



# 2016

## Annual Report



長榮海運股份有限公司  
EVERGREEN MARINE CORP. (TAIWAN) LTD.

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## **EMC GDRs**

SYMBOL: EGMD

EMC global depositary receipts(GDRs) are listed on

LONDON STOCK EXCHANGE.

Related information can be found at:

<http://www.londonstockexchange.com>

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**Dear Shareholders,**

2016 was undoubtedly a year of major changes in the shipping industry. The global container shipping market experienced five large-scale mergers and acquisitions and one shipping company ranked seventh globally declared bankruptcy. Despite the largest number ever of ship demolitions and blank sailings, shipping capacity remained higher than market demand. The imbalance between supply and demand of shipping space led to unreasonable price competition among carriers. Freight rates tumbled to historic lows. Nevertheless, fundamentals of the global shipping industry began to change late last year. There are signs of gradual improvement in overall conditions. Looking back on last year, the shipping industry has arrived at a turning point.

Company staff followed sustainable development concepts to execute objectives of operating income maximization and cost minimization, with continued improvement of fleet efficiency, enhancement of shipping alliance operations while making great efforts in training staff to boost core competitiveness of the company. With more comprehensive service networks, more concentrated sailing schedules and more on-time delivery we are able to provide customers with quality services that gain their trust and support.



## I. 2016 Business Report

### 1. Container shipping market overview

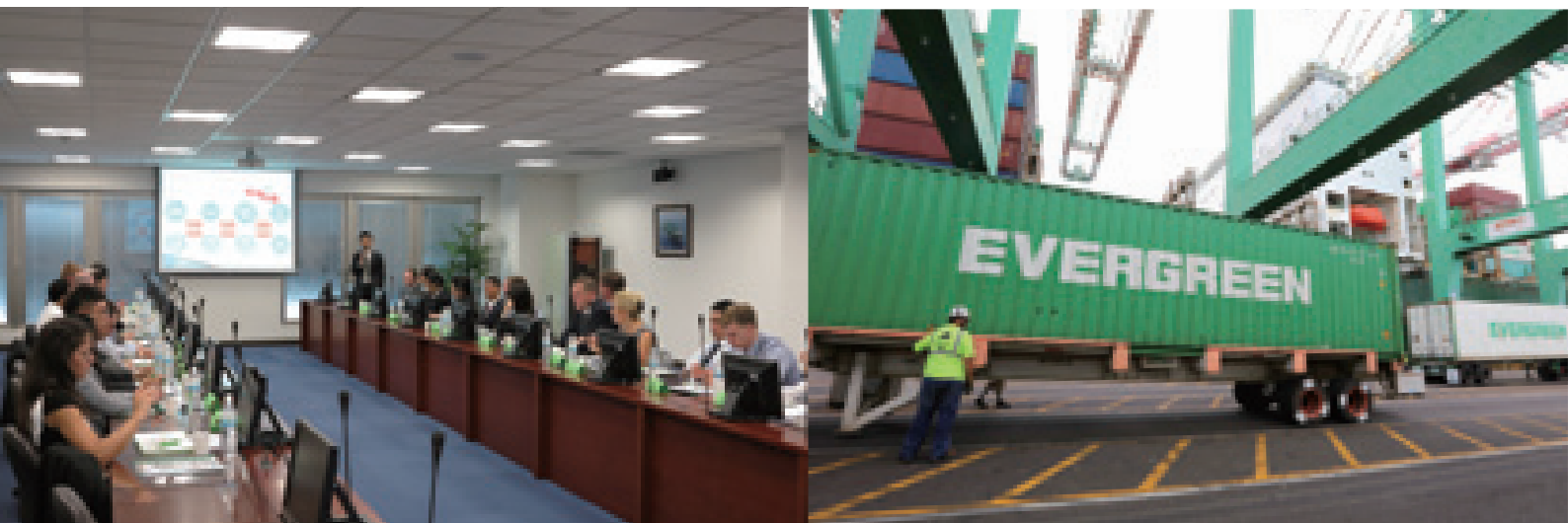
#### A. Cargo volume growth

According to an IMF report, global average GDP growth for 2016 was only 3.1%, below the earlier forecast of 3.4%. The increase global trade volumes as per the WTO was 1.7% in 2016, down from its earlier forecast of 2.8%, which was also below the 3.1% growth rate of the global economy. The revised estimate, reflects the slow pace of global trade and production output growth in the post-2009 financial crisis era. According to CTS (Container Trades Statistics) 2016 volume growth for main Asian trade routes to Europe was 1.2% with Pacific Eastbound volume growth at 4.3% as per data from Datamyne.

