | Capital Money Market Fund             | "                                                                     |                                    |                                            | -                                |         | 62,514              | 1,000,000  | 62,514              | 1,000,106     | 1,000,000  | 106                        | -                                  |           |
|                                    | TCB Taiwan Money Market<br>Fund       | "                                                                     |                                    |                                            | -                                |         | 49,625              | 500,000    | 49,625              | 500,249       | 500,000    | 249                        | -                                  |           |
|                                    | Stock:                                |                                                                       |                                    |                                            |                                  |         |                     |            |                     |               |            |                            |                                    |           |
|                                    | Taiwan HSR Consortium                 | Available-for-sale<br>financial asset -<br>non-current                |                                    |                                            | 50,694                           | 532,287 | -                   | -          | 37,338              | 915,160       | 392,049    | 523,111                    | 13,356                             | 140,238   |
|                                    | Evergreen Marine (Hong<br>Kong) Ltd.  | Investments accounted<br>for using equity<br>method                   | Evergreen<br>International<br>S.A. | Major shareholder of<br>the Parent Company | -                                | -       | 6,320               | 6,287,883  | -                   | -             | -          | -                          | 6,320                              | 6,287,883 |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company.

## Evergreen Marine Corporation (Taiwan) Ltd.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 5

Expressed in thousands

| Purchaser/Seller             | Counterparty                                        | Relationship with the counterparty | Transaction     |              |                                     |             | Differences in transaction terms compared to third party transactions (Note 1) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 2) |
|------------------------------|-----------------------------------------------------|------------------------------------|-----------------|--------------|-------------------------------------|-------------|--------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                              |                                                     |                                    | Purchases/sales | Amount       | Percentage of total purchases/sales | Credit term | Unit price                                                                     | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Evergreen Marine Corporation | Everport Terminal Services Inc.                     | Subsidiary                         | Purchases       | \$ 1,153,476 | 4%                                  | 30 days     | \$ -                                                                           | -           | -                                   | -                                                       | (Note)            |
|                              | Greencompass Marine S.A.                            | Indirect subsidiary of the Company | Purchases       | 1,278,055    | 4%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                              |                                                     |                                    | Sales           | 1,209,020    | 4%                                  | 30-60 days  | -                                                                              | -           | 19,489                              | 1%                                                      | (Note)            |
|                              | Taiwan Terminal Services Co., Ltd.                  | Subsidiary                         | Purchases       | 835,846      | 3%                                  | 30-60 days  | -                                                                              | -           | ( 84,451)                           | 2%                                                      | (Note)            |
|                              | Italia Marittima S.p.A.                             | Associates                         | Purchases       | 526,940      | 2%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                              |                                                     |                                    | Sales           | 502,561      | 2%                                  | 30-60 days  | -                                                                              | -           | 2,441                               | -                                                       |                   |
|                              | Evergreen International Storage and Transport Corp. | Associates                         | Purchases       | 432,190      | 1%                                  | 30-60 days  | -                                                                              | -           | ( 11,455)                           | -                                                       |                   |
|                              | Evergreen Shipping Agency (America) Corporation     | Other related parties              | Purchases       | 268,549      | 1%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                              | Gaining Enterprise S.A.                             | Other related parties              | Purchases       | 1,373,466    | 5%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                              | Evergreen International Corp.                       | Other related parties              | Purchases       | 398,234      | 1%                                  | 30-60 days  | -                                                                              | -           | ( 4,390)                            | -                                                       |                   |
|                              |                                                     |                                    | Sales           | 1,798,898    | 6%                                  | 30-60 days  | -                                                                              | -           | 108,665                             | 4%                                                      |                   |
|                              | Evergreen Marine (UK) Limited                       | Indirect subsidiary of the Company | Purchases       | 207,487      | 1%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                              |                                                     |                                    | Sales           | 718,114      | 2%                                  | 30-60 days  | -                                                                              | -           | 20,444                              | 1%                                                      | (Note)            |
|                              | Evergreen Marine (Singapore) Pte. Ltd.              | Other related parties              | Purchases       | 159,824      | 1%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                              |                                                     |                                    | Sales           | 997,565      | 3%                                  | 30-60 days  | -                                                                              | -           | 25,936                              | 1%                                                      |                   |
|                              | Evergreen Marine (Hong Kong) Ltd.                   | Subsidiary                         | Purchases       | 497,155      | 2%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note 4)          |

| Purchaser/Seller                   | Counterparty                                    | Relationship with the counterparty                 | Transaction     |             |                                     |             | Differences in transaction terms compared to third party transactions (Note 1) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 2) |
|------------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------|-------------|-------------------------------------|-------------|--------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                    |                                                 |                                                    | Purchases/sales | Amount      | Percentage of total purchases/sales | Credit term | Unit price                                                                     | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Taiwan Terminal Services Co., Ltd. | Evergreen Marine Corp.                          | The parent                                         | Sales           | \$ 835,846  | 97%                                 | 30–60 days  | \$ -                                                                           | -           | \$ 84,451                           | 98%                                                     | (Note)            |
|                                    | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 37,931  | 9%                                  | 30 days     | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                    | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 75,754  | 19%                                 | 30 days     | -                                                                              | -           | USD 585                             | 3%                                                      |                   |
|                                    | Greencompass Marine S.A.                        | Indirect subsidiary of the Parent Company          | Sales           | USD 38,821  | 10%                                 | 30 days     | -                                                                              | -           | USD 274                             | 1%                                                      | (Note)            |
|                                    | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 125,127 | 31%                                 | 30 days     | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                    | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 17,327  | 4%                                  | 30 days     | -                                                                              | -           | USD 192                             | 1%                                                      |                   |
|                                    | Whitney Equipment LLC.                          | Investee of the Parent Company                     | Purchases       | USD 7,479   | 2%                                  | 30 days     | -                                                                              | -           | -                                   | -                                                       |                   |
|                                    | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 7,987   | 2%                                  | 30 days     | -                                                                              | -           | -                                   | -                                                       |                   |
|                                    | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 16,349  | 13%                                 | 30–60 days  | -                                                                              | -           | -                                   | -                                                       | (Note 4)          |
|                                    | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 52,927  | 2%                                  | 30–60 days  | -                                                                              | -           | USD 2,264                           | 1%                                                      | (Note)            |
| Greencompass Marine S.A.           | Evergreen Marine Corp.                          | The parent                                         | Purchases       | USD 24,390  | 1%                                  | 30–60 days  | -                                                                              | -           | (USD 158)                           | -                                                       | (Note)            |
|                                    | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 42,028  | 2%                                  | 30–60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                    | Everport Terminal Services Inc.                 | Subsidiary of the Parent Company                   | Purchases       | USD 39,758  | 2%                                  | 30–60 days  | -                                                                              | -           | (USD 656)                           | -                                                       | (Note)            |
|                                    | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Purchases       | USD 38,821  | 2%                                  | 30 days     | -                                                                              | -           | (USD 274)                           | -                                                       | (Note)            |
|                                    | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 78,652  | 4%                                  | 30–60 days  | -                                                                              | -           | USD 1,218                           | 1%                                                      |                   |
|                                    | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Purchases       | USD 20,735  | 1%                                  | 30–60 days  | -                                                                              | -           | (USD 1)                             | -                                                       |                   |
|                                    | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 36,390  | 2%                                  | 30–60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                    | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Purchases       | USD 34,034  | 2%                                  | 30–60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                    | Evergreen Marine (Hong Kong) Ltd.               | The parent                                         | Sales           | USD 16,349  | 13%                                 | 30–60 days  | -                                                                              | -           | -                                   | -                                                       | (Note 4)          |
|                                    | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 52,927  | 2%                                  | 30–60 days  | -                                                                              | -           | USD 2,264                           | 1%                                                      | (Note)            |

| Purchaser/Seller                                  | Counterparty                                    | Relationship with the counterparty                 | Transaction     |             |                                     |             | Differences in transaction terms compared to third party transactions (Note 1) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 2) |
|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------|-------------|-------------------------------------|-------------|--------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                                   |                                                 |                                                    | Purchases/sales | Amount      | Percentage of total purchases/sales | Credit term | Unit price                                                                     | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Greencoast Marine S.A.                            | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 14,116  | 1%                                  | 30-60 days  | \$ -                                                                           | -           | \$ -                                | -                                                       |                   |
|                                                   | Evergreen International Corp.                   | Investee of the Parent Company's major shareholder | Purchases       | USD 10,500  | 1%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                                   | Evergreen Shipping Agency (Japan)               | Investee of the Parent Company's major shareholder | Purchases       | USD 5,435   | 0%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                                   | Evergreen Shipping Agency (Europe) GmbH         | Indirect subsidiary of the Parent Company          | Purchases       | USD 5,468   | 0%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                                   | Evergreen Insurance Company Limited             | Investee of the Parent Company's major shareholder | Purchases       | USD 3,848   | 0%                                  | 30-60 days  | -                                                                              | -           | (USD 774)                           | -                                                       |                   |
|                                                   |                                                 |                                                    | Sales           | USD 24,390  | 1%                                  | 30-60 days  | -                                                                              | -           | USD 158                             | -                                                       | (Note)            |
| Evergreen Marine (UK) Limited                     | Greencoast Marine S.A.                          | Indirect subsidiary of the Parent Company          | Purchases       | USD 52,927  | 3%                                  | 30-60 days  | -                                                                              | -           | (USD 2,264)                         | 1%                                                      | (Note)            |
|                                                   | Evergreen Marine Corp.                          | The Parent                                         | Sales           | USD 6,823   | 0%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                                   |                                                 |                                                    | Purchases       | USD 23,615  | 1%                                  | 30-60 days  | -                                                                              | -           | (USD 688)                           | -                                                       | (Note)            |
|                                                   | Everport Terminal Services Inc.                 | Subsidiary of the Parent Company                   | Purchases       | USD 125,127 | 7%                                  | 30 days     | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                                   | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 16,256  | 1%                                  | 30-60 days  | -                                                                              | -           | USD 2,774                           | 1%                                                      |                   |
|                                                   |                                                 |                                                    | Purchases       | USD 39,010  | 2%                                  | 30-60 days  | -                                                                              | -           | (USD 372)                           | -                                                       |                   |
|                                                   | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 22,149  | 1%                                  | 30-60 days  | -                                                                              | -           | USD 446                             | -                                                       |                   |
|                                                   | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 10,149  | 1%                                  | 30-60 days  | -                                                                              | -           | (USD 415)                           | -                                                       |                   |
|                                                   | Evergreen International Corp.                   | Investee of the Parent Company's major shareholder | Purchases       | USD 29,473  | 2%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                                   | Evergreen Insurance Company Limited             | Investee of the Parent Company's major shareholder | Purchases       | USD 10,010  | 1%                                  | 30-60 days  | -                                                                              | -           | (USD 276)                           | -                                                       |                   |
| Evergreen Heavy Industrial Corp.(Malaysia) Berhad | Evergreen Shipping Agency (Europe) GmbH         | Indirect subsidiary of the Parent Company          | Purchases       | USD 4,187   | 0%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       |                   |
|                                                   |                                                 |                                                    | Purchases       | USD 6,471   | 0%                                  | 30-60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                                   | Gaining Enterprise S.A.                         | Investee of EITC                                   | Sales           | MYR 234,462 | 100%                                | 45 days     | -                                                                              | -           | MYR 43,907                          | 100%                                                    |                   |

| Purchaser/Seller                        | Counterparty                           | Relationship with the counterparty                 | Transaction     |           |                                     |             | Differences in transaction terms compared to third party transactions (Note 1) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 2) |
|-----------------------------------------|----------------------------------------|----------------------------------------------------|-----------------|-----------|-------------------------------------|-------------|--------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                         |                                        |                                                    | Purchases/sales | Amount    | Percentage of total purchases/sales | Credit term | Unit price                                                                     | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Evergreen Shipping Agency (Europe) GmbH | Greencompass Marine S.A.               | Indirect subsidiary of the Parent Company          | Sales           | EUR 4,840 | 21%                                 | 30–60 days  | \$ -                                                                           | -           | \$ -                                | -                                                       | (Note)            |
|                                         | Italia Marittima S.p.A.                | Investee of Balsam                                 | Sales           | EUR 4,469 | 20%                                 | 30–60 days  | -                                                                              | -           | EUR 644                             | 2%                                                      |                   |
|                                         | Evergreen Marine (UK) Limited          | Indirect subsidiary of the Parent Company          | Sales           | EUR 5,728 | 25%                                 | 30–60 days  | -                                                                              | -           | -                                   | -                                                       | (Note)            |
|                                         | Evergreen Marine (Singapore) Pte. Ltd. | Investee of the Parent Company's major shareholder | Sales           | EUR 5,573 | 25%                                 | 30–60 days  | -                                                                              | -           | EUR 918                             | 2%                                                      |                   |
| Whitney Equipment LLC.                  | Everport Terminal Services Inc.        | Subsidiary of the Parent Company                   | Sales           | USD 7,479 | 51%                                 | 30 days     | -                                                                              | -           | -                                   | -                                                       | (Note)            |

Note: This transaction was written off when the consolidated financial statements were prepared.

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 4: Subsidiary Evergreen Marine (Hong Kong) Ltd., which was incorporated into the consolidated financial statements on December 18, 2017, was only written off against the post-merger transaction amount.

Evergreen Marine Corporation (Taiwan) Ltd.  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 December 31, 2017

Expressed in thousands

| Creditor                                           | Counterparty                        | Relationship with the counterparty                  | Balance as at December 31, 2017 (Note 1) | Turnover rate | Overdue receivables |              | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|----------------------------------------------------|-------------------------------------|-----------------------------------------------------|------------------------------------------|---------------|---------------------|--------------|-------------------------------------------------------|---------------------------------|
|                                                    |                                     |                                                     |                                          |               | Amount              | Action taken |                                                       |                                 |
| Evergreen Marine Corp.                             | Evergreen International Corporation | Investee of the Company's major shareholder         | \$ 271,096                               | -             | \$ -                | -            | \$ 190,636                                            | -                               |
| Peony Investment S.A.                              | Clove Holding Ltd. (Note)           | Subsidiary                                          | USD 17,754                               | -             | -                   | -            | -                                                     | -                               |
| Evergreen Heavy Industrial Corp. (Malaysia) Berhad | Gaining Enterprise S.A.             | Investee of the Parent Company's major shareholder  | MYR 43,907                               | -             | -                   | -            | MYR 43,907                                            | -                               |
| Clove Holding Ltd.                                 | Colon Container Terminal, S.A.      | Investee of Clove accounted for using equity method | USD 7,254                                | -             | -                   | -            | -                                                     | -                               |

Note: This transaction was written off when the consolidated financial statements were prepared.

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

Evergreen Marine Corporation (Taiwan) Ltd.  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2017

Expressed in thousands of NT\$

Table 7

| Number<br>(Note 1) | Company name                            | Counterparty                            | Relationship (Note 2) | Transaction                  |           |                                                                              |
|--------------------|-----------------------------------------|-----------------------------------------|-----------------------|------------------------------|-----------|------------------------------------------------------------------------------|
|                    |                                         |                                         |                       | General ledger account       | Amount    | Transaction terms                                                            |
|                    |                                         |                                         |                       |                              | \$        |                                                                              |
| 0                  | Evergreen Marine Corporation            | Taiwan Terminal Services Co., Ltd.      | 1                     | Operating cost               | 835,846   | Note 4                                                                       |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Shipowner's account - credit | 362,323   | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Operating revenue            | 1,209,020 | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Operating cost               | 1,278,055 | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Shipowner's account - debit  | 595,393   | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Operating revenue            | 718,114   | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Operating cost               | 207,487   | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (Hong Kong) Ltd.       | 1                     | Shipowner's account - credit | 301,631   | "                                                                            |
| 0                  | Evergreen Marine Corporation            | Everport Terminal Services Inc.         | 1                     | Operating cost               | 1,153,476 | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (UK) Limited           | 3                     | Operating revenue            | 1,609,487 | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (UK) Limited           | 3                     | Operating cost               | 741,678   | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (UK) Limited           | 3                     | Shipowner's account - debit  | -         | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (Hong Kong) Ltd.       | 3                     | Shipowner's account - credit | 445,006   | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Everport Terminal Services Inc.         | 3                     | Operating cost               | 1,180,536 | "                                                                            |
| 1                  | Greencompass Marine S.A.                | Evergreen Shipping Agency (Europe) GmbH | 3                     | Operating cost               | 170,248   | "                                                                            |
| 2                  | Evergreen Marine (UK) Limited           | Everport Terminal Services Inc.         | 3                     | Operating cost               | 3,805,088 | "                                                                            |
| 2                  | Evergreen Marine (UK) Limited           | Greencompass Marine S.A.                | 3                     | Shipowner's account - credit | -         | "                                                                            |
| 2                  | Evergreen Marine (UK) Limited           | Evergreen Shipping Agency (Europe) GmbH | 3                     | Operating cost               | 199,369   | "                                                                            |
| 3                  | Whitney Equipment LLC.                  | Everport Terminal Services Inc.         | 3                     | Operating revenue            | 270,240   | "                                                                            |
| 4                  | Peony Investment S.A.                   | Clove Holding Ltd.                      | 3                     | Other receivables            | 527,297   | "                                                                            |
| 5                  | Evergreen Shipping Agency (Europe) GmbH | Evergreen Marine (UK) Limited           | 3                     | Shipowner's account - debit  | 145,969   | "                                                                            |
|                    |                                         |                                         |                       |                              |           | Percentage of consolidated total operating revenues or total assets (Note 3) |
|                    |                                         |                                         |                       |                              |           | 0.56                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.18                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.80                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.85                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.30                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.48                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.14                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.15                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.77                                                                         |
|                    |                                         |                                         |                       |                              |           | 1.07                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.49                                                                         |
|                    |                                         |                                         |                       |                              |           | -                                                                            |
|                    |                                         |                                         |                       |                              |           | 0.22                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.78                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.11                                                                         |
|                    |                                         |                                         |                       |                              |           | 2.53                                                                         |
|                    |                                         |                                         |                       |                              |           | -                                                                            |
|                    |                                         |                                         |                       |                              |           | 0.13                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.18                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.26                                                                         |
|                    |                                         |                                         |                       |                              |           | 0.07                                                                         |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Note 5: The Company may decide whether or not to disclose transaction details in this table based on the Materiality Principle.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investees  
For the year ended December 31, 2017

Expressed in thousands of shares/thousands of NTD

Table 8

| Investor               | Investee (Note 1 and 2)                                   | Location               | Main business activities                                          | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |               | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 2(2)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 2(3)) | Footnote                                   |
|------------------------|-----------------------------------------------------------|------------------------|-------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|---------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------|
|                        |                                                           |                        |                                                                   | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value    |                                                                                          |                                                                                                              |                                            |
| Evergreen Marine Corp. | Peony Investment S.A.                                     | Republic of Panama     | Investment activities                                             | \$ 14,152,288                      | \$ 14,152,288                      | 4,765                               | 100.00           | \$ 30,152,551 | \$ 4,817,092                                                                             | \$ 4,822,278                                                                                                 | Subsidiary of the Company (Note)           |
|                        | Taiwan Terminal Services Co., Ltd.                        | Taiwan                 | Loading and discharging operations of container yards             | 55,000                             | 55,000                             | 5,500                               | 55.00            | 39,912        | 5,553                                                                                    | 3,054                                                                                                        | " (Note)                                   |
|                        | Everport Terminal Services Inc.                           | U.S.A.                 | Terminal services                                                 | 2,970                              | 2,970                              | 1                                   | 100.00           | 568,156       | 415,389                                                                                  | 415,389                                                                                                      | " (Note)                                   |
|                        | Evergreen Marine (Hong Kong) Ltd.                         | Hong Kong              | Marine transportation                                             | 6,217,800                          | -                                  | 6,320                               | 79.00            | 6,287,883     | 862,722                                                                                  | 50,870                                                                                                       | " (Note)                                   |
|                        | Chang Yang Development Co., Ltd.                          | Taiwan                 | Development, rental, sale of residential and commercial buildings | 320,000                            | 320,000                            | 58,542                              | 40.00            | 537,532       | 172,458                                                                                  | 68,983                                                                                                       | Investee accounted for using equity method |
|                        | Evergreen International Storage and Transport Corporation | Taiwan                 | Container transportation and gas stations                         | 4,753,514                          | 4,753,514                          | 424,063                             | 39.74            | 8,452,437     | 883,121                                                                                  | 353,789                                                                                                      | "                                          |
|                        | Evergreen Security Corporation                            | Taiwan                 | General security guards services                                  | 25,000                             | 25,000                             | 6,336                               | 31.25            | 97,140        | 28,651                                                                                   | 8,954                                                                                                        | "                                          |
|                        | EVA Airways Corporation                                   | Taiwan                 | International passengers and cargo transportation                 | 10,767,879                         | 10,767,879                         | 680,786                             | 16.31            | 9,462,402     | 5,752,067                                                                                | 938,295                                                                                                      | "                                          |
|                        | Taipei Port Container Terminal Corporation                | Taiwan                 | Container distribution and cargo stevedoring                      | 1,094,073                          | 1,094,073                          | 109,378                             | 21.03            | 977,049       | 45,516                                                                                   | 9,574                                                                                                        | "                                          |
|                        | Evergreen Marine (Latin America), S.A.                    | Republic of Panama     | Management consultancy                                            | 3,119                              | 3,119                              | 105                                 | 17.50            | 4,364         | 1,494                                                                                    | 262                                                                                                          | "                                          |
|                        | VIP Greenport Joint Stock Company                         | Vietnam                | Terminal services                                                 | 178,750                            | 162,500                            | 13,750                              | 21.74            | 205,923       | 96,413                                                                                   | 20,959                                                                                                       | "                                          |
| Peony Investment S.A.  | Clove Holding Ltd.                                        | British Virgin Islands | Investment holding company                                        | 1,560,740                          | 1,560,740                          | 10                                  | 100.00           | 2,591,738     | 17,673                                                                                   | 17,673                                                                                                       | Indirect subsidiary of the Company (Note)  |
|                        | Evergreen Shipping Agency (Europe) GmbH                   | Germany                | Shipping agency                                                   | 246,989                            | 246,989                            | -                                   | 100.00           | 273,947       | 17,255                                                                                   | 17,255                                                                                                       | " (Note)                                   |
|                        | Evergreen Shipping Agency (Korea) Corporation             | South Korea            | Shipping agency                                                   | 72,053                             | 72,053                             | 121                                 | 100.00           | 64,326        | 20,095                                                                                   | 20,095                                                                                                       | " (Note)                                   |
|                        | Evergreen Shipping Agency (Netherlands) B.V.              | Netherlands            | Shipping agency                                                   | -                                  | 118,119                            | 0.047                               | 100.00           | -             | 2,426                                                                                    | ( 2,426)                                                                                                     | " (Note)                                   |
|                        | Evergreen Shipping Agency (Poland) SP. ZO. O              | Poland                 | Shipping agency                                                   | 19,662                             | 19,662                             | 2                                   | 100.00           | 10,842        | 1,080                                                                                    | 1,080                                                                                                        | " (Note)                                   |
|                        | Greencompass Marine S.A.                                  | Republic of Panama     | Marine transportation                                             | 10,499,127                         | 10,499,127                         | 3,535                               | 100.00           | 17,695,428    | 3,806,113                                                                                | 3,806,113                                                                                                    | " (Note)                                   |
|                        | Evergreen Shipping Agency (India) Pvt. Ltd.               | India                  | Shipping agency                                                   | 34,951                             | 34,951                             | 100                                 | 99.99            | 102,526       | 41,396                                                                                   | 41,396                                                                                                       | " (Note)                                   |
|                        | Evergreen Argentina S.A.                                  | Argentina              | Leasing                                                           | 4,158                              | 4,158                              | 150                                 | 95.00            | 1,522         | ( 4,943)                                                                                 | ( 4,696)                                                                                                     | " (Note)                                   |
|                        |                                                           |                        |                                                                   |                                    |                                    |                                     |                  |               |                                                                                          |                                                                                                              |                                            |
|                        |                                                           |                        |                                                                   |                                    |                                    |                                     |                  |               |                                                                                          |                                                                                                              |                                            |

