

**EVERGREEN MARINE CORPORATION  
FINANCIAL STATEMENTS  
WITH  
REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

The reader is advised that the accompanying financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

**Report of Independent Auditors**

The Board of Directors and Stockholders  
Evergreen Marine Corporation

We have audited the accompanying balance sheets of Evergreen Marine Corporation (the "Company") as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of all the investee companies accounted for under the equity method. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it related to amounts included for those investee companies accounted for under the equity method, is based solely on the reports of other auditors. Those statements reflect long-term investments of 50,863,785 thousand New Taiwan dollars and 44,125,248 thousand New Taiwan dollars, constituting 58.77% and 47.58% of the total assets as of December 31, 2005 and 2004, respectively, and reflect net investment income of 7,169,166 thousand New Taiwan dollars and 8,591,961 thousand New Taiwan dollars, constituting 48.88% and 63.16% of the pre-tax net income for the years ended December 31, 2005 and 2004, respectively.

We conducted our audits in accordance with the "Regulations for Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China on Taiwan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Evergreen Marine Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with the "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China on Taiwan.

We have also audited the consolidated financial statements of Evergreen Marine Corporation and its subsidiaries as of and for the years ended December 31, 2005 and 2004, on which we have issued an unqualified opinion with explanatory paragraph thereon.

March 17, 2006  
Taipei, Taiwan  
Republic of China

Notice to Readers

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

**English Translation of Financial Statements Originally Issued in Chinese**  
**EVERGREEN MARINE CORPORATION**  
**BALANCE SHEETS**  
**December 31, 2005 and 2004**  
**(Expressed in New Taiwan Thousand Dollars)**

| ASSETS  | December 31, 2005   | December 31, 2004   | LIABILITIES AND STOCKHOLDERS' EQUITY                          | December 31, 2005   | December 31, 2004   |
|---|---------------------|---------------------|---|---------------------|---------------------|
| <b>Current Assets</b>   |                     |                     | <b>Current Liabilities</b>                                    |                     |                     |
| Cash and cash equivalents (Notes B & D1)                      | \$4,701,240         | \$4,171,007         | Short-term loans (Note D11)                                   | \$1,800,000         | \$2,795,303         |
| Short-term investments, net (Notes B, D2 & F)                 | 4,402,881           | 16,990,797          | Short-term bills payable (Note D12)                           | 799,755             | 2,099,091           |
| Notes receivable  | 28                  | 35                  | Notes payable   | 5,175               | 11,282              |
| Accounts receivable, net (Notes B & D3)                       | 2,399,846           | 3,066,671           | Notes payable - related parties (Note E)                      | -                   | 1,388               |
| Accounts receivable - related parties (Notes B, D3 & E)       | 108,333             | 365,055             | Accounts payable  | 2,086,067           | 1,426,649           |
| Other receivables (Notes B & D4)                              | 248,098             | 284,534             | Accounts payable - related parties (Note E)                   | 679,187             | 1,843,622           |
| Other receivables - related parties (Notes B, D4 & E)         | 32,611              | 27,247              | Income tax payable (Note B & D23)                             | 1,390,787           | 358,918             |
| Other financial assets - current, net (Notes B & D5)          | 613,203             | 61,058              | Accrued expenses (Notes B & D13)                              | 2,734,424           | 3,359,876           |
| Inventories (Notes B & D6)                                    | 645,904             | 439,249             | Other payables  | 142,586             | 98,016              |
| Prepayments   | 177,558             | 135,383             | Other payables - related parties (Note E)                     | 2,590               | 10,761              |
| Deferred income tax assets - current (Notes B & D23)          | 27,992              | -                   | Long-term liabilities due within one year (Note B & D14)      | 4,298,000           | 4,525,199           |
| Restricted assets - current (Note F)                          | 132,050             | 135,200             | Other current liabilities                                     | 414,524             | 769,873             |
| Other current assets (Notes D7)                               | 2,687,875           | 3,071,144           | Deferred income tax liabilities - current (Notes B & D23)     | -                   | 19,964              |
| <b>Total Current Assets</b>                                   | <b>16,177,619</b>   | <b>28,747,380</b>   | <b>Total Current Liabilities</b>                              | <b>14,353,095</b>   | <b>17,319,942</b>   |
| <b>Long-Term Investments (Notes B, D8&amp;E)</b>              |                     |                     | <b>Long-Term Liabilities (Note B)</b>                         |                     |                     |
| Long-term equity investments                                  |                     |                     | Corporate bonds payable (D15)                                 | 7,505,039           | 9,957,832           |
| Under the equity method                                       | 58,638,028          | 51,589,348          | Long-term loans (Note D16)                                    | 963,000             | 10,735,000          |
| Under the cost method   | 2,681,112           | 2,640,919           | <b>Total Long-Term Liabilities</b>                            | <b>8,468,039</b>    | <b>20,692,832</b>   |
| Long-term bond investments                                    | 12,581              | -                   | <b>Other Liabilities</b>                                      |                     |                     |
| Other long-term investments                                   | 312                 | 312                 | Accrued pension liability (Notes B & D17)                     | 406,951             | 624,127             |
| Other financial assets - non-current                          | -                   | 135,330             | Guarantee deposits received                                   | 125                 | 85                  |
| <b>Total Long-Term Investments</b>                            | <b>61,332,033</b>   | <b>54,365,909</b>   | Deferred income tax liabilities - non-current (Notes B & D23) | 2,272,102           | 1,493,437           |
| <b>Property, Plant and Equipment (Notes B, D9, E &amp; F)</b> |                     |                     | Deferred credits  | 324,289             | 324,289             |
| Land  | 1,998,859           | 1,998,859           | <b>Total Other Liabilities</b>                                | <b>3,003,467</b>    | <b>2,441,938</b>    |
| Buildings   | 1,511,958           | 1,356,403           | <b>Total Liabilities</b>                                      | <b>25,824,601</b>   | <b>40,454,712</b>   |
| Loading/discharging equipment                                 | 3,616,970           | 3,079,785           |   |                     |                     |
| Computer equipment  | 116,851             | 175,468             | <b>Capital Stock (Note D18)</b>                               |                     |                     |
| Transportation equipment                                      | 16,697,252          | 17,102,718          | Common stock  | 27,075,246          | 24,259,425          |
| Ships and equipment   | 9,877,935           | 9,877,935           | <b>Capital Surplus (Note D19)</b>                             |                     |                     |
| Dock facilities   | 625,223             | 738,990             | Paid-in capital in excess of par - common stock               | 3,147,552           | 2,545,963           |
| Office equipment  | 210,927             | 203,638             | Donated capital   | 371                 | 371                 |
| Costs and revaluation increments                              | 34,655,975          | 34,533,796          | Long-term investments   | 1,485,767           | 1,477,886           |
| Less: Accumulated depreciation                                | (26,733,457)        | (25,750,580)        | Others  | 6,713               | 6,713               |
| Prepayments for equipment                                     | 359,802             | 28,239              | <b>Total Capital Surplus</b>                                  | <b>4,640,403</b>    | <b>4,030,933</b>    |
| <b>Total Property, Plant and Equipment, Net</b>               | <b>8,282,320</b>    | <b>8,811,455</b>    | <b>Retained Earnings (Note D20)</b>                           |                     |                     |
| <b>Intangible Assets</b>                                      |                     |                     | Legal reserve   | 5,220,594           | 4,012,127           |
| Deferred pension costs (Notes B & D17)                        | 124,492             | 146,175             | Special reserve   | 957,344             | 957,344             |
| <b>Other Assets</b>   |                     |                     | Unappropriated retained earnings                              | 22,189,422          | 18,681,936          |
| Refundable deposits   | 169,208             | 42,408              | <b>Total Retained Earnings</b>                                | <b>28,367,360</b>   | <b>23,651,407</b>   |
| Deferred charges (Note B)                                     | 113,702             | 198,997             | <b>Equity Adjustments</b>                                     |                     |                     |
| Long-term installment receivables (Note D10)                  | 351,221             | 418,933             | Cumulative translation adjustments (Note B)                   | 897,009             | 856,564             |
| <b>Total Other Assets</b>                                     | <b>634,131</b>      | <b>660,338</b>      | Net loss not recognized as pension cost (Note B)              | (298,003)           | (594,695)           |
|   |                     |                     | Deferred credits  | 43,979              | 72,911              |
|   |                     |                     | <b>Total Equity Adjustments</b>                               | <b>642,985</b>      | <b>334,780</b>      |
|   |                     |                     | <b>Total Stockholders' Equity</b>                             | <b>60,725,994</b>   | <b>52,276,545</b>   |
| <b>TOTAL ASSETS</b>   | <b>\$86,550,595</b> | <b>\$92,731,257</b> | <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>             | <b>\$86,550,595</b> | <b>\$92,731,257</b> |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Diwan, Ernst & Young independent auditors' report dated March 17, 2006.)

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

For the Years Ended December 31, 2005 and 2004

(Expressed in New Taiwan Thousand Dollars, Except Earnings Per Share)

|  | <b>Year Ended<br/>December 31,<br/>2005</b> | <b>Year Ended<br/>December 31,<br/>2004</b> |
|--|---|---|
| Operating Revenues (Notes B, D21 & E)  | \$41,975,536                                | \$41,924,420                                |
| Operating Costs (Notes D22 & E)  | (32,486,820)                                | (34,102,562)                                |
| <b>Gross Profit</b>  | 9,488,716                                   | 7,821,858                                   |
| Operating Expenses (Notes D22 & E)   | (2,695,367)                                 | (2,734,209)                                 |
| General and administrative expenses  | (2,695,367)                                 | (2,734,209)                                 |
| <b>Operating Profit</b>  | 6,793,349                                   | 5,087,649                                   |
| <b>Non-Operating Income</b>  |   |   |
| Interest income  | 134,141                                     | 62,721                                      |
| Investment income accounted for under the equity method (Note B& D8)                       | 7,683,397                                   | 8,959,281                                   |
| Dividend income  | 93,222                                      | 52,007                                      |
| Gain on disposal of property, plant and equipment (Notes B & E)                            | 120,395                                     | 72,807                                      |
| Gain on disposal of investments  | 200,281                                     | -   |
| Foreign exchange gain (Note B)   | 42,262                                      | -   |
| Rent income (Note E)   | 59,240                                      | 49,298                                      |
| Gain on market price recovery of short-term investments (Note B)                           | -   | 3,619                                       |
| Others(Note D8)  | 144,483                                     | 88,391                                      |
| <b>Total Non-Operating Income</b>  | 8,477,421                                   | 9,288,124                                   |
| <b>Non-Operating Expenses</b>  |   |   |
| Interest expense   | (465,553)                                   | (602,444)                                   |
| Other investment loss(Note B & D8)   | (28,343)                                    | -   |
| Loss on disposal of property, plant and equipment (Notes B)                                | (11,019)                                    | (4,575)                                     |
| Gain on disposal of investments  | -   | (4,867)                                     |
| Foreign exchange loss (Note B)   | -   | (32,579)                                    |
| Financial expenses   | (77,895)                                    | (80,549)                                    |
| Others   | (22,170)                                    | (47,278)                                    |
| <b>Total Non-Operating Income</b>  | (604,980)                                   | (772,292)                                   |
| <b>Net Income before Income Tax</b>  | 14,665,790                                  | 13,603,481                                  |
| <b>Income Tax Expense (Notes B &amp; D23)</b>  | (2,441,879)                                 | (1,518,812)                                 |
| <b>Net Income</b>  | \$12,223,911                                | 12,084,669                                  |
| <b>Earnings Per Share (after retroactive adjustments) (in dollars) (Notes B &amp; D24)</b> |   |   |
| <b>Basic earning per share</b>   |   |   |
| Income before income tax   | \$5.44                                      | \$5.41                                      |
| Net income   | \$4.53                                      | \$4.81                                      |
| <b>Diluted earnings per share</b>  |   |   |
| Income before income tax   | \$5.13                                      | \$4.99                                      |
| Net income   | \$4.27                                      | \$4.43                                      |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Diwan, Ernst & Young independent auditors' report dated March 17, 2006.)

English Translation of Financial Statements Originally Issued in Chinese  
EVERGREEN MARINE CORPORATION  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 2005 and 2004  
(Expressed in New Taiwan Thousand Dollars)

|   | Retained Earnings |                 |               |                 | Unappropriated<br>Earnings | Unrealized Loss<br>on Decline in<br>Market Value of<br>Long-Term<br>Equity<br>Investments | Cumulative<br>Adjustments | Net Loss not<br>Recognized as<br>Pension Cost | Deferred Credits | Total        |
|---|-------------------|-----------------|---------------|-----------------|----------------------------|---|---------------------------|---|------------------|--------------|
|   | Stock             | Capital Surplus | Legal Reserve | Special Reserve |                            |   |                           |   |                  |              |
| Balance, January 1, 2004  | \$21,468,777      | \$1,577,479     | \$3,651,650   | \$957,344       | \$9,606,098                | \$(11,948)  | \$3,150,328               | \$(156,126)                                   | \$43,481         | \$40,287,083 |
| Appropriation of 2003 earnings  |                   |                 |               |                 |                            |   |                           |   |                  |              |
| Legal reserve   |                   |                 | 360,477       |                 | (360,477)                  |   |                           |   |                  | -            |
| Stock dividends   | 1,288,127         |                 |               |                 | (1,288,127)                |   |                           |   |                  | -            |
| Cash dividends  |                   |                 |               |                 | (1,288,127)                |   |                           |   |                  | (1,288,127)  |
| Bonuses to employees  |                   |                 |               |                 | (50,000)                   |   |                           |   |                  | (50,000)     |
| Remuneration to directors and supervisors   |                   |                 |               |                 | (22,100)                   |   |                           |   |                  | (22,100)     |
| Conversion of convertible bonds into common stock   | 1,502,521         | 2,545,963       |               |                 |                            |   |                           |   |                  | 4,048,484    |
| Adjustments arising from long-term equity investments accounted for under equity method             |                   |                 |               |                 |                            |   |                           |   |                  |              |
| Adjustments due to conversion of convertible bonds  |                   | 48,751          |               |                 |                            |   |                           |   |                  | 48,751       |
| Adjustments on capital surplus due to changes in percentage of shareholding                         |                   | (141,991)       |               |                 |                            |   |                           |   |                  | (141,991)    |
| Recognition of changes in investees' capital surplus based on percentage of shareholding            |                   | 731             |               |                 |                            |   |                           |   |                  | 731          |
| Unrealized loss on decline in market value of long-term equity investments                          |                   |                 |               |                 |                            | 11,948  |                           |   |                  | 11,948       |
| Cumulative translation adjustments  |                   |                 |               |                 |                            |   | (790,804)                 |   |                  | (790,804)    |
| Adjustments on deferred credits   |                   |                 |               |                 |                            |   |                           |   | 29,430           | 29,430       |
| Net loss not recognized as pension cost   |                   |                 |               |                 |                            |   |                           | (18,207)                                      |                  | (18,207)     |
| Translation adjustments arising from investees' financial statement denominated in foreign currency |                   |                 |               |                 |                            |   | (1,493,549)               |   |                  | (1,493,549)  |
| Adjustments arising from foreign currency of long-term investments accounted for under cost method  |                   |                 |               |                 |                            |   | (9,411)                   |   |                  | (9,411)      |
| Net loss not recognized as pension costs  |                   |                 |               |                 |                            |   |                           | (420,362)                                     |                  | (420,362)    |
| Net income for 2004   |                   |                 |               |                 | 12,084,669                 |   |                           |   |                  | 12,084,669   |
| Balance, December 31, 2004  | 24,259,425        | 4,030,933       | 4,012,127     | 957,344         | 18,681,936                 | -   | 856,564                   | (594,695)                                     | 72,911           | 52,276,545   |
| Appropriation of 2004 earnings  |                   |                 |               |                 |                            |   |                           |   |                  |              |
| Legal reserve   |                   |                 | 1,208,467     |                 | (1,208,467)                |   |                           |   |                  | -            |
| Stock dividends   | 2,461,386         |                 |               |                 | (2,461,386)                |   |                           |   |                  | -            |
| Cash dividends  |                   |                 |               |                 | (4,922,772)                |   |                           |   |                  | (4,922,772)  |
| Bonuses to employees  |                   |                 |               |                 | (80,000)                   |   |                           |   |                  | (80,000)     |
| Remuneration to directors and supervisors   |                   |                 |               |                 | (43,800)                   |   |                           |   |                  | (43,800)     |
| Conversion of convertible bonds into common stock   | 354,435           | 601,589         |               |                 |                            |   |                           |   |                  | 956,024      |
| Adjustments arising from long-term equity investments accounted for under equity method             |                   |                 |               |                 |                            |   |                           |   |                  |              |
| Adjustments on capital surplus due to changes in percentage of shareholding                         |                   | 7,859           |               |                 |                            |   |                           |   |                  | 7,859        |
| Recognition of changes in investees' capital surplus based on percentage of shareholding            |                   | 22              |               |                 |                            |   |                           |   |                  | 22           |
| Cumulative translation adjustments  |                   |                 |               |                 |                            |   | 149,382                   |   |                  | 149,382      |
| Adjustments on deferred credits   |                   |                 |               |                 |                            |   |                           |   | (28,932)         | (28,932)     |
| Net loss not recognized as pension cost   |                   |                 |               |                 |                            |   |                           | (595)   |                  | (595)        |
| Translation adjustments arising from investees' financial statement denominated in foreign currency |                   |                 |               |                 |                            |   | (118,348)                 |   |                  | (118,348)    |
| Adjustments arising from foreign currency of long-term investments accounted for under cost method  |                   |                 |               |                 |                            |   | 9,411                     |   |                  | 9,411        |
| Net loss not recognized as pension costs  |                   |                 |               |                 |                            |   |                           | 297,287                                       |                  | 297,287      |
| Net income for 2005   |                   |                 |               |                 | 12,223,911                 |   |                           |   |                  | 12,223,911   |
| Balance, December 31, 2005  | \$27,075,246      | \$4,640,403     | \$5,220,594   | \$957,344       | \$22,189,422               | \$-   | \$897,009                 | \$(298,003)                                   | \$43,979         | \$60,725,994 |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Diwan, Ernst & Young independent auditors' report dated March 17, 2006.)

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2005 and 2004  
(Expressed in New Taiwan Thousand Dollars)

|  | Year Ended December<br>31, 2005 | Year Ended December<br>31, 2004 |
|--|---------------------------------|---------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                 |                                 |
| Net income   | \$12,223,911                    | \$12,084,669                    |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |                                 |                                 |
| Depreciation   | 1,123,480                       | 1,503,442                       |
| Amortization   | 61,386                          | 59,536                          |
| Reclassification of depreciation of dock facilities to operation costs and others          | 186,275                         | 183,598                         |
| Reclassification of amortization of deferred charges to others                             | 77,717                          | 78,948                          |
| Net gain on disposal of property, plant and equipment                                      | (109,376)                       | (68,232)                        |
| Excess of equity-accounted investment income over cash dividends                           | (7,039,292)                     | (8,741,750)                     |
| Realized income from capital reduction   | -                               | (3,968)                         |
| Realized loss from long-term investments   | 1,300                           | -                               |
| Gain on acquisition of long-term bonds   | (12,581)                        | -                               |
| Net (gain) loss on disposal of investments   | (200,281)                       | 4,867                           |
| Loss on decline (gain on recovery) of market value of short-term investments               | 27,043                          | (3,619)                         |
| Interest Compensation  | 3,400                           | 7,029                           |
| <b>Change In Operating Assets and Liability</b>  |                                 |                                 |
| Short-term investments held for trading purposes   | 12,761,154                      | (11,581,469)                    |
| Notes and accounts receivable  | 923,554                         | (491,960)                       |
| Other receivables  | 13,654                          | 403,586                         |
| Other financial assets - current   | (552,145)                       | (61,058)                        |
| Inventories  | (206,655)                       | (3,047)                         |
| Prepayments  | (42,175)                        | 32,228                          |
| Agent accounts   | 597,243                         | (457,047)                       |
| Agency reciprocal accounts   | (935)                           | (752)                           |
| Restricted assets  | 3,150                           | (848)                           |
| Other current assets   | 8,733                           | 9,627                           |
| Notes and accounts payable   | (512,512)                       | 1,385,883                       |
| Income tax payable   | 1,031,869                       | 302,685                         |
| Accrued expenses   | (625,452)                       | 609,494                         |
| Other payables   | 4,509                           | (14,934)                        |
| Other current liabilities  | (182,553)                       | 254,836                         |
| Accrued pension liability  | 101,796                         | 27,481                          |
| Deferred income tax assets/liabilities   | 730,708                         | 1,174,885                       |
| Net cash provided by (used in) operating activities  | <u>20,396,925</u>               | <u>(3,305,890)</u>              |
| <b>Cash Flows from Investing Activities</b>  |                                 |                                 |
| Acquisition of long-term investments   | (64,220)                        | (61,737)                        |
| Proceeds from disposal of long-term investments  | -                               | 40,041                          |
| Proceed from capital reduction by investee   | 22,727                          | 413,371                         |
| Decrease(increase) in other financial assets - non-current                                 | 144,741                         | (144,741)                       |
| Acquisition of property, plant and equipment   | (1,161,681)                     | (857,255)                       |
| Proceeds from disposal of property, plant and equipment                                    | 127,134                         | 756,755                         |
| (Increase) decrease in refundable deposit  | (126,800)                       | 912                             |
| Increase in deferred charges   | (64,973)                        | (95,542)                        |
| Decrease in long-term receivables  | 85,130                          | 106,542                         |
| Net cash provided by (used in) investing activities  | <u>(1,037,942)</u>              | <u>158,346</u>                  |
| <b>Cash Flows from Financing Activities</b>  |                                 |                                 |
| Decrease in short-term loans   | (995,303)                       | (1,270,211)                     |
| (Decrease) increase in short-term bills payable  | (1,299,336)                     | 529,536                         |
| (Decrease) increase in corporate bonds payable   | (1,500,000)                     | 6,000,000                       |
| (Decrease) increase in long-term loans   | (9,999,199)                     | 446,140                         |
| Decrease in restricted assets  | -                               | 349,666                         |
| Decrease in guarantee deposit  | 40                              | -                               |
| Distribution of cash dividends   | (4,916,710)                     | (1,288,127)                     |
| Distribution of remuneration to directors and supervisors and bonus to employees           | (118,242)                       | (72,100)                        |
| Net cash provided by (used in) financing activities  | <u>(18,828,750)</u>             | <u>4,694,904</u>                |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 530,233                         | 1,547,360                       |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | 4,171,007                       | 2,623,647                       |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u>\$4,701,240</u>              | <u>\$4,171,007</u>              |
| <b>Supplemental Information:</b>   |                                 |                                 |
| Interest paid  | \$498,221                       | \$701,983                       |
| Less: Interest capitalized   | -                               | -                               |
| Interest paid, excluding interest capitalized  | <u>\$498,221</u>                | <u>\$701,983</u>                |
| Income tax paid  | <u>\$679,302</u>                | <u>\$41,130</u>                 |
| <b>Financing Activities not Affecting Cash Flows:</b>                                      |                                 |                                 |
| Long-term liabilities due within one year  | <u>\$4,298,000</u>              | <u>\$4,525,199</u>              |
| Capitalization of retained earnings  | <u>\$2,461,386</u>              | <u>\$1,288,127</u>              |
| Conversion of convertible bonds into common stock  | <u>\$956,024</u>                | <u>\$4,048,484</u>              |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Diwan, Ernst & Young independent auditors' report dated March 17, 2006.)