#### B. Ship capacity supply

According to statistics of Alphaliner, 2016 global container fleet capacity growth remained slow with an increase of 1.5% (20.27 million TEU vs 19.96 million in 2015), an increase of around 300,000 in TEU capacity. New deliveries totaled 145 ships at 968,749 TEU. 7,500 TEU and above ships dominated sector growth with a total of 69 ships of 882,400 TEU, at 91% of the total.

Panamax 5,000 TEU vessels, after the expansion of the Canal in June, became less





competitive compared with larger vessels, leading to a dip in rental rates. In order to stop losses, ship owners sent ships for demolition, which also set a record for the youngest ever ship scrapping at only seven years old. In addition to instabilities in the freight market, the approval of ballast water treatment legislation and a [IMO] 0.5% sulphur cap to take effect by 2020 have also stimulated demolition of inefficient ships. In 2016 a record was set in the scrapping of nearly 660,000 TEU of all types of vessels (201) at an average ship age of 19 years.

Due to weak market demand, ship owners delayed delivery of about 60 container ships, totaling 400,000 TEU. In addition, 18 container ship orders totaling 57,000 TEU were cancelled.

Due to capacity oversupply and low freight rates, shipping companies were forced to adjust sailings to reduce capacity, resulting in an increase in number of ships idled. By October 2016, idling container ship capacity surged to 1.59 million TEU, an historic high. By the end of 2016, idled capacity softened to 1.42 million TEU.

### **C. Carrier Performance**

2016 was a landmark year in the history of shipping. Freight rates continued to set new lows. Shipping companies went bankrupt, or were restructured. The competitive landscape in the maritime industry changed rapidly. As per Alphaliner's statistics, average Q1 gains of



major global shipping companies was -5.5%, with -9.2% in Q2, -7.8% for Q3 and -1.2% for Q4. In late August, a South Korean shipping firm ranked seventh globally filed for bankruptcy protection. Market status began to improve once shippers crisis awareness became heightened and shipping carrier selection policies changed.

In Shanghai the export price index rose 33% in September, but this was too late to save overall Q3 performance. Key operational indicators such as loading factors and average freight revenue all improved in Q4.

#### **D. Company Operational Strategy**

Evergreen constantly pursues profitability through cost minimization and customer service improvement. Despite a harsh business environment, all employees strive to carry out projected planning, and exert joint efforts to accomplish goals set by management. Overall operations have been improving steadily and the company is on the right track for recovery of revenue flows when the global economy bottoms out. Company strategies are summarized as follows:

- (1) Cost reduction – continuing to control the four main costs, and trying to reduce unit costs;
- (2) Grasp opportunities to increase profits –seize the opportunity to adjust freight rates and





- find niche markets in response to market demand and supply;
- (3) Activation benefit – control cargo structure, and optimize fleet transport capacity;
- (4) Join shipping alliances – cooperate with other partners to provide an expanded service network; and
- (5) Service enhancement – provide customers with better services and more accurate sailing schedules.

## 2. Annual Accounts & Profitability Analysis

In 2016, actual consolidated operating income totaled NT\$124.47 billion, compared with NT\$133.81 billion in 2015, a decrease of NT\$9.35 billion. In 2016, actual consolidated operating costs were NT\$127.96 billion, compared with NT\$132.19 billion in 2015, a decrease of NT\$4.24 billion.

## 3. Research & Development

### A. Green Fleet

According to the “Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port” of the California Air





Resource Board, the Company fleet's use of shore power systems in cold-ironing across the fleet will be enforced to reach an emission reduction of at least 70% from January 1, 2017.