| Investor                                   | Investee (Note 1 and 2)                               | Location                | Main business activities                                                              | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |            | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 2(2)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 2(3)) | Footnote                                                          |
|--------------------------------------------|-------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
|                                            |                                                       |                         |                                                                                       | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value |                                                                                          |                                                                                                              |                                                                   |
| Peony Investment S.A.                      | Evergreen Shipping Agency (France)<br>S.A.S.          | France                  | Shipping agency                                                                       | \$ -                               | \$ 26,938                          | -                                   | -                | \$ -       | \$ 4,230                                                                                 | \$ 4,230                                                                                                     | Indirect subsidiary of<br>the Company<br>(Note)                   |
|                                            | PT. Multi Bina Pura International                     | Indonesia               | Loading and discharging operations of<br>container yards and inland<br>transportation | 232,880                            | 232,880                            | 17                                  | 95.03            | 404,966    | 87,029                                                                                   | 82,704                                                                                                       | (Note)                                                            |
|                                            | PT. Multi Bina Transport                              | Indonesia               | Container repair, cleaning and inland<br>transportation                               | 23,888                             | 23,888                             | 2                                   | 17.39            | 13,225     | 1,680                                                                                    | 292                                                                                                          | (Note)                                                            |
|                                            | Evergreen Heavy Industrial Corp.<br>(Malaysia) Berhad | Malaysia                | Container manufacturing                                                               | 810,671                            | 810,671                            | 42,120                              | 84.44            | 947,392    | 22,465                                                                                   | 18,969                                                                                                       | (Note)                                                            |
|                                            | Armand Investment (Netherlands) N.V.                  | Curacao                 | Investment holding company                                                            | 341,928                            | 341,928                            | 4                                   | 70.00            | 309,784    | 1,685                                                                                    | 1,180                                                                                                        | (Note)                                                            |
|                                            | Evergreen Shipping (Spain) S.L.                       | Spain                   | Shipping agency                                                                       | 200,333                            | 114,941                            | 6                                   | 100.00           | 194,800    | 102,541                                                                                  | 56,398                                                                                                       | (Note)                                                            |
|                                            | Evergreen Shipping Agency (Italy)<br>S.p.A.           | Italy                   | Shipping agency                                                                       | 69,856                             | 69,856                             | 0.55                                | 55.00            | 83,564     | 58,522                                                                                   | 32,187                                                                                                       | (Note)                                                            |
|                                            | Evergreen Marine (UK) Limited                         | U.K                     | Marine transportation                                                                 | 2,468,190                          | 953,465                            | 765                                 | 51.00            | 622,821    | 1,329,659                                                                                | 678,126                                                                                                      | (Note)                                                            |
|                                            | Evergreen Shipping Agency (Australia)<br>Pty. Ltd.    | Australia               | Shipping agency                                                                       | 7,339                              | 7,339                              | 0.675                               | 67.50            | 58,303     | 82,193                                                                                   | 55,481                                                                                                       | (Note)                                                            |
|                                            | Evergreen Shipping Agency (Russia)<br>Ltd.            | Russia                  | Shipping agency                                                                       | 25,186                             | 25,186                             | -                                   | 51.00            | 17,411     | 63,574                                                                                   | 32,423                                                                                                       | (Note)                                                            |
|                                            | Evergreen Shipping Agency(Singapore)<br>Pte. Ltd.     | Singapore               | Shipping agency                                                                       | 64,064                             | 64,064                             | 765                                 | 51.00            | 36,290     | 39,947                                                                                   | 20,373                                                                                                       | (Note)                                                            |
|                                            | Evergreen Shipping Agency (Thailand)<br>Co., Ltd.     | Thailand                | Shipping agency                                                                       | 59,089                             | 43,779                             | 650                                 | 85.00            | 38,276     | 86,474                                                                                   | 44,102                                                                                                       | (Note)                                                            |
|                                            | Evergreen Agency (South Africa) (Pty)<br>Ltd.         | South Africa            | Shipping agency                                                                       | 17,249                             | 17,249                             | 5,500                               | 55.00            | 110,639    | 124,049                                                                                  | 68,227                                                                                                       | (Note)                                                            |
|                                            | Evergreen Shipping Agency (Vietnam)<br>Corp.          | Vietnam                 | Shipping agency                                                                       | 13,484                             | 13,484                             | -                                   | 49.00            | 192,172    | 126,272                                                                                  | 61,873                                                                                                       | Investee company of<br>Peony accounted for<br>using equity method |
|                                            | PT. Evergreen Shipping Agency<br>Indonesia            | Indonesia               | Shipping agency                                                                       | 28,899                             | 28,899                             | 0.441                               | 49.00            | 112,782    | 127,144                                                                                  | 62,301                                                                                                       | "                                                                 |
|                                            | Lunta Investment (Netherlands) N.V.                   | Curacao                 | Investment holding company                                                            | 1,404,165                          | 1,404,165                          | 460                                 | 50.00            | 1,865,804  | 59,055                                                                                   | 29,527                                                                                                       | "                                                                 |
| Peony accounted for<br>using equity method | Balsam Investment (Netherlands) N.V.                  | Curacao                 | Investment holding company                                                            | 11,241,236                         | 11,241,236                         | 0.451                               | 49.00            | 1,282,862  | 1,393,694                                                                                | 682,910                                                                                                      | "                                                                 |
|                                            | Green Peninsula Agencies SDN. BHD.                    | Malaysia                | Investment holding company                                                            | 215,477                            | 215,477                            | 1,500                               | 30.00            | 12,687     | 277,637                                                                                  | 83,291                                                                                                       | "                                                                 |
|                                            | Evergreen Shipping Agency Co.<br>(U.A.E.) LLC         | United Arab<br>Emirates | Shipping agency                                                                       | 61,836                             | 61,836                             | -                                   | 49.00            | 81,102     | 96,209                                                                                   | 47,142                                                                                                       | "                                                                 |
|                                            | Greenpen Properties Sdn. Bhd.                         | Malaysia                | Renting estate and storehouse<br>company                                              | 12,654                             | 12,654                             | 1,500                               | 30.00            | 50,096     | 14,909                                                                                   | 4,473                                                                                                        | "                                                                 |
|                                            | Evergreen Marine Corp. (Malaysia) Sdn<br>Bhd          | Malaysia                | Shipping agency                                                                       | 3,658                              | -                                  | 500                                 | 100.00           | 407,454    | 253,161                                                                                  | 3,188                                                                                                        | Indirect subsidiary of<br>the Company<br>(Note)                   |
|                                            | Evergreen Marine (Hong Kong) Ltd.                     | Hong Kong               | Marine transportation                                                                 | 78,706                             | -                                  | 80                                  | 1.00             | 79,593     | 862,722                                                                                  | 653                                                                                                          | Investee company of<br>Peony accounted for<br>using equity method |

| Investor                                   | Investee (Note 1 and 2)                         | Location              | Main business activities                               | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |            | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 2(3)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 2(3)) | Footnote                                                                                        |
|--------------------------------------------|-------------------------------------------------|-----------------------|--------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                            |                                                 |                       |                                                        | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value |                                                                                          |                                                                                                              |                                                                                                 |
| Armand Investment<br>(Netherlands) N.V.    | Armand Estate B.V.                              | Netherlands           | Investment holding company                             | \$ 503,006                         | \$ 503,006                         | 0.045                               | 100.00           | \$ 445,592 | \$ 2,414                                                                                 | \$ 2,414                                                                                                     | Indirect subsidiary of<br>the Company<br>(Note)                                                 |
| Armand Estate B.V.                         | Taipei Port Container Terminal<br>Corporation   | Taiwan                | Container distribution and cargo<br>stevedoring        | 506,019                            | 506,019                            | 50,602                              | 9.73             | 451,246    | 45,516                                                                                   | 4,429                                                                                                        | Investee company of<br>Armand Estate B.V.<br>accounted for using<br>equity method               |
| Clove Holding Ltd.                         | Colon Container Terminal, S.A.                  | Republic of<br>Panama | Inland container storage and loading                   | 678,953                            | 678,953                            | 22,860                              | 40.00            | 2,532,187  | 36,178                                                                                   | 14,472                                                                                                       | Investee company of<br>Clove Holding Ltd.<br>accounted for using<br>equity method               |
| Island Equipment LLC                       | Island Equipment LLC.                           | U.S.A                 | Investment holding company                             | 4,277                              | 4,277                              | -                                   | 36.00            | 163,841    | 24,479                                                                                   | 8,812                                                                                                        | Indirect subsidiary of<br>the Company<br>(Note)                                                 |
| Island Equipment LLC                       | Whiney Equipment LLC.                           | U.S.A                 | Equipment leasing company                              | 5,940                              | 5,940                              | -                                   | 100.00           | 173,294    | 28,598                                                                                   | 28,598                                                                                                       | " (Note)                                                                                        |
| Evergreen Marine (UK)<br>Limited           | Hemlock Equipment LLC.                          | U.S.A                 | Equipment leasing company                              | 5,940                              | 5,940                              | -                                   | 100.00           | 309,839    | 21,803                                                                                   | 21,803                                                                                                       | " (Note)                                                                                        |
|                                            | Island Equipment LLC.                           | U.S.A                 | Investment holding company                             | 1,782                              | 1,782                              | -                                   | 15.00            | 68,267     | 24,479                                                                                   | 3,672                                                                                                        | " (Note)                                                                                        |
|                                            | Evergreen Shipping Agency (UK)<br>Limited       | U.K                   | Shipping agency                                        | 0.06                               | 0.06                               | -                                   | 100.00           | 25,109     | -                                                                                        | -                                                                                                            | " (Note)                                                                                        |
|                                            | Evergreen Marine (Latin America),<br>S.A.       | Republic of<br>Panama | Management consultancy                                 | 2,940                              | 2,940                              | 99                                  | 16.50            | 4,115      | 1,494                                                                                    | 247                                                                                                          | Investee company of<br>Evergreen Marine<br>(UK) Limited<br>accounted for using<br>equity method |
|                                            | Evergreen Shipping Agency (Ireland)<br>Ltd.     | Ireland               | Shipping agency                                        | 3,006                              | 3,006                              | 0.1                                 | 100.00           | 3,006      | -                                                                                        | -                                                                                                            | Indirect subsidiary of<br>the Company<br>(Note)                                                 |
| PT. Multi Bina Pura<br>International       | PT. Multi Bina Transport                        | Indonesia             | Container repair cleaning and inland<br>transportation | 98,054                             | 98,054                             | 8                                   | 72.95            | 55,480     | 1,680                                                                                    | 1,225                                                                                                        | " (Note)                                                                                        |
| Evergreen Shipping<br>Agency (Europe) GmbH | Evergreen Shipping Agency (Austria)<br>GmbH     | Austria               | Shipping agency                                        | -                                  | 647                                | -                                   | -                | -          | 330                                                                                      | 330                                                                                                          | " (Note)                                                                                        |
|                                            | Evergreen Shipping Agency<br>(Switzerland) S.A. | Switzerland           | Shipping agency                                        | 2,453                              | 2,453                              | 0.1                                 | 100.00           | 8,958      | 764                                                                                      | 764                                                                                                          | " (Note)                                                                                        |

Note: This transaction was written off when the consolidated financial statements were prepared.

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2017' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee' For theyear ended December 31, 2017' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company For the year ended December 31, 2017' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investments in Mainland China  
For the year ended December 31, 2017

Expressed in thousands of NTD

Table 9

| Investee in Mainland China                                         | Main business activities                                                                                            | Paid-in capital | Investment method<br>(Note 1) | Accumulated amount of<br>remittance from Taiwan to<br>Mainland China as of<br>January 1, 2017 | Amount remitted from Taiwan to<br>Mainland China/Amount remitted<br>back to Taiwan for the year ended<br>December 31, 2017 |                            | Accumulated amount of<br>remittance from Taiwan<br>to Mainland China as of<br>December 31, 2017 | Net income (loss) of<br>the investee for the<br>year ended<br>December 31, 2017 | Ownership held by<br>the Company<br>(direct or indirect<br>(%)) | Investment income<br>(loss) recognised by<br>the Company.<br>For the year ended<br>December 31, 2017<br>(Note 2(C)(B)) | Book value of<br>investments in<br>Mainland China as of<br>December 31, 2017 | Accumulated amount of<br>investment income<br>remitted back to<br>Taiwan as of December<br>31, 2017 | Footnote |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------|
|                                                                    |                                                                                                                     |                 |                               |                                                                                               | Remitted to<br>Mainland China                                                                                              | Remitted back to<br>Taiwan |                                                                                                 |                                                                                 |                                                                 |                                                                                                                        |                                                                              |                                                                                                     |          |
| Ningbo Victory Container Co., Ltd.                                 | Inland container<br>transportation, container<br>storage, loading,<br>discharging, repair and<br>related activities | \$ 568,582      | (2)                           | \$ 212,700                                                                                    | -                                                                                                                          | -                          | \$ 212,700                                                                                      | \$ 11,309                                                                       | 40.00                                                           | \$ 4,524                                                                                                               | \$ 270,553                                                                   | \$ -                                                                                                |          |
| Qingdao Evergreen Container<br>Storage & Transportation Co., Ltd.  | Inland container<br>transportation, storage,<br>loading, discharging,<br>repair, cleaning and<br>related activities | 193,358         | (2)                           | 42,083                                                                                        | -                                                                                                                          | -                          | 42,083                                                                                          | 204,390                                                                         | 40.00                                                           | 81,756                                                                                                                 | 186,458                                                                      | -                                                                                                   |          |
| Kingtrans Intl Logistics (Tianjin)<br>Co., Ltd.                    | Inland container<br>transportation, storage,<br>loading, discharging,<br>repair, cleaning and<br>related activities | 354,547         | (2)                           | 118,802                                                                                       | -                                                                                                                          | -                          | 118,802                                                                                         | 44,214                                                                          | 40.00                                                           | 17,686                                                                                                                 | 186,091                                                                      | -                                                                                                   |          |
| Ever Shine (Shanghai) Enterprise<br>Management Consulting Co., Ltd | Management consultancy;<br>self-owned property<br>leasing                                                           | 1,976,695       | (2)                           | -                                                                                             | 2,419,413                                                                                                                  | -                          | 2,419,413                                                                                       | 22,058                                                                          | 80.00                                                           | 1,441                                                                                                                  | 3,733,685                                                                    | -                                                                                                   |          |
| Ever Shine (Ningbo) Enterprise<br>Management Consulting Co., Ltd   | Management consultancy;<br>self-owned property<br>leasing                                                           | 195,633         | (2)                           | -                                                                                             | 267,658                                                                                                                    | -                          | 267,658                                                                                         | (1,131)                                                                         | 80.00                                                           | (162)                                                                                                                  | 155,366                                                                      | -                                                                                                   |          |

| Company name           | Accumulated amount of<br>remittance from Taiwan to<br>Mainland China as of<br>December 31, 2017 | Investment amount<br>approved by the<br>Investment<br>Commission of the<br>Ministry of<br>Economic Affairs<br>(MOEA) |               | Ceiling on<br>investments in<br>Mainland China<br>imposed by the<br>Investment<br>Commission of<br>MOEA |    |
|------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------|----|
|                        |                                                                                                 | \$                                                                                                                   | \$            | \$                                                                                                      | \$ |
| Evergreen Marine Corp. | \$ 3,060,656                                                                                    | \$ 3,608,367                                                                                                         | \$ 38,039,132 |                                                                                                         |    |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company, Poonny Investment S.A., in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the "Investment income (loss) recognised by the Company for the year ended December 31, 2017" column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
- C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

#### 4. Parent Company Only Financial Statements and Report of Independent Accountants

##### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Evergreen Marine Corporation (Taiwan) Ltd.

##### ***Opinion***

We have audited the accompanying parent company only balance sheets of Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) as of December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other Matter* section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of Evergreen Marine Corporation (Taiwan) Ltd. as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

##### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained along with the report of other independent auditors are sufficient and appropriate to provide a basis for our opinion.

##### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the parent company only financial statements for the year ended December 31, 2017 are as follows:

### **Accuracy of freight revenue**

#### Description

Please refer to Note 4(29) for accounting policies on revenue recognition, Note 5(2) for uncertainty of accounting estimates and assumptions applied on revenue recognition, and Note 6(20) for details of sales revenue.

Evergreen Marine Corporation (Taiwan) Ltd. primarily engages in global container shipping service covering ocean-going and near-sea shipping line, shipping agency business as well as container freight station business. In 2017, freight revenue was NT\$ 27,548,082 thousand, representing 95.33 % of operating revenue. Since ocean-going shipping often lasts for several days, voyages are sometimes completed after the balance sheet date. Also, demands for freight are consistently sent by forwarders during voyage. Due to the factors mentioned above, freight revenue is recognized under the percentage-of-completion method for each vessel of which the service has been provided during the reporting period.

Despite the Company conducting business worldwide, its transactions are all in small amounts, whereas the freight rate is subject to fluctuation caused by cargo loading rate as well as market competition. Worldwide shipping agencies use a system to record the transactions by entering data including shipping departure, destination, counterparty, transit time, shipping amounts, and freight price for the Company. Therefore, management could recognize freight revenue in accordance with the data on bill of lading reports generated from system, accompanied by estimation made from past experience and current cargo loading conditions the revenue that would flow in, and calculate the revenue under percentage-of-completion method. As the process of recording transactions, communicating with agencies, maintaining the system are done manually, and the estimation of freight revenue is subject to management's judgement, therefore freight revenue involves high uncertainty and is material to the financial statements. Given the conditions as described above, we consider the accuracy of freight revenue and the appropriate use of cut-off by the Company and its investee companies as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the operation and industry of the Company to assess the reasonableness of policies and procedures on revenue recognition, and confirmed whether it is appropriate to the financial statements.
2. Obtained an understanding of the procedures of revenue recognition from booking, picking, billing to receiving. Assessed and tested relevant internal controls, including checking freight items and amounts of delivery information against the approved contracts and booking list. In addition, recalculated the accuracy of freight revenue, and ensured its consistency with the bill of lading report.
3. Obtained the estimated freight income report for vessels underway as of balance sheets date, and inquired with management for the reasonableness of judgment. In addition, checked historical freight revenue for total voyage under each individual vessel, along with comparing with current cargo loading condition as well as actual revenue received after period end to ensure the reasonableness of revenue assumptions.
4. Confirmed the completeness of vessels underway for the reporting period, including tracking the movements of shipments on the internet to ensure the vessels that depart before period end have been taken into consideration in the freight revenue calculation.
5. Verified accuracy of data used in calculating percentage of completion under each voyage, including selecting samples and check whether total shipping days shown on the Company's website are in agreement with cruise timetable as well as recalculating shipping days (days between departure and balance sheet date), in order to examine the soundness of percentage applied.

## **Impairment of property, plant and equipment**

### Description

Please refer to Note 4(15) for accounting policies on property, plant and equipment, Note 5(2) for uncertainty of accounting estimates and assumptions applied on impairment of property, plant and equipment, and Note 6(8) for details of property, plant and equipment.

As of December 31, 2017, property, plant and equipment amounted to NT\$ 27,118,687 thousand, constituting 22.45% of total assets, and ship equipment, transport equipment and cargo handling equipment amounted to NT\$ 26,021,184 thousand, accounting for approximately 95.95% of total property, plant and equipment. As new ships have been built and put into operation by many carriers around the world, market supply has exceeded demand. Therefore, the market imbalance led to price competition, resulting to losses for the industry and raising the risk of asset impairment. The valuation of impairment and recoverable amounts are evaluated by the Company using the present value of the future cash flows expected to be derived from an asset or cash-generating unit compared to the book value. The main assumptions of discounts rates used in recoverable amounts, and expected operating revenue growth rates, gross profit, operating profit rates, capital expenditures and discount rates used in future cash flow estimates are subject to management's judgement and involve high uncertainty, and the estimated results are material to the financial statements. Given the conditions as described above exist in the Company and its investee companies using equity method, we consider the impairment assessment of ship equipment, transport equipment and cargo handling equipment in the property, plant and equipment under the Company and its investee companies as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the relevant policies, internal controls and process applied to valuation of assets impairments.
2. Interviewed with management regarding the impairment test report, and assessed the reasonableness of discounts rate and the reasonableness of operating revenue, gross profit, operating profit rate, growth rates and capital expenditure that management used in estimating future cash flows by checking actual performance under past operating plans and comparing the performance with industry forecast to evaluate the intention and capability of management.
3. Checked the parameters of the valuation model and recalculated the valuation model for accuracy.

**Other matter – Audit by other independent accountants**

We did not audit the financial statements of all the investee companies accounted for using equity method. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these long-term equity investments, is based solely on the reports of the other independent accountants. Long-term equity investments in these investee companies amounted to NT\$ 20,592,791 thousand and NT\$ 19,659,814 thousand, constituting 17.05% and 18.54% of the total assets as of December 31, 2017, and 2016, respectively, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) was NT\$ 1,848,434 thousand and NT\$ 3,321,665 thousand for the years then ended.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company’s financial reporting process.

### ***Auditor's responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lai, Chung-Hsi

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2018

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

| (Expressed in thousands of New Taiwan dollars)    |               |                   |     |                   |     |
|---------------------------------------------------|---------------|-------------------|-----|-------------------|-----|
| Assets                                            | Notes         | December 31, 2017 |     | December 31, 2016 |     |
|                                                   |               | AMOUNT            | %   | AMOUNT            | %   |
| <b>Current assets</b>                             |               |                   |     |                   |     |
| Cash and cash equivalents                         | 6(1)          | \$ 23,043,513     | 19  | \$ 20,654,209     | 20  |
| Held-to-maturity financial assets - current       | 6(3)          | -                 | -   | 170,000           | -   |
| Notes receivable - net                            |               | 72                | -   | 29                |     |
| Accounts receivable - net                         | 6(4)          | 2,861,279         | 3   | 2,115,896         | 2   |
| Accounts receivable - related parties             | 7             | 213,443           | -   | 123,897           | -   |
| Other receivables                                 |               | 358,065           | -   | 686,293           | 1   |
| Other receivables - related parties               | 7             | 260,788           | -   | 207,467           | -   |
| Current income tax assets                         |               | 14,180            | -   | 195,071           | -   |
| Inventories                                       | 6(5)          | 688,877           | 1   | 401,083           | -   |
| Prepayments                                       |               | 225,934           | -   | 192,983           | -   |
| Other current assets                              | 6(6), 7 and 8 | 2,129,650         | 2   | 2,050,809         | 2   |
| <b>Current Assets</b>                             |               | 29,795,801        | 25  | 26,797,737        | 25  |
| <b>Non-current assets</b>                         |               |                   |     |                   |     |
| Available-for-sale financial assets - non-current | 6(2)          | 1,297,929         | 1   | 1,782,500         | 2   |
| Held-to-maturity financial assets - non-current   | 6(3)          | 100,000           | -   | 50,000            | -   |
| Investments accounted for using equity method     | 6(7)          | 56,719,097        | 47  | 46,181,530        | 44  |
| Property, plant and equipment - net               | 6(8) and 8    | 27,118,687        | 22  | 26,055,383        | 25  |
| Investment property - net                         | 6(9) and 8    | 1,907,702         | 2   | 1,926,846         | 2   |
| Intangible assets                                 |               | 39,071            | -   | 52,203            | -   |
| Deferred income tax assets                        | 6(27)         | 561,985           | -   | 520,670           | -   |
| Other non-current assets                          | 6(10)         | 3,254,303         | 3   | 2,680,128         | 2   |
| <b>Non-current assets</b>                         |               | 90,998,774        | 75  | 79,249,260        | 75  |
| <b>Total assets</b>                               |               | \$ 120,794,575    | 100 | \$ 106,046,997    | 100 |

(Continued)

## EVERGREEN MARINE CORPORATION (TAIWAN) LTD.

## PARENT COMPANY ONLY BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

| (Expressed in thousands of New Taiwan dollars) |             |                   |     |                   |     |
|------------------------------------------------|-------------|-------------------|-----|-------------------|-----|
| Liabilities and Equity                         | Notes       | December 31, 2017 |     | December 31, 2016 |     |
|                                                |             | AMOUNT            | %   | AMOUNT            | %   |
| <b>Current liabilities</b>                     |             |                   |     |                   |     |
| Accounts payable                               |             | \$ 3,470,062      | 3   | \$ 2,506,745      | 2   |
| Accounts payable - related parties             | 7           | 124,895           | -   | 123,976           | -   |
| Other payables                                 |             | 569,685           | 1   | 506,974           | 1   |
| Other payables - related parties               | 7           | 14,918            | -   | 8,995             | -   |
| Current income tax liabilities                 |             | 10,766            | -   | -                 | -   |
| Other current liabilities                      | 6(11) and 7 | 11,029,918        | 9   | 11,615,068        | 11  |
| <b>Current Liabilities</b>                     |             | 15,220,244        | 13  | 14,761,758        | 14  |
| <b>Non-current liabilities</b>                 |             |                   |     |                   |     |
| Corporate bonds payable                        | 6(12)       | 8,000,000         | 7   | -                 | -   |
| Long-term loans                                | 6(13)       | 31,951,886        | 26  | 38,261,648        | 36  |
| Deferred income tax liabilities                | 6(27)       | 758,619           | 1   | 546,379           | 1   |
| Other non-current liabilities                  | 6(14)(15)   | 1,465,272         | 1   | 1,489,719         | 1   |
| <b>Non-current liabilities</b>                 |             | 42,175,777        | 35  | 40,297,746        | 38  |
| <b>Total Liabilities</b>                       |             | 57,396,021        | 48  | 55,059,504        | 52  |
| <b>Equity</b>                                  |             |                   |     |                   |     |
| <b>Capital</b>                                 | 6(16)       |                   |     |                   |     |
| Common stock                                   |             | 40,123,560        | 33  | 35,123,560        | 33  |
| <b>Capital surplus</b>                         | 6(17)       |                   |     |                   |     |
| Capital surplus                                |             | 10,838,075        | 9   | 7,989,014         | 7   |
| <b>Retained earnings</b>                       | 6(18)       |                   |     |                   |     |
| Legal reserve                                  |             | 4,985,031         | 4   | 9,233,242         | 9   |
| Unappropriated earnings (deficit)              |             | 6,769,575         | 6 ( | 4,248,211) (      | 4)  |
| <b>Other equity interest</b>                   | 6(19)       |                   |     |                   |     |
| Other equity interest                          |             | 682,313           | -   | 2,889,888         | 3   |
| <b>Total equity</b>                            |             | 63,398,554        | 52  | 50,987,493        | 48  |
| <b>Significant Contingent Liabilities And</b>  | 9           |                   |     |                   |     |
| <b>Unrecognised Contract Commitments</b>       |             |                   |     |                   |     |
| <b>Significant Events After The Balance</b>    | 11          |                   |     |                   |     |
| <b>Sheet Date</b>                              |             |                   |     |                   |     |
| <b>Total liabilities and equity</b>            |             | \$ 120,794,575    | 100 | \$ 106,046,997    | 100 |