**Evergreen Marine Corporation**  
**Summary of Terms on Corporate Bonds**  
**December 31, 2005**

| Type of Corporate Bonds                   | Eighth Secured Corporate Bonds  | Ninth Secured Corporate Bonds   |
|---|---|---|
| Date of issuance                          | Bond A: December 13 ~ 19, 2001<br>Bond B: December 13 ~ 14, 2001                              | Bond A: May 14, 2002<br>Bond B: May 15, 2002<br>Bond C: May 16, 2002<br>Bond D: May 17, 2002        |
| Face value                                | NT\$1,000,000   | NT\$1,000,000   |
| Place of issuance                         | Taiwan  | Taiwan  |
| Issue price                               | Market price  | Market price  |
| Principal amount                          | NTD\$1,500,000,000  | NT\$1,000,000,000   |
| Interest rate                             | 2.600%  | 3.400%  |
| Period                                    | 5 years   | 5 years   |
| Maturity                                  | Bond A: December 13 ~ 19, 2006<br>Bond B: December 13 ~ 14, 2006                              | Bond A: May 14, 2007<br>Bond B: May 15, 2007<br>Bond C: May 16, 2007<br>Bond D: May 17, 2007        |
| Guarantor                                 | Taiwan Cooperative Bank<br>Bank of Taiwan   | Hua Nan Commercial Bank   |
| Trustee                                   | Cathy United Bank   | Bank of Taiwan  |
| Underwriter                               | Polaris Securities Co.,Ltd  | SinoPac Securities<br>KGI   |
| Lawyer                                    | Chens Law and Patent Office   | Chens Law and Patent Office   |
| Certified public accountant               | Diwan, Ernst & Young  | Diwan, Ernst & Young  |
| Principal repayment                       | Principals of Bonds A and B are to be repaid in lump sum at maturity based on the face value. | Principals of Bonds A, B, C and D are to be repaid in lump sum at maturity based on the face value. |
| Interest payment                          | Simple interest, payable annually   | Simple interest, payable annually   |
| Principal outstanding                     | \$1,500,000,000   | NT\$1,000,000,000   |
| Clauses on redemption and early repayment | None  | None  |
| Restricted clauses                        | None  | None  |

**Evergreen Marine Corporation**  
**Summary of Terms on Corporate Bonds**  
**December 31, 2005**

| Type of Corporate Bonds                   | Tenth Secured Corporate Bonds  | Eleventh Secured Corporate Bonds  |
|---|--|---|
| Date of issuance                          | Bond A: June 13, 2002<br>Bond B: June 14, 2002<br>Bond C: June 17, 2002<br>Bond D: June 18, 2002<br>Bond E: June 19, 2002<br>Bond F: June 20, 2002 | Bond A: June 2 ~ 6, 2003<br>Bond B: June 3 ~ 5, 2003  |
| Face value                                | NT\$1,000,000  | NT\$5,000,000   |
| Place of issuance                         | Taiwan   | Taiwan  |
| Issue price                               | Market price   | Market price  |
| Principal amount                          | NT\$1,500,000,000  | NT\$1,500,000,000   |
| Interest rate                             | 3.900%   | Bond A: 1.47%<br>Bond B: 4% - Six-month LIBOR   |
| Period                                    | 5 years  | 5 years   |
| Maturity                                  | Bond A: June 13, 2007<br>Bond B: June 14, 2007<br>Bond C: June 17, 2007<br>Bond D: June 18, 2007<br>Bond E: June 19, 2007<br>Bond F: June 20, 2007 | Bond A: June 2 ~ 6, 2008<br>Bond B: June 3 ~ 5, 2008  |
| Guarantor                                 | Bank of Taiwan   | Bank of Taiwan<br>Land Bank   |
| Trustee                                   | Cathay United Bank   | International Commercial Bank of China  |
| Underwriter                               | SinoPac Securities<br>KGI<br>Yunata Core Pacific Securities  | Fuh-Hwa Securities Co., Ltd<br>Citi Securities Corp.  |
| Lawyer                                    | Chens Law and Patent Office  | Chens Law and Patent Office   |
| Certified public accountant               | Diwan, Ernst & Young   | Diwan, Ernst & Young  |
| Principal repayment                       | Principals of Bonds A, B, C, D, E and F are to be repaid in lump sum at maturity based on the face value.  | Principals of Bonds A and B are to be repaid in lump sum at maturity based on the face value. |
| Interest payment                          | Simple interest, payable annually  | Bond A: Simple interest, payable annually<br>Bond B: Interest is payable semi-annually        |
| Principal outstanding                     | NT\$1,500,000,000  | NT\$1,500,000,000   |
| Clauses on redemption and early repayment | None   | None  |
| Restricted clauses                        | None   | None  |

**Evergreen Marine Corporation**  
**Summary of Terms on Corporate Bonds**  
**December 31, 2005**

| Type of Corporate Bonds                   | First Unsecured Corporate Bonds  | Second Unsecured Corporate Bonds  |
|---|--|---|
| Date of issuance                          | January 12, 2004   | September 6, 2004   |
| Face value                                | NT\$100,000  | NT\$100,000   |
| Place of issuance                         | Taiwan   | Taiwan  |
| Issue price                               | Face value   | Face value  |
| Principal amount                          | NT\$4,000,000,000  | NT\$4,500,000,000   |
| Interest rate                             | 0.00%  | 0.00%   |
| Period                                    | 5 years  | 5 years   |
| Maturity                                  | January 11, 2009   | September 5, 2009   |
| Guarantor                                 | None   | None  |
| Trustee                                   | Hua Nan Commercial Bank  | SinoPac Commercial Bank   |
| Underwriter                               | SinoPac Securities   | President Securities  |
| Lawyer                                    | Chens Law and Patent Office  | Law Office of S. S. Lai   |
| Certified public accountant               | Diwan, Ernst & Young   | Diwan, Ernst & Young  |
| Principal repayment                       | To be repaid in lump sum at maturity based on the face value.  | To be repaid in lump sum at maturity based on the face value.   |
| Principal outstanding                     | NT\$1,634,400,000  | NT\$1,864,300,000   |
| Clauses on redemption and early repayment | During the 30 days before the bonds are issued for 3 years, the bondholders may exercise their redemption option at a yield rate of 0.20% per annum. When the bonds mature on January 11, 2009, they are redeemed at face value. | During the 30 days before the bonds are issued for 3.5 years, the bondholders may exercise their redemption option at face value. |
| Restricted clauses                        | None   | None  |

Evergreen Marine Corporation and Subsidiaries  
Loans Extended  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars)

| Lender                            | Borrower                  | Financial Statement Account            | Highest Balance             | Balance as at Dec 31, 2005 | Interest Rate | Nature of Loan (Note1) | Annual Amount of Transactions with the Borrower | Reason for Short-Term Financing | Allowance for Bad Debts | Collateral |       | Limit on Loans Extended to a Single Company (Note2) | Maximum Amount of Loans Allowed to be Extended by the Company or its Subsidiaries (Note2) |
|-----------------------------------|---------------------------|--|-----------------------------|----------------------------|---------------|------------------------|---|---------------------------------|-------------------------|------------|-------|---|---|
|                                   |                           |  |                             |                            |               |                        |   |                                 |                         | Item       | Value |   |   |
| Evergreen Marine Corporation      | Greencompass Marine S.A.  | Other Receivables from related parties | NTD 636,990<br>(USD 20,000) | NTD -                      | 3.82          | 2                      | Revenue 115,163<br>Expenditure 1,045,103        | Working capital requirement     | NTD-                    | -          | NTD-  | NTD 11,811,453                                      | NTD 23,622,906  |
| Peony Investment S.A.             | Evergreen India Pte. Ltd. | Receivables from related parties       | USD 250                     | USD 250                    | 3.755-4.509   | 2                      | USD-  | "                               | USD-                    | -          | USD-  | USD 231,091   | USD 462,182   |
| Greencompass Marine S.A.          | Peony Investment S.A      | "                                      | USD 60,000                  | USD -                      | SIBOR+0.9     | 2                      | USD-  | "                               | USD-                    | -          | USD-  | USD 158,242   | USD 316,484   |
| Clove Holding Ltd.                | Peony Investment S.A      | "                                      | USD 7,050                   | USD -                      | -             | 2                      | USD-  | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |
|                                   | Island Equipment LLC.     | "                                      | USD 14,085                  | USD 14,085                 | 4.7-5.74      | 2                      | USD-  | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |
| PT. Multi Bina Pura International | PT Multi Bina Transport   | "                                      | USD 350                     | USD 150                    | 1.5           | 2                      | Expenditure USD74                               | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |
| Armand International N.V          | Armand Estate B.V.        | "                                      | USD 2,691                   | USD 2,691                  | 3.82          | 2                      | USD-  | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |
| Hatsu Marine Limited              | Island Equipment LLC.     | "                                      | USD 6,035                   | USD 6,035                  | 3.79-5.43     | 2                      | USD-  | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |
| Vigor Enterprise S.A.             | Peony Investment S.A      | "                                      | USD 2,995                   | USD -                      | 4.38          | 2                      | USD-  | "                               | USD-                    | -          | USD-  | NTD 11,811,453                                      | NTD 23,622,906  |

## Note 1: Nature of loans extended

"1" denotes the loans extended to the companies which have transactions with the Company or its subsidiaries. The annual amount of the transactions is stated accordingly.

"2" denotes the loans extended to the companies which require short-term financing. The reason for short-term financing is stated accordingly.

## Note 2: Limit on loans extended

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. The calculation is as follows:

The Company: NTDS 59,057,266 thousand \* 20% = NTDS11,811,453 thousand

Peony: US\$1,155,454 thousand \* 20% = US\$231,091 thousand

Greencompass Marine S.A. USD791,210\* 20% = USD 158,242 thousand

2. According to the Company's credit policy, the total amount of loans granted by the Company or its subsidiaries should not exceed 40% of the net worth stated in the latest financial statements. The calculation is as follows:

The Company: NTDS 59,057,266 thousand \* 40 = NTDS23,622,906 thousand

Peony: US\$1,155,454 thousand \* 40% = US\$462,182 thousand

Greencompass Marine S.A. USD791,210\* 40% = USD 316,484 thousand

**Evergreen Marine Corporation and Subsidiaries**  
**Endorsements and Guarantees Provided**  
**For the Year Ended December 31, 2005**  
**(Expressed in Thousands of Dollars)**

| Endorser/Guarantor           | Counterparty                      | Nature of Relationship (Note 1) | Limit on Endorsements/Guarantees Provided to a Single Company | Highest Balance              | Balance as at December 31, 2005 | Amount of Endorsements/Guarantees Secured with Collaterals | Ratio of Accumulated Amount of Endorsements/Guarantees to Net Worth (%) | Maximum Amount of Endorsements/Guarantees Allowed to be Provided by the Company or its Subsidiaries (Note 2) |
|------------------------------|-----------------------------------|---------------------------------|---|------------------------------|---------------------------------|--|---|--|
| Evergreen Marine Corporation | Greencompass Marine S.A.          | 3                               | \$118,114,532   | \$14,385,047<br>(USD447,185) | \$9,493,080<br>(USD290,197)     | \$-  | 16.07   | \$177,171,798  |
| Evergreen Marine Corporation | Peony Investment S.A.             | 2                               | 118,114,532   | 2,544,489<br>(USD79,100)     | -<br>(USD-)                     | -  | -   |  |
| Evergreen Marine Corporation | Taranto Container Terminal S.P.A. | 1                               | 29,528,633  | 2,803,730<br>(EUR 47,909)    | 1,600,742<br>(EUR 41,213)       | -  | 2.71  |  |
| Evergreen Marine Corporation | Hatsu Marine Limited              | 3                               | 118,114,532   | 13,286,478<br>(USD413,034)   | 13,499,979<br>(USD412,686)      | -  | 22.86   |  |
| Evergreen Marine Corporation | Whitney Equipment LLC.            | 3                               | 118,114,532   | 302,186<br>(USD9,394)        | 282,017<br>(USD8,621)           | -  | 0.48  |  |
| Evergreen Marine Corporation | Helmlock Equipment LLC.           | 3                               | 118,114,532   | 1,763,578<br>(USD54,824)     | 1,447,905<br>(USD44,262)        | -  | 2.45  |  |
| Evergreen Marine Corporation | Colon Container Terminal S.A.     | 6                               | 29,528,633  | 613,765<br>(USD19,080)       | 600,380<br>(USD18,353)          | -  | 1.02  |  |
| Evergreen Marine Corporation | Island Equipment LLC              | 3                               | 118,114,532   | 2,097,000<br>(USD 65,189)    | -<br>(USD-)                     | -  | -   |  |

Note 1: Nature of the counterparty's relationship with the Company or its subsidiaries

"1" denotes the endorsements/guarantees provided to the companies which have transactions with the Company or its subsidiaries.

"2" denotes the endorsements/guarantees provided to the subsidiaries of which the Company holds more than 50% of the common stock.

"3" denotes the endorsements/guarantees provided to the investees of which the Company together with its subsidiaries hold more than 50% of the common stock.

"4" denotes the endorsements/guarantees provided to the companies which directly or indirectly hold more than 50% of the Company's common stock.

"5" denotes the endorsements/guarantees provided pursuant to construction contracts.

"6" denotes the endorsements/guarantees provided to joint venture companies based on the Company's or its subsidiaries' proportionate equity interest in the company.

Note 2: According to the Company's credit policy, the total amount of endorsements or guarantees provided by the Company or its subsidiaries should not exceed 300% of the net worth stated in the latest financial statements.

The calculation is as follows:

The Company: NT\$59,057,266 thousand \* 300% = NT\$177,171,798 thousand

Evergreen Marine Corporation and Subsidiaries  
 Marketable Securities Held as at December 31, 2005  
 (Expressed in Thousands of Dollars / Thousand Shares)

| Investor                                   | Marketable Securities                               | Relationship with the Company   | Financial Statement Account | Balance as at December 31, 2005 |                |               |                          | Remark |
|--|---|---|-----------------------------|---------------------------------|----------------|---------------|--------------------------|--------|
|  |   |   |                             | No. of Shares / Units           | Carrying Value | Ownership (%) | Market Value / Net Worth |        |
| Evergreen Marine Corporation               | Stocks:   |   |                             |                                 |                |               |                          |        |
|  | Peony Investment S.A.                               | Subsidiary of the Company   | Long-term equity investment | 4,765                           | \$41,434,463   | 100.00        | \$41,498,097             |        |
|  | Taiwan Terminal Services Co., Ltd.                  | Subsidiary of the Company   | Long-term equity investment | 5,500                           | 72,714         | 55.00         | 72,714                   |        |
|  | Chang Yang Development Co., Ltd.                    | Investee company accounted for under equity method                        | Long-term equity investment | 32,000                          | 401,997        | 40.00         | 401,997                  |        |
|  | Evergreen International Storage and Transport Corp. | Investee company accounted for under equity method                        | Long-term equity investment | 424,062                         | 7,548,310      | 39.74         | 7,542,420                |        |
|  | Evergreen Security Corporation                      | Investee company accounted for under equity method                        | Long-term equity investment | 3,125                           | 40,827         | 31.25         | 40,827                   |        |
|  | EVA Airways Corporation                             | Investee company accounted for under equity method                        | Long-term equity investment | 692,412                         | 8,982,435      | 20.43         | 8,982,436                |        |
|  | Taipei Port Container Terminal Corporation          | Investee company accounted for under equity method                        | Long-term equity investment | 16,000                          | 153,219        | 20.00         | 153,219                  |        |
|  | Toplogis Technology Corp.                           | Investee company accounted for under equity method                        | Long-term equity investment | 1,000                           | 4,063          | 25.00         | 4,063                    |        |
|  | Power World Fund Inc.                               | Investee company accounted for under cost method                          | Long-term equity investment | 2,727                           | 27,273         | 5.68          | 41,618                   |        |
|  | Fubon Securities Finance Co., Ltd.                  | Investee company accounted for under cost method                          | Long-term equity investment | 19,717                          | 190,322        | 4.93          | 258,880                  |        |
|  | Taiwan HSR Consortium                               | Investee company accounted for under cost method                          | Long-term equity investment | 126,735                         | 1,250,000      | 2.53          | 888,412                  |        |
|  | Linden Technologies Inc.                            | Investee company accounted for under cost method                          | Long-term equity investment | 50                              | 15,372         | 2.53          | 15,372                   |        |
|  | Taiwan Fixed Network Corp.                          | Investee company accounted for under cost method                          | Long-term equity investment | 70,000                          | 700,000        | 1.08          | 296,100                  |        |
|  | Central Reinsurance Corp.                           | Investee company accounted for under lower of cost or market value method | Long-term equity investment | 42,231                          | 490,801        | 8.45          | 487,778                  |        |
|  | Fubon Financial Holding Co., Ltd.                   | Investee company accounted for under lower of cost or market value method | Long-term equity investment | 2,853                           | 7,344          | 0.04          | 79,213                   |        |
|  | AGV PRODUCTS CORP.                                  | None  | Short-term investment       | 200                             | 1,550          | -             | 1,348                    |        |
|  | TYC BROTHER INDUSTRIAL CO, LTD.                     | None  | Short-term investment       | 125                             | 2,868          | -             | 2,740                    |        |
|  | JENN FENG INDUSTRIAL CO., LTD.                      | None  | Short-term investment       | 70                              | 2,769          | -             | 2,784                    |        |
|  | China Man-Made Fiber Corporation                    | None  | Short-term investment       | 22                              | 290            | -             | 184                      |        |
|  | China Motor Corporation                             | None  | Short-term investment       | 301                             | 11,376         | -             | 9,625                    |        |
|  | CMC Magnetics Corporation                           | None  | Short-term investment       | 1,069                           | 17,962         | -             | 12,391                   |        |
|  | Compal Electronics, Inc.                            | None  | Short-term investment       | 351                             | 10,930         | -             | 10,634                   |        |
|  | MOSEL VITELIC INC.                                  | None  | Short-term investment       | 2,000                           | 24,657         | -             | 16,240                   |        |
|  | Everlight Electronics Co., Ltd.                     | None  | Short-term investment       | 50                              | 2,705          | -             | 3,346                    |        |
|  | AU Optronics Corps.                                 | None  | Short-term investment       | 151                             | 6,583          | -             | 7,031                    |        |
|  | Enlight Corporation                                 | None  | Short-term investment       | 300                             | 4,045          | -             | 3,402                    |        |
|  | Epistar Corporation                                 | None  | Short-term investment       | 50                              | 2,588          | -             | 3,067                    |        |
|  | Hung Sheng Construction Ltd.                        | None  | Short-term investment       | 100                             | 2,378          | -             | 2,299                    |        |
|  | Yang Ming Marine Transport Corp.                    | None  | Short-term investment       | 2,050                           | 63,796         | -             | 42,818                   |        |
|  | Taiwan Life Insurance., Ltd                         | None  | Short-term investment       | 110                             | 5,288          | -             | 4,714                    |        |
|  | Waterland Financial Holdings                        | None  | Short-term investment       | 600                             | 7,856          | -             | 6,696                    |        |
|  | China Trust Financial Holding Company Ltd.          | None  | Short-term investment       | 120                             | 3,440          | -             | 3,156                    |        |
|  | Chi Mei Optoelectronics                             | None  | Short-term investment       | 250                             | 11,091         | -             | 10,288                   |        |
|  | Quanta Display Inc.                                 | None  | Short-term investment       | 509                             | 7,480          | -             | 5,383                    |        |
|  | Edom Technology Co., Ltd.                           | None  | Short-term investment       | 150                             | 4,131          | -             | 3,207                    |        |
|  | Epitech Technology Corp.                            | None  | Short-term investment       | 450                             | 13,304         | -             | 13,752                   |        |
|  | Genius Electronic Optical Co., Ltd.                 | None  | Short-term investment       | 20                              | 7,006          | -             | 9,608                    |        |
|  | Powerchip Semiconductor Corp.                       | None  | Short-term investment       | 200                             | 4,664          | -             | 4,052                    |        |
|  | Nan Ren Lake Leisure Amusement Co., Ltd.            | None  | Short-term investment       | 275                             | 5,315          | -             | 4,879                    |        |
|  | Capital Securities Corp.                            | None  | Short-term investment       | 300                             | 4,191          | -             | 3,720                    |        |
|  | Cameo Communication, Inc.                           | None  | Short-term investment       | 100                             | 4,311          | -             | 4,048                    |        |
| Sporton International Inc.                 | None  | Short-term investment   | 100                         | 5,651                           | -              | 5,039         |                          |        |
| Unifosa Corp.                              | None  | Short-term investment   | 350                         | 11,192                          | -              | 8,225         |                          |        |
| Advanced International Multitech Co., Ltd. | None  | Short-term investment   | 227                         | 14,202                          | -              | 11,935        |                          |        |
| Xxentria Technology Materials Co., Ltd.    | None  | Short-term investment   | 1                           | 41                              | -              | 42            |                          |        |

(Forward)

Evergreen Marine Corporation and Subsidiaries  
 Marketable Securities Held as at December 31, 2005  
 (Expressed in Thousands of Dollars / Thousand Shares)

| Investor                      | Marketable Securities                          | Relationship with the Company | Financial Statement Account | Balance as at December 31, 2005 |                |               |                          | Remark                             |
|-------------------------------|--|-------------------------------|-----------------------------|---------------------------------|----------------|---------------|--------------------------|------------------------------------|
|                               |  |                               |                             | No. of Shares/Units             | Carrying Value | Ownership (%) | Market Value / Net Worth |                                    |
| Evergreen Marine Corporation  | <b>Mutual Funds:</b>                           |                               |                             |                                 |                |               |                          |                                    |
|                               | Cathay Small Cap Growth Fund                   | None                          | Short-term investment       | 588                             | \$10,000       | -             | \$12,165                 |                                    |
|                               | Capital Balanced Fund                          | None                          | Short-term investment       | 3,000                           | 30,030         | -             | 31,740                   |                                    |
|                               | New Light Tech Fund                            | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 30,000                   |                                    |
|                               | Transcend Balanced Fund                        | None                          | Short-term investment       | 1,413                           | 15,000         | -             | 15,886                   |                                    |
|                               | Cathay High Dividend Balanced Fund             | None                          | Short-term investment       | 2,000                           | 20,000         | -             | 22,200                   |                                    |
|                               | SKIT Strategy Balanced Fund                    | None                          | Short-term investment       | 2,840                           | 30,000         | -             | 30,333                   |                                    |
|                               | Capital Strategic Alpha Fund                   | None                          | Short-term investment       | 4,335                           | 50,125         | -             | 52,758                   |                                    |
|                               | JF (Taiwan) Pacific Balanced Fund              | None                          | Short-term investment       | 4,938                           | 50,000         | -             | 51,392                   |                                    |
|                               | New Light Fortune Balanced Fund                | None                          | Short-term investment       | 3,900                           | 40,000         | -             | 45,579                   |                                    |
|                               | Grand Cathay High ROE & Dividend Balanced Fund | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 32,910                   |                                    |
|                               | Allianz Global Investors Target 2015 Fund      | None                          | Short-term investment       | 5,000                           | 50,100         | -             | 50,200                   |                                    |
|                               | Ta chong global growth portfolio Fund          | None                          | Short-term investment       | 1,969                           | 20,000         | -             | 21,339                   |                                    |
|                               | Franklin Templeton Global Bond Fund of Funds   | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 31,064                   |                                    |
|                               | Capital Multi-Income Allocation Fund           | None                          | Short-term investment       | 5,000                           | 50,040         | -             | 51,050                   |                                    |
|                               | Polaris Global ETFs Fund of Funds              | None                          | Short-term investment       | 4,881                           | 50,000         | -             | 52,275                   |                                    |
|                               | New Light Global Champion Fund                 | None                          | Short-term investment       | 2,000                           | 20,000         | -             | 19,997                   |                                    |
|                               | Tiam Happy Go Go fund                          | None                          | Short-term investment       | 10,000                          | 100,000        | -             | 99,553                   |                                    |
|                               | AIG Global medallion fund of funds             | None                          | Short-term investment       | 3,006                           | 30,000         | -             | 31,563                   |                                    |
|                               | KGI GAMA Strategy Fund                         | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 29,790                   |                                    |
|                               | Cathay Global Balance Fund of Funds            | None                          | Short-term investment       | 4,000                           | 40,000         | -             | 40,040                   |                                    |
|                               | ING chb tri-go defensive portfolio             | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 30,000                   |                                    |
|                               | TIIM Asia Win-Win Fund                         | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 35,160                   |                                    |
|                               | Dresdner Global Biotech DAM Fund               | None                          | Short-term investment       | 1,954                           | 30,060         | -             | 29,726                   |                                    |
|                               | adam Global Bond Fund                          | None                          | Short-term investment       | 7,412                           | 80,080         | -             | 79,622                   |                                    |
|                               | Truswell global balanced Fund                  | None                          | Short-term investment       | 2,902                           | 30,000         | -             | 31,519                   |                                    |
|                               | adam Global Emerging Markets Fund              | None                          | Short-term investment       | 2,465                           | 30,060         | -             | 31,997                   |                                    |
|                               | JPMF(Taiwan) Global Balanced Fund              | None                          | Short-term investment       | 2,654                           | 30,000         | -             | 30,418                   |                                    |
|                               | Polaris Global ABS Fund (A)                    | None                          | Short-term investment       | 10,000                          | 100,000        | -             | 99,809                   |                                    |
|                               | Shinkong Guaranteed Fund                       | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 29,801                   |                                    |
|                               | Jih sun win-tide guaranteed Fund               | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 29,520                   |                                    |
|                               | Transcend strategic balanced Fund (series1)    | None                          | Short-term investment       | 10,000                          | 100,000        | -             | 108,289                  |                                    |
|                               | KGI 100% Principal Guaranteed Fund No.1        | None                          | Short-term investment       | 5,000                           | 50,000         | -             | 49,490                   |                                    |
|                               | Fubon Principal Protect Fund I                 | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 30,153                   |                                    |
|                               | TIIM Privately offered Fund NO.1               | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 30,330                   |                                    |
|                               | Fuhwa high dividend twll private fund          | None                          | Short-term investment       | 5,000                           | 50,000         | -             | 50,247                   |                                    |
|                               | HUA nan Private placed Bond Fund NO.1          | None                          | Short-term investment       | 5,000                           | 50,000         | -             | 50,130                   |                                    |
|                               | Transcend strategic growth fund I              | None                          | Short-term investment       | 5,000                           | 50,000         | -             | 49,922                   |                                    |
|                               | KGI SUPER NICHE FUND                           | None                          | Short-term investment       | 3,000                           | 30,000         | -             | 30,092                   |                                    |
|                               | Grand Cathay Bond Fund                         | None                          | Short-term investment       | 7,823                           | 100,000        | -             | 100,010                  |                                    |
|                               | Paradigm pion fund                             | None                          | Short-term investment       | 9,475                           | 100,000        | -             | 100,009                  |                                    |
|                               | Jih sun bond fund                              | None                          | Short-term investment       | 30,292                          | 403,200        | -             | 407,961                  | 28,549 thousand units are pledged. |
|                               | TLAM solomon bond fund                         | None                          | Short-term investment       | 8,696                           | 100,000        | -             | 100,012                  |                                    |
|                               | JF(Taiwan) Bond Fund                           | None                          | Short-term investment       | 6,644                           | 100,000        | -             | 100,011                  |                                    |
|                               | Fuhwa advantage bond fund                      | None                          | Short-term investment       | 19,450                          | 200,000        | -             | 200,132                  |                                    |
|                               | TIIM Bond Fund                                 | None                          | Short-term investment       | 7,156                           | 100,000        | -             | 100,011                  |                                    |
|                               | Prudential Financial Bond Fund                 | None                          | Short-term investment       | 2,083                           | 30,000         | -             | 30,041                   |                                    |
|                               | Cathay Fund                                    | None                          | Short-term investment       | 8,786                           | 100,000        | -             | 100,011                  |                                    |
|                               | President Home Run                             | None                          | Short-term investment       | 7,222                           | 100,000        | -             | 100,010                  |                                    |
|                               | FuBon Ju-I II                                  | None                          | Short-term investment       | 6,958                           | 100,000        | -             | 100,003                  |                                    |
| Fu Hwa Bond                   | None   | Short-term investment         | 7,604                       | 100,000                         | -              | 100,011       |                          |                                    |
| Transcend strategic bond fund | None   | Short-term investment         | 8,330                       | 100,000                         | -              | 100,010       |                          |                                    |
| Dresdner Bond DAM Fund        | None   | Short-term investment         | 8,751                       | 100,000                         | -              | 100,011       |                          |                                    |

(Forward)