In addition, we maintain an "Environmental Guardians" page on our website so as to proactively share emissions management and treatment of ballast and sludge, as well as introducing 19 state-of-the-art L-type designs and other green instruments for the easy reference of our customers.

## **B. Maritime Training**

Evergreen upholds the spirit and vision of sustainable development, and is committed to professional maritime training. There is a full set of training equipment at the Evergreen Seafarer Training Center, and we organize training courses to improve professional knowledge and skills of crew so as to prevent maritime accidents and environmental pollution.

- (1) In 2016, the Evergreen Seafarer Training Center organized a total of 359 professional training courses in 30 categories, training 2,576 people.
- (2) In May 2016, the UK Maritime and Coastguard Agency recertified the Company for Ships Security Officer, Basic Training - Elementary First Aid, Proficiency in Medical First Aid, Proficiency in Medical Care and Proficiency in Medical Care Refresher





trainings. The courses provided by the Evergreen Seafarer Training Center (ESTC) met the requirements of IMO STCW (Standards of Safety, Training, Certification, and Watchkeeping) 2010 Amendments.

- (3) In October 2016, the Maritime and Port Authority of Singapore agreed to recognize 15 courses conducted by the Evergreen Seafarer Training Center (ESTC) for certification in Human Factor, Leadership and Bridge Resource Management, Human Factor, Leadership and Engine Room Resource Management, Operational Use of ECDIS, etc.
- (4) To expand the cultivation of maritime professionals, Evergreen strengthened its cooperation with National Kaohsiung Marine University, offering a post-graduate program in maritime transportation with a series of complete knowledge and professional skills training, offering the opportunity for non-maritime undergraduates to engage in maritime work. Evergreen also subsidizes the total tuition and part of the accommodation expenses. Qualified students can get internship in Evergreen fleet, then join fleet service further if perform excellently.

**C. E-Commerce**

Evergreen’s shipmentlink.com is being constantly upgraded and innovated for customers. In March 2016, we established an official website (www.master-agency.com.cn) to provide customers in Greater China with new function in addition to existing schedules,



bills of lading, container tracking and cargo reports. Online log-in and uploading of money remittance functions were incorporated into the system to facilitate customer access to updated information at their fingertips, as well as achieving carbon reduction and the overall objective of paperless operations.

Security remains Evergreen Line's top concern. In concert with the new regulations for the safety of life at sea (SOLAS) which came into force on July 1, 2016, we have finished upgrading our website. Customers can easily query weight of containers which has been verified through our website ([www.shipmentlink.com](http://www.shipmentlink.com), [www.master-agency.com.cn](http://www.master-agency.com.cn)), via the mobile app version of ShipmentLink, upload to Excel, E-mail, EDI or VGM transmission platforms provided by third parties. This reduces the risk of cargo delay due to omission of VGM declaration.

In the best interests of consumers and to abide by the governing law, the company has established competition law legal compliance guidelines in site area, whereby the customers are notified of the corporate's determination to adhere to the anti-competitive rules and regulations to fulfill its' social responsibilities .

#### **D. Quality Recognition**

Through our commitment to enhancing service quality, Evergreen earns recognition





from customers, the media, and institutions worldwide:

■ **Evergreen named Best Trans-Pacific Shipping Line**

Evergreen Line was awarded “Best Shipping Line - Trans-Pacific” by Asia Cargo News at the 30th presentation of the Asian Freight, Logistics and Supply Chain Awards (AFLAS).

The criteria for “Supply Chain Asia Logistics Awards” selection include customer service, shipment accuracy, e-commerce systems, innovation and quality of shipping. Over 15,000 readers of Asia Cargo News were invited to select the companies that had consistently demonstrated excellence in customer service, innovation and quality of services provided. Only service users can vote for the AFLAS Awards. This accolade is therefore particularly significant as it signifies a vote of confidence in the carrier's efforts to provide shippers with quality service.

■ **Evergreen Receives Environmental Protection Award from Los Angeles**

In September 2016, the Port Authority of Los Angeles honored Evergreen Line with an environmental protection award. The award was conferred in recognition of the carrier's excellent performance in the 2015 Vessel Speed Reduction Program initiated by the largest port in North America.