The accompanying notes are an integral part of these parent company only financial statements.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)

| Items                                                                                                                                                                                              | Notes           | Years ended December 31 |              |                         |               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|--------------|-------------------------|---------------|
|                                                                                                                                                                                                    |                 | 2017                    |              | 2016                    |               |
|                                                                                                                                                                                                    |                 | AMOUNT                  | %            | AMOUNT                  | %             |
| <b>Operating revenue</b>                                                                                                                                                                           | 6(20) and 7     | \$ 28,897,616           | 100          | \$ 23,060,494           | 100           |
| <b>Operating costs</b>                                                                                                                                                                             | 6(25)(26) and 7 | ( 26,886,291 )          | ( 93 )       | ( 22,150,476 )          | ( 96 )        |
| <b>Gross profit</b>                                                                                                                                                                                |                 | <u>2,011,325</u>        | <u>7</u>     | <u>910,018</u>          | <u>4</u>      |
| <b>Operating expenses</b>                                                                                                                                                                          | 6(25)(26) and 7 | ( 2,094,972 )           | ( 7 )        | ( 1,700,579 )           | ( 7 )         |
| <b>Other gains - net</b>                                                                                                                                                                           | 6(21) and 7     | <u>316,314</u>          | <u>1</u>     | <u>25,721</u>           | <u>-</u>      |
| <b>Operating profit (loss)</b>                                                                                                                                                                     |                 | <u>232,667</u>          | <u>1</u>     | <u>( 764,840 )</u>      | <u>( 3 )</u>  |
| <b>Non-operating income and expenses</b>                                                                                                                                                           |                 |                         |              |                         |               |
| Other income                                                                                                                                                                                       | 6(22)           | 492,360                 | 2            | 414,010                 | 2             |
| Other gains and losses                                                                                                                                                                             | 6(2)(23)        | 435,171                 | 1            | ( 44,409 )              | -             |
| Finance costs                                                                                                                                                                                      | 6(24)           | ( 634,697 )             | ( 2 )        | ( 614,846 )             | ( 3 )         |
| Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method                                                                                            |                 | <u>6,692,407</u>        | <u>23</u>    | <u>( 6,052,505 )</u>    | <u>( 26 )</u> |
| <b>Total non-operating income and expenses</b>                                                                                                                                                     |                 | <u>6,985,241</u>        | <u>24</u>    | <u>( 6,297,750 )</u>    | <u>( 27 )</u> |
| <b>Profit (loss) before income tax</b>                                                                                                                                                             |                 | <u>7,217,908</u>        | <u>25</u>    | <u>( 7,062,590 )</u>    | <u>( 30 )</u> |
| Income tax (expense) benefit                                                                                                                                                                       | 6(27)           | ( 212,737 )             | ( 1 )        | 454,604                 | 2             |
| <b>Profit (loss) for the year</b>                                                                                                                                                                  |                 | <u>\$ 7,005,171</u>     | <u>24</u>    | <u>( \$ 6,607,986 )</u> | <u>( 28 )</u> |
| <b>Other comprehensive income</b>                                                                                                                                                                  | 6(19)           |                         |              |                         |               |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                                    |                 |                         |              |                         |               |
| Losses on remeasurements of defined benefit plans                                                                                                                                                  |                 | ( \$ 81,598 )           | -            | ( \$ 49,377 )           | -             |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss   |                 | ( 167,870 )             | ( 1 )        | ( 161,067 )             | ( 1 )         |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss                                                                                     |                 | <u>13,872</u>           | <u>-</u>     | <u>8,394</u>            | <u>-</u>      |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                                    |                 | <u>( 235,596 )</u>      | <u>( 1 )</u> | <u>( 202,050 )</u>      | <u>( 1 )</u>  |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                                                                                        |                 |                         |              |                         |               |
| Other comprehensive income, before tax, exchange differences on translation                                                                                                                        |                 | ( 2,046,070 )           | ( 7 )        | ( 811,853 )             | ( 4 )         |
| Other comprehensive income, before tax, available-for-sale financial assets                                                                                                                        |                 | ( 92,521 )              | -            | 435,609                 | 2             |
| Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss |                 | ( 71,518 )              | -            | 170,153                 | 1             |
| Income tax relating to the components of other comprehensive income                                                                                                                                |                 | <u>2,534</u>            | <u>-</u>     | <u>192</u>              | <u>-</u>      |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                                                                                        |                 | <u>( 2,207,575 )</u>    | <u>( 7 )</u> | <u>( 205,899 )</u>      | <u>( 1 )</u>  |
| <b>Other comprehensive loss for the year</b>                                                                                                                                                       |                 | <u>( \$ 2,443,171 )</u> | <u>( 8 )</u> | <u>( \$ 407,949 )</u>   | <u>( 2 )</u>  |
| <b>Total comprehensive income (loss) for the year</b>                                                                                                                                              |                 | <u>\$ 4,562,000</u>     | <u>16</u>    | <u>( \$ 7,015,935 )</u> | <u>( 30 )</u> |
| <b>Basic earnings (loss) per share (in dollars)</b>                                                                                                                                                | 6(28)           |                         |              |                         |               |
| Basic earnings (loss) per share                                                                                                                                                                    |                 | \$ 1.97                 |              | ( \$ 1.88 )             |               |
| Diluted earnings (loss) per share                                                                                                                                                                  |                 | \$ 1.97                 |              | ( \$ 1.88 )             |               |

The accompanying notes are an integral part of these parent company only financial statements.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

|                                                                                          | Retained Earnings |                      |                      | Other equity interest |                                            |                                                                                    | Total equity        |                                                                |                                                                       |
|------------------------------------------------------------------------------------------|-------------------|----------------------|----------------------|-----------------------|--------------------------------------------|------------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
|                                                                                          | Notes             | Common stock         | Capital surplus      | Legal reserve         | Unappropriated retained earnings (deficit) | Exchange differences on translating the financial statements of foreign operations |                     | Unrealized gain or loss on available-for-sale financial assets | Hedging instrument gain (loss) on effective hedge of cash flow hedges |
| Year 2016                                                                                |                   |                      |                      |                       |                                            |                                                                                    |                     |                                                                |                                                                       |
| Balance at January 1, 2016                                                               |                   | \$ 35,123,560        | \$ 7,986,633         | \$ 9,233,242          | \$ 2,561,825                               | \$ 2,155,086                                                                       | \$ 1,461,850        | (\$ 521,149)                                                   | \$ 58,001,047                                                         |
| Adjustments to share of changes in equity of subsidiaries, associates and joint ventures | 6(17)             | -                    | 2,381                | -                     | -                                          | -                                                                                  | -                   | -                                                              | 2,381                                                                 |
| Loss for the year                                                                        |                   | -                    | -                    | -                     | ( 6,607,986 )                              | -                                                                                  | -                   | -                                                              | ( 6,607,986 )                                                         |
| Other comprehensive income (loss) for the year                                           | 6(19)             | -                    | -                    | -                     | ( 202,050 )                                | ( 900,464 )                                                                        | 241,311             | 453,254                                                        | ( 407,949 )                                                           |
| Balance at December 31, 2016                                                             |                   | <u>\$ 35,123,560</u> | <u>\$ 7,989,014</u>  | <u>\$ 9,233,242</u>   | <u>(\$ 4,248,211)</u>                      | <u>\$ 1,254,622</u>                                                                | <u>\$ 1,703,161</u> | <u>(\$ 67,895)</u>                                             | <u>\$ 50,987,493</u>                                                  |
| Year 2017                                                                                |                   |                      |                      |                       |                                            |                                                                                    |                     |                                                                |                                                                       |
| Balance at January 1, 2017                                                               |                   | \$ 35,123,560        | \$ 7,989,014         | \$ 9,233,242          | (\$ 4,248,211)                             | \$ 1,254,622                                                                       | \$ 1,703,161        | (\$ 67,895)                                                    | \$ 50,987,493                                                         |
| Appropriation of 2016 earnings                                                           | 6(18)             | -                    | -                    | ( 4,248,211 )         | 4,248,211                                  | -                                                                                  | -                   | -                                                              | -                                                                     |
| Legal reserve used to offset accumulated deficit                                         |                   | -                    | 2,711,222            | -                     | -                                          | -                                                                                  | -                   | -                                                              | 7,711,222                                                             |
| Issuance of common stock                                                                 | 6(16)             | 5,000,000            | -                    | -                     | -                                          | -                                                                                  | -                   | -                                                              | -                                                                     |
| Cash capital increase reserved for employee preemption                                   | 6(17)             | -                    | 76,280               | -                     | -                                          | -                                                                                  | -                   | -                                                              | 76,280                                                                |
| Adjustments to share of changes in equity of subsidiaries, associates and joint ventures | 6(17)             | -                    | 61,559               | -                     | -                                          | -                                                                                  | -                   | -                                                              | 61,559                                                                |
| Profit for the year                                                                      |                   | -                    | -                    | -                     | 7,005,171                                  | -                                                                                  | -                   | -                                                              | 7,005,171                                                             |
| Other comprehensive income (loss) for the year                                           | 6(19)             | -                    | -                    | -                     | ( 235,596 )                                | ( 2,389,736 )                                                                      | 130,178             | 51,983                                                         | ( 2,443,171 )                                                         |
| Balance at December 31, 2017                                                             |                   | <u>\$ 40,123,560</u> | <u>\$ 10,838,075</u> | <u>\$ 4,985,031</u>   | <u>\$ 6,769,575</u>                        | <u>(\$ 1,135,114)</u>                                                              | <u>\$ 1,833,339</u> | <u>(\$ 15,912)</u>                                             | <u>\$ 63,398,554</u>                                                  |

Note: For the year ended December 31, 2017, the directors' and supervisors' remuneration and the employees' compensation were accrued at \$10,207 and \$36,322, respectively, which were deducted from the statement of comprehensive income.

The accompanying notes are an integral part of these parent company only financial statements.

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

|                                                                                                         | Notes     | Years ended December 31 |                 |
|---------------------------------------------------------------------------------------------------------|-----------|-------------------------|-----------------|
|                                                                                                         |           | 2017                    | 2016            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                             |           |                         |                 |
| Profit (loss) before tax                                                                                |           | \$ 7,217,908            | (\$ 7,062,590 ) |
| Adjustments                                                                                             |           |                         |                 |
| Adjustments to reconcile profit (loss)                                                                  |           |                         |                 |
| Depreciation                                                                                            | 6(23)(25) | 1,771,783               | 1,696,877       |
| Amortization                                                                                            | 6(25)     | 19,591                  | 15,173          |
| Bad debt expense                                                                                        |           | -                       | 73,732          |
| Interest expense                                                                                        | 6(24)     | 634,697                 | 614,846         |
| Interest income                                                                                         | 6(22)     | ( 240,022 )             | ( 157,446 )     |
| Dividend income                                                                                         | 6(22)     | ( 46,965 )              | ( 66,195 )      |
| Gain on disposal of available-for-sale financial assets                                                 |           | ( 523,111 )             | -               |
| Loss on disposal of other long-term investments                                                         |           | 312                     | -               |
| Realized loss from available-for-sale financial assets                                                  | 6(2)      | -                       | 1,220           |
| Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method |           | ( 6,692,407 )           | 6,052,505       |
| Gain from bargain purchase                                                                              |           | ( 1,534 )               | -               |
| Net gain on disposal of property, plant and equipment                                                   |           | ( 316,314 )             | ( 25,721 )      |
| Realized income with affiliated companies                                                               |           | ( 7,444 )               | ( 8,932 )       |
| Cash capital increase reserved for employee preemption                                                  |           | 76,280                  | -               |
| Changes in operating assets and liabilities                                                             |           |                         |                 |
| Changes in operating assets                                                                             |           |                         |                 |
| Notes receivable                                                                                        |           | ( 43 )                  | 8               |
| Accounts receivable                                                                                     |           | ( 745,383 )             | ( 504,769 )     |
| Accounts receivable - related parties                                                                   |           | ( 89,546 )              | 69,046          |
| Other receivables                                                                                       |           | 328,228                 | ( 490,589 )     |
| Other receivables - related parties                                                                     |           | ( 53,321 )              | ( 53,610 )      |
| Inventories                                                                                             |           | ( 287,794 )             | 72,916          |
| Prepayments                                                                                             |           | ( 32,951 )              | ( 5,258 )       |
| Increase in other current assets                                                                        |           | ( 78,841 )              | 394,947         |
| Other non-current assets                                                                                |           | 5,232                   | ( 79 )          |
| Changes in operating liabilities                                                                        |           |                         |                 |
| Accounts payable                                                                                        |           | 963,317                 | 338,473         |
| Accounts payable - related parties                                                                      |           | 919                     | 42,187          |
| Other payables                                                                                          |           | 112,709                 | 30,918          |
| Other payables - related parties                                                                        |           | 8,138                   | ( 23,318 )      |
| Other current liabilities                                                                               |           | 894,561                 | 269,910         |
| Other non-current liabilities                                                                           |           | ( 106,045 )             | ( 104,956 )     |
| Cash inflow generated from operations                                                                   |           | 2,811,954               | 1,169,295       |
| Interest received                                                                                       |           | 240,022                 | 157,446         |
| Interest paid                                                                                           |           | ( 646,262 )             | ( 634,552 )     |
| Income tax refund received                                                                              |           | 160,259                 | -               |
| Income tax paid                                                                                         |           | -                       | ( 14,183 )      |
| Net cash flows from operating activities                                                                |           | 2,565,973               | 678,006         |

(Continued)

EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

|                                                                        | Notes | Years ended December 31 |               |
|------------------------------------------------------------------------|-------|-------------------------|---------------|
|                                                                        |       | 2017                    | 2016          |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                            |       |                         |               |
| Proceeds from disposal of available-for-sale financial assets          |       | \$ 915,160              | \$ -          |
| Proceeds from capital reduction of available-for-sale financial assets |       | -                       | 1,253         |
| Proceeds from sale of held-to-maturity financial assets                |       | 170,000                 | 200,000       |
| Acquisition of held-to-maturity financial assets                       |       | ( 50,000 )              | -             |
| Acquisition of investments accounted for using equity method           | 6(7)  | ( 6,388,255 )           | ( 188,025 )   |
| Acquisition of property, plant and equipment                           | 6(29) | ( 1,051,694 )           | ( 195,015 )   |
| Proceeds from disposal of property, plant and equipment                |       | 325,141                 | 736,376       |
| Acquisition of intangible assets                                       |       | ( 6,459 )               | ( 57,296 )    |
| Increase in other non-current assets                                   | 6(29) | ( 2,402,411 )           | ( 1,404,809 ) |
| Cash dividends received                                                |       | 390,100                 | 476,112       |
| Net cash flows used in investing activities                            |       | ( 8,098,418 )           | ( 431,404 )   |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>                            |       |                         |               |
| Increase in short-term loans                                           |       | 600,000                 | 1,817,199     |
| Decrease in short-term loans                                           |       | ( 600,000 )             | ( 1,817,199 ) |
| Increase in long-term loans                                            |       | 2,164,302               | 11,327,955    |
| Decrease in long-term loans                                            |       | ( 6,953,775 )           | ( 9,598,983 ) |
| Increase in corporate bonds payable                                    |       | 8,000,000               | -             |
| Decrease in corporate bonds payable                                    |       | ( 3,000,000 )           | -             |
| Proceeds from issuance of common stock                                 |       | 7,711,222               | -             |
| Net cash flows from financing activities                               |       | 7,921,749               | 1,728,972     |
| Net increase in cash and cash equivalents                              |       | 2,389,304               | 1,975,574     |
| Cash and cash equivalents at beginning of year                         |       | 20,654,209              | 18,678,635    |
| Cash and cash equivalents at end of year                               |       | \$ 23,043,513           | \$ 20,654,209 |

The accompanying notes are an integral part of these parent company only financial statements.

EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

**1. HISTORY AND ORGANISATION**

Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) was established in the Republic of China, is mainly engaged in domestic and international marine transportation, shipping agency services, and the distribution of containers. The Company was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, R.O.C. to be a public company on November 2, 1982 and was further approved by the SFB to be a listed company on July 6, 1987. The Company’s shares have been publicly traded on the Taiwan Stock Exchange since September 21, 1987.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These parent company only financial statements were authorised for issuance by the Board of Directors on March 23, 2018.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)**

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

| New Standards, Interpretations and Amendments                                                           | Effective date by<br>International Accounting<br>Standards Board |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’  | January 1, 2016                                                  |
| Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’                    | January 1, 2016                                                  |
| IFRS 14, ‘Regulatory deferral accounts’                                                                 | January 1, 2016                                                  |
| Amendments to IAS 1, ‘Disclosure initiative’                                                            | January 1, 2016                                                  |
| Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’ | January 1, 2016                                                  |
| Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’                                           | January 1, 2016                                                  |
| Amendments to IAS 19, ‘Defined benefit plans: employee contributions’                                   | July 1, 2014                                                     |
| Amendments to IAS 27, ‘Equity method in separate financial statements’                                  | January 1, 2016                                                  |
| Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’                         | January 1, 2014                                                  |
| Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’                    | January 1, 2014                                                  |
| IFRIC 21, ‘Levies’                                                                                      | January 1, 2014                                                  |
| Annual improvements to IFRSs 2010-2012 cycle                                                            | July 1, 2014                                                     |

| New Standards, Interpretations and Amendments | Effective date by<br>International Accounting<br>Standards Board |
|-----------------------------------------------|------------------------------------------------------------------|
| Annual improvements to IFRSs 2011-2013 cycle  | July 1, 2014                                                     |
| Annual improvements to IFRSs 2012-2014 cycle  | January 1, 2016                                                  |

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

A. Amendments to IAS 19, 'Defined benefit plans: Employee contributions'

The amendment allows contributions made by employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions made by employees or third parties that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgements made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

Based on the Company's assessment, the amendment will result in an additional disclosure of judgements made by management in aggregating operating segments and a deletion of a reconciliation of segments' assets.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments                                                 | Effective date by<br>International Accounting<br>Standards Board |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'    | January 1, 2018                                                  |
| Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts' | January 1, 2018                                                  |
| IFRS 9, 'Financial instruments'                                                               | January 1, 2018                                                  |
| IFRS 15, 'Revenue from contracts with customers'                                              | January 1, 2018                                                  |
| Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'      | January 1, 2018                                                  |

| New Standards, Interpretations and Amendments                                                                                            | Effective date by<br>International Accounting<br>Standards Board |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IAS 7, 'Disclosure initiative'                                                                                             | January 1, 2017                                                  |
| Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'                                                         | January 1, 2017                                                  |
| Amendments to IAS 40, 'Transfers of investment property'                                                                                 | January 1, 2018                                                  |
| IFRIC 22, 'Foreign currency transactions and advance consideration'                                                                      | January 1, 2018                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' | January 1, 2018                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'                         | January 1, 2017                                                  |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'                       | January 1, 2018                                                  |

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

#### B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

#### C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

- A. The effect of the adoption of the new standard is the reclassification of financial assets in the amount of \$1,297,929 from available-for-sale financial assets-non-current to financial assets at fair value through other comprehensive income in accordance with classification rules of IFRS 9.
- B. In line with the regulations under IFRS 9 on provision for impairment, other equity interest will have to be decreased by \$192,156 and retained earnings increased by \$192,156.
- C. In accordance with IFRS 9, the Company expects to reclassify held-to-maturity financial assets of \$100,000 by increasing financial assets at amortised cost in the amount of \$100,000.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments                                                                             | Effective date by<br>International Accounting<br>Standards Board   |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Amendments to IFRS 9, 'Prepayment features with negative compensation'                                                    | January 1, 2019                                                    |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by<br>International Accounting<br>Standards Board |
| IFRS 16, 'Leases'                                                                                                         | January 1, 2019                                                    |
| IFRS 17, 'Insurance contracts'                                                                                            | January 1, 2021                                                    |
| Amendments to IAS 19, 'Plan amendment, curtailment or settlement'                                                         | January 1, 2019                                                    |
| Amendments to IAS 28, 'Long-term interests in associates and joint ventures'                                              | January 1, 2019                                                    |
| IFRIC 23, 'Uncertainty over income tax treatments'                                                                        | January 1, 2019                                                    |
| Annual improvements to IFRSs 2015-2017 cycle                                                                              | January 1, 2019                                                    |

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

## A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

## B. Amendments to IAS 19, 'Plan amendment, curtailment or settlement'

When a change to a plan take place the amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

## C. Annual improvements to IFRSs 2015-2017 cycle

## (a) Amendments to IFRS 3, 'Business combinations'

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value at of the acquisition date.

(b) Amendments to IAS 12, ‘Income taxes’

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

(c) Amendments to IAS 23, ‘Borrowing costs’

The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. With due date within one year time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognized and derecognized using trade date accounting.

C. Held-to-maturity financial assets are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

(9) Notes, accounts and other receivables

Notes and accounts receivable are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

**(b) Available-for-sale financial assets**

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

**(11) Derecognition of financial assets**

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The cash flows from the financial asset have been received.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Company has not retained control of the financial asset.

**(12) Operating leases (lessor)**

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

**(13) Inventories**

Inventories refer to fuel inventories and steel inventories. Fuel inventories are physically measured by the crew of each ship and reported back to the Head Office through telegraph for recording purposes at balance sheet date. Valuation of inventories is based on the exchange rate prevailing at balance sheet date.

At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

**(14) Investments accounted for using equity method / subsidiaries and associates**

- A. Subsidiary is an entity where the Company has the right to dominate its finance and operation policies (includes special purpose entity), normally the Company owns more than 50 percent of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.
- B. Unrealized gains or losses resulted from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

- C. After acquisition of subsidiaries, the Company recognizes proportionately for the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interests in that subsidiary, the Company continues to recognize its shares in the subsidiary's loss proportionately.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.
- E. If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost and recognizes any resulting difference as a gain or loss in profit or loss. The Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when it loses control of the subsidiary.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains or loss on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- M. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- N. According to "Rules Governing the Preparations of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

|                                 |               |
|---------------------------------|---------------|
| Buildings                       | 50 ~ 55 years |
| Loading and unloading equipment | 6 ~ 20 years  |
| Ships                           | 18 ~ 25 years |
| Transportation equipment        | 6 ~ 10 years  |
| Other equipment                 | 3 ~ 5 years   |

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50~60 years.

(18) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(21) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Financial liabilities and equity instruments

A. Ordinary corporate bonds issued by the Company are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

B. Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument. Convertible corporate bonds are accounted for as follows:

- (a) Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- (b) Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- (c) Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(25) Derivative financial instruments and hedging activities

- A. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.
- B. The Company designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).
- C. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

## E. Cash flow hedge

- (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains and losses'.
- (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognised in operating costs.
- (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

## (26) Employee benefits

### A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

### B. Pensions

#### (a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

#### (b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in

the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

#### D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

### (27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

## Sales of services

Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

## Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would transfer the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit or loss, please refer to Note 6(2).

(2) Critical accounting estimates and assumptions

## A. Revenue recognition

Revenue from delivering services and related costs are recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed.

**B. Impairment assessment of tangible and intangible assets (excluding goodwill)**

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

As of December 31, 2017, the Company had property, plant and equipment and intangible assets, amounting to \$27,118,687 and \$39,071, respectively.

**C. Impairment assessment of investments accounted for using the equity method**

The Company assesses the impairment of an investment accounted for using the equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Company assesses the recoverable amounts of an investment accounted for using the equity method based on the present value of the Company's share of expected future cash flows of the investee, and analyzes the reasonableness of related assumptions.

**D. Financial assets—fair value measurement of unlisted stocks without active market**

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent funding raising activities, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2017, the carrying amount of unlisted stocks without active market was \$152,955.

**6. DETAILS OF SIGNIFICANT ACCOUNTS****(1) Cash and cash equivalents**

|                                       | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and petty cash           | \$ 13,433                | \$ 14,861                |
| Checking accounts and demand deposits | 2,656,471                | 3,292,633                |
| Time deposits                         | 20,373,609               | 17,346,715               |
|                                       | <u>\$ 23,043,513</u>     | <u>\$ 20,654,209</u>     |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Available-for-sale financial assets

| Items                       | December 31, 2017   | December 31, 2016   |
|-----------------------------|---------------------|---------------------|
| Non-current items:          |                     |                     |
| Listed (TSE and OTC) stocks | \$ 631,039          | \$ 1,023,088        |
| Unlisted stocks             | 88,917              | 88,917              |
|                             | 719,956             | 1,112,005           |
| Valuation adjustment        | 577,973             | 670,495             |
|                             | <u>\$ 1,297,929</u> | <u>\$ 1,782,500</u> |

A. The Company recognized net loss and net gain of \$92,521 and \$435,609 in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. The Company originally owned the emerging stock of Taiwan High Speed Rail Corporation which was first publicly traded on October 27, 2016. However, for the year ended December 31, 2015, the Company assessed that there had been objective evidence of impairment given that the market price of the shares continuously declined. The Company then recognised \$189,091 as impairment loss in 2017.

C. The Company recognized impairment loss of \$3,065 on unlisted stocks.

D. No available-for-sale financial assets held by the Company were pledged to others.

(3) Held-to-maturity financial assets

| Items              | December 31, 2017 | December 31, 2016 |
|--------------------|-------------------|-------------------|
| Current items:     |                   |                   |
| Financial bonds    | \$ -              | \$ 170,000        |
| Non-current items: |                   |                   |
| Financial bonds    | <u>\$ 100,000</u> | <u>\$ 50,000</u>  |

A. The Company recognized interest income of \$2,339 and \$8,197 for amortized cost in profit or loss for the years ended December 31, 2017 and 2016, respectively.

B. The counterparties of the Company's investments have good credit quality.

C. No held-to-maturity financial assets held by the Company were pledged to others.

(4) Accounts receivable

|                               | December 31, 2017   | December 31, 2016   |
|-------------------------------|---------------------|---------------------|
| Accounts receivable           | \$ 2,929,761        | \$ 2,189,628        |
| Less: Allowance for bad debts | ( 68,482)           | ( 73,732)           |
|                               | <u>\$ 2,861,279</u> | <u>\$ 2,115,896</u> |

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's credit quality control policy.

|         | December 31, 2017   | December 31, 2016   |
|---------|---------------------|---------------------|
| Group 1 | \$ 277,138          | \$ 126,994          |
| Group 2 | 2,018,146           | 1,546,534           |
|         | <u>\$ 2,295,284</u> | <u>\$ 1,673,528</u> |

Note:

Group 1:Low risk: The Company's ten largest customers, with sound performance and high transparency of financial information, are approved based on the Company's credit quality control policy.

Group 2:General risk company.

B.The ageing analysis of accounts receivable that were past due but not impaired is as follows:

|                | December 31, 2017 | December 31, 2016 |
|----------------|-------------------|-------------------|
| Up to 30 days  | \$ 301,805        | \$ 225,216        |
| 31 to 180 days | 264,190           | 217,152           |
|                | <u>\$ 565,995</u> | <u>\$ 442,368</u> |

The above ageing analysis was based on past due date.

C.Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Company's accounts receivable that was impaired amounted to \$68,482 and \$73,732, respectively.

(b) Movements in the provision for impairment of accounts receivable are as follows:

| 2017                          |                      |                 |                  |
|-------------------------------|----------------------|-----------------|------------------|
|                               | Individual provision | Group provision | Total            |
| At January 1                  | \$ 73,732            | \$ -            | \$ 73,732        |
| Provision for impairment      | -                    | -               | -                |
| Effects of foreign exchange ( | 5,250)               | -               | ( 5,250)         |
| At December 31                | <u>\$ 68,482</u>     | <u>\$ -</u>     | <u>\$ 68,482</u> |
| 2016                          |                      |                 |                  |
|                               | Individual provision | Group provision | Total            |
| At January 1                  | \$ -                 | \$ -            | \$ -             |
| Provision for impairment      | 73,732               | -               | 73,732           |
| Reversal of impairment        | -                    | -               | -                |
| At December 31                | <u>\$ 73,732</u>     | <u>\$ -</u>     | <u>\$ 73,732</u> |

D.The Company does not hold any collateral as security.

(5) Inventories

| December 31, 2017 |                   |                              |                   |
|-------------------|-------------------|------------------------------|-------------------|
|                   | Cost              | Allowance for valuation loss | Book value        |
| Ship fuel         | <u>\$ 688,877</u> | <u>\$ -</u>                  | <u>\$ 688,877</u> |
| December 31, 2016 |                   |                              |                   |
|                   | Cost              | Allowance for valuation loss | Book value        |
| Ship fuel         | <u>\$ 401,083</u> | <u>\$ -</u>                  | <u>\$ 401,083</u> |

(6) Other current assets

|                        | December 31, 2017   | December 31, 2016   |
|------------------------|---------------------|---------------------|
| Shipowner's accounts   | \$ 1,647,486        | \$ 1,659,549        |
| Agent accounts         | 250,116             | 164,506             |
| Other financial assets | 117,725             | 116,960             |
| Temporary debits       | 114,323             | 109,794             |
|                        | <u>\$ 2,129,650</u> | <u>\$ 2,050,809</u> |

## A. Shipowner's accounts

- (a) These pertain to temporary accounts between the Company and Evergreen International S.A., Gaining Enterprise S.A., Greencompass Marine S.A., Italia Marittima S.p.A., Evergreen Marine (UK) Ltd., Evergreen Marine (Hong Kong) Ltd. and Evergreen Marine (Singapore) Pte. Ltd.. These accounts occur as these ship owners incur foreign port expenses and related rental expenses.
- (b) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Company has joined Cosco Container Lines Co., Ltd., Kawasaki Kisen Kaisha, Ltd., Yang Ming (UK), Ltd. and Hanjin Shipping Co., Ltd. to form the new CKYHE Alliance for the trading of shipping spaces.
- (c) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Group has joined Cosco Container Lines Co., Ltd., CMA CGM, Ltd., and the Orient Overseas Container Line, Ltd. to form the OCEAN Alliance on March 31, 2017 for trading of shipping space.