Evergreen Marine Corporation and Subsidiaries  
 Marketable Securities Held as at December 31, 2005  
 (Expressed in Thousands of Dollars / Thousand Shares)

| Investor                                  | Marketable Securities  | Relationship with the Company                               | Financial Statement Account | Balance as at December 31, 2005 |                |               |                          | Remark |
|---|--|---|-----------------------------|---------------------------------|----------------|---------------|--------------------------|--------|
|   |  |   |                             | No. of Shares/Units             | Carrying Value | Ownership (%) | Market Value / Net Worth |        |
| Evergreen Marine Corporation              | Ploaris De Bao Fund  | None  | Short-term investment       | 9,146                           | \$100,000      | -             | \$100,011                |        |
|   | New Light Taiwan Bond Fund                                     | None  | Short-term investment       | 9,887                           | 100,000        | -             | 100,011                  |        |
|   | Taishin Lucky Fund   | None  | Short-term investment       | 11,365                          | 115,000        | -             | 115,034                  |        |
|   | Franklin US Government Fund                                    | None  | Short-term investment       | 111                             | 34,670         | -             | 33,463                   |        |
|   | MFS Meridian Emerg MKTS DEBT FD                                | None  | Short-term investment       | 117                             | 67,562         | -             | 67,652                   |        |
|   | MFS Inflation Adjusted Bond Fund                               | None  | Short-term investment       | 248                             | 80,468         | -             | 82,338                   |        |
|   | MFS Global Balanced Fund                                       | None  | Short-term investment       | 31                              | 15,913         | -             | 16,726                   |        |
|   | PERMAL FUND  | None  | Short-term investment       | 1                               | 8,601          | -             | 9,455                    |        |
|   | Forsyth Alternative Income Fund Class R (EUR)                  | None  | Short-term investment       | 88                              | 42,530         | -             | 39,968                   |        |
|   | Forsyth Alternative Income Fund Class R (JPY)                  | None  | Short-term investment       | 85                              | 31,580         | -             | 27,332                   |        |
|   | Skandia Global Bond Fund Class B                               | None  | Short-term investment       | 41                              | 15,792         | -             | 15,841                   |        |
|   | ABN AMRO HONG KONG EQUITY GUARANTEED F                         | None  | Short-term investment       | 10                              | 31,735         | -             | 31,116                   |        |
|   | Alexandra Global Inv. (ASIA) B                                 | None  | Short-term investment       | 39                              | 16,953         | -             | 17,102                   |        |
|   | Investec Global Energy Fund "C" Inc                            | None  | Short-term investment       | 4                               | 33,755         | -             | 32,345                   |        |
|   | ABN ASIA BOND FUND A   | None  | Short-term investment       | 10                              | 33,540         | -             | 32,713                   |        |
|   | JULIUS BAER DIVERSIFIED FIXED INCOME HEDGE                     | None  | Short-term investment       | 10                              | 29,871         | -             | 27,885                   |        |
|   | Government Bonds   |   |                             |                                 |                |               |                          |        |
|   | Korea Container Authority Bonds                                | None  | Short-term investment       | -                               | 20,472         | -             | 24,834                   |        |
|   | Foreign Corporate Bonds :                                      |   |                             |                                 |                |               |                          |        |
|   | TUNTEX (THAILAND) PUBLIC COMPANY                               | None  | Long-term bond investment   | 16                              | 12,581         | -             | 12,581                   |        |
|   | Corporate Bonds  |   |                             |                                 |                |               |                          |        |
|   | MERRILL LYNCH  | None  | Short-term investment       | 1                               | 3,948          | -             | 3,406                    |        |
|   | Quanta Display Inc.  | None  | Short-term investment       | 80                              | 6,639          | -             | 6,800                    |        |
|   | Jihsun FHC Inc   | None  | Short-term investment       | 500                             | 50,000         | -             | 48,885                   |        |
|   | Bonds with resell agreements                                   |   |                             |                                 |                |               |                          |        |
|   | Financial Bonds  | None  | Short-term investment       | -                               | 80,000         | -             | 80,000                   |        |
| Peony Investment S.A.                     | Greencompass Marine S.A.                                       | Indirect subsidiary of the Company                          | Long-term equity investment | 3,535                           | USD 799,146    | 100.00        | USD 799,146              |        |
|   | Vigor Enterprise S.A.  | Indirect subsidiary of the Company                          | Long-term equity investment | 80                              | USD 4,575      | 100.00        | USD 4,575                |        |
|   | Clove Holding Ltd.   | Indirect subsidiary of the Company                          | Long-term equity investment | 10                              | USD 59,968     | 100.00        | USD 59,968               |        |
|   | Evergreen Heavy Industrial Corp. (M) Berhad                    | Indirect subsidiary of the Company                          | Long-term equity investment | 42,120                          | USD 36,371     | 84.44         | USD 36,371               |        |
|   | PT. Multi Bina Pura International                              | Indirect subsidiary of the Company                          | Long-term equity investment | 68                              | USD 9,518      | 95.30         | USD 9,518                |        |
|   | PT. Multi Bina Transport                                       | Indirect subsidiary of the Company                          | Long-term equity investment | 2                               | USD 185        | 17.39         | USD 185                  |        |
|   | Armand Investment (Nether Lands) N.V.                          | Indirect subsidiary of the Company                          | Long-term equity investment | 4                               | USD 1,700      | 70.00         | USD 1,700                |        |
|   | Shenzhen Greentrans Transportation Co., Ltd.                   | Indirect subsidiary of the Company                          | Long-term equity investment | -                               | USD 3,279      | 55.00         | USD 3,279                |        |
|   | Hatsu Marine Limited   | Indirect subsidiary of the Company                          | Long-term equity investment | 765                             | USD 105,674    | 51.00         | USD 105,674              |        |
|   | Luanta Investment (Netherlands) N.V.                           | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 17,788     | 50.00         | USD 17,788               |        |
|   | Evergreen Container Terminal (Thailand) Ltd.                   | Investee company of Peony accounted for under equity method | Long-term equity investment | 12,250                          | USD 18,439     | 48.18         | USD 18,439               |        |
|   | Shanghai Jifa Logistics Co., Ltd.                              | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 8,143      | 21.06         | USD 8,143                |        |
|   | Ningbo Victory Container Co., Ltd.                             | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 2,473      | 40.00         | USD 2,473                |        |
|   | Qingdao Evergreen Container Storage & Transportation Co., Ltd. | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 5,261      | 40.00         | USD 5,261                |        |
|   | Balsam Investment (Nether lands) N.V.                          | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 184,387    | 49.00         | USD 184,387              |        |
|   | Evergreen Shipping Singapore Pte. Ltd.                         | Investee company of Peony accounted for under equity method | Long-term equity investment | 383                             | USD 1,198      | 25.50         | USD 1,198                |        |
|   | Evergreen Korea Corporation                                    | Investee company of Peony accounted for under equity method | Long-term equity investment | 61                              | USD 2,720      | 50.00         | USD 2,720                |        |
|   | Evergreen Star (Thailand) Co., Ltd.                            | Investee company of Peony accounted for under equity method | Long-term equity investment | 204                             | USD 734        | 25.50         | USD 734                  |        |
|   | PT. Evergreen Marine Indonesia                                 | Investee company of Peony accounted for under equity method | Long-term equity investment | -                               | USD 753        | 25.40         | USD 753                  |        |
|   | Evergreen India Pte Ltd.                                       | Investee company of Peony accounted for under equity method | Long-term equity investment | 5                               | USD 29         | 49.99         | USD 29                   |        |
| Evergreen Marine Australia Pty Ltd.       | Investee company of Peony accounted for under equity method    | Long-term equity investment                                 | -                           | USD 245                         | 25.50          | USD 245       |                          |        |
| Hutchison Inland Container Depots Limited | Investee company of Peony accounted for under cost method      | Long-term equity investment                                 | 1                           | USD 1,492                       | 7.50           | USD 1,492     |                          |        |
| South Asia Gateway Terminals              | Investee company of Peony accounted for under cost method      | Long-term equity investment                                 | 6,211                       | USD 2,412                       | 5.00           | USD 2,412     |                          |        |
| Dongbu Pusan Container Terminal Co., Ltd. | Investee company of Peony accounted for under cost method      | Long-term equity investment                                 | 300                         | USD 1,556                       | 15.00          | USD 1,556     |                          |        |

Evergreen Marine Corporation and Subsidiaries  
Marketable Securities Held as at December 31, 2005  
(Expressed in Thousands of Dollars / Thousand Shares)

| Investor                             | Marketable Securities                                  | Relationship with the Company  | Financial Statement Account | Balance as at December 31, 2005 |                |               |                          | Remark |
|--------------------------------------|--|--|-----------------------------|---------------------------------|----------------|---------------|--------------------------|--------|
|                                      |  |  |                             | No. of Shares/Units             | Carrying Value | Ownership (%) | Market Value / Net Worth |        |
| PT. Multi Bina Pura International    | PT. Multi Bina Transport                               | Indirect subsidiary of Peony   | Long-term equity investment | 8                               | USD705         | 72.95         | USD705                   |        |
| Clove Holding Ltd.                   | Ample Holding LTD.                                     | Indirect subsidiary of Peony   | Long-term equity investment | 9                               | USD18,154      | 90.00         | USD18,154                |        |
|                                      | Classic Outlook Investment Ltd.                        | Investee company of Clove accounted for under cost method                | Long-term equity investment | -                               | USD102,359     | 2.25          | USD102,359               |        |
|                                      | Everup profits ltd.                                    | Investee company of Clove accounted for under cost method                | Long-term equity investment | -                               | -              | 2.25          | -                        |        |
|                                      | Island Equipment LLC                                   | Indirect subsidiary of Peony   | Long-term equity investment | -                               | USD409         | 36.00         | USD409                   |        |
| Ample Holding Ltd.                   | Colon Container Terminal S.A.                          | Investee company of Ample accounted for under equity method              | Long-term equity investment | 22,860                          | USD51,564      | 40.00         | USD51,564                |        |
| Island Equipment LLC                 | Whitney Equipment LLC                                  | Investee company of Island accounted for under equity method             | Long-term equity investment | -                               | USD437         | 100.00        | USD437                   |        |
|                                      | Hemlock Equipment LLC                                  | Investee company of Island accounted for under equity method             | Long-term equity investment | -                               | USD506         | 100.00        | USD506                   |        |
| Hatsu Marine Limited                 | Island Equipment LLC                                   | Indirect subsidiary of Peony   | Long-term equity investment | -                               | USD166         | 15.00         | USD166                   |        |
| Armand Investment (Netherlands) N.V. | Armand Estate (Netherlands) B.V.                       | Indirect subsidiary of Peony   | Long-term equity investment | 40                              | (USD280)       | 100.00        | (USD280)                 |        |
| Armand Estatic (Netherlands)B.V.     | Taipei Port Container Terminal                         | Investee company of Armand Estate B.V. accounted for under equity method | Long-term equity investment | 80,000                          | USD2,332       | 10.00         | USD2,332                 |        |
| Greencompass Marines S.A.            | UG. Hidden Dragon Balance Fund B                       | None   | Short-term investment       | 103                             | USD1,030       | -             | USD1,039                 |        |
|                                      | Portus Banc Notes Series X                             | None   | Short-term investment       | 98                              | USD1,000       | -             | USD1,000                 |        |
|                                      | ABN AMRO Global Emerging Bonds Capital Protected Notes | None   | Short-term investment       | 1                               | USD1,000       | -             | USD1,114                 |        |
|                                      | UBS Forward Arbitrage Strategy Fast Notes              | None   | Short-term investment       | 50                              | USD5,000       | -             | USD4,703                 |        |

Evergreen Marine Corporation and Subsidiaries  
 Summary of Significant Transactions on One Specific Security  
 Exceeding NT\$100 Million or 20 Percent of the Paid-in Capital  
 For the Year Ended December 31, 2005  
 (Expressed in Thousands of Dollars / Thousand Shares)

| Buyer/Seller                 | Marketable Securities                 | Financial Statement Account | Counterparty            | Related Party | January 1, 2005 |           | Buy          |          | Sell         |               |                | December 31, 2005 |              |         |
|------------------------------|---------------------------------------|-----------------------------|-------------------------|---------------|-----------------|-----------|--------------|----------|--------------|---------------|----------------|-------------------|--------------|---------|
|                              |                                       |                             |                         |               | Shares/Units    | Amount    | Shares/Units | Amount   | Shares/Units | Selling Price | Carrying Value | Disposal          | Shares/Units | Amount  |
| Evergreen Marine Corporation | Mutual Funds:                         |                             |                         |               |                 |           |              |          |              |               |                |                   |              |         |
|                              | Sheng Hua 9966 Global Balance Fund    | Short-term investment       | Open market transaction | No            | 5,000           | \$50,000  | 5,007        | \$50,000 | 10,007       | \$100,918     | \$100,000      | \$918             | -            | \$-     |
|                              | Polaris Global ETFs Fund              | Short-term investment       | Open market transaction | No            | -               | -         | 9,762        | 100,000  | 4,881        | 51,592        | 50,000         | 1,592             | 4,881        | 50,000  |
|                              | Tiam Happy Go Go fund                 | Short-term investment       | Open market transaction | No            | -               | -         | 10,000       | 100,000  | -            | -             | -              | 0                 | 10,000       | 100,000 |
|                              | Fubon Global REIT Fund                | Short-term investment       | Open market transaction | No            | -               | -         | 10,000       | 100,000  | 10,000       | 102,300       | 100,000        | 2,300             | -            | -       |
|                              | Polaris Global ABS Fund (A)           | Short-term investment       | Open market transaction | No            | -               | -         | 10,000       | 100,000  | -            | -             | -              | 0                 | 10,000       | 100,000 |
|                              | Polaris Global REITs Fund             | Short-term investment       | Open market transaction | No            | -               | -         | 10,000       | 100,000  | 10,000       | 105,350       | 100,000        | 5,350             | -            | -       |
|                              | New Light Lucky Star Fund             | Short-term investment       | Open market transaction | No            | -               | -         | 19,939       | 200,000  | 19,939       | 201,558       | 200,000        | 1,558             | -            | -       |
|                              | Fgit Fullwin Bond Fund                | Short-term investment       | Open market transaction | No            | -               | -         | 19,826       | 200,000  | 19,826       | 200,684       | 200,000        | 684               | -            | -       |
|                              | Transcend strategic balanced fund     | Short-term investment       | Open market transaction | No            | -               | -         | 10,000       | 100,000  | -            | -             | -              | 0                 | 10,000       | 100,000 |
|                              | Saker Bond Fund                       | Short-term investment       | Open market transaction | No            | -               | -         | 9,952        | 100,000  | 9,952        | 100,420       | 100,000        | 420               | -            | -       |
|                              | Ta Chong Bond                         | Short-term investment       | Open market transaction | No            | 30,023          | 380,000   | 2,751        | 35,000   | 32,774       | 416,968       | 415,000        | 1,968             | -            | -       |
|                              | Grand Cathay Bond Fund                | Short-term investment       | Open market transaction | No            | 10,323          | 130,000   | 15,731       | 200,000  | 18,231       | 231,499       | 230,000        | 1,499             | 7,823        | 100,000 |
|                              | Mega Diamond Bond                     | Short-term investment       | Open market transaction | No            | 90,388          | 1,008,000 | 34,773       | 390,000  | 125,161      | 1,409,588     | 1,398,000      | 11,588            | -            | -       |
|                              | Paradiqm pion fund                    | Short-term investment       | Open market transaction | No            | 36,045          | 375,000   | 44,898       | 470,000  | 71,468       | 748,523       | 745,000        | 3,523             | 9,475        | 100,000 |
|                              | Fgit Benefit I                        | Short-term investment       | Open market transaction | No            | -               | -         | 21,134       | 343,000  | 21,134       | 343,130       | 343,000        | 130               | -            | -       |
|                              | Fgit Benefit II                       | Short-term investment       | Open market transaction | No            | 20,993          | 298,000   | 32,453       | 463,000  | 53,446       | 763,187       | 761,000        | 2,187             | -            | -       |
|                              | Jih sun bond Fund                     | Short-term investment       | Open market transaction | No            | 45,133          | 598,200   | 30,332       | 405,000  | 45,173       | 604,218       | 600,000        | 4,218             | 30,292       | 403,200 |
|                              | Fuhwa Apex Bond Fund                  | Short-term investment       | Open market transaction | No            | 10,054          | 115,000   | -            | -        | 10,054       | 116,510       | 115,000        | 1,510             | -            | -       |
|                              | TLAM solomon bond Fund                | Short-term investment       | Open market transaction | No            | -               | -         | 11,313       | 130,000  | 2,617        | 30,053        | 30,000         | 53                | 8,696        | 100,000 |
|                              | TLAM B.B Bond Fund                    | Short-term investment       | Open market transaction | No            | 31,412          | 345,000   | 28,581       | 315,000  | 59,993       | 662,971       | 660,000        | 2,971             | -            | -       |
|                              | Hua Nan Phoenix                       | Short-term investment       | Open market transaction | No            | 36,323          | 531,000   | 25,759       | 380,000  | 62,082       | 917,549       | 911,000        | 6,549             | -            | -       |
|                              | Hua Nan Uni corn                      | Short-term investment       | Open market transaction | No            | 11,466          | 122,000   | 35,620       | 385,000  | 47,086       | 511,593       | 507,000        | 4,593             | -            | -       |
|                              | JF(Taiwan) Bond Fund                  | Short-term investment       | Open market transaction | No            | 3,380           | 50,000    | 21,707       | 325,000  | 18,443       | 276,097       | 275,000        | 1,097             | 6,644        | 100,000 |
|                              | JF First Bond Fund                    | Short-term investment       | Open market transaction | No            | 10,956          | 150,000   | -            | -        | 10,956       | 150,078       | 150,000        | 78                | -            | -       |
|                              | Fu Hwa Bond Fund                      | Short-term investment       | Open market transaction | No            | 21,696          | 268,000   | -            | -        | 21,696       | 272,853       | 268,000        | 4,853             | -            | -       |
|                              | Fu Hwa Advantage Bond Fund            | Short-term investment       | Open market transaction | No            | 72,376          | 730,000   | 19,450       | 200,000  | 72,376       | 741,198       | 730,000        | 11,198            | 19,450       | 200,000 |
|                              | TIIM Bond Fund                        | Short-term investment       | Open market transaction | No            | 45,266          | 621,000   | 36,090       | 500,000  | 74,200       | 1,029,181     | 1,021,000      | 8,181             | 7,156        | 100,000 |
|                              | PCA Bond Fund                         | Short-term investment       | Open market transaction | No            | 18,490          | 280,000   | -            | -        | 18,490       | 280,550       | 280,000        | 550               | -            | -       |
|                              | NITC Bond                             | Short-term investment       | Open market transaction | No            | 472             | 75,000    | 1,727        | 278,000  | 2,199        | 355,688       | 353,000        | 2,688             | -            | -       |
|                              | NITC Taiwan BOND                      | Short-term investment       | Open market transaction | No            | 17,905          | 245,000   | 25,479       | 350,000  | 43,384       | 598,705       | 595,000        | 3,705             | -            | -       |
|                              | Cathy Bond                            | Short-term investment       | Open market transaction | No            | 13,410          | 150,000   | 21,179       | 240,000  | 25,803       | 291,943       | 290,000        | 1,943             | 8,786        | 100,000 |
|                              | Cathy Capital Income Growth Bond Fund | Short-term investment       | Open market transaction | No            | 25,628          | 272,000   | 9,768        | 104,000  | 35,396       | 378,968       | 376,000        | 2,968             | -            | -       |
|                              | IIT Wan Pao Fund                      | Short-term investment       | Open market transaction | No            | -               | -         | 6,741        | 100,000  | 6,741        | 100,099       | 100,000        | 99                | -            | -       |
|                              | IIT Increment Fund                    | Short-term investment       | Open market transaction | No            | 36,153          | 535,000   | 53,105       | 790,000  | 89,258       | 1,331,073     | 1,325,000      | 6,073             | -            | -       |
|                              | Sheng Hua 1699 Fund                   | Short-term investment       | Open market transaction | No            | 49,803          | 600,000   | 23,142       | 280,000  | 72,945       | 886,853       | 880,000        | 6,853             | -            | -       |
|                              | Sheng Hua 5599 Fund                   | Short-term investment       | Open market transaction | No            | 13,272          | 143,000   | 19,655       | 215,000  | 32,927       | 362,111       | 358,000        | 4,111             | -            | -       |
|                              | President Home Run                    | Short-term investment       | Open market transaction | No            | 20,002          | 273,000   | 21,657       | 298,043  | 34,437       | 472,409       | 471,043        | 1,366             | 7,222        | 100,000 |
|                              | ABN amro bond                         | Short-term investment       | Open market transaction | No            | -               | -         | 14,223       | 210,000  | 14,223       | 210,627       | 210,000        | 627               | -            | -       |
|                              | ABN AMRO Select Bond                  | Short-term investment       | Open market transaction | No            | 9,081           | 100,000   | -            | -        | 9,081        | 100,204       | 100,000        | 204               | -            | -       |
|                              | ABN AMRO Taiwan Bond Fund             | Short-term investment       | Open market transaction | No            | 9,432           | 100,000   | -            | -        | 9,432        | 100,596       | 100,000        | 596               | -            | -       |
|                              | ABN AMRO Agressive Taiwan Bond Fund   | Short-term investment       | Open market transaction | No            | 46,504          | 500,000   | -            | -        | 46,504       | 501,618       | 500,000        | 1,618             | -            | -       |
|                              | KGI Victory Fund                      | Short-term investment       | Open market transaction | No            | 33,514          | 350,000   | 16,609       | 175,000  | 50,123       | 526,998       | 525,000        | 1,998             | -            | -       |
|                              | FuBon Ju-I II                         | Short-term investment       | Open market transaction | No            | 6,707           | 93,000    | 6,958        | 100,000  | 6,707        | 96,257        | 93,000         | 3,257             | 6,958        | 100,000 |
|                              | FuBon Ju-I III                        | Short-term investment       | Open market transaction | No            | 31,514          | 373,000   | 4,600        | 55,000   | 36,114       | 432,593       | 428,000        | 4,593             | -            | -       |
|                              | Fubon Dragon Bond Fund                | Short-term investment       | Open market transaction | No            | 7,628           | 87,000    | 8,481        | 98,000   | 16,109       | 186,978       | 185,000        | 1,978             | -            | -       |
|                              | Truswell Bond Fund                    | Short-term investment       | Open market transaction | No            | 60,471          | 749,000   | 15,635       | 195,000  | 76,107       | 950,853       | 944,000        | 6,853             | -            | -       |
|                              | Fu Hwa Bond Fund                      | Short-term investment       | Open market transaction | No            | 8,271           | 106,500   | 7,604        | 100,000  | 8,271        | 108,045       | 106,500        | 1,545             | 7,604        | 100,000 |
|                              | Fu Hwa Albatross Fund                 | Short-term investment       | Open market transaction | No            | 11,207          | 122,500   | -            | -        | 11,207       | 123,845       | 122,500        | 1,345             | -            | -       |
|                              | Invesco Income Fund                   | Short-term investment       | Open market transaction | No            | 4,493           | 50,000    | 14,743       | 165,000  | 19,236       | 215,919       | 215,000        | 919               | -            | -       |
|                              | Transecond Fortune                    | Short-term investment       | Open market transaction | No            | 26,910          | 318,000   | 32,756       | 390,000  | 51,336       | 612,222       | 608,000        | 4,222             | 8,330        | 100,000 |
|                              | ShinKong Taiwan Luck                  | Short-term investment       | Open market transaction | No            | 13,099          | 211,000   | 17,248       | 280,000  | 30,347       | 493,952       | 491,000        | 2,952             | -            | -       |
|                              | ShinKong Chi-Xiang                    | Short-term investment       | Open market transaction | No            | 42,544          | 608,000   | 16,343       | 235,000  | 58,887       | 847,497       | 843,000        | 4,497             | -            | -       |
|                              | Capital CashReserves Fund             | Short-term investment       | Open market transaction | No            | 13,049          | 148,000   | 263          | 3,000    | 13,312       | 152,786       | 151,000        | 1,786             | -            | -       |
|                              | Reliance Forever                      | Short-term investment       | Open market transaction | No            | 21,318          | 300,000   | 21,926       | 310,000  | 43,244       | 613,044       | 610,000        | 3,044             | -            | -       |
|                              | RSIT Enchanced Bond Fund              | Short-term investment       | Open market transaction | No            | 25,412          | 271,000   | 13,453       | 145,000  | 38,865       | 419,610       | 416,000        | 3,610             | -            | -       |
|                              | Dresdner Bond DAM                     | Short-term investment       | Open market transaction | No            | -               | -         | 26,396       | 300,000  | 17,646       | 201,391       | 200,000        | 1,391             | 8,751        | 100,000 |
|                              | Fu Bond Chi-Hsiang I Fund             | Short-term investment       | Open market transaction | No            | 42,275          | 535,000   | 4,453        | 57,000   | 46,728       | 601,588       | 592,000        | 9,588             | -            | -       |
|                              | Uni on Bond                           | Short-term investment       | Open market transaction | No            | 33,871          | 400,000   | 26,140       | 310,000  | 60,011       | 713,447       | 710,000        | 3,447             | -            | -       |
|                              | Uni on Yo-Li Bond Fund                | Short-term investment       | Open market transaction | No            | 29,442          | 315,000   | -            | -        | 29,442       | 317,599       | 315,000        | 2,599             | -            | -       |
|                              | Polaris De-Li Bond Fund               | Short-term investment       | Open market transaction | No            | 13,604          | 200,000   | 13,594       | 200,000  | 27,198       | 400,688       | 400,000        | 688               | -            | -       |
|                              | Polaris De-Bao Bond Fund              | Short-term investment       | Open market transaction | No            | 43,872          | 472,000   | 47,887       | 520,000  | 82,612       | 897,668       | 892,000        | 5,668             | 9,146        | 100,000 |
|                              | New Light Taiwan Bond Fund            | Short-term investment       | Open market transaction | No            | -               | -         | 21,310       | 215,000  | 11,423       | 115,118       | 115,000        | 118               | 9,887        | 100,000 |
|                              | TaiShin Lucky Fund                    | Short-term investment       | Open market transaction | No            | 20,000          | 200,000   | 24,753       | 250,000  | 33,388       | 335,253       | 335,000        | 253               | 11,365       | 115,000 |