The program rewards vessel operators' compliance with a policy of reducing vessel speeds to 12 knots or less within 40 nautical miles of Point Fermin (near the entrance to Los Angeles harbor). The aim is to minimize greenhouse gas emission and thus reduce their impact on air quality in the port community.

In 2015, ships of the Evergreen Line's fleet called 138 times at the Port of Los Angeles. The carrier's voluntary effort to reduce speed is estimated to have lowered emissions by 4,657 tonnes of CO<sub>2</sub>; 156 tonnes of NO<sub>x</sub>; 87 tonnes of SO<sub>x</sub> and 8 tonnes of particulate matter.

## II. 2017 Business Plan

In 2017, the global shipping industry is still facing challenges from global political and economic uncertainties, a possible rise in trade protectionism, an imbalance in maritime transport supply and demand, geopolitical conflicts and rising oil prices.

### 1. Business Strategy

We will continue to maximize revenue flows and minimize costs to achieve KPIs by joining alliances, strictly controlling costs and optimizing cargo structures. Relevant programs are summarized as follows:





**(1) Enhance external cooperation and strengthen service networks**

Evergreen, CMA-CGM, COSCO and OOCL formed Ocean Alliance, the world’s largest shipping alliance, which came into force in April this year. This extended cooperation program provides higher ship operating efficiency, a comprehensive network of services, intensive sailing schedules and more stable delivery times, which in turn will lead to increased revenue streams.

**(2) Proactive Cost Reduction**

The following measures will be adopted to reduce costs:

- Management of key bunker consumption
- Add extra vessels and slow steaming
- Tight control of ship speed and selection of bunkering port
- Demand terminal operators to improve efficiency and increase incentives
- Tighten container supply ratio
- Strict control on global inventory of empty containers
- Improve trans-shipping efficiency
- Reduce cost of inland transportation and stop accumulation of overdue containers.



## 2. Industry Outlook

### **Cargo Demand**

According to the IMF's latest report - World Economic Outlook (WEO), in 2016 the global GDP growth rate was revised down to 3.1%. The 2017 global GDP growth rate is estimated to be 3.4%. Global cargo growth rate is about the same as GDP growth. If the IMF's projected global GDP growth rate of 3.4% was realized, there will be improved volume growth in 2017. In addition China's execution of the "One Belt One Road" initiative is expected to lead to massive enhancement of the region's economic and trade development.

### **Capacity Supply**

According to Alphaliner, global fleet capacity in 2017 is estimated to reach 20.97 million TEU (new deliveries of 1.45 million TEU vs. fleet deletion of 600,000 TEU, a net increase of about 850,000 TEU). Compared to the total global fleet of 20.27 million TEU in 2016, global fleet capacity is expected to increase by 3.4% this year.

According to Clarkson Consulting, sluggish deliveries in 2016 broke the consecutive four-year run of growth in delivered capacity. Over time the rate of growth in the box ship fleet has moderated, averaging 11% from 2000-2009, and 6% from 2010-2016. With more





moderate deliveries, and elevated levels of demolition, fleet growth of 3% per annum is projected for 2017 and 2018. Overall delivery trends, alongside other factors, could be signaling the start of a slower period of growth in the box ship fleet.

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

#### **External Competition**

Bunker fuel prices have rebounded by more than 50% from last June to January this year. It is expected that rising oil prices will continue for an extended period of time; operating expenses will increase and the whole shipping industry will suffer increased pressure. But this will also indirectly lead to more cautious execution by carriers in the face of irrational price competition. The bankruptcy of the Korean shipping line convinced shippers that freight charges are not the only consideration in carrier selection. On the other hand, mergers and acquisitions and restructuring of carriers makes an even more convincing argument that ignoring market needs and stubbornly investing excess capacity in the market will not only be counter-productive to the healthy growth and development of the market, but will also deliver negative results to shareholders and the investing public in general.