## B. Agency accounts

These accounts occur when domestic and foreign agencies, based on the agreement with the Company, deal with foreign port formalities regarding arrival and departure of ships, cargo loading, discharging and forwarding, collection of freight, and payment of expenses incurred in the foreign port.

(7) Investments accounted for using equity method

Details of long-term equity investments accounted for using equity method are set forth below:

|                                                           | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Subsidiary of the Company:                                |                          |                          |
| Peony Investment S.A.                                     | \$ 29,984,506            | \$ 26,887,947            |
| Evergreen Marine (Hong Kong) Ltd.                         | 6,287,883                | -                        |
| Everport Terminal Services Inc.                           | 568,156                  | 176,298                  |
| Taiwan Terminal Services Co., Ltd.                        | 39,912                   | 39,556                   |
| Associates of the Company:                                |                          |                          |
| EVA Airways Corporation                                   | 9,462,402                | 8,699,063                |
| Evergreen International Storage and Transport Corporation | 8,554,230                | 8,604,700                |
| Taipei Port Container Terminal Corporation                | 977,049                  | 967,475                  |
| Charng Yang Development Co., Ltd.                         | 537,532                  | 531,069                  |
| VIP Greenport Joint Stock Company                         | 205,923                  | 181,427                  |
| Evergreen Security Corporation                            | 97,140                   | 89,536                   |
| Evergreen Marine (Latin America), S.A.                    | 4,364                    | 4,459                    |
|                                                           | <u>\$ 56,719,097</u>     | <u>\$ 46,181,530</u>     |

A. The fair value of the Company's associates which have quoted market price was as follows:

|                                                           | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Evergreen International Storage and Transport Corporation | \$ 6,000,494             | \$ 5,428,009             |
| EVA Airways Corporation                                   | 10,790,460               | 9,649,978                |
|                                                           | <u>\$ 16,790,954</u>     | <u>\$ 15,077,987</u>     |

B. The above investment income or loss accounted for using the equity method was based on the financial statements of the investees for the corresponding periods, which were audited by independent auditors.

C. Subsidiary:

- (a) For information on the subsidiaries, please refer to Note 4(3) of the consolidated financial statements as of December 31, 2017.
- (b) On August 11, 2017, the Board of Directors resolved to acquire Evergreen Marine (Hong Kong) Ltd. On December 18, 2017, the Company purchased 80% of the shares of Evergreen Marine (Hong Kong) Ltd. for cash of \$6,452,225 (approx. USD 212,000) from subsidiary Peony Investment S.A. Please refer to Note 6(30) to the consolidated financial statements of 2017.

D.The basic information of the associates that are material to the Company is as follows:

| <u>Company name</u>                                       | <u>Principal place of business</u> | <u>Ownership(%)</u>      |                          | <u>Nature of relationship</u>        | <u>Methods of measurement</u> |
|-----------------------------------------------------------|------------------------------------|--------------------------|--------------------------|--------------------------------------|-------------------------------|
|                                                           |                                    | <u>December 31, 2017</u> | <u>December 31, 2016</u> |                                      |                               |
| Evergreen International Storage and Transport Corporation | TW                                 | 39.74%                   | 39.74%                   | With a right over 20% to vote        | Equity method                 |
| EVA Airways Corporation                                   | TW                                 | 16.31%                   | 16.31%                   | Have a right to vote in the Board of | Equity method                 |

E.The summarised financial information of the associates that are material to the Company is as follows:

Balance sheet

|                                             | <u>Evergreen International Storage and Transport Corporation</u> |                          |
|---------------------------------------------|------------------------------------------------------------------|--------------------------|
|                                             | <u>December 31, 2017</u>                                         | <u>December 31, 2016</u> |
| Current assets                              | \$ 5,429,946                                                     | \$ 4,883,682             |
| Non-current assets                          | 27,662,565                                                       | 28,917,060               |
| Current liabilities                         | ( 2,369,781)                                                     | ( 2,380,308)             |
| Non-current liabilities                     | ( 9,031,865)                                                     | ( 9,592,754)             |
| Total net assets                            | <u>\$ 21,690,865</u>                                             | <u>\$ 21,827,680</u>     |
| Share in associate's net assets             | \$ 8,558,553                                                     | \$ 8,611,875             |
| Unrealized income with affiliated companies | ( 4,323)                                                         | ( 7,175)                 |
| Carrying amount of the associate            | <u>\$ 8,554,230</u>                                              | <u>\$ 8,604,700</u>      |

|                                 | <u>EVA Airways Corporation</u> |                          |
|---------------------------------|--------------------------------|--------------------------|
|                                 | <u>December 31, 2017</u>       | <u>December 31, 2016</u> |
| Current assets                  | \$ 69,002,340                  | \$ 69,375,363            |
| Non-current assets              | 159,204,888                    | 148,288,041              |
| Current liabilities             | ( 60,428,208)                  | ( 62,284,933)            |
| Non-current liabilities         | ( 103,569,512)                 | ( 96,042,190)            |
| Total net assets                | <u>\$ 64,209,508</u>           | <u>\$ 59,336,281</u>     |
| Share in associate's net assets | <u>\$ 9,462,402</u>            | <u>\$ 8,699,063</u>      |

Statement of comprehensive income

|                                                     | Evergreen International Storage and Transport Corporation |                                 |
|-----------------------------------------------------|-----------------------------------------------------------|---------------------------------|
|                                                     | Year ended December<br>31, 2017                           | Year ended December<br>31, 2016 |
| Revenue                                             | \$ 7,554,009                                              | \$ 7,472,097                    |
| Profit for the period from<br>continuing operations | 884,258                                                   | 809,015                         |
| Other comprehensive loss,<br>net of tax             | ( 647,260)                                                | ( 123,347)                      |
| Total comprehensive income                          | \$ 236,998                                                | \$ 685,668                      |
| Dividends received from associates                  | \$ 148,422                                                | \$ 148,422                      |

|                                                     | EVA Airways Corporation         |                                 |
|-----------------------------------------------------|---------------------------------|---------------------------------|
|                                                     | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
| Revenue                                             | \$ 163,561,731                  | \$ 144,679,665                  |
| Profit for the period from<br>continuing operations | 6,310,934                       | 3,953,667                       |
| Other comprehensive (loss) income,<br>net of tax    | ( 769,683)                      | 2,084,356                       |
| Total comprehensive income                          | \$ 5,541,251                    | \$ 6,038,023                    |
| Dividends received from associates                  | \$ 132,191                      | \$ 188,845                      |

F. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:

As of December 31, 2017 and 2016, the carrying amount of the Company's individually immaterial associates amounted to \$1,822,008 and \$1,773,966, respectively.

|                                                     | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| Profit for the period from continuing<br>operations | \$ 344,532                      | \$ 183,291                      |
| Other comprehensive loss, net of tax                | ( 4,318)                        | ( 15,893)                       |
| Total comprehensive income                          | \$ 340,214                      | \$ 167,398                      |

G. To meet the operational needs in Vietnam, the Board of Directors has resolved on November 13, 2015, to participate in VIP Greenport Joint Stock Company's capital increase as the original shareholder. The investment amount was VND125,000 thousand and the capital increase was effective from January 16, 2016. The shareholding ratio is 21.74% after the capital increase and VIP Greenport Joint Stock Company is accounted for using equity method.

H. On May 12, 2017, the Board of Directors resolved to purchase newly issued shares of VIP Greenport Joint Stock Company for VND 12,500 thousand as an original shareholder. The ownership percentage remains at 21.74% after the purchase.

(8) Property, plant and equipment

|                                           | Land              | Buildings         | Loading and unloading equipment | Computer and communication equipment | Transportation equipment | Ships                | Office equipment | Leasehold improvements | Other            | Total                |
|-------------------------------------------|-------------------|-------------------|---------------------------------|--------------------------------------|--------------------------|----------------------|------------------|------------------------|------------------|----------------------|
| <u>At January 1, 2017</u>                 |                   |                   |                                 |                                      |                          |                      |                  |                        |                  |                      |
| Cost                                      | \$ 558,532        | \$ 402,956        | \$ 5,663,204                    | \$ 120,405                           | \$ 4,661,534             | \$ 24,554,286        | \$ 209,733       | \$ 337,340             | \$ 72,810        | \$ 36,580,800        |
| Accumulated depreciation                  | -                 | ( 199,399)        | ( 3,990,202)                    | ( 109,661)                           | ( 1,879,108)             | ( 3,958,278)         | ( 159,570)       | ( 228,668)             | ( 531)           | ( 10,525,417)        |
|                                           | <u>\$ 558,532</u> | <u>\$ 203,557</u> | <u>\$ 1,673,002</u>             | <u>\$ 10,744</u>                     | <u>\$ 2,782,426</u>      | <u>\$ 20,596,008</u> | <u>\$ 50,163</u> | <u>\$ 108,672</u>      | <u>\$ 72,279</u> | <u>\$ 26,055,383</u> |
| 2017                                      |                   |                   |                                 |                                      |                          |                      |                  |                        |                  |                      |
| Opening net book amount as at January 1   | \$ 558,532        | \$ 203,557        | \$ 1,673,002                    | \$ 10,744                            | \$ 2,782,426             | \$ 20,596,008        | \$ 50,163        | \$ 108,672             | \$ 72,279        | \$ 26,055,383        |
| Additions                                 | -                 | -                 | 2,014                           | 23,131                               | 984,310                  | 21,375               | 8,320            | 14,312                 | 494              | 1,053,956            |
| Disposals                                 | -                 | -                 | ( 38)                           | ( 28)                                | ( 14,252)                | ( 3,451)             | ( 26)            | -                      | -                | ( 17,795)            |
| Reclassifications                         | -                 | -                 | 379,334                         | 807                                  | -                        | 1,195,037            | 128              | 204,089                | 387              | 1,779,782            |
| Depreciation                              | -                 | ( 7,747)          | ( 161,158)                      | ( 12,118)                            | ( 371,991)               | ( 1,061,432)         | ( 20,029)        | ( 115,341)             | ( 2,823)         | ( 1,752,639)         |
| Closing net book amount as at December 31 | <u>\$ 558,532</u> | <u>\$ 195,810</u> | <u>\$ 1,893,154</u>             | <u>\$ 22,536</u>                     | <u>\$ 3,380,493</u>      | <u>\$ 20,747,537</u> | <u>\$ 38,556</u> | <u>\$ 211,732</u>      | <u>\$ 70,337</u> | <u>\$ 27,118,687</u> |
| <u>At December 31, 2017</u>               |                   |                   |                                 |                                      |                          |                      |                  |                        |                  |                      |
| Cost                                      | \$ 558,532        | \$ 402,956        | \$ 6,043,080                    | \$ 137,898                           | \$ 5,034,842             | \$ 25,314,393        | \$ 207,819       | \$ 555,741             | \$ 73,690        | \$ 38,328,951        |
| Accumulated depreciation                  | -                 | ( 207,146)        | ( 4,149,926)                    | ( 115,362)                           | ( 1,654,349)             | ( 4,566,856)         | ( 169,263)       | ( 344,009)             | ( 3,353)         | ( 11,210,264)        |
|                                           | <u>\$ 558,532</u> | <u>\$ 195,810</u> | <u>\$ 1,893,154</u>             | <u>\$ 22,536</u>                     | <u>\$ 3,380,493</u>      | <u>\$ 20,747,537</u> | <u>\$ 38,556</u> | <u>\$ 211,732</u>      | <u>\$ 70,337</u> | <u>\$ 27,118,687</u> |

At January 1, 2016

|                                           | Land              | Buildings         | Loading and unloading equipment | Computer and communication equipment | Transportation equipment | Ships                | Office equipment | Leasehold improvements | Other            | Total                |
|-------------------------------------------|-------------------|-------------------|---------------------------------|--------------------------------------|--------------------------|----------------------|------------------|------------------------|------------------|----------------------|
| Cost                                      | \$ 558,532        | \$ 402,956        | \$ 5,590,610                    | \$ 117,697                           | \$ 5,401,982             | \$ 24,439,856        | \$ 218,298       | \$ 319,403             | \$ 4,351         | \$ 37,053,685        |
| Accumulated depreciation                  | -                 | ( 191,280)        | ( 3,881,599)                    | ( 101,061)                           | ( 1,662,899)             | ( 2,903,730)         | ( 164,652)       | ( 166,104)             | ( 48)            | ( 9,071,373)         |
|                                           | <u>\$ 558,532</u> | <u>\$ 211,676</u> | <u>\$ 1,709,011</u>             | <u>\$ 16,636</u>                     | <u>\$ 3,739,083</u>      | <u>\$ 21,536,126</u> | <u>\$ 53,646</u> | <u>\$ 153,299</u>      | <u>\$ 4,303</u>  | <u>\$ 27,982,312</u> |
| <u>2016</u>                               |                   |                   |                                 |                                      |                          |                      |                  |                        |                  |                      |
| Opening net book amount as at January 1   | \$ 558,532        | \$ 211,676        | \$ 1,709,011                    | \$ 16,636                            | \$ 3,739,083             | \$ 21,536,126        | \$ 53,646        | \$ 153,299             | \$ 4,303         | \$ 27,982,312        |
| Additions                                 | -                 | -                 | 82,234                          | 2,709                                | 40,062                   | 37,865               | 6,258            | 17,937                 | 3,757            | 190,822              |
| Disposals                                 | -                 | -                 | ( 4)                            | -                                    | ( 626,555)               | -                    | ( 242)           | -                      | -                | ( 626,801)           |
| Reclassifications                         | -                 | -                 | 36,943                          | -                                    | -                        | 76,565               | 8,572            | -                      | 64,702           | 186,782              |
| Depreciation                              | -                 | ( 8,119)          | ( 155,182)                      | ( 8,601)                             | ( 370,164)               | ( 1,054,548)         | ( 18,071)        | ( 62,564)              | ( 483)           | ( 1,677,732)         |
| Closing net book amount as at December 31 | <u>\$ 558,532</u> | <u>\$ 203,557</u> | <u>\$ 1,673,002</u>             | <u>\$ 10,744</u>                     | <u>\$ 2,782,426</u>      | <u>\$ 20,596,008</u> | <u>\$ 50,163</u> | <u>\$ 108,672</u>      | <u>\$ 72,279</u> | <u>\$ 26,055,383</u> |

At December 31, 2016

|                          |                   |                   |                     |                  |                     |                      |                  |                   |                  |                      |
|--------------------------|-------------------|-------------------|---------------------|------------------|---------------------|----------------------|------------------|-------------------|------------------|----------------------|
| Cost                     | \$ 558,532        | \$ 402,956        | \$ 5,663,204        | \$ 120,405       | \$ 4,661,534        | \$ 24,554,286        | \$ 209,733       | \$ 337,340        | \$ 72,810        | \$ 36,580,800        |
| Accumulated depreciation | -                 | ( 199,399)        | ( 3,990,202)        | ( 109,661)       | ( 1,879,108)        | ( 3,958,278)         | ( 159,570)       | ( 228,668)        | ( 531)           | ( 10,525,417)        |
|                          | <u>\$ 558,532</u> | <u>\$ 203,557</u> | <u>\$ 1,673,002</u> | <u>\$ 10,744</u> | <u>\$ 2,782,426</u> | <u>\$ 20,596,008</u> | <u>\$ 50,163</u> | <u>\$ 108,672</u> | <u>\$ 72,279</u> | <u>\$ 26,055,383</u> |

A. The Company has issued a negative pledge to granting banks for drawing borrowings within the credit line to purchase the above transportation equipment.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Investment property

|                                           | <u>Land</u>         | <u>Buildings</u>  | <u>Total</u>        |
|-------------------------------------------|---------------------|-------------------|---------------------|
| <u>At January 1, 2017</u>                 |                     |                   |                     |
| Cost                                      | \$ 1,414,008        | \$ 975,187        | \$ 2,389,195        |
| Accumulated depreciation                  | -                   | ( 462,349)        | ( 462,349)          |
|                                           | <u>\$ 1,414,008</u> | <u>\$ 512,838</u> | <u>\$ 1,926,846</u> |
| <u>2017</u>                               |                     |                   |                     |
| Opening net book amount as at January 1   | \$ 1,414,008        | \$ 512,838        | \$ 1,926,846        |
| Depreciation charge                       | -                   | ( 19,144)         | ( 19,144)           |
| Closing net book amount as at December 31 | <u>\$ 1,414,008</u> | <u>\$ 493,694</u> | <u>\$ 1,907,702</u> |
| <u>At December 31, 2017</u>               |                     |                   |                     |
| Cost                                      | \$ 1,414,008        | \$ 975,187        | \$ 2,389,195        |
| Accumulated depreciation                  | -                   | ( 481,493)        | ( 481,493)          |
|                                           | <u>\$ 1,414,008</u> | <u>\$ 493,694</u> | <u>\$ 1,907,702</u> |
|                                           | <u>Land</u>         | <u>Buildings</u>  | <u>Total</u>        |
| <u>At January 1, 2016</u>                 |                     |                   |                     |
| Cost                                      | \$ 1,414,008        | \$ 975,187        | \$ 2,389,195        |
| Accumulated depreciation                  | -                   | ( 443,204)        | ( 443,204)          |
|                                           | <u>\$ 1,414,008</u> | <u>\$ 531,983</u> | <u>\$ 1,945,991</u> |
| <u>2016</u>                               |                     |                   |                     |
| Opening net book amount as at January 1   | \$ 1,414,008        | \$ 531,983        | \$ 1,945,991        |
| Depreciation charge                       | -                   | ( 19,145)         | ( 19,145)           |
| Closing net book amount as at December 31 | <u>\$ 1,414,008</u> | <u>\$ 512,838</u> | <u>\$ 1,926,846</u> |
| <u>At December 31, 2016</u>               |                     |                   |                     |
| Cost                                      | \$ 1,414,008        | \$ 975,187        | \$ 2,389,195        |
| Accumulated depreciation                  | -                   | ( 462,349)        | ( 462,349)          |
|                                           | <u>\$ 1,414,008</u> | <u>\$ 512,838</u> | <u>\$ 1,926,846</u> |

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

|                                                                                                                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Rental income from investment property                                                                             | \$ 102,753                      | \$ 98,004                       |
| Direct operating expenses arising from the investment property that generated rental income during the year        | \$ 19,144                       | \$ 19,145                       |
| Direct operating expenses arising from the investment property that did not generate rental income during the year | \$ -                            | \$ -                            |

B. The fair value of the investment property held by the Company as at December 31, 2017 and 2016 was \$3,562,523 and \$3,583,847, respectively. The fair value measurements were based on the market prices of recently sold properties in the immediate vicinity of a certain property.

Valuations were made using the income approach which is categorised within Level 2 in the fair value hierarchy.

C. Impairment information about the investment property is provided in Note 8.

(10) Other current assets

|                           | December 31, 2017   | December 31, 2016   |
|---------------------------|---------------------|---------------------|
| Prepayments for equipment | \$ 3,235,888        | \$ 2,656,169        |
| Refundable deposits       | 18,415              | 23,647              |
| Others                    | -                   | 312                 |
|                           | <u>\$ 3,254,303</u> | <u>\$ 2,680,128</u> |

Amount of borrowing costs capitalized as part of prepayment for equipment and the range of the interest rates for such capitalization are as follows:

|                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|--------------------|---------------------------------|---------------------------------|
| Amount capitalised | \$ 42,773                       | \$ 24,557                       |
| Interest rate      | 1.31%~1.59%                     | 1.31%~1.59%                     |

(11) Other current liabilities

|                                           | December 31, 2017    | December 31, 2016    |
|-------------------------------------------|----------------------|----------------------|
| Corporate bonds payable - current portion | \$ -                 | \$ 3,000,000         |
| Long-term liabilities - current portion   | 7,738,706            | 6,218,417            |
| Shipowner's accounts                      | 1,939,253            | 1,231,371            |
| Agency accounts                           | 1,329,979            | 1,154,491            |
| Others                                    | 21,980               | 10,789               |
|                                           | <u>\$ 11,029,918</u> | <u>\$ 11,615,068</u> |

(12) Corporate bonds payable

|                                                  | December 31, 2017   | December 31, 2016 |
|--------------------------------------------------|---------------------|-------------------|
| Domestic secured corporate bonds                 | \$ 8,000,000        | \$ 3,000,000      |
| Less: Current portion or exercise of put options | -                   | ( 3,000,000)      |
|                                                  | <u>\$ 8,000,000</u> | <u>\$ -</u>       |

A. On April 25, 2017, the Company issued its thirteenth domestic secured corporate bonds (referred herein as the “Thirteenth Bonds”), totaling \$8,000,000. The Thirteenth Bonds are categorized into Bond A, B, C, D, E, F and G, depending on the guarantee institution. Bond A totals \$2,000,000, and the rest total \$6,000,000, with each par value of \$1,000,000. The major terms of the issuance are set forth below:

(a) Period: 5 years (April 25, 2017 to April 25, 2022)

(b) Coupon rate: 1.05% fixed per annum

(c) Principal repayment and interest payment

Repayments for the Thirteenth Bonds are paid annually on coupon rate, starting a year from the issuing date. For each category of the bonds mentioned above, half the principal must be paid at the end of the fourth year, and another half at the maturity date.

(d) Collaterals

The Thirteenth Bonds are secured. Bond A is guaranteed by Hua Nan Bank, Bond B is guaranteed by First Bank, Bond C is guaranteed by Mega International Commercial Bank, Bond D is guaranteed by Land Bank of Taiwan, Bond E is guaranteed by Chang Hwa Bank, Bond F is guaranteed by Taiwan Cooperative Bank, and Bond G is guaranteed by Bank Sinopac.

B. On April 26, 2012, the Company issued its twelfth domestic secured corporate bonds (referred herein as the “Twelfth Bonds”), totaling \$3,000,000. The Twelfth Bonds are categorized into Bond A and B, depending on the guarantee institution. Bond A totals \$2,000,000, and Bond B totals \$1,000,000. The major terms of the issuance are set forth below:

(a) Period: 5 years (April 26, 2012 to April 26, 2017)

(b) Coupon rate: 1.28% fixed per annum

(c) Principal repayment and interest payment

Repayments for the Twelfth Bonds are paid annually on coupon rate, starting a year from the issuing date. The principal of the Twelfth Bonds shall be repaid in lump sum at maturity.

(d) Collaterals

The Twelfth Bonds are secured. Bond A are guaranteed by Bank Sinopac, and Bond B are guaranteed by Far Eastern International Bank.

(13) Long-term loans

|                                              | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|----------------------------------------------|--------------------------|--------------------------|
| Secured bank loans                           | \$ 18,945,840            | \$ 20,315,266            |
| Unsecured bank loans                         | 20,745,040               | 23,532,722               |
| Add: Unrealized foreign exchange loss        | 10,339                   | 644,763                  |
| Less: Deferred expenses - hosting fee credit | ( 10,627)                | ( 12,686)                |
|                                              | 39,690,592               | 44,480,065               |
| Less: Current portion                        | ( 7,738,706)             | ( 6,218,417)             |
|                                              | <u>\$ 31,951,886</u>     | <u>\$ 38,261,648</u>     |
| Maturity range                               | 107.04~116.03            | 106.03~116.03            |
| Interest rate                                | 1.18%~2.56%              | 0.85%~1.90%              |

Please refer to Note 8 for details of the collaterals pledged for the above long-term loans.

(14) Other non-current liabilities

|                             | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|-----------------------------|--------------------------|--------------------------|
| Accrued pension liabilities | \$ 1,453,219             | \$ 1,479,872             |
| Guarantee deposits received | 12,053                   | 9,847                    |
|                             | <u>\$ 1,465,272</u>      | <u>\$ 1,489,719</u>      |

(15) Pension

A.(a) In accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

|                                              | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|----------------------------------------------|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 1,893,481)           | (\$ 1,952,460)           |
| Fair value of plan assets                    | 440,262                  | 472,588                  |
| Net defined benefit liability                | <u>(\$ 1,453,219)</u>    | <u>(\$ 1,479,872)</u>    |

(c) Movements in net defined benefit liabilities are as follows:

|                                                                                        | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|----------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------|----------------------------------|
| <u>Year ended December 31, 2017</u>                                                    |                                                    |                              |                                  |
| Balance at January 1                                                                   | (\$ 1,952,460)                                     | \$ 472,588                   | (\$ 1,479,872)                   |
| Current service cost                                                                   | ( 18,595)                                          | -                            | ( 18,595)                        |
| Interest (expense) income                                                              | ( 23,400)                                          | 5,556                        | ( 17,844)                        |
|                                                                                        | <u>( 1,994,455)</u>                                | <u>478,144</u>               | <u>( 1,516,311)</u>              |
| Remeasurements:                                                                        |                                                    |                              |                                  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -                                                  | ( 1,045)                     | ( 1,045)                         |
| Change in financial assumptions                                                        | ( 45,806)                                          | -                            | ( 45,806)                        |
| Experience adjustments                                                                 | ( 34,747)                                          | -                            | ( 34,747)                        |
|                                                                                        | <u>( 80,553)</u>                                   | <u>( 1,045)</u>              | <u>( 81,598)</u>                 |
| Pension fund contribution                                                              | -                                                  | 127,890                      | 127,890                          |
| Paid pension                                                                           | 181,527                                            | ( 164,727)                   | 16,800                           |
| Balance at December 31                                                                 | <u>(\$ 1,893,481)</u>                              | <u>\$ 440,262</u>            | <u>(\$ 1,453,219)</u>            |
|                                                                                        | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
| <u>Year ended December 31, 2016</u>                                                    |                                                    |                              |                                  |
| Balance at January 1                                                                   | (\$ 1,997,170)                                     | \$ 461,916                   | (\$ 1,535,254)                   |
| Current service cost                                                                   | ( 18,723)                                          | -                            | ( 18,723)                        |
| Interest (expense) income                                                              | ( 23,975)                                          | 5,420                        | ( 18,555)                        |
|                                                                                        | <u>( 2,039,868)</u>                                | <u>467,336</u>               | <u>( 1,572,532)</u>              |
| Remeasurements:                                                                        |                                                    |                              |                                  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -                                                  | ( 2,043)                     | ( 2,043)                         |
| Change in financial assumptions                                                        | -                                                  | -                            | -                                |
| Experience adjustments                                                                 | ( 47,334)                                          | -                            | ( 47,334)                        |
|                                                                                        | <u>( 47,334)</u>                                   | <u>( 2,043)</u>              | <u>( 49,377)</u>                 |
| Pension fund contribution                                                              | -                                                  | 129,908                      | 129,908                          |
| Paid pension                                                                           | 134,742                                            | ( 122,613)                   | 12,129                           |
| Balance at December 31                                                                 | <u>(\$ 1,952,460)</u>                              | <u>\$ 472,588</u>            | <u>(\$ 1,479,872)</u>            |

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e)The principal actuarial assumptions used were as follows:

|                         | Year ended<br>December 31, 2017 | Year ended<br>December 31, 2016 |
|-------------------------|---------------------------------|---------------------------------|
| Discount rate           | 1.00%                           | 1.25%                           |
| Future salary increases | 2.00%                           | 2.00%                           |

Assumptions regarding future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|                                                       | Discount rate  |                | Future salary increases |                |
|-------------------------------------------------------|----------------|----------------|-------------------------|----------------|
|                                                       | Increase 0.25% | Decrease 0.25% | Increase 0.25%          | Decrease 0.25% |
| <u>December 31, 2017</u>                              |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 45,806)    | \$ 47,594      | \$ 30,388               | (\$ 29,361)    |
| <u>December 31, 2016</u>                              |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 46,316)    | \$ 48,145      | \$ 29,948               | (\$ 28,907)    |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to \$107,174.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

|               | December 31, 2017   |
|---------------|---------------------|
| Within 1 year | \$ 129,722          |
| 1~2 year      | 79,438              |
| 2~5 years     | 267,551             |
| Over 5 years  | 1,480,416           |
|               | <u>\$ 1,957,127</u> |

B.(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were \$48,188 and \$52,170, respectively.