Evergreen Marine Corporation and Subsidiaries  
Purchases from and Sales to Related Parties  
Exceeding NTS100 Million or 20 Percent of the Paid-in Capital  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars)

| Purchaser/Seller                      | Counterparty  | Nature of Relationship                            | Transaction       |             |                                  |             | Reason for Difference in the Terms on Related Party Transactions |             | Notes/Accounts Receivable (Payable) |  | Remark |
|---------------------------------------|---|---|-------------------|-------------|----------------------------------|-------------|--|-------------|-------------------------------------|--|--------|
|                                       |   |   | Purchases / Sales | Amount      | % of the Total Purchases / Sales | Credit Term | Unit Price   | Credit Term | Balance                             | % of Total Notes/Accounts Receivable (Payable) |        |
| Evergreen Marine Corporation          | Evergreen International Storage & Transport Corp. (EITC)        | Investee accounted for by equity method           | Purchases         | \$1,403,285 | 3.89                             | 30-60 days  | \$-  | -           | \$(4,828)                           | 0.17   |        |
|                                       |   |   | Sales             | 101,742     | 0.24                             | 30-60 days  | -  | -           | 24,731                              | 0.99   |        |
|                                       | Evergreen International Corp.                                   | Investee of the Company's major stockholder       | Purchases         | 497,692     | 1.41                             | 30-60 days  | -  | -           | (17,660)                            | 0.64   |        |
|                                       | Taiwan Terminal Services Co., Ltd.                              | Subsidiary of the Company                         | Purchases         | 626,034     | 1.78                             | 30-60 days  | -  | -           | (36,486)                            | 1.32   |        |
|                                       | Hatsu Marine Limited  | Indirect subsidiary of the Company                | Purchases         | 734,806     | 2.09                             | 30-60 days  | -  | -           | (167,176)                           | 6.05   |        |
|                                       |   |   | Sales             | 284,850     | 0.68                             | 30-60 days  | -  | -           | -                                   | -  |        |
|                                       | Greencompass Marine S.A.  | Indirect subsidiary of the Company                | Purchases         | 1,045,103   | 2.97                             | 30-60 days  | -  | -           | (7,413)                             | 0.27   |        |
|                                       |   |   | Sales             | 115,163     | 0.28                             | 30-60 days  | -  | -           | -                                   | -  |        |
|                                       | Gaining Enterprise S.A.   | Subsidiary of EITC accounted for by equity method | Purchases         | 1,954,468   | 5.56                             | 30-60 days  | -  | -           | -                                   | -  |        |
|                                       | Evergreen International S.A.                                    | Major stockholder                                 | Purchases         | 117,826     | 0.33                             | 30-60 days  | -  | -           | (15,028)                            | 0.54   |        |
| Lloyd Triestino Di Navigazione S.P.A. | Investee of the Company's subsidiary with significant influence | Sales   | 640,013           | 1.52        | 30-60 days                       | -           | -  | -           | -                                   |  |        |
| Taiwan Terminal Service Co., Ltd.     | Evergreen Marine Corporation                                    | Parent company                                    | Sales             | 624,075     | 99.88                            | 30-60 days  | -  | -           | 56,779                              | 99.25  |        |
| Hatsu Marine Limited                  | Evergreen Marine Corporation                                    | Parent company                                    | Sales             | GBP 13,712  | 3.11                             | 30-60 days  | -  | -           | GBP 3,029                           | 10.33  |        |
|                                       |   |   | Purchase          | GBP 588     | 0.15                             | 30-60 days  | -  | -           | GBP -                               | -  |        |
| Greencompass Marine S.A.              | Evergreen Marine Corporation                                    | Parent company                                    | Sales             | USD 32,214  | 1.43                             | 30-60 days  | -  | -           | USD -                               | -  |        |
|                                       |   |   | Purchase          | USD 3,561   | 0.18                             | 30-60 days  | -  | -           | USD -                               | -  |        |

Evergreen Marine Corporation and Subsidiaries  
 Receivables from Related Parties  
 Exceeding NTS\$100 Million or 20 Percent of the Paid-in Capital  
 December 31, 2005  
 (Expressed in Thousands of Dollars)

| Creditor                     | Counterparty                  | Nature of Relationship                      | Balance as at December 31, 2005                 | Turnover Rate<br>(No. of Times) | Overdue Receivables |              | Amount Received<br>Subsequent to the<br>Balance Sheet Date | Allowance for Bad<br>Debts |
|------------------------------|-------------------------------|---|---|---------------------------------|---------------------|--------------|--|----------------------------|
|                              |                               |   |   |                                 | Amount              | Action Taken |  |                            |
| Evergreen Marine Corporation | Evergreen International Corp. | Investee of the Company's major stockholder | Accounts receivable \$83,602                    | -                               | NTD -               | -            | NTD 82,812   | NTD -                      |
|                              |                               |   | Other receivable \$17,521                       | -                               | NTD -               | -            | NTD 17,354   | NTD -                      |
| Hatsu Marine Limited         | Island Equipment LLC.         | Indirect subsidiary of Peony                | Accounts receivable - related party USD\$6,035  | -                               | USD -               | -            | USD 2,458  | USD -                      |
| Clove Holding Ltd.           | Island Equipment LLC.         | Indirect subsidiary of Peony                | Accounts receivable - related party USD\$14,085 | -                               | USD -               | -            | USD 5,500  | USD -                      |

Evergreen Marine Corporation and Subsidiaries  
Information on Investee Companies  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars / Thousand Shares)

| Investor                     | Investee  | Address  | Main Business  | Initial Investment Amount       |                               | Shares Held as at December 31, 2005 |               |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Remark                                  |
|------------------------------|---|--|--|---------------------------------|-------------------------------|-------------------------------------|---------------|----------------|-----------------------------------|------------------------|---|
|                              |   |  |  | Balance as at December 31, 2005 | Balance as at January 1, 2005 | No. of Shares                       | Ownership (%) | Carrying Value |                                   |                        |   |
| Evergreen Marine Corporation | Peony Investment S.A.                                     | 53Rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama      | Investment activities  | USD 476,500                     | USD 476,500                   | 4,765                               | 100.00        | \$41,434,463   | \$6,878,598                       | \$6,879,847            | Subsidiary of the Company               |
|                              | Taiwan Terminal Services Co., Ltd.                        | 2F, No.177, Ssu Wei 4th Rd., Lingya District, Kaohsiung, Taiwan            | Loading and discharging operations of container yards                | 55,000                          | 55,000                        | 5,500                               | 55.00         | 72,714         | (1,037)                           | (1,368)                | Subsidiary of the Company               |
|                              | Charng Yang Development Co., Ltd.                         | 2F, No.369, Jingguo Rd., Taoyuan City, Taoyuan County, Taiwan              | Development, rental and sale of residential and commercial buildings | 320,000                         | 320,000                       | 32,000                              | 40.00         | 401,997        | 69,714                            | 27,886                 | Investee accounted for by equity method |
|                              | Evergreen International Storage and Transport Corporation | No.899, Jingguo Rd., Taoyuan City, Taoyuan County, Taiwan                  | Container transportation and gas stations                            | 4,753,514                       | 4,753,514                     | 424,062                             | 39.74         | 7,548,310      | 1,334,218                         | 517,375                | Investee accounted for by equity method |
|                              | Evergreen Security Corporation                            | 4&5F, No. 111, Sungjiang Rd., Taipei, Taiwan                               | General security guards services                                     | 25,000                          | 25,000                        | 3,125                               | 31.25         | 40,827         | 24,066                            | 6,895                  | Investee accounted for by equity method |
|                              | EVA Airways Corporation                                   | 11F, No.376, Hsinnan Rd., Section 1, Lu Chu Hsiang, Taoyuan County, Taiwan | International passenger and cargo transportation                     | 8,569,973                       | 8,569,973                     | 692,412                             | 20.43         | 8,982,435      | 1,326,060                         | 259,284                | Investee accounted for by equity method |
|                              | Taipei Port Container Terminal Corporation                | 6F-1, No.220, Songjiang Rd., Taipei, Taiwan                                | Container distribution and cargo stevedoring                         | 160,000                         | 160,000                       | 16,000                              | 20.00         | 153,219        | (8,881)                           | (1,776)                | Investee accounted for by equity method |
|                              | Toplogis Technology Corporation                           | 3F-3, No.185, Kewang Rd., Gaoyuan Village, Longtan Shiang, Taoyuan County  | IT services and design and wholesale of software                     | 10,000                          | 10,000                        | 1,000                               | 25.00         | 4,063          | (18,984)                          | (4,746)                | Investee accounted for by equity method |

(Forward)

Evergreen Marine Corporation and Subsidiaries  
Information on Investee Companies  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars / Thousand Shares)

| Investor                           | Investee  | Address  | Main Business  | Initial Investment Amount       |                               | Shares Held as at December 31, 2005 |               |                | Net Income (Loss) of the Investee | Investment Gain (Loss)                                      | Remark  |
|------------------------------------|---|--|--|---------------------------------|-------------------------------|-------------------------------------|---------------|----------------|-----------------------------------|---|---|
|                                    |   |  |  | Balance as at December 31, 2005 | Balance as at January 1, 2005 | No. of Shares                       | Ownership (%) | Carrying Value |                                   |   |   |
| Peony Investment S.A.              | Greencompass Marine S.A.  | 53rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama, Republic of Panama                                  | Marine transportation  | USD 353,500                     | USD 353,500                   | 3,535                               | 100.00        | USD 799,145    | USD 139,444                       | USD 139,444   | Indirect subsidiary of the Company                          |
|                                    | Vigor Enterprise S.A.   | 53rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama, Republic of Panama                                  | Investment holding company   | USD 8,000                       | USD 8,000                     | 80                                  | 100.00        | USD 4,575      | (USD 724)                         | (USD 724)   | Indirect subsidiary of the Company                          |
|                                    | Clove Holding Ltd.  | Craigmuir Chambers, P. O. Box71, Road Town, Tortola, B. V. I.  | Investment holding company   | USD 10                          | USD 10                        | 10                                  | 100.00        | USD 59,968     | USD 7,827                         | USD 7,827   | Indirect subsidiary of the Company                          |
|                                    | Hatsu Marine Limited  | 160 Euston Road, London NW 12 DX, U.K.   | Marine transportation  | USD 1,503                       | USD 1,503                     | 765                                 | 51.00         | USD 105,674    | USD 10,532                        | USD 7,627   | Indirect subsidiary of the Company                          |
|                                    | Evergreen Heavy Industrial Co. (Malaysia) Berhad  | Lot 139, Jalan, Cecair, Phase 2 Free Trade Zone Johor Port Authority, B1700 Pasir Gudang, Johor, Johore Bahru, Malaysia    | Container manufacturing  | USD 27,295                      | USD 27,295                    | 42,120                              | 84.44         | USD 36,371     | USD 5,027                         | USD 4,792   | Indirect subsidiary of the Company                          |
|                                    | PT. Multi Bina Pura International   | JL Raya Cakung Cilincing, RT, 002-05, Desa Rorotan P.O. Box 6043 Jakarta 14260, Indonesia Lot 139, Jalan                   | Loading and discharging operations of container yards and inland transportation  | USD 20,204                      | USD 20,204                    | 68                                  | 95.30         | USD 9,518      | USD 675                           | USD 644   | Indirect subsidiary of the Company                          |
|                                    | PT. Multi Bina Transport  | JL Raya Cakung Cilincing, RT, 002-05, Desa Rorotan P.O. Box 6043 Jakarta 14260, Indonesia Lot 139, Jalan                   | Loading and discharging operations of container yards and inland transportation  | Rp 1,800,000                    | Rp 1,800,000                  | 2                                   | 17.39         | USD 185        | USD 320                           | USD 56  | Indirect subsidiary of the Company                          |
|                                    | PT. Evergreen Marine Indonesia  | Gedung Pricewaterhouse Coopers 9-10th Floors Jl. H.R. Rasuna said kav. C-03 Jakarta 12920, Indonesia                       | Shipping agency  | USD 258                         | USD 258                       | -                                   | 25.44         | USD 753        | USD 1,237                         | USD 315   | Investee company of Peony accounted for under equity method |
|                                    | Luanta Investment (Netherlands) N.V.  | 21-A Van Engelenweg, Curacao, Netherlands, Antilles  | Investment holding company   | USD 21,973                      | USD 15,785                    | -                                   | 50.00         | USD 17,788     | (USD 4,157)                       | (USD 2,079)   | Investee company of Peony accounted for under equity method |
|                                    | Balsam Investment (Netherlands) N.V.  | 21-A Van Englenweg, Curacao, Netherlands, Antilles   | Investment holding company   | USD 50,715                      | USD 50,715                    | -                                   | 49.00         | USD 184,387    | USD 93,213                        | USD 45,674  | Investee company of Peony accounted for under equity method |
|                                    | Shanghai Jifa Logistics Co., Ltd.   | 12F, Jifa Building, No.4049C, Jungong Rd., Shanghai City   | Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities | USD 6,635                       | USD 6,635                     | -                                   | 21.06         | USD 8,143      | USD 1,957                         | USD 385   | Investee company of Peony accounted for under equity method |
|                                    | Shenzhen Greentrans Transportation Co., Ltd.  | San Jiao Long Warehouse & Storage Zone, Fu Kang Road, Hengang Town, Shenzhen, China  | Loading, discharging, storage, repair, cleaning and transportation of containers   | USD 3,134                       | USD 3,134                     | -                                   | 55.00         | USD 3,279      | USD 133                           | USD 69  | Indirect subsidiary of the Company                          |
|                                    | Qingdao Evergreen Container Storage & Transportation Co., Ltd.                                      | Unit 403, 3F, Eastern Garden, No.138 A-Li Mountain Rd., Huangdao Development Dist. Qingdao City                            | Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities | USD 4,447                       | USD 4,447                     | -                                   | 40.00         | USD 5,261      | USD 1,256                         | USD 462   | Investee company of Peony accounted for under equity method |
| Ningbo Victory Container Co., Ltd. | No.1 Area, Beilnn Xiaoshan Industrial Estate, Ningbo Economic and Technical Development Zone, China | Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities | USD 1,199  | USD 1,199                       | -                             | 40.00                               | USD 2,473     | USD 2,004      | USD 802                           | Investee company of Peony accounted for under equity method |   |

(Forward)

Evergreen Marine Corporation and Subsidiaries  
Information on Investee Companies  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars / Thousand Shares)

| Investor              | Investee                                     | Address   | Main Business                         | Initial Investment Amount       |                               | Shares Held as at December 31, 2005 |               |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Remark  |
|-----------------------|--|---|---------------------------------------|---------------------------------|-------------------------------|-------------------------------------|---------------|----------------|-----------------------------------|------------------------|---|
|                       |  |   |                                       | Balance as at December 31, 2005 | Balance as at January 1, 2005 | No. of Shares                       | Ownership (%) | Carrying Value |                                   |                        |   |
| Peony Investment S.A. | Evergreen Container Terminal (Thailand) Ltd. | 33/4 Moo 1, Chaokhun Tahan Road, Sun District Klong 3, Lat Krabang District, Bangkok 10520  | Loading and discharging of containers | USD 28,636                      | USD 28,636                    | 12,250                              | 48.18         | USD 18,439     | USD 5,305                         | USD 2,556              | Investee company of Peony accounted for under equity method |
|                       | Evergreen Shipping (S) Pte. Ltd.             | 333 Jalan Besar, Singapore 209018   | Shipping agency                       | USD 219                         | USD 219                       | 383                                 | 25.50         | USD 1,198      | USD 1,422                         | USD 363                | Investee company of Peony accounted for under equity method |
|                       | Evergreen Star (Thailand) Co. Ltd.           | Green Tower, 24-25th Floors 3656/81 Rama IV Road Klongton Klongtoey Bangkok 10110           | Shipping agency                       | USD 238                         | USD 238                       | 204                                 | 25.50         | USD 734        | USD 3,421                         | USD 872                | Investee company of Peony accounted for under equity method |
|                       | Evergreen Korea Corporation                  | 15th Fl., Korea Express Center, 83-5, 4-Ka, Jung-Ang Dong Jung-Ku, Pusan, Republic of Korea | Shipping agency                       | USD 238                         | USD 238                       | 61                                  | 50.00         | USD 2,720      | USD 1,780                         | USD 890                | Investee company of Peony accounted for under equity method |
|                       | Armand Investment (Netherlands) N.V.         | Van Engelenweg 21A Curacao Netherlands Antilles   | Investment holding company            | USD 1,750                       | USD 1,622                     | 4                                   | 70.00         | USD 1,700      | (USD 114)                         | (USD 80)               | Indirect subsidiary of the Company                          |
|                       | Evergreen India Pte. Ltd.                    | J.N. Heredia Marg Ballard Estate Mumbai 400 038, India                                      | Shipping agency                       | USD 12                          | USD 12                        | 5                                   | 49.98         | USD 29         | USD 25                            | USD 13                 | Investee company of Peony accounted for under equity method |
|                       | Evergreen Marine Australia Pty Ltd.          | Level 13,181 Miller Street, North Sydney NSW 2060 Australia                                 | Shipping agency                       | USD-                            | USD-                          | -                                   | 25.50         | USD 245        | USD 768                           | USD 196                | Investee company of Peony accounted for under equity method |

English Translation of Financial Statements Originally Issued in Chinese

**EVERGREEN MARINE CORPORATION**

**Notes to Financial Statements**

**December 31, 2005 and 2004**

**(Expressed in New Taiwan thousand dollars unless otherwise stated)**

**A. ORGANIZATION AND OPERATIONS**

1. Established on September 25, 1968, Evergreen Marine Corporation (the "Company") is mainly engaged in domestic and international marine transportation, shipping agency services and the distribution of containers.
2. The Company was approved by the Securities and Futures Commission (SFC), Ministry of Finance (MOF) (currently known as the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan) to be a public company on November 2, 1982 and was further approved by the SFC 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. The Company had 1,427 and 1,306 employees as of December 31, 2005 and 2004, respectively.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements are prepared in conformity with the "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China on Taiwan. The significant accounting policies are summarized below.

**1. Classification of current and non-current assets and liabilities**

- (1) Current assets are assets that come from operating activities, which are expected to be converted into cash, consumed, or sold during the operating period; the main purpose is for trade and is expected to be converted into cash within one year from the balance sheet date; cash or cash equivalents except these subject to exchange, curtailment or other restrictions are due one year after the balance sheet date. Any assets that are not classified as current are non-current.
- (2) Current liabilities are liabilities that come from operating activities, which are expected to be curtailed during the operating period should be paid back within one year from the balance sheet date. Any liabilities that are not classified as current are non-current.
- (3) Financial liabilities that expire within twelve months from the balance sheet date and match the following terms should be classified as non-current liabilities.
  - a. The period of original contract exceeds twelve months.
  - b. Attempt on long-term refinancing.
  - c. Have completed long-term refinancing and extended the period of liabilities before date of the balance sheet, or have the power to refinance or extend the period of liabilities for one year after balance sheet date.

## **2. Accounting estimation**

- (1) In preparation of the financial statements, the Company makes significant accounting estimation and assumptions in accordance with the generally accepted accounting principles. These estimation and assumptions would affect the amounts stated in the balance sheet on the balance sheet date, disclosure of contingent assets and liabilities, and the amounts of revenues and expenses for the accounting period. However, there might be differences between the actual result and estimation.**
- (2) Accrued expenses are recorded at the amounts stated in the original supporting documents. Foreign port charges without supporting documents are estimated as per past records and period-end sailing schedules. Differences between the expenses actually incurred in the following year and the estimated accrued expenses are credited or charged to operating costs or expenses in the following year.**

## **3. Cash and cash equivalents**

**Cash and cash equivalents are cash, unrestricted bank deposits and other highly liquid investments.**

## **4. Short-term investments**

**Short-term investments are initially stated at cost determined by the moving weighted-average method and restated at the lower of cost or market value method on the balance sheet date. The market value of listed equity securities is determined by the average closing prices in the last month of the accounting period. The market values for foreign stocks and domestic open-end mutual funds are determined by their closing prices and the net worth per share on the balance sheet date, respectively. Any loss on declines in market value is recorded as current non-operating loss. The loss on the decline in market value or gain on the market price recovery is recorded as current non-operating loss or income. Stock dividends received are accounted for as an increase in the number of shares held rather than investment income, and the average cost per share is recomputed accordingly on a weighted-average basis.**

## **5. Allowance for doubtful accounts**

**The allowance for doubtful accounts is provided based on the collectibility and aging analysis of notes and accounts receivable and other receivables.**

## **6. Other financial assets**

**Other financial assets are the financial assets other than cash and cash equivalents, short-term investments, notes and accounts receivable, long-term equity and bond investments, restricted bank deposits, and refundable deposits.**

## **7. Inventories**

**Fuel inventories are physically measured by the crew of each ship and reported back to the Head Office through telegraph for recording purpose at year-end. Valuation of inventories is based on the exchange rate prevailing at the end of the fiscal year.**

## **8. Long-term equity investments**

- (1) Long-term equity investments are stated at historical cost and revalued at the end of the fiscal year. For the investee companies in which the Company holds less than 20% of the voting shares or over which the Company cannot exercise significant influence, the lower of cost or market value method is applied if the investees are listed companies. The unrealized loss resulting from the decline in market value of such investments is charged to stockholders' equity. If the investees are non-listed companies, the cost method is applied. When the loss in investment value is permanent and the possibility of a recovery in value is remote, the book value is adjusted and an investment loss is recognized accordingly.
- (2) The equity method is applied where the Company holds more than 20% of the voting shares or can exercise significant influence over the investees. The difference between the investment cost and the stocks' net worth is amortized over five years on a straight-line basis. Unrealized gains (losses) arising from the transactions between the Company and its investees and the inter-investee transactions are eliminated. For the investee companies in which the Company holds more than 50% of the voting shares, the equity method is applied and the accounts of those investees are required to be consolidated into those of the Company. Under the "Guidelines for Preparation of Financial Reports by Securities Issuers", preparing the financial statements of the first quarter and the third quarter are not to be required to prepare consolidated financial statements.
- (3) Foreign currency denominated financial statements of overseas subsidiaries and investees are translated into New Taiwan dollars in accordance with the Statement of Financial Accounting Standards (SFAS) No. 14, "Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements". The translation differences are recorded as "cumulative translation adjustments" under stockholders' equity.
- (4) The consolidated financial statements of the Company and its subsidiaries are prepared in accordance with the SFAS No. 7, "Consolidated Financial Statements". The investees in which the Company directly or indirectly holds more than 50% of the voting shares, and the investees in which the Company directly or indirectly holds less than 50% of the voting shares but has substantial controlling power are required to be included in the consolidated financial statements.

## **9. Property, plant and equipment**

- (1) Property, plant and equipment are stated at cost plus capitalized interest and less accumulated depreciation and impairment. Expenditures incurred on major improvements or renewals that will increase the efficiency or prolong the useful lives of the assets are capitalized. Other expenditures related to regular maintenance and repairs are expensed as incurred. Gains or losses on disposal of property, plant and equipment are credited or charged to non-operating income in the year of disposal.
- (2) Depreciation is calculated on a straight-line basis according to the respective assets' useful lives regulated by the Authority plus one year for salvage value.

- (3) For ships and equipment that are still in use after expiration of their useful life, depreciation is provided based on the original method and the reassessed useful life and salvage value. For other assets that are still in use after expiration of their useful life, depreciation is provided based on the original method to the extent that the salvage value falls below \$3,000. Where impairment loss is recognized, property, plant and equipment shall be depreciated over their remaining useful life based on their carrying value adjusted for the impairment loss.

#### **10. Asset impairment**

Pursuant to SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of SFAS No. 35 on each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Company shall assess, on each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company is required to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years. Impairment loss (reversal) is classified as non-operating losses/(income).

#### **11. Deferred charges**

Deferred charges refer to the expenses incurred on the use of decoration, issuance of corporate bonds, computer software and cable installation. The charges are amortized on a straight-line basis over five years for the use of decoration and the issuing period for corporate bond issuance with the rest being amortized over 2-3 years.

#### **12. Convertible bonds**

- (1) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date in accordance with the interest method. Premium or discount on convertible corporate bonds with redemption options is required to be amortized over the period from the date of issuance to the expiry date of the redemption right. The excess of the redemption price over the face value of the convertible bonds is recognized as liability on interest compensation under the interest method during the period from the date of issuance to the expiry date of the redemption right.
- (2) Conversion of convertible bonds is accounted for by the book value method. The unamortized premium or discount, issuance cost, accrued interest payable, interest payable by the bondholders, liability on interest compensation and the face value of the bonds are netted on the date of conversion, and the resulting net amount is reversed accordingly. The excess of the net amount over the par value of the converted stock is recorded as capital surplus.

- (3) Where the bondholders do not exercise the redemption option before it expires, the interest compensation is amortized according to the interest method over the period from the date following the expiry date of the redemption option to the maturity date of the bonds. Where the market price of the stocks that can be converted from the convertible bonds on the expiry date of the redemption option exceeds the redemption price, the interest compensation recognized is reclassified to capital surplus.

### 13. Pensions

- (1) The Company's pension plan applies to all permanent employees. For the first fifteen years of service, two points are rewarded for each year of service. For service period exceeding 15 years, one point is rewarded for each additional year of service with a maximum of 45 points allowed. Pensions paid upon retirement are based on the service period and the average monthly salary of the six months prior to the approval of retirement. The Company's staff retirement and relief scheme has been revised several times and was approved by the Taipei City Government. The main purpose of the revision is to allow the employees transferred to related companies to apply for pensions as retired employees.
- (2) Pursuant to the letter (91) Fu-Lao-2-Tze 09132271100 issued by the Taipei City Government on May 22, 2002 and the letter (91) Cai-Pei-Kuo-Shui-Shen-1-Tze 091003376 issued by the National Tax Administration (NTA) of Taipei on May 31, 2002, the Company revised the contribution rate for pension fund from 10.76% of the total monthly salary to 8.25% starting from March 2002. Pursuant to the letter (92) Bei-Shi-Lao-2-Tze 09232103200 issued by the Taipei City Government and the letter (92) Cai-Pei-Kuo-Shui-Shen-1-Tze 0920046375 issued by the NTA of Taipei on May 13, 2003, the contribution rate for pension fund was revised again from 8.25% of the total monthly salary to 9.6% starting from April 2003. The pension fund is deposited with the Central Trust of China in an exclusive account.
- (3) The Labor Pension Act ( "the Act" ), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company shall make monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.
- (4) In accordance with the SFAS No.18, "Accounting for Pension", the Company has recognized pension costs based on the actuarial report since 1995. Under the defined benefit pension scheme, net periodic pension cost was contributed according to the actuarial report, which includes current service cost, interest cost, expected rate of return on plan assets, and amortization of unrecognized net transition assets. The part of accumulated benefit obligation which exceeds fair value of pension fund was recorded as minimum pension liability on the balance sheet. Unrecognized net transition assets and net benefit obligation are amortized on a straight-line basis over 15 years. Prior service cost and gain or loss is amortized by average remaining service period on a straight-line basis. While preparing interim financial statements, the amount of minimum pension liability was adjusted by the difference between net periodic pension cost and contribution. Under the defined benefit pension scheme, contribution is recognized in the year when the expenditures are incurred. The amount of the minimum pension liability wouldn't be re-evaluated.