#### **Regulatory Impact**

- (1) China has published new regulations designating three areas as sulphur control areas. Effective Jan. 1, 2017, all ships berthing at ports near the Pearl River Delta, Yangtze River Delta and the Bohai Sea must use fuel with a sulfur content of  $\leq 0.5\%$  m/m.
- (2) On September 8, 2016, Finland ratified a key international measure for environmental protection that aims to stop the spread of potentially invasive aquatic species in ships' ballast water. Signatories number 52 countries so far. Merchant shipping tonnage reached 35.14% of world merchant shipping tonnage (in 30 different countries with an effective threshold of 35%). The International Convention on the Control and Management of Ships' Ballast Water and Sediment (BWM Convention) will come into force on September 8, 2017.
- (3) The IMO reached a decision in October 2016, that the 0.5% global ship fuel sulphur limit will become effective from January 1, 2020. Ships operating within the Baltic, North Sea, North American, and U.S. Caribbean Emission Control Areas (ECAs) will need to continue to comply with the 0.1% sulphur limit regulation.

#### **Macro Business Operating Environment**

- (1) The outlook for the 2017 shipping market is still facing enormous challenges. The bankruptcy of a Korean shipping firm set alarm bells ringing, even though shipping freight rates have begun to rebound. New ship orders decreased to historic lows. New ship deliveries were delayed while scrapping of old ships broke records. Oversupply of capacity has been largely improved. But new market development after new alliances between main carriers and the stable evolution of reasonable shipping costs remain a future focus. The latest World Bank report has projected that 2017 global economic growth is expected to be 0.3% higher than 2016. The 2017 shipping market remains full of expectancy.



(2) Owing to the popularity of the Internet, e-commerce platforms are becoming evermore popular. E-commerce has advantages in efficiency and opportunities for saving cost. However, international shipping involves complicated procedures. Cross-border rules and regulations on taxation and financial payments are incomplete, therefore the main functions of e-commerce are still limited to data transmission and file creation. Marketing, value-added supply chains and financial services via the Internet are still at an exploratory stage.

#### **4. Future strategy**

The crises leading to 2016's shipping market turmoil have yet to dissipate. But these crises will become nutrients for a turn around in 2017; with the company's new ships being delivered in 2017, and with the Ocean Alliance's official kick-off, we are confident that the application of new technologies will ensure a higher level of security for sailings. The implementation of environment protection conventions will make shipping more environmentally friendly. Shipping alliances will provide more efficient utilization of ship capacities. Cargo owners will look to ship with shipping carriers with sound financial standing. All of this will contribute to the healthy and stable development of shipping markets.

#### **5. Conclusion**

Over the past year, we sailed on perilous high seas. Overcapacity in shipping markets remains. All Evergreen employees will need embrace the spirit of "challenge, innovation, teamwork" to overcome market adversity and meet shareholder expectations.



### 1. Brief Introduction

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

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

#### 1968-1976

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

#### 1977-1986

- Evergreen Marine (UK) Limited founded.
- Launched unprecedented round-the-world eastbound services and westbound regular full container services.
- Evergreen Shipping Agency (Deutschland) GmbH founded.

#### 1987-1996

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

#### 1997-2001

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

#### 2002-2006

- Evergreen Shipping Agency (Australia) Pty. Ltd. founded.
- Certified for "Safety, Quality & Environmental Management" by American Bureau of

### Shipping.

- PT. Evergreen Shipping Agency Indonesia founded.
- Evergreen Shipping Agency (Vietnam) Corporation founded.
- Evergreen Group orders Ten S-series container vessels from Mitsubishi Heavy Industries Ltd.
- Evergreen Shipping Agency (India) Private Ltd founded.
- Opened a new state-of-the-art Pierce County Container Terminal at the Port of Tacoma, invested in by Evergreen Group.
- Evergreen Shipping Agency (Italy) S.P.A. founded.