#### (16) Capital stock

A. As of December 31, 2017, the Company’s authorised capital was \$50,000,000, and the paid-in capital was \$40,123,560, divided into 4,012,356 thousand shares of common stocks with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. On August 11, 2017, the Board of Directors of the Company resolved to increase capital of \$5,000,000 by issuing 500,000 thousand shares at a par value of \$10 (in dollars) per share. Of which 50,000 thousand shares are reserved for employee stock purchase plan. The proposal of capital increase has been reported and become effective on November 13, 2017. The issue price is NT\$15.3 per share and amount of shares was \$7,711,222. All proceeds from share issuance was completed on December 27, 2017.

#### (17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| Year ended December 31, 2017                                                        |                     |                                  |                                                                            |                |                 |
|-------------------------------------------------------------------------------------|---------------------|----------------------------------|----------------------------------------------------------------------------|----------------|-----------------|
|                                                                                     | Share premium       | Employee stock options exercised | Adjustments to share of changes in equity of associates and joint ventures | Donated assets | Others          |
| At January 1                                                                        | \$ 5,895,171        | \$ -                             | \$ 2,086,684                                                               | \$ 446         | \$ 6,713        |
| Issuance of common stock for cash                                                   | 2,711,222           | 76,280                           | -                                                                          | -              | -               |
| Recognition of change in equity of associates in portion to the Company's ownership | -                   | -                                | 61,559                                                                     | -              | -               |
| At December 31                                                                      | <u>\$ 8,606,393</u> | <u>\$76,280</u>                  | <u>\$ 2,148,243</u>                                                        | <u>\$ 446</u>  | <u>\$ 6,713</u> |

| Year ended December 31, 2016                                                        |                     |                                  |                                                                            |                |                 |
|-------------------------------------------------------------------------------------|---------------------|----------------------------------|----------------------------------------------------------------------------|----------------|-----------------|
|                                                                                     | Share premium       | Employee stock options exercised | Adjustments to share of changes in equity of associates and joint ventures | Donated assets | Others          |
| At January 1                                                                        | \$ 5,895,171        | \$ -                             | \$ 2,084,303                                                               | \$ 446         | \$ 6,713        |
| Recognition of change in equity of associates in portion to the Company's ownership | -                   | -                                | 2,381                                                                      | -              | -               |
| At December 31                                                                      | <u>\$ 5,895,171</u> | <u>\$ -</u>                      | <u>\$ 2,086,684</u>                                                        | <u>\$ 446</u>  | <u>\$ 6,713</u> |

(18) Retained earnings

|                                                                  | Year ended December 31, 2017 | Year ended December 31, 2016 |
|------------------------------------------------------------------|------------------------------|------------------------------|
| At January 1                                                     | (\$ 4,248,211)               | \$ 2,561,825                 |
| Profit (loss) for the year                                       | 7,005,171                    | ( 6,607,986)                 |
| Legal reserve used to cover accumulated deficit                  | 4,248,211                    | -                            |
| Remeasurement on post employment benefit obligations, net of tax | ( 235,596)                   | ( 202,050)                   |
| At December 31                                                   | <u>\$ 6,769,575</u>          | <u>(\$ 4,248,211)</u>        |

A. According to the Company's Articles of Incorporation, if there is any profit for a fiscal year, the Company shall first make provision for income tax and cover prior years' losses, then appropriate 10% of the residual amount as legal reserve. Dividends shall be proposed by the Board of Directors and resolved by the stockholders.

**B.Dividend policy**

The Company is currently at the stable growth stage. In order to facilitate future expansion plans, dividends to stockholders are distributed mutually in the form of both cash and stocks with the basic principle that the ratio of cash dividends to total stock dividends shall not be lower than 10%.

**C.Legal reserve**

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D.In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E.(a)In response to future operating plans, the Company has retained all distributable earnings and has not appropriated bonus to shareholders, directors' and supervisors' remuneration and employees' bonus for the year ended December 31, 2015.

(b)For the year ended December 31, 2016, the Company incurred accumulated deficit. On June 22, 2017, the Board of Directors proposed to offset the accumulated deficit totaling \$4,248,211 with the legal reserve.

F. The appropriation of 2017 earnings was adopted by the Board of Directors on March 23, 2018 is as follows:

|                                             | Year ended December 31, 2017 |                                    |
|---------------------------------------------|------------------------------|------------------------------------|
|                                             | Amount                       | Dividend per share<br>(in dollars) |
| Accrual of legal reserve                    | \$ 700,517                   |                                    |
| Appropriate cash dividends to shareholders  | \$ 802,471                   | \$ 0.2                             |
| Appropriate stock dividends to shareholders | \$ 2,006,178                 | \$ 0.5                             |

As of March 23, 2018, the above-mentioned 2017 earnings appropriation had not been resolved by the stockholders.

G.For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(26).

(19) Other equity items

|                                   | Hedging<br>reserve | Available-for-<br>sale investment | Currency<br>translation | Total             |
|-----------------------------------|--------------------|-----------------------------------|-------------------------|-------------------|
| At January 1, 2017                | (\$ 67,895)        | \$ 1,703,161                      | \$ 1,254,622            | \$ 2,889,888      |
| Revaluation – gross               | -                  | ( 92,521)                         | -                       | ( 92,521)         |
| Revaluation – tax                 | -                  | 239                               | -                       | 239               |
| Revaluation – associates          | -                  | 222,460                           | -                       | 222,460           |
| Cash flow hedges:                 |                    |                                   |                         |                   |
| – Fair value gains in the period  |                    |                                   |                         |                   |
| – associates                      | 51,983             | -                                 | -                       | 51,983            |
| Currency translation differences: |                    |                                   |                         |                   |
| –Parent                           | -                  | -                                 | ( 2,046,070)            | ( 2,046,070)      |
| –Tax of Parent                    | -                  | -                                 | 2,295                   | 2,295             |
| –Associates                       | -                  | -                                 | ( 345,961)              | ( 345,961)        |
| At December 31, 2017              | <u>(\$ 15,912)</u> | <u>\$ 1,833,339</u>               | <u>(\$ 1,135,114)</u>   | <u>\$ 682,313</u> |

|                                   | Hedging<br>reserve | Available-for-<br>sale investment | Currency<br>translation | Total               |
|-----------------------------------|--------------------|-----------------------------------|-------------------------|---------------------|
| At January 1, 2016                | (\$ 521,149)       | \$ 1,461,850                      | \$ 2,155,086            | \$ 3,095,787        |
| Revaluation – gross               | -                  | 435,609                           | -                       | 435,609             |
| Revaluation – tax                 | -                  | ( 2,002)                          | -                       | ( 2,002)            |
| Revaluation – associates          | -                  | ( 192,296)                        | -                       | ( 192,296)          |
| Cash flow hedges:                 |                    |                                   |                         |                     |
| – Fair value gains in the period  |                    |                                   |                         |                     |
| – associates                      | 453,254            | -                                 | -                       | 453,254             |
| Currency translation differences: |                    |                                   |                         |                     |
| –Parent                           | -                  | -                                 | ( 811,853)              | ( 811,853)          |
| –Tax of Parent                    | -                  | -                                 | 2,194                   | 2,194               |
| –Associates                       | -                  | -                                 | ( 90,805)               | ( 90,805)           |
| At December 31, 2016              | <u>(\$ 67,895)</u> | <u>\$ 1,703,161</u>               | <u>\$ 1,254,622</u>     | <u>\$ 2,889,888</u> |

(20) Operating revenue

|                                             | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|---------------------------------------------|---------------------------------|---------------------------------|
| Marine freight income                       | \$ 27,548,083                   | \$ 21,383,160                   |
| Ship rental income and slottage income      | 331,663                         | 753,582                         |
| Commission income and agency service income | 348,411                         | 283,073                         |
| Other income                                | 669,459                         | 640,679                         |
|                                             | <u>\$ 28,897,616</u>            | <u>\$ 23,060,494</u>            |

(21) Other gains -net

|                                                       | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Gains on disposal of property,<br>plant and equipment | \$ 316,314                      | \$ 25,721                       |

(22) Other income

|                                                                                                              | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Rental revenue                                                                                               | \$ 104,056                      | \$ 99,140                       |
| Dividend income                                                                                              | 46,965                          | 66,195                          |
| Interest income:                                                                                             |                                 |                                 |
| Interest income from bank deposits                                                                           | 237,683                         | 149,249                         |
| Interest income from financial assets<br>other than financial assets at fair<br>value through profit or loss | 2,339                           | 8,197                           |
| Gain from bargain purchase                                                                                   | 1,534                           | -                               |
| Other income – others                                                                                        | 99,783                          | 91,229                          |
|                                                                                                              | \$ 492,360                      | \$ 414,010                      |

(23) Other gains and losses

|                                                           | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|-----------------------------------------------------------|---------------------------------|---------------------------------|
| Impairment loss on available-for-sale<br>financial assets | \$ -                            | (\$ 1,220)                      |
| Net currency exchange gains                               | 13,664                          | 31,840                          |
| Gains on disposal of investments                          | 523,710                         | 2,297                           |
| Depreciation charges on<br>investment property            | ( 19,144)                       | ( 19,145)                       |
| Other non-operating expenses                              | ( 83,059)                       | ( 58,181)                       |
|                                                           | \$ 435,171                      | (\$ 44,409)                     |

(24) Finance costs

|                                              | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Interest expense:                            |                                 |                                 |
| Bank borrowings                              | \$ 607,606                      | \$ 601,003                      |
| Corporate bonds                              | 69,863                          | 38,400                          |
|                                              | 677,469                         | 639,403                         |
| Less: Capitalisation of qualifying<br>assets | ( 42,772)                       | ( 24,557)                       |
| Finance costs                                | \$ 634,697                      | \$ 614,846                      |

(25) Expenses by nature

|                                                       | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Employee benefit expense                              | \$ 2,182,088                    | \$ 1,718,261                    |
| Depreciation charges on property, plant and equipment | 1,752,639                       | 1,677,732                       |
| Amortisation charges on intangible assets             | 19,591                          | 15,173                          |
| Stevedorage                                           | 8,659,477                       | 7,290,336                       |
| Inland haulage and canal due                          | 6,634,472                       | 5,593,837                       |
| Bunker fuel                                           | 3,599,512                       | 2,486,026                       |
| Operating lease payments                              | 3,071,399                       | 2,536,858                       |
| Commission                                            | 1,339,333                       | 810,847                         |
| Port charge                                           | 1,049,814                       | 988,757                         |
| Ship supplies and lubricant oil                       | 215,764                         | 168,155                         |
| Professional service and data service expenses        | 214,507                         | 209,106                         |
| Other operating costs and expenses                    | 242,667                         | 355,967                         |
|                                                       | <u>\$ 28,981,263</u>            | <u>\$ 23,851,055</u>            |

(26) Employee benefit expense

|                                 | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------|---------------------------------|---------------------------------|
| Wages and salaries              | \$ 1,909,254                    | \$ 1,455,083                    |
| Labor and health insurance fees | 112,773                         | 105,754                         |
| Pension costs                   | 84,627                          | 89,448                          |
| Other personnel expenses        | 75,434                          | 67,976                          |
|                                 | <u>\$ 2,182,088</u>             | <u>\$ 1,718,261</u>             |

A. In accordance with the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for no less than 0.5% and pay remuneration to the directors and supervisors that account for no more than 2% of the total distributed amount.

B.(a) For the year ended December 31, 2017, employees' compensation and directors' and supervisors' remuneration was accrued at \$36,322 and \$10,207, respectively. The aforementioned amounts were recognised in salary expenses.

(b) The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.5% and 0.14% of distributable profit of current year for the year ended December 31, 2017.

(c) For the year ended December 31, 2016, the Company generated loss and thus did not accrue employees', directors' and supervisors' remuneration.

Employees', directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2016.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

|                                                   | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------------------------|---------------------------------|---------------------------------|
| Current tax:                                      |                                 |                                 |
| Current tax on profits for the year               | \$ -                            | \$ -                            |
| Alternative Minimum Tax                           | 31,399                          | -                               |
| Prior year income tax (over) underestimation      | -                               | (265)                           |
| Total current tax                                 | 31,399                          | (265)                           |
| Deferred tax:                                     |                                 |                                 |
| Origination and reversal of temporary differences | 181,338                         | (454,339)                       |
| Total deferred tax                                | 181,338                         | (454,339)                       |
| Income tax expense (benefit)                      | \$ 212,737                      | (\$ 454,604)                    |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

|                                                                                    | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Fair value gains/losses on available -for-sale financial assets                    | \$ 239                          | (\$ 2,002)                      |
| Exchange differences on translating the financial statements of foreign operations | 2,295                           | 2,194                           |
| Actuarial gains/losses on defined benefit obligations                              | 13,872                          | 8,394                           |
| Share of other comprehensive income of associates                                  | (5,898)                         | 12,780                          |
|                                                                                    | \$ 10,508                       | \$ 21,366                       |

(c) The income tax charged/(credited) to equity during the period is as follows:

|                                                                                                         | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|---------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio | (\$ 95)                         | (\$ 99)                         |

## B.Reconciliation between income tax and accounting benefit

|                                                                            | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|----------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Tax calculated based on profit (loss)<br>before tax and statutory tax rate | \$ 1,227,044                    | (\$ 1,200,640)                  |
| Expenses disallowed by tax regulation                                      | 10,919                          | 757,945                         |
| Tax exempt income by tax regulation                                        | ( 1,026,390)                    | ( 11,644)                       |
| Prior year income tax overestimation                                       | -                               | ( 265)                          |
| Effect from Alternative Minimum Tax                                        | 31,399                          | -                               |
| Effect from investment tax credits                                         | ( 42,068)                       | -                               |
| Effect from tax losses                                                     | 7,984                           | -                               |
| Prior year income tax (over)<br>underestimation                            | 3,849                           | -                               |
| Income tax expense (benefit)                                               | <u>\$ 212,737</u>               | <u>(\$ 454,604)</u>             |

## C.Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

|                                                                        | Year ended December 31, 2017 |                                    |                                                   |                         |                     |
|------------------------------------------------------------------------|------------------------------|------------------------------------|---------------------------------------------------|-------------------------|---------------------|
|                                                                        | January 1                    | Recognised<br>in profit<br>or loss | Recognised<br>in other<br>comprehensive<br>income | Recognised<br>in equity | December 31         |
| — Deferred tax assets:                                                 |                              |                                    |                                                   |                         |                     |
| Temporary differences:                                                 |                              |                                    |                                                   |                         |                     |
| Bad debts expense                                                      | \$ 13,060                    | \$ 486                             | \$ -                                              | \$ -                    | \$ 13,546           |
| Loss on valuation of financial<br>assets                               | 1,740                        | -                                  | 239                                               | -                       | 1,979               |
| Deferred profit from disposal<br>of loading and unloading<br>equipment | 16,708                       | ( 2,790)                           | -                                                 | -                       | 13,918              |
| Unrealized expense                                                     | 11,531                       | ( 167)                             | -                                                 | -                       | 11,364              |
| Unrealized exchange loss                                               | 49,343                       | ( 9,891)                           | -                                                 | -                       | 39,452              |
| Pension expense                                                        | 215,644                      | ( 18,403)                          | -                                                 | -                       | 197,241             |
| Actuarial losses/(gains)                                               | 35,933                       | -                                  | 13,872                                            | -                       | 49,805              |
| Investment tax credits                                                 | -                            | 42,068                             | -                                                 | -                       | 42,068              |
| Net operating loss carryforward                                        | <u>176,711</u>               | <u>15,901</u>                      | <u>-</u>                                          | <u>-</u>                | <u>192,612</u>      |
|                                                                        | <u>520,670</u>               | <u>27,204</u>                      | <u>14,111</u>                                     | <u>-</u>                | <u>561,985</u>      |
| — Deferred tax liabilities:                                            |                              |                                    |                                                   |                         |                     |
| Temporary differences:                                                 |                              |                                    |                                                   |                         |                     |
| Equity-accounted<br>investment income                                  | (\$ 546,379)                 | (\$ 208,334)                       | (\$ 3,603)                                        | (\$ 95)                 | (\$ 758,411)        |
| Gain on bargain purchase                                               | -                            | ( 208)                             | -                                                 | -                       | ( 208)              |
|                                                                        | <u>( 546,379)</u>            | <u>( 208,542)</u>                  | <u>( 3,603)</u>                                   | <u>( 95)</u>            | <u>( 758,619)</u>   |
|                                                                        | <u>(\$ 25,709)</u>           | <u>(\$ 181,338)</u>                | <u>\$ 10,508</u>                                  | <u>(\$ 95)</u>          | <u>(\$ 196,634)</u> |

| Year ended December 31, 2016                                           |                     |                                    |                                                   |                         |                    |
|------------------------------------------------------------------------|---------------------|------------------------------------|---------------------------------------------------|-------------------------|--------------------|
|                                                                        | January 1           | Recognised<br>in profit<br>or loss | Recognised<br>in other<br>comprehensive<br>income | Recognised<br>in equity | December 31        |
| — Deferred tax assets:                                                 |                     |                                    |                                                   |                         |                    |
| Temporary differences:                                                 |                     |                                    |                                                   |                         |                    |
| Bad debts expense                                                      | \$ 504              | \$ 12,556                          | \$ -                                              | \$ -                    | \$ 13,060          |
| Loss on valuation of financial<br>assets                               | 3,742               | -                                  | ( 2,002)                                          | -                       | 1,740              |
| Deferred profit from disposal<br>of loading and unloading<br>equipment | 3,971               | 12,737                             | -                                                 | -                       | 16,708             |
| Unrealized expense                                                     | 7,187               | 4,344                              | -                                                 | -                       | 11,531             |
| Unrealized exchange loss                                               | 27,966              | 21,377                             | -                                                 | -                       | 49,343             |
| Pension expense                                                        | 233,453             | ( 17,809)                          | -                                                 | -                       | 215,644            |
| Actuarial losses/(gains)                                               | 27,539              | -                                  | 8,394                                             | -                       | 35,933             |
| Net operating loss carryforward                                        | 59,402              | 117,309                            | -                                                 | -                       | 176,711            |
|                                                                        | <u>363,764</u>      | <u>150,514</u>                     | <u>6,392</u>                                      | <u>-</u>                | <u>520,670</u>     |
| — Deferred tax liabilities:                                            |                     |                                    |                                                   |                         |                    |
| Temporary differences:                                                 |                     |                                    |                                                   |                         |                    |
| Equity-accounted<br>investment income                                  | (\$ 865,079)        | \$ 303,825                         | \$ 14,974                                         | (\$ 99)                 | (\$ 546,379)       |
|                                                                        | <u>(\$ 501,315)</u> | <u>\$ 454,339</u>                  | <u>\$ 21,366</u>                                  | <u>(\$ 99)</u>          | <u>(\$ 25,709)</u> |

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

| December 31, 2017                                         |                       |                                     |             |
|-----------------------------------------------------------|-----------------------|-------------------------------------|-------------|
| Qualifying items                                          | Unused tax<br>credits | Unrecognised<br>deferred tax assets | Expiry year |
| Investments in emerging<br>important strategic industries | <u>\$ 42,068</u>      | \$ -                                | 2020        |

E. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2017 |                     |                       |                                     |                                   |
|-------------------|---------------------|-----------------------|-------------------------------------|-----------------------------------|
| Year incurred     | Amount filed        | Unused tax<br>credits | Unrecognised<br>deferred tax assets | Final year<br>tax credits are due |
| 2017              | \$ 116,177          | \$ 116,177            | \$ -                                | 2027                              |
| 2016              | 747,045             | 747,045               | -                                   | 2026                              |
| 2015              | 269,787             | 269,787               | -                                   | 2025                              |
|                   | <u>\$ 1,133,009</u> | <u>\$ 1,133,009</u>   | <u>\$ -</u>                         |                                   |

| December 31, 2016 |                     |                     |                                  |                                |
|-------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| Year incurred     | Amount filed        | Unused tax credits  | Unrecognised deferred tax assets | Final year tax credits are due |
| 2016              | \$ 747,045          | \$ 747,045          | \$ -                             | 2026                           |
| 2015              | 292,430             | 292,430             | -                                | 2025                           |
|                   | <u>\$ 1,039,475</u> | <u>\$ 1,039,475</u> | <u>\$ -</u>                      |                                |

F.The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary difference unrecognised as deferred tax liabilities were \$13,018,473 and \$10,868,779, respectively.

G.As of December 31, 2017, the Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

H.With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

|                                       | December 31, 2016 |
|---------------------------------------|-------------------|
| Earnings generated in and before 1997 | (\$ 4,248,211)    |

I. As of December 31, 2016, the balance of the imputation tax credit account was \$2,412,471, and the Company has accumulated deficits and has no distributable earnings. As a result, creditable tax rate was not disclosed.