#### **14. Revenue recognition**

Recognition of revenues is accounted for in accordance with the SFAS No. 32, "Accounting for Revenue Recognition".

#### **15. Income taxes**

- (1) Projected income tax is estimated based on the expected taxable income for the current year. Difference between the estimated tax and the actual tax paid is recorded as an adjustment to income tax expense for the current year. An additional 10% tax is levied on unappropriated retained earnings, which is recorded as income tax expense for the year when the tax is levied.
- (2) Inter-period and intra-period income taxes are allocated in accordance with the SFAS No. 22, "Accounting for Income Taxes". Income tax effects arising from taxable temporary differences are recognized as deferred income tax liabilities. Income tax effects arising from deductible temporary differences, loss carryforwards and income tax credits are recognized as deferred income tax assets and a valuation allowance is provided based on the expected realizability of the deferred income tax assets.
- (3) Income tax credits are accounted for in accordance with the SFAS No. 12, "Accounting for Income Tax Credits" and are recognized in the year when the related expenditures are incurred.

#### **16. Basic (diluted) earnings per share**

Basic earnings per share are calculated based on the net income (loss) attributed to common stockholders and the weighted-average number of common shares outstanding during the period. Any capital increase (reduction) through cash injection (withdrawal), treasury stock transactions or other factors that would cause a change in the number of outstanding shares are incorporated in the calculation on a weighted-average basis according to the circulation period. Adjustments are made retroactively to the weighted-average number of outstanding shares if there is any increase (decrease) in the number of outstanding shares which does not result in changes in the stockholders' percentage of equity interest. Where the effective dates of the above-mentioned events fall between the balance sheet date and the issue date of the financial statements, retroactive adjustments are also required. For the purpose of calculating diluted earnings per share, it is assumed that the convertible bonds are converted into the common stock on the date of issuance of the bonds, and the weighted-average number of outstanding shares is adjusted for the dilutive effects of the convertible bonds.

#### **17. Foreign currency transactions**

- (1) The Company maintains its books of accounts in New Taiwan dollars. Transactions denominated in foreign currencies are converted into New Taiwan dollars at the exchange rate prevailing on the transaction date. In accordance with the SFAS No. 14, "Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements", foreign currency denominated receivables and payables are adjusted on the balance sheet date based on the spot exchange rate on that date. The unrealized foreign exchange gain (loss) due to the adjustment as well as the realized foreign exchange gain (loss) due to the exchange rate fluctuation when the foreign currency denominated receivables or payables are collected or paid off is credited or charged to non-operating income.

- (2) The long-term investments accounted for under the cost method are translated into New Taiwan dollars on the balance sheet date at the spot exchange rate on that date. If the translated amount of the long-term investments is less than their initial cost, their carrying amount is written down to the translated amount, and the difference between the translated amount and the initial cost is recorded as "cumulative translation adjustment" under stockholders' equity. If the translated amount exceeds the initial cost, the carrying amount of the long-term investments is maintained at their initial cost.

## 18. Derivative financial instruments

Disclosure of derivative financial instruments is accounted for in accordance with the SFAS No. 27, "Disclosure of Financial Instruments". The derivative financial instruments undertaken by the Company and the related accounting policies are summarized below.

### (1) Options

Premiums received for options written are recorded as a liability, whereas those paid for options bought are recorded as an asset. When the options are exercised, the premiums are reversed, and the gains or losses arising from the exercise of the option contracts are credited or charged to current income. The options that are outstanding or remain unexercised on the balance sheet date are revalued based on their market prices on that date, and the resulting gains or losses are credited or charged to current income.

### (2) Interest rate swaps

Interest rate swaps undertaken for risk hedging purposes are recorded in the memorandum account on the contract date. The interest received or paid upon each settlement, or accrued on the balance sheet date, is recorded as an adjustment to current interest income or expense.

### (3) Cross currency swaps

Cross currency swap contracts are undertaken for the Company's borrowings denominated in foreign currencies. The difference between the interest received or paid upon each settlement is recorded as an adjustment to foreign exchange gain or loss.

### (4) Forward exchange contracts

Forward exchange contracts undertaken to hedge the exchange rate risk arising from foreign currency denominated receivables and payables are recorded at the spot rate on the contract date, and the difference between the spot rate and the contract rate is amortized over the contract period. On the balance sheet date, the contracts are restated based on the spot rate prevailing on that date, and the resulting exchange difference is credited or charged to current foreign exchange gain. The exchange differences arising from the settlement of the contracts are also credited or charged to current foreign exchange gain. For the forward exchange contracts utilized to hedge exchange rate risk arising from foreign operating branches' net investments, the exchange difference is recorded as cumulative translation adjustment under stockholders' equity.

(5) Oil swaps

Oil swap contracts are undertaken to hedge the fluctuations in oil prices. The amount received or paid on the settlement date is credited or charged to current fuel expense.

C. CHANGES IN ACCOUNTING PRINCIPLES

Effective from January 1, 2005, the Company adopted the SFAS No. 35, "Accounting for Asset Impairment" to account for the impairment of its assets. Under the SFAS No. 35, retroactive adjustments are not required for the asset impairment occurring prior to January 1, 2005. Such a change in the accounting principle has no effect on the Company's net income and earnings per share for the year ended December 31, 2005.

D. DETAILS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

|   | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|---|--------------------------|--------------------------|
| Cash  | \$88,689                 | \$51,006                 |
| Checking account deposits                             | 46,323                   | 82,906                   |
| Demand deposits                                       | 8,379                    | 89,689                   |
| Foreign currency deposits                             | 1,071,828                | 1,474,578                |
| Time deposits (New Taiwan dollars)                    | 47,825                   | -                        |
| Time deposits (foreign currencies)                    | 3,547,651                | 2,451,292                |
| Cash equivalents - negotiable certificates of deposit | -                        | 50,000                   |
| Less: Unrealized foreign exchange loss                | (109,455)                | (28,464)                 |
| Total   | <u>\$4,701,240</u>       | <u>\$4,171,007</u>       |

The interest rates on the above time deposits for the years ended December 31, 2005 and 2004 ranged from 1.40% to 4.34%, and 2.18% to 2.42%, respectively. The interest rate on the negotiable certificates of deposit for the year ended December 31, 2004 was 1.20%.

2. Short-term investments, net

|   | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|---|--------------------------|--------------------------|
| Equity securities                                   | \$263,660                | \$233,204                |
| Mutual funds  | 4,026,665                | 16,432,370               |
| Government bonds                                    | 20,472                   | 40,944                   |
| Corporate bonds                                     | 60,587                   | 3,948                    |
| Bonds purchased under resell agreements             | 80,000                   | 301,791                  |
| Subtotal  | <u>4,451,384</u>         | <u>17,012,257</u>        |
| Less: Allowance for loss on decline in market value | (48,503)                 | (21,460)                 |
| Net   | <u>\$4,402,881</u>       | <u>\$16,990,797</u>      |

As of December 31, 2005 and 2004, certain short-term investments were pledged as collaterals for issuance of commercial papers. Please refer to Note F for details.

3. Accounts receivable, net

|  | <u>December 31, 2005</u>  | <u>December 31, 2004</u>  |
|--|---------------------------|---------------------------|
| Non-related parties                    | \$2,437,056               | \$3,131,294               |
| Less: Unrealized foreign exchange loss | (35,633)                  | (63,046)                  |
| Less: Allowance for doubtful accounts  | (1,577)                   | (1,577)                   |
| Subtotal                               | <u>2,399,846</u>          | <u>3,066,671</u>          |
| Related parties                        | 108,333                   | 365,055                   |
| Net                                    | <u><u>\$2,508,179</u></u> | <u><u>\$3,431,726</u></u> |

4. Other receivables

|  | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|--|--------------------------|--------------------------|
| Non-related parties                                  |                          |                          |
| Accrued income                                       | \$1,571                  | \$6,683                  |
| Tax refund receivable                                | 40,700                   | 71,968                   |
| Current portion of long-term installment receivables | 70,827                   | 88,246                   |
| Others   | 135,000                  | 117,637                  |
| Subtotal   | <u>248,098</u>           | <u>284,534</u>           |
| Related parties                                      | 32,611                   | 27,247                   |
| Total  | <u><u>\$280,709</u></u>  | <u><u>\$311,781</u></u>  |

Please refer to Note D10 for details of the current portion of long-term installment receivables.

5. Other financial assets - current, net

|   | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|---|--------------------------|--------------------------|
| Equity-linked notes                                 | \$619,754                | \$66,951                 |
| Less: Allowance for loss on decline in market value | (6,551)                  | (5,893)                  |
| Net   | <u><u>\$613,203</u></u>  | <u><u>\$61,058</u></u>   |

As of December 31, 2005 and 2004, none of the above financial assets was pledged as collateral.

6. Inventories

|      | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|------|--------------------------|--------------------------|
| Fuel | <u><u>\$645,904</u></u>  | <u><u>\$439,249</u></u>  |

7. Other current assets

|                            | <u>December 31, 2005</u>  | <u>December 31, 2004</u>  |
|----------------------------|---------------------------|---------------------------|
| Agency accounts            | \$2,629,171               | \$3,004,641               |
| Agency reciprocal accounts | 25,705                    | 24,771                    |
| Temporary debits           | 32,999                    | 41,732                    |
| Total                      | <u><u>\$2,687,875</u></u> | <u><u>\$3,071,144</u></u> |

(1) Agency accounts

The Company has entered into agreements with foreign agents to deal with the port formalities related to foreign ports such as arrival and departure of ships, cargo loading, discharging and forwarding, collection of freight and payment of expenses incurred with foreign ports. The above transactions are booked in the agency accounts.

(2) Agency reciprocal accounts

The Company has been appointed by Evergreen International S.A., Greencompass Marine S.A., Lloyd Triestino Di Navigazione S.P.A. and Hatsu Marine Limited as their agent to pay the petty cash required by their vessels, crew salaries and insurance premiums in Taiwan. The above transactions are booked in the agency reciprocal accounts.

8. Long-term investments

|                                      | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|--------------------------------------|--------------------------|--------------------------|
| Long-term equity investments         | \$61,319,140             | \$54,230,267             |
| Long-term bond investments           | 12,581                   | -                        |
| Other long-term investments          | 312                      | 312                      |
| Other financial assets - non-current | -                        | 135,330                  |
| Total                                | <u>\$61,332,033</u>      | <u>\$54,365,909</u>      |

(1) Long-term equity investments

|   | <u>December 31, 2005</u> |                      | <u>December 31, 2004</u> |                      |
|---|--------------------------|----------------------|--------------------------|----------------------|
|   | <u>Amount</u>            | <u>Ownership (%)</u> | <u>Amount</u>            | <u>Ownership (%)</u> |
| <u>Equity method</u>                                      |                          |                      |                          |                      |
| Peony Investment S.A.                                     | \$41,434,463             | 100.00               | \$34,672,963             | 100.00               |
| Taiwan Terminal Services Co., Ltd.                        | 72,714                   | 55.00                | 85,082                   | 55.00                |
| Charng Yang Development Co., Ltd.                         | 401,997                  | 40.00                | 374,111                  | 40.00                |
| Evergreen International Storage and Transport Corporation | 7,548,310                | 39.74                | 7,224,023                | 39.74                |
| Evergreen Security Corporation                            | 40,827                   | 31.25                | 33,932                   | 31.25                |
| EVA Airways Corporation                                   | 8,982,435                | 20.43                | 9,035,433                | 20.96                |
| Taipei Port Container Terminal Corporation                | 153,219                  | 20.00                | 154,995                  | 20.00                |
| Toplogis Technology Corporation                           | 4,063                    | 25.00                | 8,809                    | 25.00                |
| Subtotal  | <u>58,638,028</u>        |                      | <u>51,589,348</u>        |                      |
| <u>Cost method</u>  |                          |                      |                          |                      |
| Dongbu Pusan Container Terminal Co., Ltd.                 | -                        | -                    | -                        | -                    |
| Power World Fund Inc.                                     | 27,273                   | 5.68                 | 50,000                   | 5.68                 |
| Fubon Securities Finance Co., Ltd.                        | 190,322                  | 4.93                 | 190,322                  | 4.93                 |
| Taiwan High Speed Rail Corporation                        | 1,250,000                | 2.53                 | 1,250,000                | 2.53                 |
| Linden Technologies, Inc.                                 | 15,372                   | 2.53                 | 15,372                   | 2.53                 |
| Taiwan Fixed Network Co., Ltd.                            | 700,000                  | 1.08                 | 700,000                  | 1.08                 |
| Well Long Information Co., Ltd.                           | -                        | 0.14                 | 1,300                    | 0.14                 |
| Subtotal  | <u>2,182,967</u>         |                      | <u>2,206,994</u>         |                      |

|   | December 31, 2005   |               | December 31, 2004   |               |
|---|---------------------|---------------|---------------------|---------------|
|   | Amount              | Ownership (%) | Amount              | Ownership (%) |
| <u>Lower of cost or market value method</u>         |                     |               |                     |               |
| Central Reinsurance Corp.                           | 490,801             | 8.45          | 426,581             | 8.73          |
| Fubon Financial Holding Co., Ltd.                   | 7,344               | 0.04          | 7,344               | 0.04          |
| Less: Allowance for loss on decline in market value | -                   | -             | -                   | -             |
| Subtotal  | <u>498,145</u>      |               | <u>433,925</u>      |               |
| Total   | <u>\$61,319,140</u> |               | <u>\$54,230,267</u> |               |

- (a) The investment income recognized for the above investees accounted for under the equity method was based on their financial statements audited by independent auditors for the corresponding periods. For the years ended December 31, 2005 and 2004, the investment income recognized for these investees amounted to \$7,683,397 thousand and \$8,959,281 thousand, respectively.
- (b) On June 5, 2003, the Company's Board of Directors resolved to purchase the domestic unsecured convertible bonds issued by EVA Airways Corporation (EVA Airways), totaling \$500 million (face value). As the Company intended to hold the investment in the above convertible bonds for long-term purposes, they were recorded under long-term bond investments. In March 2004, the Company converted all the convertible bonds into 46,382 thousand shares of EVA Airways' common stock at \$10.78 per share. As a result of the conversion, the Company's percentage of equity interest in EVA Airways increased and the investment in the above convertible bonds was reclassified to long-term equity investments, resulting in an increase of \$48,751 thousand in capital surplus. In addition, EVA Airways increased its capital through cash injection in September 2004. As a stockholder of EVA Airways, the Company was entitled to a subscription of 39,608 thousand new shares. However, the Company waived its subscription right. Hence, its percentage of equity interest in EVA Airways decreased, resulting in a decrease of \$116,351 thousand in capital surplus.
- (c) The Company's Board of directors resolved to inject additional cash in Central Reinsurance Company as a shareholder on August 25, 2005 and October 27, 2004. The company subscribed to 5,584 thousand shares at \$11.5 per share and 4,311 thousand shares at \$12 per share, issued by Central Reinsurance Corporation due to cash injection. After cash injection, the investment represented 8.45% and 8.73% equity interest in Central Reinsurance Company, respectively.
- (d) On October 22, 2004, the Company's Board of Directors resolved to subscribe to 1,000 thousand new shares, totaling \$10,000 thousand at \$ 10 per share, issued by Toplogis Technology Corporation (Toplogis) due to cash injection. The Company's investment in Toplogis represents 25% of its equity and is accounted for by the equity method.
- (e) In second quarter, 2005, the market value of the investment in Well Long Information Co., Ltd., an investee accounted for under the cost method, declined. The Company assessed that the investment cost could not be recovered. As a result, a realized investment loss of \$1,300 thousand was recognized based on the carrying value and was recorded under non-operating expenses – other investment loss.

- (f) In July 2005, Power World Fund Inc.(PWF), an investee accounted for under the cost method, reduced its capital. The conversion rate on the capital reduction was 545.5 shares for every 1,000 old shares held, and the amount returned to the stockholders was \$10 (par value) per share. As a result of the capital reduction, the proceeds received by the Company based on its proportionate equity interest in PWF were \$22,727 thousand, and the carrying amount of the Company's investment in PWF was written down by \$22,727 thousand. No gain and loss incurred.
- (g) In February 2004, Fubon Securities Finance Co., Ltd.(Fubon Securities), an investee accounted for under the cost method, reduced its capital. The conversion rate on the capital reduction was 634.921 shares for every 1,000 old shares held, and the amount returned to the stockholders was \$10 (par value) per share. As a result of the capital reduction, the proceeds received by the Company based on its proportionate equity interest in Fubon Securities were \$113,371 thousand, and the carrying amount of the Company's investment in Fubon Securities was written down by \$109,403 thousand. Accordingly, \$3,968 thousand of income was generated, which was recorded under "non-operating income - others".
- (h) In August 2004, Taiwan Fixed Network Co., Ltd., an investee accounted for under the cost method, reduced its capital. The conversion rate on the capital reduction was 700 shares for every 1000 old shares held, and the amount returned to the stockholders was \$10 (par value) per share. As a result of the capital reduction, the proceeds received by the Company based on its proportionate equity interest in Taiwan Fixed Network were \$300,000 thousand, and the carrying amount of the Company's investment in Taiwan Fixed Network was written down by \$300,000 thousand. No income and loss were incurred.
- (i) The Company previously pledged 300,000 shares of Dongbu Pusan Container Terminal Co., Ltd. (DPCT), an investee accounted for under the cost method, as collaterals for DPCT's borrowings. In June 2004, the Company's Board of Directors resolved to sell these 300,000 shares of DPCT to its related company, Peony Investment S.A., at book value. Please refer to Notes E for details.
- (j) In 2005, the accounts of Peony Investment S.A. and Taiwan Terminal Service Co. Ltd. (TTSC) have been included in the Company's consolidated financial statements. Total assets and total operating revenues of TTSC didn't reach the criteria of SFAS No. 7 " Consolidate Financial Statements " that was before amendment, so TTSC was not included in the Company's consolidated financial statements in 2004. Under the amended SFAS No.7, retroactive adjustments are not required for consolidated financial statements occurring prior to January 1, 2005.
- (k) As of December 31, 2005 and 2004, none of the above long-term equity investments was pledged or collateralized.

(2) Long-term bond investments

| Item   | Period                        | Coupon Rate | December 31, 2005 | December 31, 2004 |
|--|-------------------------------|-------------|-------------------|-------------------|
| Convertible bonds - Tuntex (Thailand) Public Company Limited | Mar. 10, 2005 - Mar. 10, 2013 | 0%          | \$12,581          | \$-               |
| Less: Cumulative translation adjustments                     |                               |             | -                 | -                 |
| <b>Total</b>   |                               |             | <u>\$12,581</u>   | <u>\$-</u>        |

In 1997, the Company purchased US\$180 thousand of the convertible bonds issued by Tuntex (Thailand) Public Company Limited. As Tuntex encountered financial difficulties, it defaulted at maturity of the bonds. Accordingly, the Company fully recognized the losses on the bonds in 2001. Tuntex subsequently filed an application to the court for corporate restructuring and reached a consensus with the creditors to reissue the above-mentioned bonds. The convertible bonds allocated to the Company were recorded at their face value of THB15,737 thousand (NTD12,581 thousand), and the Company recognized \$12,581 thousand income under "non-operating income - others" for the three months ended March 31, 2005.

(3) Other long-term investments

|  | December<br>31, 2005 | December<br>31, 2004 |
|--|----------------------|----------------------|
| Marshal Golf Country Club - membership fee and service charges | \$312                | \$312                |

(4) Other financial assets - non-current

|   | Maturity Date          | December<br>31, 2005 | December<br>31, 2004 |
|---|------------------------|----------------------|----------------------|
| Taishin International Bank - structured time deposits | Sep. 12, 2013          | \$-                  | \$34,175             |
| Banca Del Gottardo - inverse floating-rate bills      | Sep. 24, 2013          | -                    | 68,410               |
| Banca Del Gottardo - money market fund                | No fixed maturity date | -                    | 42,156               |
| Subtotal  |                        | -                    | 144,741              |
| Less: Cumulative translation adjustments              |                        | -                    | (9,411)              |
| Total   |                        | \$-                  | \$135,330            |

None of the above financial assets has been pledged as collateral. The interest rates ranged from 1.69% to 12.00% during the year ended December 31, 2004, respectively.

9. Property, plant and equipment, net

|                               | December 31, 2005 |                             |             |
|-------------------------------|-------------------|-----------------------------|-------------|
|                               | Cost              | Accumulated<br>Depreciation | Balance     |
| Land                          | \$1,998,859       | \$-                         | \$1,998,859 |
| Buildings                     | 1,511,958         | 351,503                     | 1,160,455   |
| Loading/discharging equipment | 3,616,970         | 2,617,335                   | 999,635     |
| Computer equipment            | 116,851           | 58,278                      | 58,573      |
| Transportation equipment      | 16,697,252        | 13,917,239                  | 2,780,013   |
| Ships and equipment           | 9,877,935         | 9,647,057                   | 230,878     |
| Dock facilities               | 625,223           | -                           | 625,223     |
| Office equipment              | 210,927           | 142,045                     | 68,882      |
| Subtotal                      | 34,655,975        | 26,733,457                  | 7,922,518   |
| Prepayments for equipment     | 359,802           | -                           | 359,802     |
| Total                         | \$35,015,777      | \$26,733,457                | \$8,282,320 |

|                               | December 31, 2004   |                             |                    |
|-------------------------------|---------------------|-----------------------------|--------------------|
|                               | Cost                | Accumulated<br>Depreciation | Balance            |
| Land                          | \$1,998,859         | \$-                         | \$1,998,859        |
| Buildings                     | 1,356,403           | 324,175                     | 1,032,228          |
| Loading/discharging equipment | 3,079,785           | 2,250,658                   | 829,127            |
| Computer equipment            | 175,468             | 102,477                     | 72,991             |
| Transportation equipment      | 17,102,718          | 13,514,725                  | 3,587,993          |
| Ships and equipment           | 9,877,935           | 9,416,178                   | 461,757            |
| Dock facilities               | 738,990             | -                           | 738,990            |
| Office equipment              | 203,638             | 142,367                     | 61,271             |
| Subtotal                      | <u>34,533,796</u>   | <u>25,750,580</u>           | <u>8,783,216</u>   |
| Prepayments for equipment     | 28,239              | -                           | 28,239             |
| Total                         | <u>\$34,562,035</u> | <u>\$25,750,580</u>         | <u>\$8,811,455</u> |

- (1) Please refer to Note E for details of the transactions on property, plant and equipment with related parties and Note F for details of the assets pledged as collaterals.
- (2) All the aforementioned ships and equipment have been insured based on the market value of each vessel or the requirement of the creditor banks. As of December 31, 2005 and 2004, the insurance coverage amounted to USD57,500 thousand and USD71,000 thousand, respectively. In addition, the ships were covered by the protection and indemnity insurance with GARD. The indemnity amount was unlimited except for oil pollution which was limited to USD8 billion and USD1 billion for the years ended December 31, 2005 and 2004.
- (3) The Company's loading/discharging equipment has been covered by the general insurance for construction machinery with insurance coverage amounting to \$1,238,667 thousand and \$1,370,174 thousand as of December 31, 2005 and 2004, respectively. The fire insurance coverage for office equipment was \$1,438,964 thousand and \$1,056,963 thousand as of December 31, 2005 and 2004, respectively. Container facilities were insured with full coverage amounting to USD489,093 thousand for both year .
- (4) The Company entered into a construction agreement with Kaohsiung Harbor Bureau to complete the extension project of Pier No. 116 of Kaohsiung Harbor. The Company is entitled to use the pier free of charge for 16 years commencing from the date of completion. At expiration of the 16-year period, the Company is obliged to return the pier to the Bureau but has the priority to lease the pier. The construction project was reclassified to dock facilities upon its completion on January 1, 1992, and is amortized on a straight-line basis over 16 years with the amortization charged to loading/discharging expenses.
- (5) The Company entered into a construction agreement with Kaohsiung Harbor Bureau to complete the extension project of Piers No. 79~81 of Kaohsiung Harbor. The Company is entitled to use the piers free of charge for 10 years commencing from the date of completion. At expiration of the 10-year period, the Company is obliged to return the piers to the Bureau but has the priority to lease the piers. The construction project was reclassified to dock facilities upon its completion in the beginning of 2000, and is amortized on a straight-line basis over 10 years with the amortization charged to loading/discharging expenses.

## 10. Long-term installment receivables

|   | December 31, 2005 | December 31, 2004 |
|---|-------------------|-------------------|
| Receivables from sales of vessels             | \$446,329         | \$552,491         |
| Less: Unrealized foreign exchange loss        | (24,281)          | (45,312)          |
| <b>Total</b>                                  | <b>422,048</b>    | <b>507,179</b>    |
| Less: Current portion                         | (70,827)          | (88,246)          |
| <b>Long-term installment receivables, net</b> | <b>\$351,221</b>  | <b>\$418,933</b>  |

(1) The above installment receivables derived from the four vessels, GLEE, GLOW, GRUP and GALT sold in 2001 and 2002 with a total price of USD54,648 thousand. The interest charged on the receivables is LIBOR (London InterBank Offered Rate) plus 1.5%. As of December 31, 2005 and 2004, the accrued amount of the receivables was USD12,902 thousand and USD15,965 thousand, respectively.