### 2007-2011

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

### 2012-2015

- Launched “ShipmentLink Mobile”, an e-commerce app for handheld devices.
- Evergreen Line and CKYH entered into Individual Cooperation Agreements.
- Received Liner Owner/Operator Award at the 2012 Seatrade Asia Awards.
- Launched West Coast of Central America (WCA) service with X-Press.
- Evergreen Seafarer Training Center achieved ClassNK Certification.
- Launched South China–Philippines–East Malaysia (CPM) service.
- Launched China–Pacific South West (CPS2) service.
- Launched China–Australia–Taiwan (CAT) service.
- Received Environment Award from Lloyd’s List.
- Launched New Ho Chi Minh (NHS) service.
- Evergreen Line signed agreements with Costamare and Shoeni Kisen Kaisha to each provide on charter five 14,000 TEU containerships.
- Evergreen teamed up with COSCO, K Line, Yang Ming and Hanjin to establish the CKYHE Alliance.
- Ever Living, Evergreen’s first L type containership built by CSBC was chosen “Ship of the Year” by the Taiwan Society Naval Architects and Marine Engineers.
- Evergreen Line was awarded “Best Shipping Line - Intra-Asia” by Cargonews Asia in the 28th Annual Asian Freight & Supply Chain Awards (AFSCA).
- Evergreen received a Training Award in the 2014 Lloyd List Asia Awards.
- Evergreen Group signed time charter agreements with Shoeni Kisen Kaisha in January to charter six 18,000 TEU vessels, including six units chartered by Evergreen Marine Corp. (EMC) and its subsidiary.
- Evergreen Line launched a new Taiwan–Shekou–Malacca Strait service (TSS) in March and introduced a dedicated Taiwan – Hong Kong service (THK).
- Evergreen Line won the 2015 LOG-NET E-Commerce Excellence Award at the Trans Pacific Maritime conference held in Long Beach in March.
- Evergreen Line launched its new Vietnam-Singapore-Malaysia service (VSM) in May.
- Evergreen Line named “Best Global Shipping Line” by Asia Cargo News at the 2015 Asian Freight Logistics and Supply Chain Awards in July.
- Evergreen Group signed an agreement with CSBC Corporation in July to build ten 2800 TEU B-type vessels.
- Evergreen Group signed an agreement with Japanese shipbuilder Imabari in September for another ten 2800 TEU B-type vessel.



- Evergreen Group's Colon Container Terminal, S.A. (CCT) completed construction of its Berth No. 4 in December. The facility can accommodate large containerships of up to 14,000 TEU.