(28) Earnings (loss) per share

| Year ended December 31, 2017                                                                                                                |                  |                                                              |                    |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------|--------------------|
|                                                                                                                                             |                  | Weighted average<br>number of ordinary<br>shares outstanding | Earnings per share |
|                                                                                                                                             | Amount after tax | (shares in thousands)                                        | (in dollars)       |
| <u>Basic earnings per share</u>                                                                                                             |                  |                                                              |                    |
| Profit attributable to<br>ordinary shareholders of<br>the parent                                                                            | \$ 7,005,171     | 3,549,342                                                    | \$ 1.97            |
| <u>Diluted earnings per share</u>                                                                                                           |                  |                                                              |                    |
| Profit attributable to<br>ordinary shareholders of<br>the parent                                                                            | \$ 7,005,171     | 3,549,342                                                    |                    |
| Assumed conversion of all<br>dilutive potential ordinary<br>shares                                                                          |                  |                                                              |                    |
| Employees' compensation                                                                                                                     | -                | 3,375                                                        |                    |
| Profit attributable to<br>ordinary shareholders of the<br>parent plus assumed<br>conversion of all<br>dilutive potential ordinary<br>shares | \$ 7,005,171     | 3,552,717                                                    | \$ 1.97            |
| Year ended December 31, 2016                                                                                                                |                  |                                                              |                    |
|                                                                                                                                             |                  | Weighted average<br>number of ordinary<br>shares outstanding | Loss per share     |
|                                                                                                                                             | Amount after tax | (shares in thousands)                                        | (in dollars)       |
| <u>Basic loss per share</u>                                                                                                                 |                  |                                                              |                    |
| Net loss attributable to<br>ordinary shareholders of<br>the parent                                                                          | (\$ 6,607,986)   | 3,512,356                                                    | (\$ 1.88)          |
| <u>Diluted loss per share</u>                                                                                                               |                  |                                                              |                    |
| Net loss attributable to<br>ordinary shareholders of<br>the parent                                                                          | (\$ 6,607,986)   | 3,512,356                                                    | (\$ 1.88)          |

(29) Supplemental cash flow information

## A. Investing activities with partial cash payments

## (a) Property, plant and equipment

|                                              | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Purchase of property, plant and equipment    | \$ 1,053,956                    | \$ 190,822                      |
| Add: Opening balance of payable on equipment | 6,167                           | 10,360                          |
| Less: Ending balance of payable on equipment | ( 8,429)                        | ( 6,167)                        |
| Cash paid during the year                    | <u>\$ 1,051,694</u>             | <u>\$ 195,015</u>               |

## (b) Prepayment for equipment

|                                              | Year ended December<br>31, 2017 | Year ended December<br>31, 2016 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Prepayments for equipment                    | \$ 2,359,500                    | \$ 1,547,284                    |
| Add: Opening balance of payable on equipment | 123,685                         | 5,767                           |
| Less: Ending balance of payable on equipment | ( 38,001)                       | ( 123,685)                      |
| Capitalized interest                         | ( 42,773)                       | ( 24,557)                       |
| Cash paid during the year                    | <u>\$ 2,402,411</u>             | <u>\$ 1,404,809</u>             |

## 7. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

| Names of related parties                                     | Relationship with the Company |
|--------------------------------------------------------------|-------------------------------|
| Taiwan Terminal Services Co., Ltd. (TTSC)                    | Subsidiary                    |
| Peony Investment S.A. (Peony)                                | Subsidiary                    |
| Everport Terminal Services Inc. (ETS)                        | Subsidiary                    |
| Evergreen Marine (Hong Kong) Ltd. (EGH)                      | Subsidiary                    |
| Evergreen Marine Corp. (Malaysia) SDN BHD (EGM)              | Indirect subsidiary           |
| Kingtrans International Logistics (Tianjin) Co., Ltd. (KTIL) | Indirect subsidiary           |
| Clove Holding Ltd. (CLOVE)                                   | Indirect subsidiary           |
| PT. Multi Bina Transport (MBT)                               | Indirect subsidiary           |
| PT. Multi Bina Pura International (MBPI)                     | Indirect subsidiary           |
| Greencompass Marine S.A. (GMS)                               | Indirect subsidiary           |
| Evergreen Heavy Industrial Co., (Malaysia) Berhad. (EHIC(M)) | Indirect subsidiary           |
| Evergreen Marine (UK) Limited (EMU)                          | Indirect subsidiary           |
| Evergreen Shipping Agency (Europe) GmbH (EEU)                | Indirect subsidiary (Note)    |
| Evergreen Shipping Agency (U.K.) Limited (EGU)               | Indirect subsidiary           |
| Evergreen Shipping Agency (Switzerland) S.A. (EGDL)          | Indirect subsidiary           |
| Evergreen Shipping Agency (Netherlands) B.V. (EGN)           | Indirect subsidiary           |
| Evergreen Shipping Agency (Poland) SP.ZO.O (EGD-WWX)         | Indirect subsidiary           |
| Evergreen Argentina S.A. (EGB)                               | Indirect subsidiary           |
| Evergreen Shipping (Spain) S.L. (EES)                        | Indirect subsidiary           |
| Evergreen Shipping Agency (Italy) S.p.A. (EIT)               | Indirect subsidiary           |
| Island Equipment LLC. (Island)                               | Indirect subsidiary           |
| Armand Investment (Netherlands) N.V. (Armand N.V.)           | Indirect subsidiary           |
| Evergreen Shipping Agency (Australia) Pty. Ltd. (EMA)        | Indirect subsidiary           |
| Evergreen Shipping Agency (Thailand) Co., Ltd. (EGT)         | Indirect subsidiary           |
| Evergreen Shipping Agency (Singapore) Pte. Ltd. (EGS)        | Indirect subsidiary           |
| Evergreen Shipping Agency (India) Pvt. Ltd. (EGI)            | Indirect subsidiary           |
| Evergreen Shipping Agency (Russia) Ltd. (ERU)                | Indirect subsidiary           |

Note: Indirect subsidiary of Evergreen Shipping Agency (Deutschland) GmbH (EGD) was renamed Evergreen Shipping Agency (Europe) GmbH (EEU).

| Names of related parties                                         | Relationship with the Company |
|------------------------------------------------------------------|-------------------------------|
| Evergreen Agency (South Africa) (Pty) Ltd. (ESA)                 | Indirect subsidiary           |
| Evergreen Shipping Agency (Korea) Corporation (EGK)              | Indirect subsidiary           |
| Armand Estate B.V. (Armand B.V.)                                 | Indirect subsidiary           |
| Whitney Equipment LLC. (Whitney)                                 | Indirect subsidiary           |
| Hemlock Equipment LLC. (Hemlock)                                 | Indirect subsidiary           |
| Evergreen International Storage and Transport Corporation (EITC) | Associate                     |
| EVA Airways Corporation (EVA)                                    | Associate                     |
| Evergreen Security Corporation (ESC)                             | Associate                     |
| Charng Yang Development Co., Ltd. (CYD)                          | Associate                     |
| Taipei Port Container Terminal Corporation (TPCT)                | Associate                     |
| Ningbo Victory Container Co., Ltd. (NVC)                         | Associate                     |
| Qingdao Evergreen C&T Co., Ltd. (QECT)                           | Associate                     |
| Evergreen Marine (Latin America), S.A. (ELA)                     | Associate                     |
| Green Peninsula Agencies SDN. BHD. (GPA)                         | Associate                     |
| Luanta Investment (Netherlands) N.V. (Luanta)                    | Associate                     |
| Taranto Container Terminal S.p.A. (TCT)                          | Associate                     |
| Balsam Investment (Netherlands) N.V. (Balsam)                    | Associate                     |
| Italia Marittima S.p.A. (ITS)                                    | Associate                     |
| Colon Container Terminal S.A. (CCT)                              | Associate                     |
| PT. Evergreen Shipping Agency Indonesia (EMI)                    | Associate                     |
| Evergreen Shipping Agency (Vietnam) Corp. (EGV)                  | Associate                     |
| Evergreen Shipping Agency Co. (U.A.E) LLC (UAE)                  | Associate                     |
| Evergreen International Corporation (EIC)                        | Other related party           |
| Evergreen Airline Services Corporation (EGAS)                    | Other related party           |
| Chang Yung-Fa Charity Foundation (CYFC)                          | Other related party           |
| Chang Yung-Fa Foundation (CYFF)                                  | Other related party           |
| Ever Accord Construction Corporation (EAC)                       | Other related party           |
| Evergreen International S.A. (EIS)                               | Other related party           |
| Evergreen Marine (Singapore) Pte. Ltd. (EMS)                     | Other related party           |
| Gaining Enterprise S.A. (GESA)                                   | Other related party           |

| Names of related parties                                | Relationship with the Company |
|---------------------------------------------------------|-------------------------------|
| Evergreen Insurance Company Ltd. (EINS)                 | Other related party           |
| Evergreen Shipping Agency (America) Corporation (EGA)   | Other related party           |
| Evergreen Shipping Agency (Japan) Corporation (EGJ)     | Other related party           |
| Evergreen Shipping Agency Philippines Corporation (EGP) | Other related party           |

(2) Significant related party transactions and balances

## A. Sales of services:

|                       | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|-----------------------|---------------------------------|---------------------------------|
| Sales of services:    |                                 |                                 |
| Subsidiaries          | \$ 1,955,857                    | \$ 2,587,856                    |
| Associates            | 594,746                         | 686,417                         |
| Other related parties | 2,867,820                       | 3,063,422                       |
|                       | <u>\$ 5,418,423</u>             | <u>\$ 6,337,695</u>             |

The business terms on which the company transacts with related parties are of no difference from those with non-related parties.

## B. Purchases of services:

|                        | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|------------------------|---------------------------------|---------------------------------|
| Purchases of services: |                                 |                                 |
| Subsidiaries           | \$ 4,181,646                    | \$ 2,929,107                    |
| Associates             | 1,160,689                       | 1,027,780                       |
| Other related parties  | 2,350,303                       | 2,579,882                       |
|                        | <u>\$ 7,692,638</u>             | <u>\$ 6,536,769</u>             |

Services are purchased from subsidiaries, associates and other related parties under general conditions.

## C. Receivables from related parties:

|                       | December 31, 2017 | December 31, 2016 |
|-----------------------|-------------------|-------------------|
| Accounts receivable:  |                   |                   |
| Subsidiaries          | \$ 41,619         | \$ 11,131         |
| Associates            | 24,894            | 25,944            |
| Other related parties | 146,930           | 86,822            |
|                       | <u>\$ 213,443</u> | <u>\$ 123,897</u> |

|                       | December 31, 2017 | December 31, 2016 |
|-----------------------|-------------------|-------------------|
| Other receivables:    |                   |                   |
| Subsidiaries          |                   |                   |
| — Hemlock             | \$ 95,333         | \$ -              |
| — Others              | 764               | 1,604             |
| Associates            | 2,024             | 1,440             |
| Other related parties |                   |                   |
| — EIC                 | 162,431           | 181,773           |
| — Others              | 236               | 22,650            |
|                       | <u>\$ 260,788</u> | <u>\$ 207,467</u> |

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions against receivables from related parties.

D. Payables to related parties:

|                       | December 31, 2017 | December 31, 2016 |
|-----------------------|-------------------|-------------------|
| Accounts payable:     |                   |                   |
| Subsidiaries          | \$ 107,203        | \$ 108,209        |
| Associates            | 13,230            | 14,140            |
| Other related parties | 4,462             | 1,627             |
|                       | <u>\$ 124,895</u> | <u>\$ 123,976</u> |
|                       | December 31, 2017 | December 31, 2016 |
| Other payables:       |                   |                   |
| Associates            | \$ 3,251          | \$ 4,250          |
| Other related parties | 11,667            | 4,745             |
|                       | <u>\$ 14,918</u>  | <u>\$ 8,995</u>   |

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

E. Agency accounts:

(a) Debit balance of agency accounts

|              | December 31, 2017 | December 31, 2016 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 5,697          | \$ 18,020         |
| Associates   | -                 | 18,330            |
|              | <u>\$ 5,697</u>   | <u>\$ 36,350</u>  |

## (b)Credit balance of agency accounts

|                       | December 31, 2017 | December 31, 2016 |
|-----------------------|-------------------|-------------------|
| Subsidiaries          | \$ 84,761         | \$ 23,926         |
| Associates            | 105,552           | 23,750            |
| Other related parties | 385,468           | 73,793            |
|                       | <u>\$ 575,781</u> | <u>\$ 121,469</u> |

## F. Shipowner's accounts:

## (a)Debit balance of shipowner's accounts

|                       | December 31, 2017 | December 31, 2016   |
|-----------------------|-------------------|---------------------|
| Subsidiaries          |                   |                     |
| — EMU                 | \$ 595,393        | \$ 85,485           |
| Associates            | -                 | 91,881              |
| Other related parties |                   |                     |
| — EIS                 | 328,897           | 1,180,824           |
| — GESA                | 25,028            | 24,154              |
| — EMS                 | 16,246            | -                   |
|                       | <u>\$ 965,564</u> | <u>\$ 1,382,344</u> |

## (b)Credit balance of shipowner's accounts

|                       | December 31, 2017   | December 31, 2016 |
|-----------------------|---------------------|-------------------|
| Subsidiaries          |                     |                   |
| — GMS                 | \$ 362,323          | \$ 166,555        |
| — EGH                 | 301,631             | -                 |
| Associates            | 700,046             | -                 |
| Other related parties |                     |                   |
| — EMS                 | -                   | 374,172           |
| — EGH                 | -                   | 401,398           |
|                       | <u>\$ 1,364,000</u> | <u>\$ 942,125</u> |

## G. Property transactions:

## (a)Acquisition of property, plant and equipment:

|                       | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|-----------------------|---------------------------------|---------------------------------|
| Subsidiaries          | \$ 89                           | \$ 53                           |
| Associates            | 4,350                           | 10,619                          |
| Other related parties | 61                              | 54,979                          |
|                       | <u>\$ 4,500</u>                 | <u>\$ 65,651</u>                |

## (b) Disposal of property, plant and equipment:

|                       | Year ended December 31, 2017 |                            | Year ended December 31, 2016 |                            |
|-----------------------|------------------------------|----------------------------|------------------------------|----------------------------|
|                       | Disposal<br>proceeds         | (Loss) gain on<br>disposal | Disposal<br>proceeds         | (Loss) gain on<br>disposal |
| Other related parties | \$ -                         | \$ -                       | \$ 94                        | \$ 6                       |

## H. Endorsements and guarantees provided to related parties:

|              | December 31, 2017    | December 31, 2016    |
|--------------|----------------------|----------------------|
| Subsidiaries | \$ 66,554,130        | \$ 77,956,854        |
| Associates   | 3,035,391            | 2,689,558            |
|              | <u>\$ 69,589,521</u> | <u>\$ 80,646,412</u> |

I. On August 11, 2017, the Board of Directors resolved to have the Company acquire 79% of the shares of EGH from other related party Evergreen International S.A. The acquisition date was December 18, 2017, and the transaction amount was \$6,371,572 (approx. USD \$209,350).

(3) Key management compensation

|                                                    | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|----------------------------------------------------|---------------------------------|---------------------------------|
| Salaries and other short-term<br>employee benefits | \$ 105,218                      | \$ 44,686                       |
| Post-employment benefits                           | 3,909                           | 3,769                           |
|                                                    | <u>\$ 109,127</u>               | <u>\$ 48,455</u>                |

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

| Pledged assets                   | Book value           |                      | Purpose        |
|----------------------------------|----------------------|----------------------|----------------|
|                                  | December 31, 2017    | December 31, 2016    |                |
| Other financial assets           |                      |                      |                |
| - Pledged time deposits          | \$ 117,725           | \$ 116,960           | Guarantee      |
| Property, plant and equipment    |                      |                      |                |
| -Land                            | 514,312              | 514,312              | Long-term loan |
| -Buildings                       | 188,363              | 195,726              | "              |
| -Ships                           | 19,151,033           | 20,588,290           | "              |
| -Loading and unloading equipment | 1,159,312            | 1,223,696            | "              |
| Investment property              |                      |                      |                |
| -Land                            | 1,285,781            | 1,285,781            | Long-term loan |
| -Buildings                       | 470,909              | 489,315              | "              |
|                                  | <u>\$ 22,887,435</u> | <u>\$ 24,414,080</u> |                |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2017, the Company had delegated Mizuho Bank to issue Standby Letter of Credit amounting to USD 5,000 thousand.

B. A former stockholder of the Company sold some of its shares through issuance of global depository receipts (GDRs). The issuance of GDRs was approved by the SEC on June 19, 1996 as per Letter (85) Tai-Cai-Zheng (1) No. 35410. On August 2, 1996, the GDRs were approved by the UK governing authority to be listed on the London Stock Exchange and were issued in Asia, Europe and the US. The total amount of the issuance of GDRs was USD 115,000 thousand. The initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at \$50.50 (in dollars) per share, and the number of supplementary units issued was 817,438. In total, the number of units issued was 6,267,030, representing 62,670,300 shares of the Company's common stock at \$50.50 (in dollars) per share, and the GDRs issued amounted to USD 115,000 thousand. Another 2,089,061 units, representing 20,890,685 shares of the Company's common stock, were issued during the period from 1997 to December 31, 2017. As of December 31, 2017, 7,994,656 units were redeemed and 361,435 units were outstanding, representing 3,614,425 shares of the Company's common stock.

C. As of December 31, 2017, the long-term and medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Company's purchase of new ships and general working capital requirement amounted to \$48,600,934 and the unutilized credits was \$8,899,714.

## D. Operating lease

The estimated amount of charter expense in the following years under long-term contracts is set forth as follows:

|               | December 31, 2017 |         |
|---------------|-------------------|---------|
| Within 1 year | USD               | 76,732  |
| 1~5 years     |                   | 349,180 |
| Over 5 years  |                   | 179,508 |
|               | USD               | 605,420 |

E. As of December 31, 2017, the amount of guaranteed notes issued by the Company for loans borrowed was \$74,174,616.

F. To meet operational needs, the Company signed the shipbuilding contracts with Taiwan Shipbuilding Co., Ltd. and Imabari Shipbuilding Co., Ltd. As of December 31, 2017, the total price of the contracts, wherein the vessels have not yet been delivered, amounted to USD 343,600 thousand, USD248,114 thousand of which remain unpaid.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$82,611 and \$129,570, respectively, which will be adjusted in the first quarter of 2018.
- (2) On March 23, 2018, the proposal to appropriate the accumulated earnings was approved by the Board of Directors. Please refer to Note 6(18) for the details.
- (3) For operational purposes, the Board of Directors resolved on March 23, 2018 to purchase shipping equipment (including dry containers, reefer containers and freezing equipment) from China International Marine Containers (Group) Co., Ltd. and Carrier Transicold Pte. Ltd. for USD 23,100 and USD 18,900, respectively.
- (4) In response to international regulations on sulfur content in shipping fuel, the Board of Directors resolved on March 23, 2018 to purchase sulfur emission abatement equipment from Wartsila Finland Oy and Alfa Laval Nijmegen B.V. for USD 19,075 and EUR 9,681, respectively.

## 12. OTHERS

### (1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares to maintain an optimal capital.

### (2) Financial instruments

#### A. Fair value information of financial instruments

- (a) Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, other current assets (liabilities), refundable deposits, guarantee deposits received, held-to-maturity financial assets, short-term loans, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

|                                             | December 31, 2017    |                      |
|---------------------------------------------|----------------------|----------------------|
|                                             | Book value           | Fair value           |
| Financial liabilities:                      |                      |                      |
| Bonds payable                               | \$ 8,000,000         | \$ 8,177,927         |
| Long-term loans (including current portion) | 39,690,592           | 41,532,812           |
|                                             | <u>\$ 47,690,592</u> | <u>\$ 49,710,739</u> |

|                                             | December 31, 2016    |                      |
|---------------------------------------------|----------------------|----------------------|
|                                             | Book value           | Fair value           |
| Financial liabilities:                      |                      |                      |
| Bonds payable (including current portion)   | \$ 3,000,000         | \$ 3,029,085         |
| Long-term loans (including current portion) | 44,480,065           | 46,721,632           |
|                                             | <u>\$ 47,480,065</u> | <u>\$ 49,750,717</u> |

(b) The methods and assumptions of fair value measurement are as follows:

- i. Bonds payable: Regarding the ordinary corporate bonds issued by the Company, the coupon rate is approximate to the current market rate. Therefore, the fair value is estimated using the present value of the expected cash flows.
- ii. Long-term loans: The fair value is estimated using the present value of the expected cash flows.

#### B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by the Company's Finance Department under policies approved by the Board of Directors. The Company's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company's Operating Department. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### C. Significant financial risks and degrees of financial risks

(a) Market risk

##### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

- ii. The Company's management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company's Finance Department. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company use forward foreign exchange contracts, transacted with Company's Finance Department. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a foreign currency that is not the entity's functional currency.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2017                       |                                                 |               |                     |
|-----------------------------------------|-------------------------------------------------|---------------|---------------------|
|                                         | Foreign<br>currency<br>amount<br>(In Thousands) | Exchange rate | Book value<br>(NTD) |
| (Foreign currency: functional currency) |                                                 |               |                     |
| <u>Financial assets</u>                 |                                                 |               |                     |
| <u>Monetary items</u>                   |                                                 |               |                     |
| USD:NTD                                 | \$ 956,693                                      | 29.7005       | \$ 28,414,260       |
| <u>Financial liabilities</u>            |                                                 |               |                     |
| <u>Monetary items</u>                   |                                                 |               |                     |
| USD:NTD                                 | \$ 908,807                                      | 29.7005       | \$ 26,992,022       |
| December 31, 2016                       |                                                 |               |                     |
|                                         | Foreign<br>currency<br>amount<br>(In Thousands) | Exchange rate | Book value<br>(NTD) |
| (Foreign currency: functional currency) |                                                 |               |                     |
| <u>Financial assets</u>                 |                                                 |               |                     |
| <u>Monetary items</u>                   |                                                 |               |                     |
| USD:NTD                                 | \$ 767,422                                      | 32.2315       | \$ 24,735,162       |
| <u>Financial liabilities</u>            |                                                 |               |                     |
| <u>Monetary items</u>                   |                                                 |               |                     |
| USD:NTD                                 | \$ 695,430                                      | 32.2315       | \$ 22,414,752       |

- iv. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to \$13,664 and \$31,840, respectively.

## iiv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| Year ended December 31, 2017            |                     |                          |                                      |
|-----------------------------------------|---------------------|--------------------------|--------------------------------------|
| Sensitivity analysis                    |                     |                          |                                      |
|                                         | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) |                     |                          |                                      |
| <u>Financial assets</u>                 |                     |                          |                                      |
| <u>Monetary items</u>                   |                     |                          |                                      |
| USD:NTD                                 | 1%                  | \$ 284,143               | \$ -                                 |
| <u>Financial liabilities</u>            |                     |                          |                                      |
| <u>Monetary items</u>                   |                     |                          |                                      |
| USD:NTD                                 | 1%                  | \$ 269,920               | \$ -                                 |
| Year ended December 31, 2016            |                     |                          |                                      |
| Sensitivity analysis                    |                     |                          |                                      |
|                                         | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) |                     |                          |                                      |
| <u>Financial assets</u>                 |                     |                          |                                      |
| <u>Monetary items</u>                   |                     |                          |                                      |
| USD:NTD                                 | 1%                  | \$ 247,352               | \$ -                                 |
| <u>Financial liabilities</u>            |                     |                          |                                      |
| <u>Monetary items</u>                   |                     |                          |                                      |
| USD:NTD                                 | 1%                  | \$ 224,148               | \$ -                                 |

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2017 and 2016, would have increased/decreased by \$12,935 and \$17,779, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2017 and 2016, the Company's borrowings at floating rate were denominated in the NTD and USD.
- ii. At December 31, 2017 and 2016, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been \$329,520 and \$369,290 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- ii. For the years ended December 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. For credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company's Finance Department. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

## Non-derivative financial liabilities:

|                                                | Between 3   |            |             |             |           |             |
|------------------------------------------------|-------------|------------|-------------|-------------|-----------|-------------|
|                                                | Less than 3 | months and | Between 1   | Between 2   | Over 5    |             |
| <u>December 31, 2017</u>                       | months      | 1 year     | and 2 years | and 5 years | years     | Total       |
| Accounts payable                               | \$3,470,062 | \$ -       | \$ -        | \$ -        | \$ -      | \$3,470,062 |
| Accounts payable<br>- related parties          | 124,895     | -          | -           | -           | -         | 124,895     |
| Other payables                                 | 507,476     | 62,209     | -           | -           | -         | 569,685     |
| Other payables<br>- related parties            | 14,918      | -          | -           | -           | -         | 14,918      |
| Bonds payable<br>(including current portion)   | -           | 84,000     | 84,000      | 8,210,000   | -         | 8,378,000   |
| Long-term loans<br>(including current portion) | 1,460,388   | 6,839,680  | 9,582,984   | 16,681,547  | 6,968,213 | 41,532,812  |

|                                                | Between 3   |            |             |             |           |             |
|------------------------------------------------|-------------|------------|-------------|-------------|-----------|-------------|
|                                                | Less than 3 | months and | Between 1   | Between 2   | Over 5    |             |
| <u>December 31, 2016</u>                       | months      | 1 year     | and 2 years | and 5 years | years     | Total       |
| Accounts payable                               | \$2,506,745 | \$ -       | \$ -        | \$ -        | \$ -      | \$2,506,745 |
| Accounts payable<br>- related parties          | 123,976     | -          | -           | -           | -         | 123,976     |
| Other payables                                 | 480,672     | 26,302     | -           | -           | -         | 506,974     |
| Other payables<br>- related parties            | 8,995       | -          | -           | -           | -         | 8,995       |
| Bonds payable<br>(including current portion)   | -           | 3,038,400  | -           | -           | -         | 3,038,400   |
| Long-term loans<br>(including current portion) | 1,549,049   | 5,273,180  | 8,408,797   | 23,053,441  | 8,437,165 | 46,721,632  |

(3) Fair value estimation

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

| <u>December 31, 2017</u>     | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>        |
|------------------------------|---------------------|----------------|-------------------|---------------------|
| Assets:                      |                     |                |                   |                     |
| <u>Recurring fair value</u>  |                     |                |                   |                     |
| <u>measurements</u>          |                     |                |                   |                     |
| Available-for-sale financial |                     |                |                   |                     |
| assets                       |                     |                |                   |                     |
| Equity securities            | <u>\$ 1,144,974</u> | <u>\$ -</u>    | <u>\$ 152,955</u> | <u>\$ 1,297,929</u> |
| <u>December 31, 2016</u>     | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>        |
| Assets:                      |                     |                |                   |                     |
| <u>Recurring fair value</u>  |                     |                |                   |                     |
| <u>measurements</u>          |                     |                |                   |                     |
| Available-for-sale financial |                     |                |                   |                     |
| assets                       |                     |                |                   |                     |
| Equity securities            | <u>\$ 1,638,024</u> | <u>\$ -</u>    | <u>\$ 144,476</u> | <u>\$ 1,782,500</u> |

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

|                     | <u>Listed shares</u> |
|---------------------|----------------------|
| Market quoted price | Closing price        |

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e.

Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.

(e)The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(f)The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E.For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F.The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

|                                                                          | Year ended December 31,<br>2017 | Year ended December 31,<br>2016 |
|--------------------------------------------------------------------------|---------------------------------|---------------------------------|
| At January 1                                                             | \$ 144,476                      | \$ 117,398                      |
| Gains and losses recognised<br>in other comprehensive<br>income (Note 1) | 8,479                           | 27,078                          |
| At December 31                                                           | <u>\$ 152,955</u>               | <u>\$ 144,476</u>               |

Note 1: Recorded as unrealised valuation gain or loss of available-for-sale financial assets.

G.For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

H.The Company is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I.The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

|                                      | Fair value at<br>December<br>31, 2017 | Valuation<br>technique            | Significant<br>unobservable<br>input     | Range<br>(weighted<br>average) | Relationship of inputs<br>to fair value                                                                                |
|--------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Non-derivative<br>equity instrument: |                                       |                                   |                                          |                                |                                                                                                                        |
| Unlisted shares                      | \$ 145,259                            | Market<br>comparable<br>companies | Price to<br>earnings ratio<br>multiple   | 20.37<br>~31.89                | The higher the multiple<br>and control premium, the<br>higher the fair value                                           |
|                                      |                                       |                                   | Price to book<br>ratio multiple          | 0.97~1.71                      | The higher the multiple<br>and control premium, the<br>higher the fair value                                           |
|                                      |                                       |                                   | Discount for<br>lack of<br>marketability | 20%                            | The higher the weighted<br>average cost of capital<br>and discount for lack of<br>control, the lower the<br>fair value |
| Venture capital<br>shares            | 7,696                                 | Net asset<br>value                | Net asset<br>value                       |                                | The higher the net asset<br>value, the higher the fair<br>value                                                        |
| Private equity fund<br>investment    |                                       |                                   |                                          |                                |                                                                                                                        |
|                                      | Fair value at<br>December<br>31, 2016 | Valuation<br>technique            | Significant<br>unobservable<br>input     | Range<br>(weighted<br>average) | Relationship of inputs<br>to fair value                                                                                |
| Non-derivative<br>equity instrument: |                                       |                                   |                                          |                                |                                                                                                                        |
| Unlisted shares                      | \$ 136,780                            | Market<br>comparable<br>companies | Price to<br>earnings ratio<br>multiple   | 24.37<br>~32.31                | The higher the multiple<br>and control premium, the<br>higher the fair value                                           |
|                                      |                                       |                                   | Price to book<br>ratio multiple          | 0.86~2.97                      | The higher the multiple<br>and control premium, the<br>higher the fair value                                           |
|                                      |                                       |                                   | Discount for<br>lack of<br>marketability | 20%                            | The higher the weighted<br>average cost of capital<br>and discount for lack of<br>control, the lower the<br>fair value |
| Venture capital<br>shares            | 7,696                                 | Net asset<br>value                | Net asset<br>value                       |                                | The higher the net asset<br>value, the higher the fair<br>value                                                        |
| Private equity fund<br>investment    |                                       |                                   |                                          |                                |                                                                                                                        |

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

|                      |                                                                                           | December 31, 2017 |    |                                 |                        |                                             |                        |
|----------------------|-------------------------------------------------------------------------------------------|-------------------|----|---------------------------------|------------------------|---------------------------------------------|------------------------|
|                      |                                                                                           |                   |    | Recognised in<br>profit or loss |                        | Recognised in other<br>comprehensive income |                        |
|                      |                                                                                           |                   |    | Favourable<br>change            | Unfavourable<br>change | Favourable<br>change                        | Unfavourable<br>change |
|                      | Input                                                                                     | Change            |    |                                 |                        |                                             |                        |
| Financial assets     |                                                                                           |                   |    |                                 |                        |                                             |                        |
| Equity<br>instrument | Price to earnings<br>ratio/ price to book<br>ratio/ discount for<br>lack of marketability | ±1%               | \$ | -                               | \$                     | -                                           | \$ 1,453 \$ 1,453      |
|                      | Net asset value                                                                           | ±1%               |    | -                               | -                      | 77                                          | 77                     |
|                      |                                                                                           |                   | \$ | -                               | \$                     | -                                           | \$ 1,530 \$ 1,530      |
|                      |                                                                                           | December 31, 2016 |    |                                 |                        |                                             |                        |
|                      |                                                                                           |                   |    | Recognised in<br>profit or loss |                        | Recognised in other<br>comprehensive income |                        |
|                      |                                                                                           |                   |    | Favourable<br>change            | Unfavourable<br>change | Favourable<br>change                        | Unfavourable<br>change |
|                      | Input                                                                                     | Change            |    |                                 |                        |                                             |                        |
| Financial assets     |                                                                                           |                   |    |                                 |                        |                                             |                        |
| Equity<br>instrument | Price to earnings<br>ratio/ price to book<br>ratio/ discount for<br>lack of marketability | ±1%               | \$ | -                               | \$                     | -                                           | \$ 1,368 \$ 1,368      |
|                      | Net asset value                                                                           | ±1%               |    | -                               | -                      | 77                                          | 77                     |
|                      |                                                                                           |                   | \$ | -                               | \$                     | -                                           | \$ 1,445 \$ 1,445      |

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A.Loans to others: Please refer to table 1.
- B.Provision of endorsements and guarantees to others: Please refer to table 2.
- C.Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D.Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G.Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H.Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees (not including investees in Mainland China)

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

### 14. SEGMENT INFORMATION

None.