(2) As of December 31, 2005, details of the above long-term installment receivables that were to be collected in the following years are as follow (expressed in thousand dollars):

| Expiration    | Amount            |
|---------------|-------------------|
| Within 1 year | USD 2,165         |
| 1~2 years     | 8,451             |
| 2~3 years     | 1,143             |
| 3~4 years     | 1,143             |
| <b>Total</b>  | <b>USD 12,902</b> |

## 11. Short-term loans

| Item                                   | December 31, 2005 |                    | December 31, 2004 |                    |
|--|-------------------|--------------------|-------------------|--------------------|
|  | Interest Rate (%) | Amount             | Interest Rate (%) | Amount             |
| New Taiwan dollars                     | 1.46~1.53         | \$1,800,000        | 1.20~1.35         | \$2,700,000        |
| Foreign currencies                     | -                 | -                  | 3.10              | 98,790             |
| Less: Unrealized foreign exchange gain |                   | -                  |                   | (3,487)            |
| <b>Total</b>                           |                   | <b>\$1,800,000</b> |                   | <b>\$2,795,303</b> |

As the above short-term loans were all credit loans, none of them was secured with collaterals.

## 12. Short-term bills payable

|                             | December 31, 2005                 |                     |                  |
|-----------------------------|-----------------------------------|---------------------|------------------|
|                             | Guarantor                         | Period              | Amount           |
| Commercial paper            | International Bills Finance Corp. | 12.27.05 - 01.10.06 | \$200,000        |
| "                           | Taiwan Bills Finance Corp.        | 12.27.05 - 01.10.06 | 200,000          |
| "                           | China Bills Finance Corp.         | 12.23.05 - 01.10.06 | 200,000          |
| "                           | Chinatrust Bills Finance Corp.    | 12.27.05 - 01.10.06 | 200,000          |
| <b>Total</b>                |                                   |                     | <b>800,000</b>   |
| Less: Unamortized discounts |                                   |                     | (245)            |
| <b>Net</b>                  |                                   |                     | <b>\$799,755</b> |

| December 31, 2004           |                                   |                     |                    |
|-----------------------------|-----------------------------------|---------------------|--------------------|
|                             | Guarantor                         | Period              | Amount             |
| Commercial paper            | International Bills Finance Corp. | 12.07.04 - 01.06.05 | \$500,000          |
| "                           | Chung Hsing Bills Finance Corp.   | 12.22.04 - 01.21.05 | 500,000            |
| "                           | Taiwan Bills Finance Corp.        | 12.17.04 - 01.17.05 | 200,000            |
| "                           | Dah Chung Bills Finance Corp.     | 12.27.04 - 01.26.05 | 200,000            |
| "                           | Grand Cathay Securities Corp.     | 12.27.04 - 01.17.05 | 500,000            |
| "                           | Chinatrust Bills Finance Corp.    | 12.28.04 - 01.27.05 | 200,000            |
| Total                       |                                   |                     | 2,100,000          |
| Less: Unamortized discounts |                                   |                     | (909)              |
| Net                         |                                   |                     | <u>\$2,099,091</u> |

(1) Please refer to Note F for details of the marketable securities pledged as collaterals for the above commercial papers.

(2) The interest rate range on the above commercial papers was 1.18%~1.35% and 1.19%~1.22% for the years ended December 31, 2005 and 2004, respectively.

### 13. Accrued expenses

|  | December 31, 2005  | December 31, 2004  |
|--|--------------------|--------------------|
| Accrued expenses                       | \$189,976          | \$195,005          |
| Estimated accrued expenses             | 2,568,550          | 3,241,837          |
| Less: Unrealized foreign exchange gain | (24,102)           | (76,966)           |
| Total                                  | <u>\$2,734,424</u> | <u>\$3,359,876</u> |

The estimated accrued expenses represent the estimation of the expenses to be incurred with the foreign agents and on the agency services rendered by the Company to the foreign marine transportation companies. The estimated accrued expenses as of December 31, 2004 were \$3,241,837 thousand of which \$2,631,650 thousand was reversed as of December 31, 2005, constituting 81.18% of the estimated amount. The estimated accrued expenses as of December 31, 2003 were \$2,498,087 thousand of which \$2,367,234 thousand was reversed as of December 31, 2004, constituting 94.76% of the estimated amount.

### 14. Long-term liabilities due within one year

|                         | December 31, 2005  | December 31, 2004  |
|-------------------------|--------------------|--------------------|
| Corporate bonds payable | \$1,500,000        | \$1,500,000        |
| Long-term bank loans    | 2,798,000          | 3,025,199          |
| Total                   | <u>\$4,298,000</u> | <u>\$4,525,199</u> |

### 15. Corporate bonds payable

|                                    | December 31, 2005  | December 31, 2004  |
|------------------------------------|--------------------|--------------------|
| Seventh secured corporate bonds    | \$-                | \$1,500,000        |
| Eighth secured corporate bonds     | 1,500,000          | 1,500,000          |
| Ninth secured corporate bonds      | 1,000,000          | 1,000,000          |
| Tenth secured corporate bonds      | 1,500,000          | 1,500,000          |
| Eleventh secured corporate bonds   | 1,500,000          | 1,500,000          |
| First unsecured convertible bonds  | 1,634,400          | 2,179,700          |
| Second unsecured convertible bonds | 1,864,300          | 2,273,900          |
| Add: Accrued interest compensation | 6,339              | 4,232              |
| Subtotal                           | 9,005,039          | 11,457,832         |
| Less: Current portion              | (1,500,000)        | (1,500,000)        |
| Non-current portion                | <u>\$7,505,039</u> | <u>\$9,957,832</u> |

- (1) Please refer to Schedules 1 ~ 3 for details of the terms on the above corporate bonds.
- (2) On January 12, 2004, the Company issued its first unsecured domestic convertible bonds (hereinafter referred to as the "Bonds") at face value, totaling \$4 billion. The major terms on the issuance are set forth below.

- (1) Period: 5 years (January 12, 2004 to January 11, 2009).

- (2) Coupon rate: 0% per annum.

- (3) Principal repayment and interest payment

Unless the Bonds are redeemed, repurchased, resold, converted or deregistered before maturity, or other events occur due to regulatory reasons, the principal of the Bonds is to be repaid in lump sum by cash at maturity based on the face value of the Bonds.

- (4) Collaterals

The Bonds are unsecured. However, if the Company subsequently issues other convertible bonds secured with collaterals, the rights of the holders of the Bonds to claim their credits and the collaterals are set at the same rank as the holders of the convertible bonds issued subsequently.

- (5) Redemption at the Company's option

- a. During the period from 3 months after the Bonds are issued to 40 days before the maturity of the Bonds, if the closing price of the Company's common stock at the Taiwan Stock Exchange is equal to 50% or above of the conversion price in effect for a period of 30 consecutive trading days, the Company may redeem 100% of the outstanding bonds in cash at the redemption price calculated based on the agreed yield rate on redemption within 30 trading days following the above-mentioned 30 consecutive trading days. The yield rate on redemption is 0.20% per annum during the period from 3 months to 3 years after the Bonds are issued. During the period from 3 years after the Bonds are issued to 40 days before the maturity of the Bonds, the Bonds are redeemable at their face value.

- b. During the period from 3 months after the Bonds are issued to 40 days before the maturity of the Bonds, if the total amount of the Bonds outstanding after the conversion by the bondholders is less than \$400 million (10% of the total issued amount), the Company may redeem the outstanding bonds in cash in accordance with the terms stated in Paragraph a. above.

- c. When the Company issues its redemption notice, if the bondholders do not reply before the effective redemption date, the Company may convert the bonds held by those bondholders into common stock at the conversion price in effect at the expiration of the notice period.

- (6) Redemption at the bondholders' option

During the 30 days before the Bonds are issued for 3 years, the bondholders may require the Company to redeem their bonds in cash at the face value plus interest compensation (i.e. 100.60% of the face value with a yield rate of 0.20% per annum).

(7) Terms on conversion

a. Conversion period

The bondholders may convert the Bonds into the Company's common stock during the period from 3 months after the Bonds are issued to 10 days before the maturity of the Bonds.

The bondholders are prohibited from exercising their conversion right during the period from 3 trading days before the announcement of cash or stock dividends to the date of distribution of the cash or stock dividends.

b. Conversion price

The conversion price is the lower of the three average closing prices of the Company's common stock during the 10, 15 and 20 trading days before October 3, 2003 multiplied by 115%. If any cash or stock dividends are distributed before October 3, 2003, the closing price used in the computation of the conversion price must be adjusted for the effect of the dividend distribution. If any cash or stock dividends are distributed during the period from the date on which the conversion price is set to the date on which the Bonds are converted, the conversion price is required to be adjusted in accordance with the adjusting formula specified in the bond agreement. The conversion price at the issuance of the Bonds was set at \$28.60. On December 31, 2005, the adjusted conversion price was \$24.07.

(8) Others

a. Entitlement to cash dividends

The bondholders who request to convert the Bonds on a date which is more than 3 trading days before the announcement of cash dividends are entitled to the cash dividends resolved by the stockholders in the current year.

The bondholders who request to convert the Bonds 3 trading days before the announcement of cash dividends or later are not entitled to the cash dividends resolved by the stockholders in the current year, but are entitled to the cash dividends resolved by the stockholders in the following year.

b. The affiliated companies of the Company may subscribe the Bonds, but do not have the right to convert the Bonds into the Company's common stock.

(3) On September 6, 2004, the Company issued its second unsecured domestic convertible bonds (hereinafter referred to as the "Second Bonds") at face value, totaling \$4.5 billion. The major terms on the issuance are set forth below.

(a) Period: 5 years (September 6, 2004 to September 5, 2009).

(b) Coupon rate: 0% per annum.

(c) Principal repayment and interest payment

Unless the Second Bonds are redeemed, repurchased, resold, converted or deregistered before maturity, or other events occur due to regulatory reasons, the principal of the Second Bonds is to be repaid in lump sum by cash at maturity based on the face value of the Second Bonds.

**(d) Collaterals**

The Second Bonds are unsecured. However, if the Company subsequently issues other convertible bonds secured with collaterals, the rights of the holders of the Second Bonds to claim their credits and the collaterals are set at the same rank as the holders of the convertible bonds issued subsequently.

**(e) Redemption at the Company's option**

- a. During the period from 3 months after the Second Bonds are issued to 40 days before the maturity of the Second Bonds, if the closing price of the Company's common stock at the Taiwan Stock Exchange is equal to 50% or above of the conversion price in effect for a period of 30 consecutive trading days, the Company may redeem the outstanding bonds in cash at the face value of the Second Bonds within 30 trading days following the above-mentioned 30 consecutive trading days.
- b. During the period from 3 months after the Second Bonds are issued to 40 days before the maturity of the Second Bonds, if the total amount of the Second Bonds outstanding after the conversion by the bondholders is less than \$450 million (10% of the total issued amount), the Company may redeem the outstanding bonds at their face value any time during the 40 days before the maturity of the Second Bonds.
- c. When the Company issues its redemption notice, if the bondholders do not reply before the effective redemption date, the Company may convert the bonds held by those bondholders into common stock at the conversion price in effect at the expiration of the notice period.

**(f) Redemption at the bondholders' option**

During the 30 days before the Second Bonds are issued for 3.5 years, the bondholders may require the Company to redeem their bonds in cash at the face value.

**(g) Terms on conversion**

**a. Conversion period**

The bondholders may convert the Second Bonds into the Company's common stock during the period from 1 month after the Second Bonds are issued to 10 days before the maturity of the second Bonds.

The bondholders are prohibited from exercising their conversion right during the period from 3 trading days before the announcement of cash or stock dividends to the date of distribution of the cash or stock dividends.

b. Conversion price

The conversion price can be any of the three average closing prices of the Company's common stock during the 1, 3 and 5 trading days before August 24, 2004 multiplied by 103%. If any cash or stock dividends are distributed before August 24, 2004, the closing price used in the computation of the conversion price must be adjusted for the effect of the dividend distribution. If any cash or stock dividends are distributed during the period from the date on which the conversion price is set to the date on which the Second Bonds are converted, the conversion price is required to be adjusted in accordance with the adjusting formula specified in the bond agreement. The conversion price at the issuance of the Second Bonds was set at \$28.50. On December 31, 2005, the adjusted conversion price was \$21.68.

(h) Entitlement to cash dividends

The bondholders who request to convert the Second Bonds during the period from January 1 of the current year to any date which is more than 3 trading days before the announcement of cash or stock dividends are entitled to the cash or stock dividends resolved by the stockholders in the current year. Conversion of the Second Bonds is prohibited during the period from 3 trading days before the announcement of cash or stock dividends to the ex-dividend date.

The bondholders who request to convert the Second Bonds during the period from the date following the ex-dividend date to December 31 of the current year are not entitled to the cash or stock dividends resolved by the stockholders in the current year, but are entitled to the cash or stock dividends resolved by the stockholders in the following year.

16. Long-term loans

Long-term bank loans:

| Creditor                        | Type      | Period              | December<br>31, 2005 | December<br>31, 2004 |
|---------------------------------|-----------|---------------------|----------------------|----------------------|
| Chiao Tung Bank                 | Secured   | 04.21.98 - 04.21.05 | \$-                  | \$28,450             |
| Chiao Tung Bank                 | Secured   | 01.31.00 - 01.31.07 | -                    | 181,800              |
| Chiao Tung Bank                 | Secured   | 06.26.01 - 03.01.08 | -                    | 254,520              |
| Bank of Taiwan                  | Secured   | 10.20.98 - 10.20.05 | -                    | 400,000              |
| Bank of Taiwan                  | Secured   | 12.17.02 - 08.06.07 | 396,000              | 300,000              |
| Bank of Taiwan                  | Secured   | 03.07.03 - 08.06.07 | -                    | 294,000              |
| Bank of Taiwan                  | Secured   | 10.27.05 - 01.25.06 | 500,000              | -                    |
| Bank of Taiwan                  | Unsecured | 05.27.02 - 05.27.07 | 375,000              | 625,000              |
| The Bank of<br>Tokyo-Mitsubishi | Secured   | 02.25.05 - 08.25.07 | -                    | 165,832              |
| The Mizuho Corporate Bank       | Secured   | 03.31.03 - 03.31.07 | -                    | 762,891              |
| The Mizuho Corporate Bank       | Secured   | 10.01.03 - 09.08.08 | -                    | 1,694,760            |
| Bank of Panhsin                 | Unsecured | 09.03.02 - 09.03.05 | -                    | 47,000               |
| Bank of Panhsin                 | Unsecured | 12.31.04 - 06.16.06 | -                    | 200,000              |
| Taiwan Cooperative Bank         | Secured   | 06.24.03 - 06.24.08 | -                    | 600,000              |

| Creditor   | Type      | Period              | December<br>31, 2005 | December<br>31, 2004 |
|--|-----------|---------------------|----------------------|----------------------|
| Chang Hwa Bank                                     | Unsecured | 12.16.02 - 12.16.07 | -                    | 258,750              |
| Chang Hwa Bank                                     | Unsecured | 04.21.04 - 04.21.09 | -                    | 1,977,600            |
| Chang Hwa Bank                                     | Unsecured | 05.26.04 - 04.21.07 | -                    | 1,341,600            |
| International Bank of Taipei                       | Unsecured | 03.15.02 - 03.15.06 | -                    | 75,000               |
| Land Bank of Taiwan                                | Unsecured | 12.19.02 - 12.19.07 | -                    | 750,000              |
| Hua Nan Commercial Bank                            | Unsecured | 07.23.02 - 07.23.07 | -                    | 375,000              |
| The Export-Import Bank of<br>the Republic of China | Unsecured | 08.27.02 - 08.27.07 | 160,000              | 240,000              |
| Sunny Bank   | Unsecured | 11.28.02 - 11.28.05 | -                    | 95,000               |
| Bank of East Asia                                  | Unsecured | 02.27.03 - 02.27.09 | 150,000              | 150,000              |
| <br>   |           |                     |                      |                      |
| Calyon Corporate and<br>Investment Bank            | Unsecured | 09.29.03 - 06.06.08 | 500,000              | 500,000              |
| First Commercial Bank                              | Unsecured | 06.27.03 - 06.27.08 | 1,500,000            | 2,100,000            |
| Bank of Overseas Chinese                           | Unsecured | 11.28.02 - 01.28.05 | -                    | 75,000               |
| Industrial Bank of Taiwan                          | Unsecured | 11.11.03 - 11.11.07 | 180,000              | 300,000              |
| Asia Trust   | Unsecured | 12.30.03 - 07.20.05 | -                    | 120,000              |
| Cathay United Bank                                 | Secured   | 09.22.04 - 09.24.08 | -                    | 101,610              |
| Subtotal   |           |                     | 3,761,000            | 14,013,813           |
| Less: Unrealized foreign<br>exchange gain          |           |                     | -                    | (253,614)            |
| Total  |           |                     | 3,761,000            | 13,760,199           |
| Less: Current portion                              |           |                     | (2,798,000)          | (3,025,199)          |
| Non-current portion                                |           |                     | \$963,000            | \$10,735,000         |

The interest rate range on the above long-term bank loans was 0.518%~4.515% and 0.518%~4.307% for the years ended December 31, 2005 and 2004, respectively. Please refer to Note F for details of the collaterals pledged for the above long-term loans.

## 17. Pensions

(1) The pension costs comprise the following:

|  | Year Ended<br>December 31, 2005 | Year Ended<br>December 31, 2004 |
|--|---------------------------------|---------------------------------|
| Service cost                           | \$124,724                       | \$91,929                        |
| Interest cost                          | 33,437                          | 16,952                          |
| Expected return on plan assets         | (12,567)                        | (9,400)                         |
| Deferred amortization                  |                                 |                                 |
| Unrecognized net transition obligation | 20,076                          | 20,077                          |
| Prior service cost                     | 1,607                           | -                               |
| Unrecognized loss on plan assets       | 35,595                          | 14,423                          |
| Net pension costs                      | \$202,872                       | \$133,981                       |

- (2) The Company's pension fund is deposited in an exclusive account with Central Trust of China. Reconciliation of the funded status of the plan to the carrying amount of accrued pension liability is as follows:

|  | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
|--|--------------------------|--------------------------|
| Benefit obligations                    |                          |                          |
| Vested benefit obligation (VBO)        | \$(187,653)              | \$(318,637)              |
| Non-vested benefit obligation          | (684,696)                | (706,270)                |
| Accumulated benefit obligation (ABO)   | (872,349)                | (1,024,907)              |
| Effects of future salary increments    | (63,171)                 | (136,224)                |
| Projected benefit obligation (PBO)     | (935,520)                | (1,161,131)              |
| Fair value of plan assets              | 465,398                  | 400,780                  |
| Funded status                          | (470,122)                | (760,351)                |
| Unrecognized net transition obligation | 100,383                  | 120,459                  |
| <br>                                   |                          |                          |
| Unamortized prior service cost         | 24,109                   | 25,716                   |
| Unrecognized loss on plan assets       | 310,091                  | 680,432                  |
| Additional accrued pension liability   | (371,412)                | (690,383)                |
| Accrued pension liability              | <u>\$ (406,951)</u>      | <u>\$ (624,127)</u>      |

- (3) Actuarial assumptions

|  | <u>Year Ended<br/>December 31, 2005</u> | <u>Year Ended<br/>December 31, 2004</u> |
|--|---|---|
| Discount rate                          | 3.00%                                   | 2.50%                                   |
| Increase in future salary level        | 1.50%                                   | 1.00%                                   |
| Expected rate of return on plan assets | 3.00%                                   | 2.50%                                   |

## 18. Capital stock

- (1) As of December 31, 2005 and 2004, the authorized capital of the Company was \$33,000,000 thousand and \$30,000,000 thousand, and the paid-in capital was \$27,075,246 thousand and \$24,259,425 thousand, divided into 2,707,525 thousand and 2,425,943 thousand shares of common stocks, respectively, with a par value of \$10 per share.
- (2) On June 23, 2005, the Company's stockholders resolved to increase capital by capitalizing \$2,461,386 thousand of retained earnings. Accordingly, 246,139 thousand new shares were issued with a par value of \$10 per share. The Company's capital stock after the capital increase amounted to \$27,075,246 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on July 20, 2005 as per the Letter No. 0940129447 with the effective capital increase date set on August 26, 2005.
- (3) On June 24, 2004, the Company's stockholders resolved to increase capital by capitalizing \$1,288,127 thousand of retained earnings. Accordingly, 128,813 thousand new shares were issued with a par value of \$10 per share. The Company's capital stock after the capital increase amounted to \$22,757,009 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on August 13, 2004 as per the Letter No. 0930136258 with the effective capital increase date set on September 30, 2004.

- (4) Details of the common stock converted from the unsecured domestic convertible bonds issued by the Company during the years ended December 31, 2005 and 2004 are set forth below:

|                                    | Year Ended<br>December 31, 2005 |           | Year Ended<br>December 31, 2004 |             |
|------------------------------------|---------------------------------|-----------|---------------------------------|-------------|
|                                    | No. of Shares<br>(in '000)      | Amount    | No. of Shares<br>(in '000)      | Amount      |
| First unsecured convertible bonds  | 20,211                          | \$202,111 | 67,467                          | \$674,673   |
| Second unsecured convertible bonds | 15,233                          | 152,324   | 82,785                          | 827,848     |
| Total                              | 35,444                          | \$354,435 | 150,252                         | \$1,502,521 |

## 19. Capital surplus

Under the Company Law, capital surplus arising from share issue premium and endowments received can be capitalized when the Company does not incur losses, provided that the annual amount capitalized cannot exceed 10% of the Company's paid-in capital. The remainder can only be used to offset losses. Additionally, pursuant to the Securities and Exchange Law and the Company Law, capitalization of the capital surplus is not allowed until the following year after the capital surplus is registered. Moreover, capital surplus cannot be used to make up losses unless the legal reserve is insufficient to cover the losses.

## 20. Appropriation of retained earnings and dividend policy

- (1) The sections of the Company's Articles of Incorporation that are applicable to the appropriation of the 2004 and 2003 earnings are as follows:

According to Article 26 of the Company's Articles of Incorporation, if there is any profit for a fiscal year, the Company should first make provision for income tax, and make up the losses from prior years, then appropriate 10% of the residual amount as legal reserve. Dividends should be proposed by the Board of Directors and resolved by the stockholders. Bonuses paid to employees should be at least 1% of the total distributed amount and the remuneration paid to the directors and supervisors should not exceed 5% of the total distributed amount.

- (2) Legal reserve

Pursuant to the Company Law, the Company is required to set aside 10% of its annual after-tax net income as legal reserve until the balance of such reserve equals the Company's paid-in capital. Utilization of the legal reserve is limited to offsetting deficits and capital increase. Appropriation of the legal reserve as cash dividends is prohibited.

- (3) Special reserve

If there are any negative stockholders' equity items recorded by the Company, such as unrealized loss on the decline in market value of long-term equity investments and cumulative translation adjustments, the Company is required to set aside an amount equal to the amount of the negative stockholders' equity items to the special reserve from the after-tax net income. If the negative stockholders' equity items are subsequently reversed, an amount not exceeding the reversed amount can be appropriated from the special reserve.

- (4) The Company is currently at the stable growth stage. To facilitate future expansion plans, dividends distributed to stockholders are in the form of both cash and stocks with the proportions set at 0~50% and 100~50%, respectively. To maintain the Company's earnings per share at a certain level and in consideration of the impact of stock dividends on the Company's financial performance, the proportions of cash and stock dividends would be adjusted to 100%~50% and 0~50%, respectively, if the estimated earnings per share for the year in which the dividends are distributed decrease by more than 20%, compared to the prior year.
- (5) Appropriation of the 2004 and 2003 earnings as resolved by the stockholders on June 23, 2005 and June 24, 2004, respectively, is set forth below:

|   | Appropriated Earnings |             | Dividend Per Share<br>(in dollars) |        |
|---|-----------------------|-------------|------------------------------------|--------|
|   | 2004                  | 2003        | 2004                               | 2003   |
| Cash dividends to common stockholders     | \$4,922,772           | \$1,288,127 | \$2.00                             | \$0.60 |
| Stock dividends to common stockholders    | 2,461,386             | 1,288,127   | 1.00                               | 0.60   |
| Cash bonus to employees                   | 80,000                | 50,000      |                                    |        |
| Remuneration to directors and supervisors | 43,800                | 22,100      |                                    |        |

Appropriation of the 2004 and 2003 earnings were calculated by the following formula. After distributing the bonus to employees and the remuneration to directors and supervisors, the after-tax basic earning per share for 2004 and 2003 decreased to \$4.76 from \$4.81 and to \$1.41 from \$1.44, respectively.