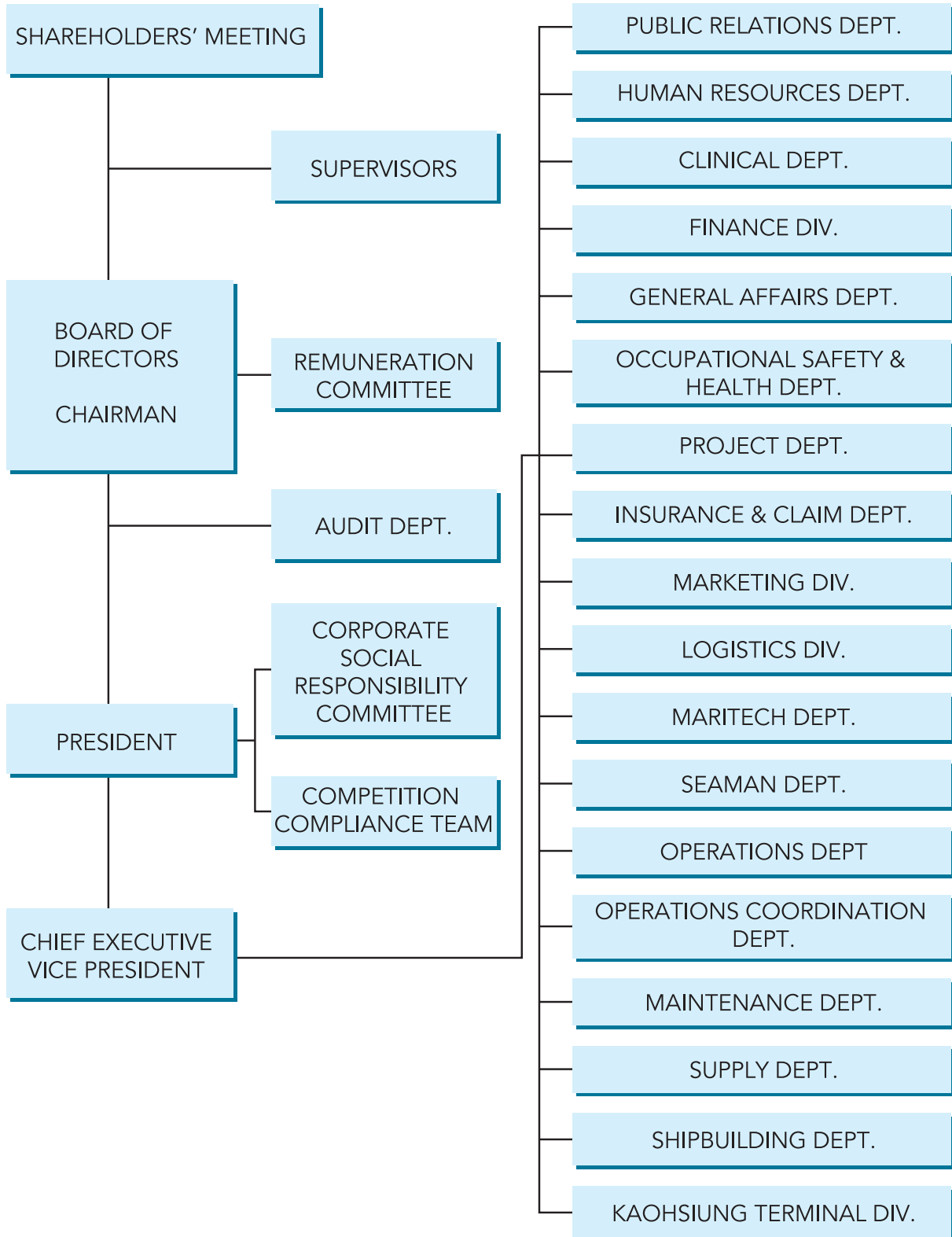
### 2016

- Evergreen Line signed a Memorandum of Understanding with CMA CGM, COSCO Container Lines and OOCL to form the Ocean Alliance, which will provide a comprehensive service network covering Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-North America East Coast, and Trans-Atlantic trade routes. Subject to regulatory approval of the competent authority, the new Alliance plans to begin operations in April 2017.
- In order to develop more marine professionals, Evergreen Marine Corporation signed up collaboration project with National Kaohsiung Marine University, offering marine technology classes for students who have not studied in this realm before.
- Evergreen Line named "Best Shipping Line – Trans-Pacific" by Asia Cargo News at the 2016 Asian Freight, Logistics and Supply Chain Awards (AFLAS) in June.
- Evergreen's 8,000 TEU vessel passed through the expanded Panama Canal in July. In light of the business opportunities offered by the expansion of the Canal, Evergreen has upgraded the size of ships utilized for Far East – US East Coast services.
- In a move designed to significantly enhance China-Indian Subcontinent trade, Evergreen Line teamed up with Wan Hai, COSCO, "K" Line and PIL to offer two joint services from early September.
- In response to the reorganization of Hanjin (a CKYHE alliance member), Evergreen Line has added new functions to its on-line e-commerce system, offering customers real time cargo status updates, and providing detailed service plans within its own networks as an effective substitute to cover the services impacted by Hanjin.
- Evergreen Line worked with COSCO in operating a joint Adriatic – Israel service, providing direct and rapid service to customers.
- Evergreen teamed up with YML, OOCL, MOL & "K" Line to offer a new joint North East Asia – Australia Express.
- Evergreen Line and Ocean Alliance partners signed a document entitled 'the Day One Product' that sets out the proposed Ocean Alliance's network, including port rotation for each service loop.

### 2017

- Evergreen Line voluntarily participate in Vessel Speed Reduction Program, lead by NOAA's Channel Islands National Marine Sanctuary. The practical action to avoid whale collisions and reduce greenhouse gas emissions of vessels has been honored with an environmental protection award.
- For an unprecedented third consecutive year, Evergreen Line received the E-Commerce Excellence Award from LOG-NET, a leading information systems integrator of ocean carriers and customers. Striving to create efficient information system and reliable service chain, Evergreen continues to work for the growth and success of our valued customers.
- For cultivation of maritime talents and sustainable development of local shipping industry, Evergreen Marine Corporation teamed up with National Taiwan Ocean University to provide a special seafarer training program. The 18-month scheme is designed to offer professional engineering classes to those who have bachelor's degree and passion for ship maintenance but have not previously studied in mechanical engineering departments of maritime colleagues.