Evergreen Marine Corporation (Taiwan) Ltd.  
Loans to others  
For the year ended December 31, 2017

Expressed in thousands of NTD

Table 1

| Number<br>(Note 1) | Creditor                 | Borrower                                | General ledger<br>account (Note 2)  | Is a<br>related<br>party | Maximum outstanding balance<br>during the year ended<br>December 31, 2017 (Note 3) | Balance at December<br>30, 2017 (Note 8) | Actual amount<br>drawn down | Interest rate     | Nature of loan<br>(Note 4) | Amount of<br>transactions with<br>borrower (Note 5) | Reason for short-term<br>financing (Note 6) | Allowance for<br>doubtful<br>accounts | Collateral |       | Limit on loans granted to<br>a single party (Note 7) | Ceiling on total<br>loans granted<br>(Note 7) | Footnote |
|--------------------|--------------------------|-----------------------------------------|-------------------------------------|--------------------------|------------------------------------------------------------------------------------|------------------------------------------|-----------------------------|-------------------|----------------------------|-----------------------------------------------------|---------------------------------------------|---------------------------------------|------------|-------|------------------------------------------------------|-----------------------------------------------|----------|
|                    |                          |                                         |                                     |                          |                                                                                    |                                          |                             |                   |                            |                                                     |                                             |                                       | Item       | Value |                                                      |                                               |          |
| 1                  | Peony Investment<br>S.A. | Luanta Investment<br>(Netherlands) N.V. | Receivables from<br>related parties | Yes                      | \$ 78,238                                                                          | \$ 74,251                                | \$ 56,431                   | 2.437%-<br>2.6638 | 2                          | \$ -                                                | Working capital<br>requirement              | \$ -                                  | -          | -     | \$ 6,060,035                                         | \$ 15,150,087                                 |          |
| 1                  | Peony Investment<br>S.A. | Clove Holding Ltd.                      | Receivables from<br>related parties | Yes                      | 696,647                                                                            | 683,112                                  | 525,699                     | 2.2942-<br>2.6349 | 2                          | -                                                   | Working capital<br>requirement              | -                                     | -          | -     | 12,120,070                                           | 15,150,087                                    |          |
| 2                  | Clove Holding Ltd.       | Whitney Equipment<br>LLC.               | Receivables from<br>related parties | Yes                      | 93,885                                                                             | 89,102                                   | 89,102                      | 2.3356            | 2                          | -                                                   | Working capital<br>requirement              | -                                     | -          | -     | 518,348                                              | 1,036,695                                     |          |
| 2                  | Clove Holding Ltd.       | Colon Container<br>Terminal S.A.        | Receivables from<br>related parties | Yes                      | 363,468                                                                            | 356,406                                  | 213,844                     | 2.3942-<br>2.6349 | 2                          | -                                                   | Working capital<br>requirement              | -                                     | -          | -     | 518,348                                              | 1,036,695                                     |          |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

Note 4: The column of 'Nature of loan' shall fill in '1: Business transaction' or '2: Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current period.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

1. According to the Company's credit policy, the total amount of loans granted to a single company should not exceed 20% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*20%=6,060,035

Clove Holding Ltd. : USD 87,262\*29.7005\*20%=518,348

The Company held 100% voting shares directly and indirectly in foreign company, that the total amount of loans granted to a single company should not exceed 40% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*40%=12,120,070

2. According to the Company's credit policy, the total amount of loans granted should not exceed 40% of the net worth stated in the latest financial statements.

Clove Holding Ltd. : USD 87,262\*29.7005\*40%=1,036,695

The Company held 100% voting shares directly and indirectly in foreign company, that the total amount of loans granted should not exceed 50% of the net worth stated in the latest financial statements.

PEONY : USD 1,020,191\*29.7005\*50%=15,150,087

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds to loan funds in installments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

**Evergreen Marine Corporation (Taiwan) Ltd.**  
**Provision of endorsements and guarantees to others**  
**For the year ended December 31, 2017**

**Table 2** Expressed in thousands of NTD

| Number<br>(Note 1) | Endorser/Guarantor           | Party being endorsed/guaranteed      |                                                          | Limit on endorsements/<br>guarantees provided for a<br>single party (Note 3) | Maximum outstanding<br>endorsement/<br>guarantee amount as of<br>December 31, 2017<br>(Note 4) | Outstanding<br>endorsement/<br>guarantee amount<br>at December 31,<br>2017<br>(Note 5) | Actual amount drawn<br>down (Note 6) | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Ratio of<br>accumulated<br>endorsement/<br>guarantee<br>amount to net<br>asset value of<br>the endorser/<br>guarantor<br>company | Ceiling on total<br>amount of<br>endorsements/<br>guarantees provided<br>(Note 3) | Provision of<br>endorsements/<br>guarantees by parent<br>company to subsidiary<br>(Note 7) | Provision of<br>endorsements/<br>guarantees to the<br>party in Mainland<br>China<br>(Note 7) | Footnote    |   |   |   |  |
|--------------------|------------------------------|--------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------|---|---|---|--|
|                    |                              | Company name                         | Relationship with<br>the endorser/<br>guarantor (Note 2) |                                                                              |                                                                                                |                                                                                        |                                      |                                                                        |                                                                                                                                  |                                                                                   |                                                                                            |                                                                                              |             |   |   |   |  |
| 0                  | Evergreen Marine Corporation | Greencompass Marine S.A.             | 3                                                        | \$                                                                           | 126,797,107                                                                                    | \$                                                                                     | 35,449,742                           | \$                                                                     | 30,736,753                                                                                                                       | \$                                                                                | 19,928,297                                                                                 | \$                                                                                           | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Peony Investment S.A.                | 2                                                        |                                                                              | 126,797,107                                                                                    |                                                                                        | 156,475                              |                                                                        | 148,503                                                                                                                          |                                                                                   | -                                                                                          |                                                                                              | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Evergreen Marine (UK) Limited        | 3                                                        |                                                                              | 126,797,107                                                                                    |                                                                                        | 37,459,486                           |                                                                        | 31,733,797                                                                                                                       |                                                                                   | 30,333,753                                                                                 |                                                                                              | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Whitney Equipment LLC.               | 3                                                        |                                                                              | 126,797,107                                                                                    |                                                                                        | 701,632                              |                                                                        | 241,425                                                                                                                          |                                                                                   | 235,824                                                                                    |                                                                                              | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Hemlock Equipment LLC.               | 3                                                        |                                                                              | 126,797,107                                                                                    |                                                                                        | 433,748                              |                                                                        | 240,598                                                                                                                          |                                                                                   | 232,935                                                                                    |                                                                                              | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Colon Container Terminal S.A.        | 6                                                        |                                                                              | 31,699,277                                                                                     |                                                                                        | 2,162,196                            |                                                                        | 2,162,196                                                                                                                        |                                                                                   | 2,162,196                                                                                  |                                                                                              | 158,496,384 | N | N | N |  |
| 0                  | Evergreen Marine Corporation | Balsam Investment (Netherlands) N.V. | 6                                                        |                                                                              | 31,699,277                                                                                     |                                                                                        | 1,234,431                            |                                                                        | 873,195                                                                                                                          |                                                                                   | 582,130                                                                                    |                                                                                              | 158,496,384 | N | N | N |  |
| 0                  | Evergreen Marine Corporation | Everport Terminal Services Inc.      | 2                                                        | \$                                                                           | 126,797,107                                                                                    | \$                                                                                     | 1,533,455                            | \$                                                                     | 1,433,420                                                                                                                        | \$                                                                                | 1,205,191                                                                                  | \$                                                                                           | 158,496,384 | Y | N | N |  |
| 0                  | Evergreen Marine Corporation | Evergreen Marine (Hong Kong) Ltd.    | 3                                                        |                                                                              | 126,797,107                                                                                    |                                                                                        | 2,019,634                            |                                                                        | 2,019,634                                                                                                                        |                                                                                   | 705,387                                                                                    |                                                                                              | 158,496,384 | Y | N | N |  |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

The calculation is as follows:

The Company:  $63,398,553 \times 250\% = 158,496,384$

Limit on endorsement or guarantee provided by the Company for a single entry is \$31,699,277 (Amounting to 50% of its net worth).

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$126,797,107.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

## Evergreen Marine Corporation (Taiwan) Ltd.

## Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2017

Table 3

Expressed in thousands of shares/thousands

| Securities held by<br>Evergreen Marine Corporation | Marketable securities (Note 1)                                  | Relationship with the<br>securities issuer (Note 2) | General ledger account                           | As of December 31, 2017 |                     |               |            | Footnote (Note 4) |
|----------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|-------------------------|---------------------|---------------|------------|-------------------|
|                                                    |                                                                 |                                                     |                                                  | Number of shares        | Book value (Note 3) | Ownership (%) | Fair value |                   |
| Stock:                                             | Power World Fund Inc.                                           |                                                     | Available-for-sale financial asset - non-current | 770                     | \$ 7,696            | 5.68          | \$ 7,696   |                   |
|                                                    | Taiwan HSR Consortium                                           |                                                     | "                                                | 13,356                  | 313,866             | 0.24          | 313,866    |                   |
|                                                    | Linden Technologies, Inc.                                       |                                                     | "                                                | 50                      | 11,081              | 1.44          | 11,081     |                   |
|                                                    | TopLogis, Inc.                                                  |                                                     | "                                                | 2,464                   | 14,750              | 17.48         | 14,750     |                   |
|                                                    | Ever Accord Construction Corp.                                  | Other related party                                 | "                                                | 9,317                   | 119,427             | 17.50         | 119,427    |                   |
|                                                    | Central Reinsurance Corp.                                       |                                                     | "                                                | 47,492                  | 831,108             | 8.45          | 831,108    |                   |
|                                                    | Financial bonds:                                                |                                                     |                                                  |                         |                     |               |            |                   |
|                                                    | Sunny Bank 2nd Subordinate Financial Debentures-B Issue in 2015 |                                                     | Held-to-maturity financial asset - non-current   | -                       | 50,000              | -             | 50,000     |                   |
|                                                    | Sunny Bank 3rd Subordinate Financial Debentures-B Issue in 2017 |                                                     | "                                                | -                       | 50,000              | -             | 50,000     |                   |
|                                                    | Hutchison Inland Container Depots Ltd.                          |                                                     | Available-for-sale financial asset - non-current | 0.75                    | USD 199             | 4.60          | USD 199    |                   |
| Poony Investment S.A.                              | South Asia Gateway Terminals (Private) Ltd.                     |                                                     | "                                                | 18,942                  | USD 32,943          | 5.00          | USD 32,943 |                   |
|                                                    | Zoll Pool Hafen Hamburg AG                                      |                                                     | "                                                | 10                      | EUR 10              | 2.86          | EUR 10     |                   |
| Evergreen Shipping Agency (Deutschland)<br>GmbH    |                                                                 |                                                     |                                                  |                         |                     |               |            |                   |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS39, 'Financial instruments: recognition and measurement'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value, fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

## Evergreen Marine Corporation (Taiwan) Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2017

Table 4

Expressed in thousands of shares/thousands of NTD

| Investor                           | Marketable securities<br>(Note 1)     | General ledger<br>account                                             | Counterparty<br>(Note 2)           | Relationship with the<br>investor (Note 2) | Balance as at January 1,<br>2017 |         | Addition (Note 3)   |            | Disposal (Note 3)   |               |            |                            | Balance as at December 31,<br>2017 |           |
|------------------------------------|---------------------------------------|-----------------------------------------------------------------------|------------------------------------|--------------------------------------------|----------------------------------|---------|---------------------|------------|---------------------|---------------|------------|----------------------------|------------------------------------|-----------|
|                                    |                                       |                                                                       |                                    |                                            | Number of<br>shares              | Amount  | Number of<br>shares | Amount     | Number of<br>shares | Selling price | Book value | Gain (loss) on<br>disposal | Number of<br>shares                | Amount    |
| Evergreen<br>Marine<br>Corporation | Beneficiary Certificates:             |                                                                       |                                    |                                            |                                  |         |                     |            |                     |               |            |                            |                                    |           |
|                                    | FSITC Taiwan Money<br>Market          | Financial assets at fair<br>value through profit or<br>loss - current |                                    |                                            | -                                | \$      | 3,958               | \$ 700,000 | 3,958               | \$ 700,094    | \$ 700,000 | \$ 94                      | -                                  | \$ -      |
|                                    | Taishin Ta-Chong Money<br>Market Fund | "                                                                     |                                    |                                            | -                                |         | 28,405              | 400,000    | 28,405              | 400,051       | 400,000    | 51                         | -                                  | -         |
|                                    | Taishin 1699 Money Market<br>Fund     | "                                                                     |                                    |                                            | -                                |         | 44,742              | 600,000    | 44,742              | 600,058       | 600,000    | 58                         | -                                  | -         |
|                                    | Capital Money Market Fund             | "                                                                     |                                    |                                            | -                                |         | 62,514              | 1,000,000  | 62,514              | 1,000,106     | 1,000,000  | 106                        | -                                  | -         |
|                                    | TCB Taiwan Money Market<br>Fund       | "                                                                     |                                    |                                            | -                                |         | 49,625              | 500,000    | 49,625              | 500,249       | 500,000    | 249                        | -                                  | -         |
|                                    | Stock:                                |                                                                       |                                    |                                            |                                  |         |                     |            |                     |               |            |                            |                                    |           |
|                                    | Taiwan HSR Consortium                 | Available-for-sale<br>financial asset -<br>non-current                |                                    |                                            | 50,694                           | 532,287 | -                   | -          | 37,338              | 915,160       | 392,049    | 523,111                    | 13,356                             | 140,238   |
|                                    | Evergreen Marine (Hong<br>Kong) Ltd.  | Investments<br>accounted for using<br>equity method                   | Evergreen<br>International<br>S.A. | Major shareholder of<br>the Parent Company | -                                | -       | 6,320               | 6,287,883  | -                   | -             | -          | -                          | 6,320                              | 6,287,883 |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company.

## Evergreen Marine Corporation (Taiwan) Ltd.

Purchases or sales of goods from or to related parties reaching NTS 100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 5

Expressed in thousands

| Purchaser/Seller                       | Counterparty                                        | Relationship with the counterparty | Transaction     |              |                                     |             | Differences in transaction terms compared to third party transactions (Note) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 1) |
|----------------------------------------|-----------------------------------------------------|------------------------------------|-----------------|--------------|-------------------------------------|-------------|------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                        |                                                     |                                    | Purchases/sales | Amount       | Percentage of total purchases/sales | Credit term | Unit price                                                                   | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Evergreen Marine Corporation           | Everport Terminal Services Inc.                     | Subsidiary                         | Purchases       | \$ 1,153,476 | 4%                                  | 30 days     | \$ -                                                                         | -           | \$ -                                | -                                                       |                   |
|                                        | Greencompass Marine S.A.                            | Indirect subsidiary of the Company | Purchases       | 1,278,055    | 4%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        |                                                     |                                    | Sales           | 1,209,020    | 4%                                  | 30-60 days  | -                                                                            | -           | 19,489                              | 1%                                                      |                   |
|                                        | Taiwan Terminal Services Co., Ltd.                  | Subsidiary                         | Purchases       | 835,846      | 3%                                  | 30-60 days  | -                                                                            | -           | ( 84,451)                           | 2%                                                      |                   |
|                                        | Italia Marittima S.p.A.                             | Associates                         | Purchases       | 526,940      | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        |                                                     |                                    | Sales           | 502,561      | 2%                                  | 30-60 days  | -                                                                            | -           | 2,441                               | -                                                       |                   |
|                                        | Evergreen International Storage and Transport Corp. | Associates                         | Purchases       | 432,190      | 1%                                  | 30-60 days  | -                                                                            | -           | ( 11,455)                           | -                                                       |                   |
|                                        | Evergreen Shipping Agency (America) Corporation     | Other related parties              | Purchases       | 268,549      | 1%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        | Gaining Enterprise S.A.                             | Other related parties              | Purchases       | 1,373,466    | 5%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        |                                                     |                                    | Purchases       | 398,234      | 1%                                  | 30-60 days  | -                                                                            | -           | ( 4,390)                            | -                                                       |                   |
|                                        | Evergreen International Corp.                       | Other related parties              | Sales           | 1,798,898    | 6%                                  | 30-60 days  | -                                                                            | -           | 108,665                             | 4%                                                      |                   |
|                                        |                                                     |                                    | Purchases       | 207,487      | 1%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        | Evergreen Marine (UK) Limited                       | Indirect subsidiary of the Company | Sales           | 718,114      | 2%                                  | 30-60 days  | -                                                                            | -           | 20,444                              | 1%                                                      |                   |
| Evergreen Marine (Singapore) Pte. Ltd. | Other related parties                               | Other related parties              | Purchases       | 159,824      | 1%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                        |                                                     |                                    | Sales           | 997,565      | 3%                                  | 30-60 days  | -                                                                            | -           | 25,936                              | 1%                                                      |                   |
|                                        |                                                     |                                    | Purchases       | 497,155      | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       | (Note 3)          |

| Purchaser/Seller                                                      | Counterparty                                    | Relationship with the counterparty                 | Transaction     |             |                                     |             | Differences in transaction terms compared to third party transactions (Note) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 1) |
|-----------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------|-------------|-------------------------------------|-------------|------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                                                       |                                                 |                                                    | Purchases/sales | Amount      | Percentage of total purchases/sales | Credit term | Unit price                                                                   | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Taiwan Terminal Services Co., Ltd.<br>Everport Terminal Services Inc. | Evergreen Marine Corp.                          | The parent                                         | Sales           | \$ 835,846  | 97%                                 | 30-60 days  | \$ -                                                                         | -           | \$ 84,451                           | 98%                                                     |                   |
|                                                                       | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 37,931  | 9%                                  | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 75,754  | 19%                                 | 30 days     | -                                                                            | -           | USD 585                             | 3%                                                      |                   |
|                                                                       | Greencoast Marine S.A.                          | Indirect subsidiary of the Parent Company          | Sales           | USD 38,821  | 10%                                 | 30 days     | -                                                                            | -           | USD 274                             | 1%                                                      |                   |
|                                                                       | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 125,127 | 31%                                 | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 17,327  | 4%                                  | 30 days     | -                                                                            | -           | USD 192                             | 1%                                                      |                   |
|                                                                       | Whitney Equipment LLC.                          | Investee of the Parent Company                     | Purchases       | USD 7,479   | 2%                                  | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 7,987   | 2%                                  | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 16,349  | 13%                                 | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 52,927  | 2%                                  | 30-60 days  | -                                                                            | -           | USD 2,264                           | 1%                                                      |                   |
| Greencoast Marine S.A.                                                | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Purchases       | USD 24,390  | 1%                                  | 30-60 days  | -                                                                            | -           | (USD 158)                           | -                                                       |                   |
|                                                                       | Evergreen Marine Corp.                          | The parent                                         | Sales           | USD 42,028  | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Everport Terminal Services Inc.                 | Subsidiary of the Parent Company                   | Purchases       | USD 39,758  | 2%                                  | 30-60 days  | -                                                                            | -           | (USD 656)                           | -                                                       |                   |
|                                                                       | Everport Terminal Services Inc.                 | Subsidiary of the Parent Company                   | Purchases       | USD 38,821  | 2%                                  | 30 days     | -                                                                            | -           | (USD 274)                           | -                                                       |                   |
|                                                                       | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 78,652  | 4%                                  | 30-60 days  | -                                                                            | -           | USD 1,218                           | 1%                                                      |                   |
|                                                                       | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Purchases       | USD 20,735  | 1%                                  | 30-60 days  | -                                                                            | -           | (USD 1)                             | -                                                       |                   |
|                                                                       | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 36,390  | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Purchases       | USD 34,034  | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Marine (Hong Kong) Ltd.               | The parent                                         | Sales           | USD 16,349  | 13%                                 | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                                                       | Evergreen Marine (UK) Limited                   | Indirect subsidiary of the Parent Company          | Sales           | USD 52,927  | 2%                                  | 30-60 days  | -                                                                            | -           | USD 2,264                           | 1%                                                      |                   |

| Purchaser/Seller              | Counterparty                                    | Relationship with the counterparty                 | Transaction     |             |                                     |             | Differences in transaction terms compared to third party transactions (Note) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 1) |
|-------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------|-------------|-------------------------------------|-------------|------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                               |                                                 |                                                    | Purchases/sales | Amount      | Percentage of total purchases/sales | Credit term | Unit price                                                                   | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Greencoast Marine S.A.        | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 14,116  | 1%                                  | 30-60 days  | \$ -                                                                         | -           | -                                   | -                                                       |                   |
|                               | Evergreen International Corp.                   | Investee of the Parent Company's major shareholder | Purchases       | USD 10,500  | 1%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Evergreen Shipping Agency (Japan)               | Investee of the Parent Company's major shareholder | Purchases       | USD 5,435   | 0%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Evergreen Shipping Agency (Europe) GmbH         | Indirect subsidiary of the Parent Company          | Purchases       | USD 5,468   | 0%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Evergreen Insurance Company Limited             | Investee of the Parent Company's major shareholder | Purchases       | USD 3,848   | 0%                                  | 30-60 days  | -                                                                            | -           | (USD 774)                           | -                                                       |                   |
|                               | Greencoast Marine S.A.                          | Indirect subsidiary of the Parent Company          | Sales           | USD 24,390  | 1%                                  | 30-60 days  | -                                                                            | -           | USD 158                             | -                                                       |                   |
| Evergreen Marine (UK) Limited |                                                 |                                                    | Purchases       | USD 52,927  | 3%                                  | 30-60 days  | -                                                                            | -           | (USD 2,264)                         | 1%                                                      |                   |
|                               |                                                 |                                                    | Sales           | USD 6,823   | 0%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Evergreen Marine Corp.                          | The Parent                                         | Purchases       | USD 23,615  | 1%                                  | 30-60 days  | -                                                                            | -           | (USD 688)                           | -                                                       |                   |
|                               | Everport Terminal Services Inc.                 | Subsidiary of the Parent Company                   | Purchases       | USD 125,127 | 7%                                  | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Italia Marittima S.p.A.                         | Investee of Balsam                                 | Sales           | USD 16,256  | 1%                                  | 30-60 days  | -                                                                            | -           | USD 2,774                           | 1%                                                      |                   |
|                               |                                                 |                                                    | Purchases       | USD 39,010  | 2%                                  | 30-60 days  | -                                                                            | -           | (USD 372)                           | -                                                       |                   |
|                               | Evergreen Marine (Singapore) Pte. Ltd.          | Investee of the Parent Company's major shareholder | Sales           | USD 22,149  | 1%                                  | 30-60 days  | -                                                                            | -           | USD 446                             | -                                                       |                   |
|                               | Evergreen Shipping Agency (America) Corporation | Investee of the Parent Company's major shareholder | Purchases       | USD 10,149  | 1%                                  | 30-60 days  | -                                                                            | -           | (USD 415)                           | -                                                       |                   |
|                               | Evergreen International Corp.                   | Investee of the Parent Company's major shareholder | Purchases       | USD 29,473  | 2%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Evergreen Insurance Company Limited             | Investee of the Parent Company's major shareholder | Purchases       | USD 10,010  | 1%                                  | 30-60 days  | -                                                                            | -           | (USD 276)                           | -                                                       |                   |
|                               | Evergreen Shipping Agency (Europe) GmbH         | Indirect subsidiary of the Parent Company          | Purchases       | USD 4,187   | 0%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               |                                                 |                                                    | Purchases       | USD 6,471   | 0%                                  | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                               | Gaining Enterprise S.A.                         | Investee of EITC                                   | Sales           | MYR 234,462 | 100%                                | 45 days     | -                                                                            | -           | MYR 43,907                          | 100%                                                    |                   |
|                               | Evergreen Heavy Industrial Corp.(Malaysia)      |                                                    |                 |             |                                     |             |                                                                              |             |                                     |                                                         |                   |

| Purchaser/Seller                        | Counterparty                           | Relationship with the counterparty                 | Transaction     |           |                                     |             | Differences in transaction terms compared to third party transactions (Note) |             | Notes/accounts receivable (payable) |                                                         | Footnote (Note 1) |
|-----------------------------------------|----------------------------------------|----------------------------------------------------|-----------------|-----------|-------------------------------------|-------------|------------------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|-------------------|
|                                         |                                        |                                                    | Purchases/sales | Amount    | Percentage of total purchases/sales | Credit term | Unit price                                                                   | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |                   |
| Evergreen Shipping Agency (Europe) GmbH | Greencompass Marine S.A.               | Indirect subsidiary of the Parent Company          | Sales           | EUR 4,840 | 21%                                 | 30-60 days  | \$ -                                                                         | -           | -                                   | -                                                       |                   |
|                                         | Italia Marittima S.p.A.                | Investee of Balsam                                 | Sales           | EUR 4,469 | 20%                                 | 30-60 days  | -                                                                            | -           | EUR 644                             | 2%                                                      |                   |
|                                         | Evergreen Marine (UK) Limited          | Indirect subsidiary of the Parent Company          | Sales           | EUR 5,728 | 25%                                 | 30-60 days  | -                                                                            | -           | -                                   | -                                                       |                   |
|                                         | Evergreen Marine (Singapore) Pte. Ltd. | Investee of the Parent Company's major shareholder | Sales           | EUR 5,573 | 25%                                 | 30-60 days  | -                                                                            | -           | EUR 918                             | 2%                                                      |                   |
| Whiney Equipment LLC.                   | Everport Terminal Services Inc.        | Subsidiary of the Parent Company                   | Sales           | USD 7,479 | 51%                                 | 30 days     | -                                                                            | -           | -                                   | -                                                       |                   |

Note : If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 1: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

Evergreen Marine Corporation (Taiwan) Ltd.  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2017

Table 6

Expressed in thousands

| Creditor                                           | Counterparty                        | Relationship with the counterparty                  | Balance as at December 31, 2017 (Note) | Turnover rate | Overdue receivables |              | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|----------------------------------------------------|-------------------------------------|-----------------------------------------------------|----------------------------------------|---------------|---------------------|--------------|-------------------------------------------------------|---------------------------------|
|                                                    |                                     |                                                     |                                        |               | Amount              | Action taken |                                                       |                                 |
| Evergreen Marine Corp.                             | Evergreen International Corporation | Investee of the Company's major shareholder         | \$ 271,096                             | -             | \$ -                | -            | \$ 190,636                                            | \$ -                            |
| Peony Investment S.A.                              | Clove Holding Ltd.                  | Subsidiary                                          | USD 17,754                             | -             | -                   | -            | -                                                     | -                               |
| Evergreen Heavy Industrial Corp. (Malaysia) Berhad | Gaining Enterprise S.A.             | Investee of the Parent Company's major shareholder  | MYR 43,907                             | -             | -                   | -            | MYR 43,907                                            | -                               |
| Clove Holding Ltd.                                 | Clove Container Terminal S.A.       | Investee of Clove accounted for using equity method | USD 7,254                              | -             | -                   | -            | -                                                     | -                               |

Note : Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties, etc.