Formula : 
$$\frac{\text{After-tax net income} - \text{Cash bonus to employees} - \text{Remuneration to directors and supervisors}}{\text{Weighted-average number of outstanding shares (After retroactive adjustment)}}$$

2004 = (12,084,669 thousand dollars - 80,000 thousand dollars - 43,800 thousand dollars) / 2,512,726 thousand shares = \$4.76

2003 = (3,604,776 thousand dollars - 50,000 thousand dollars - 22,100 thousand dollars) / 2,503,260 thousand shares = \$1.41

- (6) Information relating to the appropriation of the Company's 2004 earnings as proposed by the Board of Directors and resolved by the stockholders in 2005 is published on the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

## 21. Operating revenues

|                       | Year Ended<br>December 31, 2005 | Year Ended<br>December 31, 2004 |
|-----------------------|---------------------------------|---------------------------------|
| Marine freight income | \$39,415,004                    | \$39,806,406                    |
| Ship rental income    | 1,931,446                       | 1,544,234                       |
| Commission income     | 46,399                          | 162,043                         |
| Agency service income | 227,083                         | 95,561                          |
| Others                | 355,604                         | 316,176                         |
| <b>Total</b>          | <b>\$41,975,536</b>             | <b>\$41,924,420</b>             |

## 22. Expenses relating to employment, depreciation , depletion, and amortization

Expenses relating to employment, depreciation , depletion and amortization for the years ended December 31, 2005 and 2004 disclosed by function are as follows:

|                            | Year Ended December 31, 2005 |                    |                    |
|----------------------------|------------------------------|--------------------|--------------------|
|                            | Operating Costs              | Operating Expenses | Total              |
| <b>Employment</b>          |                              |                    |                    |
| Salaries and wages         | \$524,414                    | \$1,018,211        | \$1,542,625        |
| Labor and health insurance | 19,527                       | 45,251             | 64,778             |
| Pension                    | 82,126                       | 112,080            | 194,206            |
| Others                     | 31,257                       | 31,626             | 62,883             |
| <b>Total</b>               | <b>\$657,324</b>             | <b>\$1,207,168</b> | <b>\$1,864,492</b> |
| <b>Depreciation</b>        | <b>\$230,879</b>             | <b>\$892,601</b>   | <b>\$1,123,480</b> |
| <b>Depletion</b>           | <b>\$-</b>                   | <b>\$-</b>         | <b>\$-</b>         |
| <b>Amortization</b>        | <b>\$186,275</b>             | <b>\$61,386</b>    | <b>\$247,661</b>   |

|                            | Year Ended December 31, 2004 |                    |                    |
|----------------------------|------------------------------|--------------------|--------------------|
|                            | Operating Costs              | Operating Expenses | Total              |
| <b>Employment</b>          |                              |                    |                    |
| Salaries and wages         | \$520,473                    | \$962,138          | \$1,482,611        |
| Labor and health insurance | 22,879                       | 42,137             | 65,016             |
| Pension                    | 45,583                       | 68,766             | 114,349            |
| Others                     | 32,909                       | 29,081             | 61,990             |
| <b>Total</b>               | <b>\$621,844</b>             | <b>\$1,102,122</b> | <b>\$1,723,966</b> |
| <b>Depreciation</b>        | <b>\$413,705</b>             | <b>\$1,089,737</b> | <b>\$1,503,442</b> |
| <b>Depletion</b>           | <b>\$-</b>                   | <b>\$-</b>         | <b>\$-</b>         |
| <b>Amortization</b>        | <b>\$183,598</b>             | <b>\$59,536</b>    | <b>\$243,134</b>   |

## 23. Income taxes

(1) The income taxes comprise the following:

|  | Year Ended<br>December 31, 2005 | Year Ended<br>December 31, 2004 |
|--|---------------------------------|---------------------------------|
| Income tax expense – current period                    | \$1,753,544                     | \$650,586                       |
| Add: 10% tax on unappropriated retained earnings       | -                               | -                               |
| Less: Investment tax credit                            | (44,323)                        | (288,509)                       |
| Withholding tax  | (318,434)                       | (3,159)                         |
| Income tax payable                                     | 1,390,787                       | 358,918                         |
| Add: Withholding tax                                   | 318,434                         | 3,159                           |
| Separate income tax expense                            | 2,532                           | 2                               |
| Adjustments for changes in tax estimates               | (582)                           | (18,152)                        |
| Net change in deferred income tax assets / liabilities | 730,708                         | 1,174,885                       |
| Income tax expense                                     | <b>\$2,441,879</b>              | <b>\$1,518,812</b>              |

(2) Deferred income tax assets and liabilities

|   | December 31, 2005 | December 31, 2004 |
|---|-------------------|-------------------|
| (a) Total deferred income tax liabilities   | \$(2,288,339)     | \$(1,639,744)     |
| (b) Total deferred income tax assets  | \$44,554          | \$126,343         |
| (c) Valuation allowance for deferred income tax Assets                            | \$(325)           | \$-               |
| (d) Temporary differences resulting in deferred income tax assets or liabilities: |                   |                   |
| Equity-accounted investment income  | \$(9,039,180)     | \$(6,292,288)     |
| Foreign dividends   | 2,779             | 1,805             |
| Unrealized foreign exchange gain  | (114,177)         | (200,466)         |
| Unrealized foreign exchange loss  | 130,654           | 487,334           |
| Unrealized investment loss  | 1,300             | -                 |
| Unrealized expenses and losses  | 7,945             | 16,235            |
| Pension expense   | 35,539            | (66,256)          |
| (e) Deferred income tax assets - current  | \$35,344          | \$30,152          |
| Valuation allowance for deferred income tax assets - current                      | -                 | -                 |
| Deferred income tax assets - current, net   | 35,344            | 30,152            |
| Deferred income tax liabilities - current   | (7,352)           | (50,116)          |
| Net deferred income tax (liabilities) / assets - Current                          | \$27,992          | \$(19,964)        |
| (f) Deferred income tax assets - non-current                                      | \$9,210           | \$96,191          |
| Valuation allowance for deferred income tax assets - non-current                  | (325)             | -                 |
| Deferred income tax assets - non-current, net                                     | 8,885             | 96,191            |
| Deferred income tax liabilities - non-current                                     | (2,280,987)       | (1,589,628)       |
| Net deferred income tax liabilities - non-current                                 | \$(2,272,102)     | \$(1,493,437)     |

(3) Except for the income tax return of 2001 and 2002, the Company's income tax returns through 2003 have been assessed by National Tax Administration (NTA).

(4) Imputation tax credit

|  | December 31, 2005   | December 31, 2004 |
|--|---------------------|-------------------|
| Balance of imputation tax credit account (ICA)                 | \$515,213           | \$59,982          |
|  | 2005<br>(Estimated) | 2004<br>(Actual)  |
| Estimated (actual) tax credit rate for individual stockholders | 3.10%               | 4.14%             |

(5) Unappropriated retained earnings

|                  | December 31, 2005 | December 31, 2004 |
|------------------|-------------------|-------------------|
| 1997 and before  | \$5,570,596       | \$5,570,596       |
| 1998 and onwards | 16,618,826        | 13,111,340        |
| Total            | \$22,189,422      | \$18,681,936      |

## 24. Earnings per share

### (1) Basic earnings per share :

|  | Year Ended<br>December 31, 2005 |                     | Year Ended<br>December 31, 2004 |                     |
|--|---------------------------------|---------------------|---------------------------------|---------------------|
|  | Pre-tax                         | After-tax           | Pre-tax                         | After-tax           |
| Net income attributed to common stockholders                 | <u>\$14,665,790</u>             | <u>\$12,223,911</u> | <u>\$13,603,481</u>             | <u>\$12,084,669</u> |
| (In thousand shares)   |                                 |                     |                                 |                     |
| Beginning balance of shares outstanding                      | 2,425,942                       | 2,425,942           | 2,146,878                       | 2,146,878           |
| Capitalization of retained earnings in 2005 (0.10 per share) | 245,274                         | 245,274             | 228,430                         | 228,430             |
| Capitalization of retained earnings in 2004 (0.06 per share) | -                               | -                   | 128,813                         | 128,813             |
| Common stock converted from convertible bonds                | 26,793                          | 26,793              | 8,605                           | 8,605               |
| Weighted-average number of shares outstanding                | <u>2,698,009</u>                | <u>2,698,009</u>    | <u>2,512,726</u>                | <u>2,512,726</u>    |
| Basic earnings per share (in dollars)                        | <u>\$5.44</u>                   | <u>\$4.53</u>       | <u>\$5.41</u>                   | <u>\$4.81</u>       |

### (2) Diluted earnings per share :

|   | Year Ended<br>December 31, 2005 |                     | Year Ended<br>December 31, 2004 |                     |
|---|---------------------------------|---------------------|---------------------------------|---------------------|
|   | Pre-tax                         | After-tax           | Pre-tax                         | After-tax           |
| Net income attributed to common stockholders  | <u>\$14,665,790</u>             | <u>\$12,223,911</u> | <u>\$13,603,481</u>             | <u>\$12,084,669</u> |
| Dilutive effect of potential common stock to be converted from unsecured domestic convertible bonds | 4,197                           | 3,147               | 7,596                           | 5,697               |
| Net income after dilutive effect  | <u>\$14,669,987</u>             | <u>\$12,227,058</u> | <u>\$13,611,077</u>             | <u>\$12,090,366</u> |
| (In thousand shares)  |                                 |                     |                                 |                     |
| Beginning balance of shares outstanding   | 2,425,942                       | 2,425,942           | 2,146,878                       | 2,146,878           |
| Capitalization of retained earnings in 2005 (0.10 per share)  | 245,274                         | 245,274             | 228,430                         | 228,430             |
| Capitalization of retained earnings in 2004 (0.06 per share)  | -                               | -                   | 128,813                         | 128,813             |
| Common stock converted from convertible bonds   | 26,793                          | 26,793              | 8,605                           | 8,605               |
| Potential common stock to be converted from unsecured domestic convertible bonds                    | 163,409                         | 163,409             | 213,150                         | 213,150             |
| Weighted-average number of shares outstanding   | <u>2,861,418</u>                | <u>2,861,418</u>    | <u>2,725,876</u>                | <u>2,725,876</u>    |
| Diluted earnings per share (in dollars)   | <u>\$5.13</u>                   | <u>\$4.27</u>       | <u>\$4.99</u>                   | <u>\$4.43</u>       |

## E. RELATED PARTY TRANSACTIONS

### 1. Names of the related parties and their relationship with the Company

| <u>Related Party</u>  | <u>Relationship with the Company</u>                    |
|---|---|
| Evergreen International S.A. (EIS)                                      | Major stockholder of the Company                        |
| Taiwan Terminal Services Co., Ltd. (TTSC)                               | Subsidiary of the Company                               |
| Peony Investment S.A. (Peony)   | Subsidiary of the Company                               |
| Evergreen International Storage and Transport Corporation (EITC)        | Investee accounted for by the equity method             |
| EVA Airways Corporation (EVA)   | Investee accounted for by the equity method             |
| Evergreen Security Corporation (ESRC)                                   | Investee accounted for by the equity method             |
| Charng Yang Development Co., Ltd. (CYD)                                 | Investee accounted for by the equity method             |
| Evergreen International Corporation (EIC)                               | Investee of the Company's major stockholder             |
| Evergreen State Transport Co., Ltd. (Evergreen State)                   | Investee of the Company's major stockholder             |
| Evergreen Star Transport Co., Ltd. (Evergreen Star)                     | Investee of the Company's major stockholder             |
| Evergreen Airline Service Corporation (EAS)                             | Investee of the Company's major stockholder             |
| Tai Wha Checker Co., Ltd. (THC)   | Indirect subsidiary of the Company (sold in March 2005) |
| Shanghai Pao Long International Container Co., Ltd. (PLIC)              | Indirect subsidiary of the Company (sold in April 2005) |
| Shenzhen Greentrans Transportation Co., Ltd. (SGTC)                     | Indirect subsidiary of the Company                      |
| Vigor Enterprise S.A. (Vigor)   | Indirect subsidiary of the Company                      |
| Clove Holding Ltd. (Clove)  | Indirect subsidiary of the Company                      |
| Hatsu Marine Limited (HML)  | Indirect subsidiary of the Company                      |
| PT. Multi Bina Transport (MBT)  | Indirect subsidiary of the Company                      |
| PT. Multi Bina Pura International (MBPI)                                | Indirect subsidiary of the Company                      |
| Greencompass Marine S.A. (GMS)  | Indirect subsidiary of the Company                      |
| Evergreen Heavy Industrial Co., (Malaysia) Sdn. Bhd. (EHIC(M))          | Indirect subsidiary of the Company                      |
| Shanghai Jifa Logistics Co., Ltd. (SJL)                                 | Investee of Peony                                       |
| Ningbo Victory Container Co., Ltd. (NVC)                                | Investee of Peony                                       |
| Qingdao Evergreen Container Storage and Transportation Co., Ltd. (QECT) | Investee of Peony                                       |
| Island Equipment LLC. (Island)  | Investee of Peony                                       |
| Whitney Equipment LLC (Whitney)   | Investee of Peony                                       |
| Hemlock Equipment LLC (Hemlock)   | Investee of Peony                                       |
| Taranto Container Terminal S.P.A. (TCT)                                 | Investee of Peony                                       |
| Lloyd Triestino Di Navigazione S.P.A. (LT)                              | Investee of Peony                                       |
| Evergreen Container Terminal (Thailand) (ECTT)                          | Investee of Peony                                       |
| Colon Container Terminal S.A. (CCT)                                     | Investee of Peony                                       |
| PT. Evergreen Marine Indonesia (EMI)                                    | Investee of Peony                                       |
| Evergreen Star (Thailand) Co., Ltd. (EGT)                               | Investee of Peony                                       |
| Evergreen Shipping (S) Pte. Ltd. (EGS)                                  | Investee of Peony                                       |
| Evergreen Korea Corporation (EGK)                                       | Investee of Peony                                       |
| Evergreen India Pte. Ltd. (EGI)   | Investee of Peony                                       |
| Gaining Enterprise S.A. (GESA)  | Investee of EITC  |

## 2. Significant transactions with related parties

### (1) Operating revenues from related parties

|              | Year Ended<br>December 31, 2005 |                                     | Year Ended<br>December 31, 2004 |                                     |
|--------------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
|              | Amount                          | % of Total<br>Operating<br>Revenues | Amount                          | % of Total<br>Operating<br>Revenues |
|              | EIC                             | \$1,887                             | -                               | \$1,424                             |
| EITC         | 101,742                         | 0.24                                | 104,901                         | 0.25                                |
| TTSC         | 3,214                           | 0.01                                | -                               | -                                   |
| LT           | 640,013                         | 1.52                                | 121,029                         | 0.29                                |
| HML          | 284,850                         | 0.68                                | 37,387                          | 0.09                                |
| GMS          | 115,163                         | 0.28                                | 110,909                         | 0.27                                |
| EIS          | 92,422                          | 0.22                                | 84,885                          | 0.20                                |
| GESA         | 17,879                          | 0.04                                | -                               | -                                   |
| <b>Total</b> | <b>\$1,257,170</b>              | <b>2.99</b>                         | <b>\$460,535</b>                | <b>1.10</b>                         |

The terms on the above transactions with related parties are not materially different from those with non-related parties.

### (2) Expenditures on services rendered by related parties

|                 | Year Ended<br>December 31, 2005 |  | Year Ended<br>December 31, 2004 |  |
|-----------------|---------------------------------|--|---------------------------------|--|
|                 | Amount                          | % of Total<br>Operating<br>Costs and<br>Expenses | Amount                          | % of Total<br>Operating<br>Costs and<br>Expenses |
|                 | EITC                            | \$1,403,285                                      | 3.89                            | \$2,217,018                                      |
| EIC             | 497,692                         | 1.41   | 472,385                         | 1.28   |
| TTSC            | 626,034                         | 1.78   | 632,052                         | 1.72   |
| THC             | 26,546                          | 0.08   | 122,738                         | 0.33   |
| Evergreen State | 21,528                          | 0.06   | 74,364                          | 0.20   |
| Evergreen Star  | 20,356                          | 0.06   | 62,343                          | 0.17   |
| ESRC            | 42,935                          | 0.12   | 46,059                          | 0.12   |
| EAS             | 8,016                           | 0.02   | 5,658                           | 0.01   |
| EVA             | 12,737                          | 0.04   | 2,981                           | 0.01   |
| GESA            | 1,954,468                       | 5.56   | 2,105,492                       | 5.72   |
| HML             | 734,806                         | 2.09   | 420,352                         | 1.14   |
| GMS             | 1,045,103                       | 2.97   | 1,053,172                       | 2.86   |
| LT              | 10,075                          | 0.03   | 99,112                          | 0.27   |
| EIS             | 117,826                         | 0.33   | 95,313                          | 0.26   |
| EMI             | 74,091                          | 0.21   | 60,354                          | 0.17   |
| EGT             | 84,764                          | 0.24   | 65,486                          | 0.18   |
| EGS             | 64,588                          | 0.18   | 30,695                          | 0.18   |
| EGK             | 49,816                          | 0.14   | 53,346                          | 0.14   |
| <b>Total</b>    | <b>\$6,794,666</b>              | <b>19.21</b>                                     | <b>\$7,618,920</b>              | <b>20.78</b>                                     |

The terms on the above transactions with related parties are not materially different from those with non-related parties.

(3) Asset transactions

(a) Acquisitions of property, plant and equipment

On February 4, 2004, in line with the Company's operational requirements and its plan to adjust the supply of containers, the Company's Board resolved to enter into contracts with EHIC(M) and Vigor for manufacturing of containers which were recorded as transportation equipments. The total amounts of the contracts were USD20,669 thousand, which was NTD707,062 thousand. All payments had been made and all containers had been received by the Company on December 31, 2004.

(b) Sales of property, plant and equipment

|       | Asset Sold                             | Year Ended<br>December 31, 2005 |                | Year Ended<br>December 31, 2004 |                |
|-------|--|---------------------------------|----------------|---------------------------------|----------------|
|       |  | Selling<br>Price                | Gain<br>(Loss) | Selling<br>Price                | Gain<br>(Loss) |
| GMS   | Transportation<br>equipment            | \$-                             | \$-            | \$681,010                       | \$-            |
| LT    | Transportation<br>equipment            | 1,048                           | 971            | 1,567                           | 1,466          |
| EIC   | Office equipment                       | -                               | -              | 16                              | -              |
| EITC  | Transportation<br>equipment            | 780                             | 686            | -                               | -              |
| CCT   | Computer equipment                     | -                               | -              | 195                             | -              |
| EVA   | Transportation and<br>office equipment | 2,645                           | 97             | 53                              | 17             |
| ESRC  | Office equipment                       | -                               | -              | 170                             | 165            |
| TCT   | Transportation<br>equipment            | -                               | -              | 379                             | 33             |
| Total |  | <u>\$4,473</u>                  | <u>\$1,754</u> | <u>\$683,390</u>                | <u>\$1,681</u> |

(c) Sales of long-term investments

In June 2004, the Company's Board of Directors resolved to sell its equity stake in Dongbu Pusan Container Terminal Co., Ltd. to Peony at book value. The transaction was completed in July 2004 and the Company had received all the proceeds.

(4) Leases

(a) Rental income (recorded as non-operating income) derived from the operating premises and parking lots leased to the related parties are as follows:

|       | Lease Property   | Year Ended<br>December 31, 2005 |                                | Year Ended<br>December 31, 2004 |                                |
|-------|------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|       |                  | Amount                          | % of Total<br>Rental<br>Income | Amount                          | % of Total<br>Rental<br>Income |
| EIC   | Office buildings | \$57,499                        | 97.06                          | \$48,299                        | 97.98                          |
| EVA   | Parking lots     | 264                             | 0.45                           | 96                              | 0.19                           |
| ESRC  | Parking lots     | 168                             | 0.28                           | -                               | -                              |
| Total |                  | <u>\$57,931</u>                 | <u>97.79</u>                   | <u>\$48,395</u>                 | <u>98.17</u>                   |

(b) Rental expenses (recorded as general and administrative expenses) on operating premises and parking lots leased from the related parties are as follows:

|              | Leasehold<br>Property | Year Ended<br>December 31, 2005 |                                  | Year Ended<br>December 31, 2004 |                                  |
|--------------|-----------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
|              |                       | Amount                          | % of Total<br>Rental<br>Expenses | Amount                          | % of Total<br>Rental<br>Expenses |
| EIC          | Office buildings      | \$36,954                        | 90.50                            | \$30,484                        | 81.93                            |
| EITC         | Office building       | 1,175                           | 2.88                             | 1,197                           | 3.22                             |
| EVA          | Parking lots          | 1,227                           | 3.00                             | 202                             | 0.55                             |
| <b>Total</b> |                       | <b>\$39,356</b>                 | <b>96.38</b>                     | <b>\$31,883</b>                 | <b>85.70</b>                     |

(c) Rental expenses incurred on the vessels leased from the related parties are recorded under direct operating costs. Details are set forth below:

|              | Year Ended<br>December 31, 2005 |   | Year Ended<br>December 31, 2004 |   |
|--------------|---------------------------------|---|---------------------------------|---|
|              | Amount                          | % of Total<br>Vessel Rental<br>Expenses | Amount                          | % of Total<br>Vessel Rental<br>Expenses |
| LT           | \$10,095                        | 0.17                                    | \$85,775                        | 1.49                                    |
| HML          | 734,806                         | 12.50                                   | -                               | -                                       |
| GMS          | 1,042,061                       | 17.73                                   | 1,027,497                       | 17.80                                   |
| EIS          | 117,202                         | 1.99                                    | 97,121                          | 1.68                                    |
| GESA         | 1,964,870                       | 33.42                                   | 2,113,399                       | 36.61                                   |
| EITC         | 829,410                         | 14.11                                   | 863,879                         | 14.97                                   |
| <b>Total</b> | <b>\$4,698,444</b>              | <b>79.92</b>                            | <b>\$4,187,671</b>              | <b>72.55</b>                            |

(5) Receivables from and payables to related parties

The receivables from and payables to related parties are set forth as follow, please refer to Note E3 for detail interest calculation:

|                            | December 31, 2005 |                         | December 31, 2004 |                         |
|----------------------------|-------------------|-------------------------|-------------------|-------------------------|
|                            | Amount            | % of Account<br>Balance | Amount            | % of Account<br>Balance |
| <b>Accounts receivable</b> |                   |                         |                   |                         |
| EIC                        | \$83,602          | 3.33                    | \$340,659         | 9.93                    |
| EITC                       | 24,731            | 0.99                    | 24,396            | 0.71                    |
| <b>Total</b>               | <b>\$108,333</b>  | <b>4.32</b>             | <b>\$365,055</b>  | <b>10.64</b>            |
| <b>Other receivables</b>   |                   |                         |                   |                         |
| EITC                       | \$12,389          | 4.42                    | \$8,907           | 2.86                    |
| EIC                        | 17,521            | 6.24                    | 8,092             | 2.59                    |
| GESA                       | -                 | -                       | 8,032             | 2.58                    |
| CCT                        | 1,658             | 0.59                    | 1,830             | 0.59                    |
| Others                     | 1,043             | 0.37                    | 386               | 0.12                    |
| <b>Total</b>               | <b>\$32,611</b>   | <b>11.62</b>            | <b>\$27,247</b>   | <b>8.74</b>             |

|                         | December 31, 2005 |                      | December 31, 2004  |                      |
|-------------------------|-------------------|----------------------|--------------------|----------------------|
|                         | Amount            | % of Account Balance | Amount             | % of Account Balance |
| <b>Notes payable</b>    |                   |                      |                    |                      |
| EIC                     | \$-               | -                    | \$1,388            | 10.96                |
| <b>Accounts payable</b> |                   |                      |                    |                      |
| EITC                    | \$4,828           | 0.17                 | \$127,511          | 3.90                 |
| TTSC                    | 36,486            | 1.32                 | 37,146             | 1.14                 |
| EIC                     | 17,660            | 0.64                 | 57,661             | 1.76                 |
| Evergreen State         | -                 | -                    | 30,831             | 0.94                 |
| Evergreen Star          | -                 | -                    | 13,128             | 0.40                 |
| THC                     | -                 | -                    | 9,738              | 0.30                 |
| ESRC                    | 3,635             | 0.13                 | 4,921              | 0.15                 |
| LT                      | 425,372           | 15.38                | 799,355            | 24.44                |
| EIS                     | 15,028            | 0.54                 | 6,338              | 0.20                 |
| GMS                     | 7,413             | 0.27                 | 156,879            | 4.80                 |
| HML                     | 167,176           | 6.05                 | 599,635            | 18.34                |
| Others                  | 1,589             | 0.06                 | 479                | 0.01                 |
| <b>Total</b>            | <b>\$679,187</b>  | <b>24.56</b>         | <b>\$1,843,622</b> | <b>56.38</b>         |
| <b>Other payables</b>   |                   |                      |                    |                      |
| EIS                     | \$2,590           | 1.78                 | \$10,761           | 9.89                 |

### 3. Financing activities with related parties

In 2005, the Company's related party, Greencompass Marine S.A. (GMS), requested financing from the Company for its operational expansion and working capital requirements. The request was approved by the Board of Directors according to the Company's "Procedures for Capital Lending, Endorsement and Guarantee". The highest balance of the financing amount during 2005 was USD20,000 thousand, and the balance as of December 31, 2005 was USD0 thousand. The interest rate charged on the loans to GMS was Singapore InterBank Offered Rate (SIBOR) plus 0.4%. The interest income recognized for the year ended December 31, 2005 amounted to \$742 thousand, and the accrued interest receivable from GMS as of December 31, 2005 was USD0. In 2004, the Company did not have any financing activities with its related parties.

### 4. Endorsements and guarantees for related parties

Endorsements and guarantees issued by the Company for its related parties are as follows: (expressed in thousand dollars)

|         | December 31, 2005 |         | December 31, 2004 |         |
|---------|-------------------|---------|-------------------|---------|
| GMS     | USD               | 290,197 | USD               | 463,116 |
| Peony   | USD               | -       | USD               | 81,350  |
| TCT     | EUR               | 41,213  | USD               | 92,563  |
| HML     | USD               | 412,686 | USD               | 352,750 |
| Island  | USD               | -       | USD               | 56,353  |
| CCT     | USD               | 18,353  | USD               | 19,080  |
| Whitney | USD               | 8,621   | USD               | -       |
| Hemlock | USD               | 44,262  | USD               | -       |

## 5. Significant contracts with related parties

- (1) The Company has entered into an agreement with EIC for management, computer information, Shipping affairs, and consulting services. Except payments under behalf are charged on actual amounts, the rest of fees are charged on an hourly basis or as cost-added method. The contract was effective from July 1, 1996 and keeps effectively unless termination.
- (2) The Company has entered into an agency agreement with EIC. Under the agreement, EIC has been acting as the Company's agent for cargo forwarding and collection of freight since 2002. As of December 31, 2005 and 2004, the amount receivable under the agency agreement was \$83,602 thousand and \$340,659 thousand, respectively.
- (3) The Company has entered into an agreement with ESRC. Under the agreement, ESRC should provide security service in the Taipei office, Kaohsiung office, and container yards. The service fees for Taipei office, Kaohsiung office and container yards were \$846 thousand dollars and \$1,614 thousand dollars, respectively. The fees are paid monthly. About long-term contracts, please refer to Note G.
- (4) The Company has entered into agency agreements with its related parties to manage petty cash required by their vessels, and payments of crew salaries and insurance premiums in Taiwan. The transactions are recorded under "agency reciprocal accounts". As of December 31, 2005 and 2004, the debit balances of the accounts are as follows:

|       | December 31, 2005 | December 31, 2004 |
|-------|-------------------|-------------------|
| EIS   | \$6,758           | \$6,673           |
| GMS   | 11,326            | 10,776            |
| GESA  | 4,557             | 5,300             |
| HML   | 3,064             | 2,022             |
| Total | <u>\$25,705</u>   | <u>\$24,771</u>   |

- (5) The Company has entered into agency agreements with its related parties, under which the related parties act as the Company's overseas agents to deal with the port formalities related to foreign ports, such as arrival and departure of the Company's ships, cargo stevedoring and forwarding, collection of freight and payment of expenses incurred with foreign ports. The transactions are recorded under "agency accounts". As of December 31, 2005 and 2004, the balances of the accounts are as follows:

### 1. Debit balances of agency accounts

|       | December 31, 2005 | December 31, 2004  |
|-------|-------------------|--------------------|
| GMS   | \$320,605         | \$662,240          |
| EIS   | 434,606           | 228,700            |
| EIC   | 47,966            | -                  |
| GESA  | 27,225            | 152,601            |
| LT    | 37,016            | 576,461            |
| HML   | -                 | 338,753            |
| EMI   | 56,081            | 32,991             |
| EGT   | 3,938             | 70,150             |
| EGS   | -                 | 181                |
| Total | <u>\$927,437</u>  | <u>\$2,062,077</u> |

2. Credit balances of agency accounts

|              | December 31, 2005 | December 31, 2004 |
|--------------|-------------------|-------------------|
| HML          | \$8,160           | \$-               |
| EGI          | 50,239            | -                 |
| <b>Total</b> | <b>\$58,399</b>   | <b>\$-</b>        |

(6) The Company has been commissioned by its related parties to manage their vessels. The management fees are charged monthly and are recorded as operating revenues. Details of the management fees recognized for the years ended December 31, 2005 and 2004 are as follows:

|              | December 31, 2005 | December 31, 2004 |
|--------------|-------------------|-------------------|
| EITC         | \$93,472          | \$96,793          |
| EIS          | 75,528            | 32,993            |
| GMS          | 98,923            | 49,260            |
| HML          | 32,744            | 12,271            |
| GESA         | 17,879            | -                 |
| <b>Total</b> | <b>\$318,546</b>  | <b>\$191,317</b>  |

(7) Please refer to Note G for details of the agreements entered into by the Company with EITC, GESA, GMS and EIS for the long-term leases of ships.

6. About the significant subsequent events with related parties please refer to Note I.

F. PLEDGED ASSETS

1. Short-term investments

|              | Carrying Value    |                   | Purpose           |
|--------------|-------------------|-------------------|-------------------|
|              | December 31, 2005 | December 31, 2004 |                   |
| Mutual funds | \$380,000         | \$1,074,069       | Commercial papers |

2. Restricted assets - current

|               | December<br>31, 2005 | December<br>31, 2004 | Pledgee                           | Purpose                  |
|---------------|----------------------|----------------------|-----------------------------------|--------------------------|
| Time deposits | \$130,000            | \$130,000            | Kaohsiung Harbor<br>Bureau        | Performance<br>guarantee |
| Time deposits | 1,050                | 4,550                | Military - Finance<br>Department  | Performance<br>guarantee |
| Time deposits | 600                  | -                    | Kaohsiung Customs<br>Bureau       | Performance<br>guarantee |
| Time deposits | 50                   | 600                  | Directorate General of<br>Customs | Performance<br>guarantee |
| Time deposits | 350                  | 50                   | Central Trust of China            | Performance<br>guarantee |
| <b>Total</b>  | <b>\$132,050</b>     | <b>\$135,200</b>     |                                   |                          |

### 3. Property, plant and equipment

|                                   | Carrying Value     |                    | Purpose                             |
|-----------------------------------|--------------------|--------------------|-------------------------------------|
|                                   | December 31, 2005  | December 31, 2004  |                                     |
| Land                              | \$1,947,491        | \$1,947,491        | Long-term loans                     |
| Buildings                         | 998,913            | 1,021,551          | Long-term loans                     |
| Loading and discharging equipment | -                  | 669,208            | Long-term loans                     |
| Transportation equipment          | 1,760,363          | 2,199,770          | Long-term loans                     |
| Ships and equipment               | -                  | 399,583            | Long-term loans and corporate bonds |
| <b>Total</b>                      | <b>\$4,706,767</b> | <b>\$6,237,603</b> |                                     |

## G. COMMITMENTS AND CONTINGENT LIABILITIES

1. Details of the stand-by letters of credit issued by the banks on behalf of the Company are as follows: (expressed in thousand dollars)

| Guarantor         | December 31, 2005 |       | December 31, 2004 |         |
|-------------------|-------------------|-------|-------------------|---------|
| Taipei Fubon Bank | NTD               | -     | NTD               | 282,213 |
| Bank of America   | USD               | 5,000 | USD               | 250     |
| HSBC              | EUR               | -     | EUR               | 1,050   |

2. Endorsements and guarantees issued by the Company are as follows: (expressed in thousand dollars)

| Companies receiving guarantees | December 31, 2005 |         | December 31, 2004 |         |
|--------------------------------|-------------------|---------|-------------------|---------|
| GMS                            | USD               | 290,197 | USD               | 463,116 |
| Peony                          | USD               | -       | USD               | 81,350  |
| TCT                            | EUR               | 41,213  | USD               | 92,563  |
| HML                            | USD               | 412,686 | USD               | 352,750 |
| Island                         | USD               | -       | USD               | 56,353  |
| CCT                            | USD               | 18,353  | USD               | 19,080  |
| Whitney                        | USD               | 8,621   | USD               | -       |
| Hemlock                        | USD               | 44,262  | USD               | -       |

3. 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 the 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 initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at NTD50.50 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 NTD50.50 per share, and the GDRs issued amounted to USD115 million. Another 2,025,506 units, representing 20,255,111 shares of the Company's common stock, were issued during the period from 1997 to December 31, 2005. As of December 31, 2005, 7,453,148 units were redeemed and 839,388 units, representing 8,393,931 shares of the Company's common stock, were outstanding.

4. As of December 31, 2005, the 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 containers and general working capital requirement were NTD 7,592,000 thousand and JPY 760,000 thousand, respectively, and the unutilized credits were NTD 2,459,000 thousand and JPY 760,000 thousand, respectively.
5. As of December 31, 2005, details of the loading and discharging equipment acquired to support the operations of the No. 4 and the No. 5 Container Distribution Center at Kaohsiung Harbor were as follows: (expressed in thousand dollars)

| Item                       | Contract Amount | Amount Paid | Amount Accrued |
|----------------------------|-----------------|-------------|----------------|
| Rail mounted gantry cranes | USD 4,020       | USD 2,172   | USD 1,848      |
| Rail mounted gantry cranes | NTD 207,000     | NTD 41,400  | NTD 165,600    |
| Gantry cranes              | USD 16,650      | USD 7,493   | USD 9,157      |

6. As of December 31, 2005, the estimated amounts of rent payable in the following years under the long-term lease agreements entered into by the Company for the rental of ships and equipment are as follows:

| Lessor | Amount<br>(in thousand dollars) |
|--------|---------------------------------|
| EITC   | USD 45,507                      |
| GESA   | 78,075                          |
| GMS    | 59,316                          |
| EIS    | 1,985                           |
| KSG    | 15,738                          |
| EPC    | 2,690                           |
| TDS    | 42,709                          |
| HFE    | 1,614                           |
| Total  | USD 247,634                     |

7. As of December 31, 2005, the estimated amounts of security service in the following years under the long-term contract that the Company entered into with ESRC is \$77,455 thousand.
8. As of December 31, 2005 and 2004, the promissory notes issued by the Company for loans borrowed amounted to \$7,597,221 thousand and \$11,027,131 thousand, respectively.

#### H. SIGNIFICANT DISASTER LOSSES

None.

#### I. SIGNIFICANT SUBSEQUENT EVENTS

1. On March 1, 2006, the Company's board of directors resolved to sell the Ever-Growth, the Ever-Gentle, the Ever-Garden, the Ever-Gifted, and the Ever-Govern to indirect subsidiary-Greencompass Marine S.A. for routing and ships adjustments, the total amount of the transaction was USD37,000 thousand ; the Company's board of directors also resolved to acquire the Uni-Crown, the Uni-Chart, the Uni-Concert, the Uni-Corona, the Uni-Concord from related party-EITC, the total amount of transaction was USD63,800 thousand . As of the date on which the financial statements were issued, the proposal of acquiring and selling ships was still in process.

2. The Company's board of directors resolved to inject additional cash in EVA Airways Corporation(EVA Airways) as a shareholder on March 1, 2006. The Company subscribed to 58,159 thousand shares for \$697,906 thousand at \$12 per share, issued by EVA Airways. After cash injection, the Company's investment in EVA Airways represents 20.02% of its equity.

## J. OTHERS

### 1. Derivative financial instruments

- (1) The contract (notional principal) amounts and credit risk (expressed in thousand dollars)

| Financial Instruments       | December 31, 2005                    |             | December 31, 2004                    |             |     |           |   |
|-----------------------------|--------------------------------------|-------------|--------------------------------------|-------------|-----|-----------|---|
|                             | Notional Principal (Contract Amount) | Credit Risk | Notional Principal (Contract Amount) | Credit Risk |     |           |   |
| <b>Non-trading purposes</b> |                                      |             |                                      |             |     |           |   |
| Interest rate swaps (IRS)   | USD                                  | 157,500     | USD                                  | 799         | USD | 120,000   | - |
|                             | NTD                                  | 1,910,000   | -                                    | -           | NTD | 2,615,000 | - |
| Cross currency swaps (CCS)  | USD                                  | 13,125      | -                                    | -           | USD | 21,875    | - |
| Oil swaps                   | USD                                  | 70,946      | USD                                  | 3,676       | USD | 7,946     | - |
| <b>Trading purposes</b>     |                                      |             |                                      |             |     |           |   |
| Foreign exchange options    | USD                                  | 23,235      | -                                    | -           | USD | 58,000    | - |
|                             | EUR                                  | 25,000      | -                                    | -           | EUR | 31,000    | - |
|                             | JPY                                  | 1,920,000   | -                                    | -           | JPY | 5,415,235 | - |

The above credits risk amounts are based on the contracts with positive fair values on the balance sheet date and represent the possible loss that will be incurred by the Company in the event that the counterparties default. The counterparties of the Company are all well-known banks with good credit ratings. Thus, the credit risk is assessed to be remote.

- (2) Market risk

Interest rate swaps, cross currency swaps, foreign exchange options, forward exchange contracts and oil swaps are utilized to hedge against fluctuations in interest rates, exchange rates and oil prices. Thus, the market risk is offset against each other. Periodic reviews are conducted on the Company's exposure to market risk, and a stop-loss mechanism has been established to minimize the impact of market risk on the Company's operations.

- (3) Liquidity risk, cash flow risk and the amount, timing and uncertainty of future cash requirements

As no principals are exchanged upon settlement of the interest rate swaps, cross currency swaps, forward exchange contracts and foreign exchange options, no significant cash requirement is expected. Therefore, the Company's working capital is assessed to be adequate and no funding risk is expected. In addition, the interest rates, exchange rates and prices are fixed. Thus, cash flow risk is remote.

**(4) The purposes and strategies of holding derivative financial instruments**

The derivative financial instruments are held for trading and non-trading purposes. Interest rate swaps, cross currency swaps, forward exchange contracts and foreign exchange options are undertaken to hedge against fluctuations in interest rates and exchange rates, whereas oil swaps are used to hedge against fluctuations in oil prices and control the cost within a tolerable limit. The aim of the hedging strategy is to hedge most of the market risk. For the derivative financial instruments held for trading purposes, they are undertaken to make profits on the interest rate, exchange rate and price differentials.

**(5) Disclosures of derivative financial instruments in the financial statements**

**(a) Interest rate swaps**

The contracts are settled based on the difference between the spot interest rate and contracted interest rate. The amount received and paid upon settlement is recorded as a deduction from and an addition to the interest expense on shipping finance, respectively.

**(b) Cross currency swaps**

The difference between the spot exchange rate and the contracted rate is recorded as foreign exchange gain or loss at maturity of the contracts.

**(c) Foreign exchange options**

As the Company has actual position in the underlying assets, full settlements are conducted at expiration of the contracts. The difference between the spot exchange rate and the contracted rate is recorded as foreign exchange gain or loss upon settlement.

**(d) Oil swaps**

The contracts are settled based on the difference between the spot oil price and the contracted price. The amount received and paid upon settlement is recorded as a deduction from and an addition to fuel expense.

**(6) Financial instruments undertaken to hedge the commitments for expected transactions**

Oil swaps are undertaken to fix the oil price within a tolerable limit for future oil usage.

## 2. Fair values of financial instruments

| Non-Derivative Financial Instruments                | December 31, 2005 |             | December 31, 2004 |             |
|---|-------------------|-------------|-------------------|-------------|
|   | Carrying Value    | Fair Value  | Carrying Value    | Fair Value  |
| <b>Assets</b>                                       |                   |             |                   |             |
| Cash and cash equivalents                           | \$4,701,240       | \$4,701,240 | \$4,171,007       | \$4,171,007 |
| Short-term investments                              | 4,402,881         | 4,445,872   | 16,990,797        | 17,035,662  |
| Notes and accounts receivable                       | 2,718,089         | 2,718,089   | 3,655,296         | 3,655,296   |
| Other financial assets - current                    | 613,203           | 613,203     | 61,058            | 61,058      |
| Long-term equity investments                        | 61,319,140        | 60,763,146  | 54,230,267        | 54,742,353  |
| Long-term bond investments                          | 12,581            | 12,581      | -                 | -           |
| Other financial assets - non-current                | -                 | -           | 135,330           | 135,330     |
| Refundable deposits                                 | 169,208           | 169,208     | 42,408            | 42,408      |
| Long-term receivables (including current portion)   | 422,048           | 422,048     | 507,179           | 507,179     |
| Restricted assets                                   | 132,050           | 132,050     | 135,200           | 135,200     |
| <b>Liabilities</b>                                  |                   |             |                   |             |
| Short-term loans                                    | 1,800,000         | 1,800,000   | 2,795,303         | 2,795,303   |
| Short-term bills payable                            | 799,755           | 799,755     | 2,099,091         | 2,099,091   |
| Notes and accounts payable                          | 7,040,816         | 7,040,816   | 7,110,512         | 7,110,512   |
| Corporate bonds payable (including current portion) | 9,005,039         | 9,005,039   | 11,457,831        | 11,457,831  |
| Long-term loans (including current portion)         | 3,761,000         | 3,761,000   | 13,760,199        | 13,760,199  |
| Accrued pension cost                                | 35,539            | 35,539      | (66,265)          | (66,265)    |
| Guarantee deposits received                         | 125               | 125         | 85                | 85          |
| <b>Derivative Financial Instruments</b>             |                   |             |                   |             |
| Interest rate swaps (IRS)                           | -                 | USD (4,950) | -                 | USD (393)   |
| Cross currency swaps (CCS)                          | -                 | USD (948)   | -                 | USD (2,433) |
| Foreign exchange options                            | 33,175            | NTD 33,175  | 215,540           | NTD 215,540 |
| Oil swaps   | -                 | USD 2,832   | -                 | USD (9,100) |

The methods and assumptions adopted by the Company to estimate the fair values of the above financial instruments are summarized below.

- (1) Fair values of the short-term financial instruments are estimated to be equal to their carrying values. As maturity of these instruments is short, it is reasonable that their fair values equal their carrying values. This method is applied to cash and cash equivalents, notes and accounts receivable, refundable deposits, restricted assets, short-term loans, short-term notes and bills payable, notes and accounts payable, and guarantee deposits received.
- (2) Fair values of marketable securities equal the quoted market prices, if available. If the quoted market prices are not available, fair values are estimated using financial information or other information.

- (3) Fair values of long-term loans are estimated based on the present values of future cash flows. The discount rate is based on the interest rate charged on a comparable long-term loan with similar terms and conditions.
  - (4) Fair values of corporate bonds payable equal the quoted market prices, if available. If the quoted market prices are not available, fair values are estimated using financial information or other information.
  - (5) Fair values of derivative financial instruments are estimated to be equal to the amounts that should be received or paid if the contracts are settled on the balance sheet date. Unrealized gains (losses) on the outstanding contracts are normally included in the estimation. The prices quoted by the financial institutions are used as a reference for estimation of the derivative financial instruments' fair values.
3. Certain vessels of GMS, an indirect subsidiary of the Company, were under investigation by the US government agency due to inadequate documentation on fuel handling. In April 2005, the Company reached an agreement with the US Department of Justice, under which GMS agreed to make a reconciliation payment of USD12,515 thousand.

## K. SUPPLEMENTARY DISCLOSURES

### 1. Information on significant transactions

#### (1) Loans extended by the Company

Please see Schedule 4.

#### (2) Endorsements and guarantees provided by the Company

Please see Schedule 5.

#### (3) Marketable securities held by the Company as of December 31, 2005

Please see Schedule 6.

#### (4) Acquisition or sale of one specific security with the accumulated amount exceeding NT\$100 million or 20% of the Company's paid-in capital

Please see Schedule 7.

#### (5) Acquisition of real estate properties with an amount exceeding NTD100 million or 20% of the Company's paid-in capital

None.

#### (6) Disposal of real estate properties with an amount exceeding NTD100 million or 20% of the Company's paid-in capital

None.

- (7) Purchases from or sales to related parties exceeding NTD100 million or 20% of the Company's paid-in capital

Please see Schedule 8.

- (8) Receivables from related parties exceeding NTD100 million or 20% of the Company's paid-in capital

Please see Schedule 9.

- (9) Derivative financial instruments undertaken by the Company

Please refer to Note J1 and J2.

## 2. Information on the investees

- (1) Information on the investees over which the Company can directly or indirectly exercise significant influence or in which the Company has controlling power

Please see Schedule 10.

- (2) Significant transactions conducted by the investees in which the Company has direct or indirect controlling power

- (a) Loans extended by the investees

Please see Schedule 4.

- (b) Endorsements and guarantees provided by the investees

None.

- (c) Marketable securities held by the investees as at December 31, 2005

Please see Schedule 6.

- (d) Acquisition or sale of one specific security with the accumulated amount exceeding NTD100 million or 20% of the respective investee's paid-in capital

None.

- (e) Acquisition of real estate properties with an amount exceeding of NTD100 million or 20% of the respective investee's paid-in capital

None.

- (f) Disposal of real estate properties with an amount exceeding NTD100 million or 20% of the respective investee's paid-in capital

None.

- (g) Purchases from or sales to related parties exceeding NTD100 million or 20% of the respective investee's paid-in capital

Please see Schedule 8.

- (h) Receivables from related parties exceeding NTD100 million or 20% of the respective investee's paid-in capital

Please see Schedule 9.

- (i) Derivative financial instruments undertaken by the investees

Please see Schedule 11.

### 3. Information on Mainland China investments

- (1) Details of investments in Mainland China

Please see Schedule 12.

- (2) Significant transactions conducted directly or indirectly with the investees in Mainland China

None.

## L. SEGMENT INFORMATION

### 1. Financial information by industries

The Company is engaged in only one single industry, i.e. international marine transportation and shipping agency. Therefore, no disclosure is required.

### 2. Financial information by geographical areas

The Company is engaged in international marine transportation. Dealings with foreign ports, such as port formalities relating to arrival and departure of the Company's ships, cargo stevedoring and forwarding, collection of freight, and payment of expenses incurred with foreign ports, are handled by overseas shipping agents. Therefore, no disclosure is required.

### 3. Export information

As the Company is engaged in international marine transportation, every vessel sails between the major harbors in the world. Therefore, no export sales are reported.

### 4. Information on major customers

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

## Schedule 11

Evergreen Marine Corporation and Subsidiaries—Greencompass Marine S. A.  
Derivative financial instrument undertaken by the Company and its investee  
December 31, 2005

1. Derivative financial instruments:

- (1) The contract (notional principal) amounts and credit risk (expressed in thousand dollars)

| Financial Instruments        | December 31, 2005                             |             | December 31, 2004                             |             |
|------------------------------|---|-------------|---|-------------|
|                              | Notional<br>Principal<br>(Contract<br>Amount) | Credit Risk | Notional<br>Principal<br>(Contract<br>Amount) | Credit Risk |
| Interest rate swaps<br>(IRS) | USD 108,176                                   | USD 598     | USD -   | USD -       |
| Foreign exchange<br>option   | EUR 3,000                                     | USD -       | USD -   | USD -       |

The above credits risk amounts are based on the contracts with positive fair values on the balance sheet date and represent the possible loss that will be incurred by the Company in the event that the counterparties default. The counterparties of the Company are all well-known banks with good credit ratings. Thus, the credit risk is assessed to be remote.

- (2) Market risk

The interest rate swaps are utilized to hedge against fluctuations in interest rates, exchange rates. And the foreign exchange options are derivative financial instruments which are held for trading. Periodic reviews are conducted on the Subsidiary's exposure to market risk, and a stop-loss mechanism has been established to minimize the impact of market risk on the Subsidiary's operations.

- (3) Liquidity risk, cash flow risk and the amount, timing and uncertainty of future cash requirements

As no principals are exchanged upon settlement of the interest rate swaps and forward exchange options, no significant cash requirement is expected. Therefore, the Subsidiary's working capital is assessed to be adequate and no funding risk is expected. In addition, the interest rates, exchange rates and prices are fixed. Thus, cash flow risk is remote.

- (4) The purposes and strategies of holding derivative financial instruments

The derivative financial instruments are held for trading and non-trading purposes. Interest rate swaps are undertaken to hedge against fluctuations in interest rates and exchange rates. The aim of the hedging strategy is to hedge most of the market risk. For the derivative financial instruments held for trading purposes, they are undertaken to make profits on the interest rate, exchange rate and price differentials.

(5) Disclosures of derivative financial instruments in the financial statements

1) Interest rate swaps:

The contracts are settled based on the difference between the spot interest rate and contracted interest rate. The amount received and paid upon settlement is recorded as a deduction from and an addition to the interest expense on shipping finance, respectively.

2) Foreign Exchange Option:

As the Company has actual position in the underlying assets, full settlements are conducted at expiration of the contracts. The difference between the spot exchange rate and the contracted rate is recorded as foreign exchange gain or loss upon settlement.

2. Fair values of financial instruments

| Derivative financial instruments | 94.12.31       |            | 93.12.31       |            |
|----------------------------------|----------------|------------|----------------|------------|
|                                  | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Interest rate swaps              | USD -          | USD 126    | USD -          | USD -      |
| Foreign exchange options         | USD 166        | USD 166    | USD -          | USD -      |

Evergreen Marine Corporation  
Investments in Mainland China  
For the Year Ended December 31, 2005  
(Expressed in Thousands of Dollars)

| Investee in Mainland China                                     | Main Business  | Paid-in Capital | Way of Investing in Mainland China (Note 1) | Balance of Investments in Mainland China as at January 1, 2005 | Investment Amount Remitted to Mainland China from Taiwan during 2005 | Amount Remitted Back to Taiwan from Mainland China during 2005 | Balance of Investments in Mainland China as at December 31, 2005 | The Company's Direct/ Indirect Ownership in the Investee (%) | Investment Income (Loss) for 2005 (Note 2) | Carrying Value of Investments as at December 31, 2005 | Accumulated Amount of Investment Income Remitted Back to Taiwan as at December 31, 2005 |
|--|--|-----------------|---|--|--|--|--|--|--|---|---|
| Shanghai Jifa Logistics Co., Ltd.                              | Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities | RMB271,565      | (2)   | \$196,275<br>(USD 6,000)                                       | \$-  | \$-  | \$196,275<br>(USD 6,000)   | 21.06  | \$12,360<br>(USD 385)                      | \$266,378<br>(USD 8,143)                              | \$-   |
| Ningbo Victory Container Co., Ltd.                             | Inland container transportation, container storage, loading and discharging  | RMB24,119       | (2)   | \$33,301<br>(USD 1,018)  | -  | -  | 33,301<br>(USD 1,018)  | 40.00  | 25,747<br>(USD 802)                        | 80,898<br>(USD 2,473)                                 | -   |
| Qingdao Evergreen Container Storage & Transportation Co., Ltd. | Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities | RMB92,500       | (2)   | \$145,472<br>(USD 4,447)                                       | -  | -  | 145,472<br>(USD 4,447)   | 40.00  | 14,832<br>(USD 462)                        | 172,100<br>(USD 5,261)                                | -   |
| Shenzhen Greentrans Transportation Co., Ltd.                   | Inland container loading, discharging, storage, repair, cleaning and related activities                                    | RMB44,960       | (2)   | \$102,521<br>(USD 3,134)                                       | -  | -  | 102,521<br>(USD 3,134)   | 55.00  | 2,215<br>(USD 69)                          | 107,264<br>(USD 3,279)                                | -   |
| Shenzhen Hutchison Inland Container Depots Co., Ltd.           | Inland container yard  | HKD92,000       | (2)   | 26,598<br>(HKD 6,304)  | -  | -  | 26,598<br>(HKD 6,304)  | 6.85   | -  | 26,598<br>(HKD 6,304)                                 | -   |

| Balance of Investments in Mainland China as at December 31, 2005 | Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Quota of Investments in Mainland China Imposed by the Investment Commission of MOEA |              |
|--|--|---|--------------|
|  |  |   |              |
| \$504,156<br>(USD 14,599)<br>(HKD 6,304)                         | \$1,095,368<br>(USD 33,485)  | Net worth under \$5,000,000,000 (40%)   | \$2,000,000  |
|  |  | Net worth between \$5,000,000,000 and \$10,000,000,000 (30%)                        | 1,500,000    |
|  |  | Net worth over \$10,000,000,000 (20%)   | 9,811,453    |
|  |  |   | \$13,311,453 |

(Net worth of the Company: NTS59,057,266)

Note 1: Investments in Mainland China can be conducted by the following ways:

- (1) Remitting the funds to Mainland China via a third country
- (2) Via a new investee to be set up in a third country
- (3) Via an existing investee set up in a third country
- (4) Investing directly in Mainland China
- (5) Others

Note 2: Investment income (loss) for the year

"(1)" denotes that the investee is still in the start-up stage.

"(2)" denotes the basis on which the investment income (loss) is recognized.

- (a) Based on the investee's financial statements audited by an international accounting firm other than the Company's auditor
- (b) Based on the investee's financial statements audited by the Company's auditor
- (c) Others