Note 1: Paid-in capital referred to herein is the paid-in capital of parent company.

Evergreen Marine Corporation (Taiwan) Ltd.  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD

| Number<br>(Note 1) | Company name                            | Counterparty                            | Relationship (Note 2) | Transaction                  |            |                                                                                                             |
|--------------------|-----------------------------------------|-----------------------------------------|-----------------------|------------------------------|------------|-------------------------------------------------------------------------------------------------------------|
|                    |                                         |                                         |                       | General ledger account       | Amount     | Transaction terms<br><br>Percentage of consolidated total<br>operating<br>revenues or total assets (Note 3) |
| 0                  | Evergreen Marine Corporation            | Taiwan Terminal Services Co., Ltd.      | 1                     | Operating cost               | \$ 835,846 | Note 4                                                                                                      |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Shipowner's account - credit | 362,323    | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Operating revenue            | 1,209,020  | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Greencompass Marine S.A.                | 1                     | Operating cost               | 1,278,055  | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Shipowner's account - debit  | 595,393    | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Operating revenue            | 718,114    | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (UK) Limited           | 1                     | Operating cost               | 207,487    | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Evergreen Marine (Hong Kong) Limited    | 1                     | Shipowner's account - credit | 301,631    | "                                                                                                           |
| 0                  | Evergreen Marine Corporation            | Everport Terminal Services Inc.         | 1                     | Operating cost               | 1,153,476  | "                                                                                                           |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (UK) Limited           | 3                     | Operating revenue            | 1,609,487  | "                                                                                                           |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (UK) Limited           | 3                     | Operating cost               | 741,678    | "                                                                                                           |
| 1                  | Greencompass Marine S.A.                | Evergreen Marine (Hong Kong) Limited    | 3                     | Shipowner's account - credit | 455,006    | "                                                                                                           |
| 1                  | Greencompass Marine S.A.                | Everport Terminal Services Inc.         | 3                     | Operating cost               | 1,180,536  | "                                                                                                           |
| 1                  | Greencompass Marine S.A.                | Evergreen Shipping Agency (Europe) GmbH | 3                     | Operating cost               | 170,248    | "                                                                                                           |
| 2                  | Evergreen Marine (UK) Limited           | Everport Terminal Services Inc.         | 3                     | Operating cost               | 3,805,088  | "                                                                                                           |
| 2                  | Evergreen Marine (UK) Limited           | Evergreen Shipping Agency (Europe) GmbH | 3                     | Operating cost               | 199,369    | "                                                                                                           |
| 3                  | Whitney Equipment LLC.                  | Everport Terminal Services Inc.         | 3                     | Operating revenue            | 270,240    | "                                                                                                           |
| 4                  | Peony Investment S.A.                   | Clove Holding Ltd.                      | 3                     | Other receivables            | 527,297    | "                                                                                                           |
| 5                  | Evergreen Shipping Agency (Europe) GmbH | Evergreen Marine (UK) Limited           | 3                     | Shipowner's account - debit  | 145,969    | "                                                                                                           |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Note 5: The Company may decide whether or not to disclose transaction details in this table based on the Materiality Principle.

## Evergreen Marine Corporation (Taiwan) Ltd.

## Information on investees

For the year ended December 31, 2017

| Investor               | Investee (Note and Note 1)                                   | Location                  | Main business activities                                             | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |               | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 1(2)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 1(3)) | Footnote                                      |
|------------------------|--------------------------------------------------------------|---------------------------|----------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|---------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
|                        |                                                              |                           |                                                                      | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value    |                                                                                          |                                                                                                              |                                               |
| Evergreen Marine Corp. | Peony Investment S.A.                                        | Republic of<br>Panama     | Investment activities                                                | \$ 14,152,288                      | \$ 14,152,288                      | 4,765                               | 100.00           | \$ 30,152,551 | \$ 4,817,092                                                                             | \$ 4,822,278                                                                                                 | Subsidiary of the<br>Company                  |
|                        | Taiwan Terminal Services Co., Ltd.                           | Taiwan                    | Loading and discharging operations of<br>container yards             | 55,000                             | 55,000                             | 5,500                               | 55.00            | 39,912        | 5,553                                                                                    | 3,054                                                                                                        | "                                             |
|                        | Everport Terminal Services Inc.                              | U.S.A.                    | Terminal services                                                    | 2,970                              | 2,970                              | 1                                   | 100.00           | 568,156       | 415,389                                                                                  | 415,389                                                                                                      | "                                             |
|                        | Evergreen Marine (Hong Kong) Ltd.                            | Hong Kong                 | Marine transportation                                                | 6,217,800                          | -                                  | 6,320                               | 79.00            | 6,287,883     | 862,722                                                                                  | 50,870                                                                                                       | "                                             |
|                        | Chiang Yang Development Co., Ltd.                            | Taiwan                    | Development, rental, sale of residential<br>and commercial buildings | 320,000                            | 320,000                            | 58,542                              | 40.00            | 537,532       | 172,458                                                                                  | 68,983                                                                                                       | Investee accounted for<br>using equity method |
|                        | Evergreen International Storage and<br>Transport Corporation | Taiwan                    | Container transportation and gas<br>stations                         | 4,753,514                          | 4,753,514                          | 424,063                             | 39.74            | 8,452,437     | 883,121                                                                                  | 353,789                                                                                                      | "                                             |
|                        | Evergreen Security Corporation                               | Taiwan                    | General security guards services                                     | 25,000                             | 25,000                             | 6,336                               | 31.25            | 97,140        | 28,651                                                                                   | 8,954                                                                                                        | "                                             |
|                        | EVA Airways Corporation                                      | Taiwan                    | International passengers and cargo<br>transportation                 | 10,767,879                         | 10,767,879                         | 680,786                             | 16.31            | 9,462,402     | 5,752,067                                                                                | 938,295                                                                                                      | "                                             |
|                        | Taipei Port Container Terminal<br>Corporation                | Taiwan                    | Container distribution and cargo<br>stevedoring                      | 1,094,073                          | 1,094,073                          | 109,378                             | 21.03            | 977,049       | 45,516                                                                                   | 9,574                                                                                                        | "                                             |
|                        | Evergreen Marine (Latin America), S.A.                       | Republic of<br>Panama     | Management consultancy                                               | 3,119                              | 3,119                              | 105                                 | 17.50            | 4,364         | 1,494                                                                                    | 262                                                                                                          | "                                             |
|                        | VIP Greenport Joint Stock Company                            | Vietnam                   | Terminal services                                                    | 178,750                            | 162,500                            | 13,750                              | 21.74            | 205,923       | 96,413                                                                                   | 20,959                                                                                                       | "                                             |
|                        | Clove Holding Ltd.                                           | British Virgin<br>Islands | Investment holding company                                           | 1,560,740                          | 1,560,740                          | 10                                  | 100.00           | 2,591,738     | 17,673                                                                                   | 17,673                                                                                                       | Indirect subsidiary of<br>the Company         |
|                        | Evergreen Shipping Agency (Eurpoe)<br>GmbH                   | Germany                   | Shipping agency                                                      | 246,989                            | 246,989                            | -                                   | 100.00           | 273,947       | 17,255                                                                                   | 17,255                                                                                                       | "                                             |
| Peony Investment S.A.  | Evergreen Shipping Agency (Korea)<br>Corporation             | South Korea               | Shipping agency                                                      | 72,053                             | 72,053                             | 121                                 | 100.00           | 64,326        | 20,095                                                                                   | 20,095                                                                                                       | "                                             |
|                        | Evergreen Shipping Agency<br>(Netherlands) B.V.              | Netherlands               | Shipping agency                                                      | -                                  | 118,119                            | 0.047                               | 100.00           | -             | ( 2,426)                                                                                 | ( 2,426)                                                                                                     | "                                             |
|                        | Evergreen Shipping Agency (Poland)<br>SP. ZO. O              | Poland                    | Shipping agency                                                      | 19,662                             | 19,662                             | 2                                   | 100.00           | 10,842        | 1,080                                                                                    | 1,080                                                                                                        | "                                             |
|                        | Greencompass Marine S.A.                                     | Republic of<br>Panama     | Marine transportation                                                | 10,499,127                         | 10,499,127                         | 3,535                               | 100.00           | 17,695,428    | 3,806,113                                                                                | 3,806,113                                                                                                    | "                                             |
|                        | Evergreen Shipping Agency (India) Pvt.<br>Ltd.               | India                     | Shipping agency                                                      | 34,951                             | 34,951                             | 100                                 | 99.99            | 102,526       | 41,396                                                                                   | 41,396                                                                                                       | "                                             |
|                        | Evergreen Argentina S.A.                                     | Argentina                 | Leasing                                                              | 4,158                              | 4,158                              | 150                                 | 95.00            | 1,522         | ( 4,943)                                                                                 | ( 4,696)                                                                                                     | "                                             |
|                        |                                                              |                           |                                                                      |                                    |                                    |                                     |                  |               |                                                                                          |                                                                                                              |                                               |

| Investor              | Investee (Note and Note 1)                            | Location                | Main business activities                                                              | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |            | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 1(2)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 1(3)) | Footnote                                                          |
|-----------------------|-------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
|                       |                                                       |                         |                                                                                       | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value |                                                                                          |                                                                                                              |                                                                   |
| Peony Investment S.A. | Evergreen Shipping Agency (France)<br>S.A.S.          | France                  | Shipping agency                                                                       | \$ -                               | 26,938                             | -                                   | -                | \$ -       | \$ 4,230                                                                                 | \$ 4,230                                                                                                     | Indirect subsidiary of<br>the Company                             |
|                       | PT. Multi Bina Pura International                     | Indonesia               | Loading and discharging operations of<br>container yards and inland<br>transportation | 232,880                            | 232,880                            | 17                                  | 95.03            | 404,966    | 87,029                                                                                   | 82,704                                                                                                       | "                                                                 |
|                       | PT. Multi Bina Transport                              | Indonesia               | Container repair, cleaning and inland<br>transportation                               | 23,888                             | 23,888                             | 2                                   | 17.39            | 13,225     | 1,680                                                                                    | 292                                                                                                          | "                                                                 |
|                       | Evergreen Heavy Industrial Corp.<br>(Malaysia) Berhad | Malaysia                | Container manufacturing                                                               | 810,671                            | 810,671                            | 42,120                              | 84.44            | 947,392    | 22,465                                                                                   | 18,969                                                                                                       | "                                                                 |
|                       | Armand Investment (Netherlands) N.V.                  | Curaçao                 | Investment holding company                                                            | 341,928                            | 341,928                            | 4                                   | 70.00            | 309,784    | 1,685                                                                                    | 1,180                                                                                                        | "                                                                 |
|                       | Evergreen Shipping (Spain) S.L.                       | Spain                   | Shipping agency                                                                       | 200,333                            | 114,941                            | 6                                   | 100.00           | 194,800    | 102,541                                                                                  | 56,398                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency (Italy)<br>S.p.A.           | Italy                   | Shipping agency                                                                       | 69,856                             | 69,856                             | 0.55                                | 55.00            | 83,564     | 58,522                                                                                   | 32,187                                                                                                       | "                                                                 |
|                       | Evergreen Marine (UK) Limited                         | U.K.                    | Marine transportation                                                                 | 2,468,190                          | 953,465                            | 765                                 | 51.00            | 622,821    | 1,329,659                                                                                | 678,126                                                                                                      | "                                                                 |
|                       | Evergreen Shipping Agency (Australia)<br>Pty. Ltd.    | Australia               | Shipping agency                                                                       | 7,339                              | 7,339                              | 0.675                               | 67.50            | 58,303     | 82,193                                                                                   | 55,481                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency (Russia)<br>Ltd.            | Russia                  | Shipping agency                                                                       | 25,186                             | 25,186                             | -                                   | 51.00            | 17,411     | 63,574                                                                                   | 32,423                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency (Singapore)<br>Pte. Ltd.    | Singapore               | Shipping agency                                                                       | 64,064                             | 64,064                             | 765                                 | 51.00            | 36,290     | 39,947                                                                                   | 20,373                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency (Thailand)<br>Co., Ltd.     | Thailand                | Shipping agency                                                                       | 59,089                             | 43,779                             | 650                                 | 85.00            | 38,276     | 86,474                                                                                   | 44,102                                                                                                       | "                                                                 |
|                       | Evergreen Agency (South Africa) (Pty)<br>Ltd.         | South Africa            | Shipping agency                                                                       | 17,249                             | 17,249                             | 5,500                               | 55.00            | 110,639    | 124,049                                                                                  | 68,227                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency (Vietnam)<br>Corp.          | Vietnam                 | Shipping agency                                                                       | 13,484                             | 13,484                             | -                                   | 49.00            | 192,172    | 126,272                                                                                  | 61,873                                                                                                       | Investee company of<br>Peony accounted for<br>using equity method |
|                       | PT. Evergreen Shipping Agency<br>Indonesia            | Indonesia               | Shipping agency                                                                       | 28,899                             | 28,899                             | 0.441                               | 49.00            | 112,782    | 127,144                                                                                  | 62,301                                                                                                       | "                                                                 |
|                       | Luanta Investment (Netherlands) N.V.                  | Curaçao                 | Investment holding company                                                            | 1,404,165                          | 1,404,165                          | 460                                 | 50.00            | 1,865,804  | 59,055                                                                                   | 29,527                                                                                                       | "                                                                 |
|                       | Balsam Investment (Netherlands) N.V.                  | Curaçao                 | Investment holding company                                                            | 11,241,236                         | 11,241,236                         | 0.451                               | 49.00            | 1,282,862  | 1,393,694                                                                                | 682,910                                                                                                      | "                                                                 |
|                       | Green Peninsula Agencies SDN. BHD.                    | Malaysia                | Investment holding company                                                            | 215,477                            | 215,477                            | 1,500                               | 30.00            | 12,687     | 277,637                                                                                  | 83,291                                                                                                       | "                                                                 |
|                       | Evergreen Shipping Agency Co.<br>(U.A.E.) LLC         | United Arab<br>Emirates | Shipping agency                                                                       | 61,836                             | 61,836                             | -                                   | 49.00            | 81,102     | 96,209                                                                                   | 47,142                                                                                                       | "                                                                 |
|                       | Greenpen Properties Sdn. Bhd.                         | Malaysia                | Renting estate and storehouse<br>company                                              | 12,654                             | 12,654                             | 1,500                               | 30.00            | 50,096     | 14,909                                                                                   | 4,473                                                                                                        | "                                                                 |
|                       | Evergreen Marine Co.(Malaysia) SDN.<br>BHD.           | Malaysia                | Shipping agency                                                                       | 3,658                              | -                                  | 500                                 | 100.00           | 407,454    | 253,161                                                                                  | 3,188                                                                                                        | Indirect subsidiary of<br>the Company                             |
|                       | Evergreen Marine (Hong Kong) Ltd.                     | Hong Kong               | Marine transportation                                                                 | 78,706                             | -                                  | 80                                  | 1.00             | 79,593     | 862,722                                                                                  | 653                                                                                                          | Investee company of<br>Peony accounted for<br>using equity method |

| Investor                                   | Investee (Note and Note 1)                      | Location              | Main business activities                               | Initial investment amount          |                                    | Shares held as of December 31, 2017 |                  |            | Net profit (loss) of the investee<br>For the year ended December<br>31, 2017 (Note 1(2)) | Investment income (loss)<br>recognised by the Company<br>For the year ended December<br>31, 2017 (Note 1(3)) | Footnote                                                                                        |
|--------------------------------------------|-------------------------------------------------|-----------------------|--------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------|------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                            |                                                 |                       |                                                        | Balance as of<br>December 31, 2017 | Balance as of<br>December 31, 2016 | Number of<br>shares                 | Ownership<br>(%) | Book value |                                                                                          |                                                                                                              |                                                                                                 |
| Armand Investment<br>(Netherlands) N.V.    | Armand Estate B.V.                              | Netherlands           | Investment holding company                             | \$ 503,006                         | 503,006                            | 0.045                               | 100.00           | \$ 445,592 | \$ 2,414                                                                                 | \$ 2,414                                                                                                     | Indirect subsidiary of<br>the Company                                                           |
| Armand Estate B.V.                         | Taipei Port Container Terminal<br>Corporation   | Taiwan                | Container distribution and cargo<br>stevedoring        | 506,019                            | 506,019                            | 50,602                              | 9.73             | 451,246    | 45,516                                                                                   | 4,429                                                                                                        | Investee company of<br>Armand Estate B.V.<br>accounted for using<br>equity method               |
| Clove Holding Ltd.                         | Colon Container Terminal, S.A.                  | Republic of<br>Panama | Inland container storage and loading                   | 678,953                            | 678,953                            | 22,860                              | 40.00            | 2,532,187  | 36,178                                                                                   | 14,472                                                                                                       | Investee company of<br>Clove Holding Ltd.<br>accounted for using<br>equity method               |
| Island Equipment LLC                       | Island Equipment LLC.                           | U.S.A                 | Investment holding company                             | 4,277                              | 4,277                              | -                                   | 36.00            | 163,841    | 24,479                                                                                   | 8,812                                                                                                        | Indirect subsidiary of<br>the Company                                                           |
|                                            | Whitney Equipment LLC.                          | U.S.A                 | Equipment leasing company                              | 5,940                              | 5,940                              | -                                   | 100.00           | 173,294    | 28,598                                                                                   | 28,598                                                                                                       | "                                                                                               |
|                                            | Hemlock Equipment LLC.                          | U.S.A                 | Equipment leasing company                              | 5,940                              | 5,940                              | -                                   | 100.00           | 309,839    | 21,803                                                                                   | 21,803                                                                                                       | "                                                                                               |
|                                            | Island Equipment LLC.                           | U.S.A                 | Investment holding company                             | 1,782                              | 1,782                              | -                                   | 15.00            | 68,267     | 24,479                                                                                   | 3,672                                                                                                        | "                                                                                               |
| Evergreen Marine (UK)<br>Limited           | Evergreen Shipping Agency (UK)<br>Limited       | U.K                   | Shipping agency                                        | 0.06                               | 0.06                               | -                                   | 100.00           | 25,109     | -                                                                                        | -                                                                                                            | "                                                                                               |
| PT. Multi Bina Pura<br>International       | Evergreen Marine (Latin America), S.A.          | Republic of<br>Panama | Management consultancy                                 | 2,940                              | 2,940                              | 99                                  | 16.50            | 4,115      | 1,494                                                                                    | 247                                                                                                          | Investee company of<br>Evergreen Marine<br>(UK) Limited<br>accounted for using<br>equity method |
|                                            | Evergreen Shipping Agency (Ireland)<br>Ltd.     | Ireland               | Shipping agency                                        | 3,006                              | 3,006                              | 0.1                                 | 100.00           | 3,006      | -                                                                                        | -                                                                                                            | Indirect subsidiary of<br>the Company                                                           |
|                                            | PT. Multi Bina Transport                        | Indonesia             | Container repair cleaning and inland<br>transportation | 98,054                             | 98,054                             | 8                                   | 72.95            | 55,480     | 1,680                                                                                    | 1,225                                                                                                        | "                                                                                               |
| Evergreen Shipping<br>Agency (Europe) GmbH | Evergreen Shipping Agency (Austria)<br>GmbH     | Austria               | Shipping agency                                        | -                                  | 647                                | -                                   | -                | -          | 330                                                                                      | 330                                                                                                          | "                                                                                               |
|                                            | Evergreen Shipping Agency<br>(Switzerland) S.A. | Switzerland           | Shipping agency                                        | 2,453                              | 2,453                              | 0.1                                 | 100.00           | 8,958      | 764                                                                                      | 764                                                                                                          | "                                                                                               |

Note : If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 1: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2017' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee For the year ended December 31, 2017' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company For the year ended December 31, 2017' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investments in Mainland China

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

| Investee in Mainland China                                          | Main business activities                                                                                            | Paid-in capital                                                                                                      | Investment method<br>(Note 1)                                                                           | Accumulated amount of<br>remittance from Taiwan to<br>Mainland China as of<br>January 1, 2017 | Amount remitted from Taiwan to<br>Mainland China/Amount remitted back<br>to Taiwan for the year ended December<br>31, 2017 |                            | Accumulated amount<br>of remittance from<br>Taiwan to Mainland<br>China as of<br>December 31, 2017 | Net income (loss) of<br>the investee for the<br>year ended December<br>31, 2017 | Ownership held by<br>the Company<br>(direct or indirect)<br>(%) | Investment income<br>(loss) recognised by<br>the Company. For the<br>year ended December<br>31, 2017 (Note<br>2(2B)) | Book value of<br>investments in<br>Mainland China as of<br>December 31, 2017 | Accumulated amount of<br>investment income<br>remitted back to Taiwan<br>as of December 31,<br>2017 | Footnote |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------|
|                                                                     |                                                                                                                     |                                                                                                                      |                                                                                                         |                                                                                               | Remitted to<br>Mainland China                                                                                              | Remitted back to<br>Taiwan |                                                                                                    |                                                                                 |                                                                 |                                                                                                                      |                                                                              |                                                                                                     |          |
| Ningbo Victory Container Co., Ltd.                                  | Inland container<br>transportation, container<br>storage, loading,<br>discharging, repair and<br>related activities | \$ 568,582                                                                                                           | (2)                                                                                                     | \$ 212,700                                                                                    | -                                                                                                                          | -                          | \$ 212,700                                                                                         | \$ 11,309                                                                       | 40.00                                                           | \$ 4,524                                                                                                             | \$ 270,553                                                                   | \$ -                                                                                                |          |
| Qingdao Evergreen Container Storage<br>& Transportation Co., Ltd.   | Inland container<br>transportation, storage,<br>loading, discharging,<br>repair, cleaning and related<br>activities | 193,558                                                                                                              | (2)                                                                                                     | 42,083                                                                                        | -                                                                                                                          | -                          | 42,083                                                                                             | 204,390                                                                         | 40.00                                                           | 81,756                                                                                                               | 186,458                                                                      | -                                                                                                   |          |
| Kingtrans Int'l. Logistics (Tianjin) Co.,<br>Ltd.                   | Inland container<br>transportation, storage,<br>loading, discharging,<br>repair, cleaning and related<br>activities | 354,547                                                                                                              | (2)                                                                                                     | 118,802                                                                                       | -                                                                                                                          | -                          | 118,802                                                                                            | 44,214                                                                          | 40.00                                                           | 17,686                                                                                                               | 186,091                                                                      | -                                                                                                   |          |
| Ever Shine (Shanghai) Enterprise<br>Management Consulting Co., Ltd. | Management consultancy,<br>self-owned property leasing                                                              | 1,976,695                                                                                                            | (2)                                                                                                     | -                                                                                             | 2,419,413                                                                                                                  | -                          | 2,419,413                                                                                          | 22,062                                                                          | 80.00                                                           | 1,441                                                                                                                | 3,733,685                                                                    | -                                                                                                   |          |
| Ever Shine (Ningbo) Enterprise<br>Management Consulting Co., Ltd.   | Management consultancy,<br>self-owned property leasing                                                              | 195,633                                                                                                              | (2)                                                                                                     | -                                                                                             | 267,658                                                                                                                    | -                          | 267,658                                                                                            | ( 1,131)                                                                        | 80.00                                                           | ( 162)                                                                                                               | 155,365                                                                      | -                                                                                                   |          |
| Company name                                                        | Accumulated amount of<br>remittance from Taiwan to<br>Mainland China as of<br>December 31, 2017                     | Investment amount<br>approved by the<br>Investment<br>Commission of the<br>Ministry of<br>Economic Affairs<br>(MOEA) | Ceiling on<br>investments in<br>Mainland China<br>imposed by the<br>Investment<br>Commission of<br>MOEA |                                                                                               |                                                                                                                            |                            |                                                                                                    |                                                                                 |                                                                 |                                                                                                                      |                                                                              |                                                                                                     |          |
| Evergreen Marine Corp.                                              | \$ 3,060,656                                                                                                        | \$ 3,608,367                                                                                                         | \$ 38,039,132                                                                                           |                                                                                               |                                                                                                                            |                            |                                                                                                    |                                                                                 |                                                                 |                                                                                                                      |                                                                              |                                                                                                     |          |

Note 1: Investment methods are classified into the following three categories: fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company, Peony Investment S.A., in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the "Investment income (loss) recognised by the Company for the year ended December 31, 2017" column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
- C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