## 2. Organization



**3. Directors & Supervisors**

Date: 2017/4/24

Title	Name	Elected Date
Chairman	Mr. Chang, Cheng-Yung (Representative of Evergreen Airline Services Corp.)	2014.06.18
Director	Mr. Chang, Kuo-Hua (Representative of Evergreen International S.A.)	2014.06.18
Director	Mr. Lee Mong-Jye <sup>(Note 1)</sup> (Representative of Chang Yung-Fa Charity Foundation)	2016.03.18
Director	Mr. Hu, Daw-Ming <sup>(Note 2)</sup> (Representative of Evergreen International S.A.)	2016.03.18
Director	Mr. Hsieh, Huey-Chuan <sup>(Note 3)</sup> (Representative of Evergreen Airline Services Corp.)	2016.03.18
Independent Director	Mr. Wu, Chin-Shun	2014.06.18
Independent Director	Mr. Chang, Chia-Chee	2014.06.18
Independent Director	Mr. Chen, Ching-Kuhn	2014.06.18
Supervisor	Ms. Ko, Lee-Ching (Representative of Evergreen Steel Corp.)	2014.06.18
Supervisor	Ms. Ku Lai, Mei-Hsueh (Representative of Evergreen Steel Corp.)	2014.06.18

Note:

1. Mr. Lee Mong-Jye was appointed by Chang Yung-Fa Charity Foundation on Mar. 18, 2016.
2. Mr. Hu, Daw-Ming was appointed by Evergreen International S.A. on Mar. 18, 2016.
3. Mr. Hsieh, Huey-Chuan was appointed by Evergreen Airline Services Corp. on Mar. 18, 2016.

## 4. Corporate Governance

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

A. The Board of Directors consists of nine directors (including three independent directors) who were re-elected by the 2014 Shareholders' Meeting.

B. Mr. Lee, Mong-Jye was appointed by Chang Yung-Fa Charity Foundation on Mar. 18, 2016.

Mr. Hu, Daw-Ming was appointed by Evergreen International S.A. on Mar. 18, 2016.

Mr. Hsieh, Huey-Chuan was appointed by Evergreen Airline Services Corp. on Mar. 18, 2016.

Mr. Hsieh, Chih-Chien was discharged on Jun. 23, 2016.

Mr. Chang, Kuo-Wei and Mr. Lin, Long-Hwa were discharged on Mar. 18, 2016.

C. Board Meetings were convened six (6) times in 2016. Directors' attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate in person (%)
Chairman	Chang, Cheng-Yung (Representative of Evergreen Airline Services Corp.)	6	0	100%
Director	Chang, Kuo-Hua (Representative of Evergreen International S.A.)	5	1	83.33%
Director	Hu, Daw-Ming (Representative of Evergreen International S.A.)	5	1	83.33%
Director	Lee, Mong-Jye (Representative of Chang Yung-Fa Charity Foundation)	6	0	100%
Director	Hsieh, Huey-Chuan (Representative of Evergreen Airline Services Corp.)	5	1	83.33%
Director	Hsieh, Chih-Chien (Representative of Evergreen International S.A.)	2	0	100%
Director	Mr. Chang, Kuo-Wei (Representative of Evergreen Airline Services Corp.)	0	0	0%
Director	Mr. Lin, Long-Hwa (Representative of Evergreen International S.A.)	0	0	0%
Independent Director	Wu, Chin-Shun	6	0	100%
Independent Director	Chang, Chia-Chee	6	0	100%
Independent Director	Chen, Ching-Kuhn	6	0	100%



**(2) Composition and Operations of the Supervisors**

- A. The Company’s two supervisors were re-elected by the Shareholders’ meeting in 2014.
- B. According to Article 218-2 of the Company Law, the Supervisors of the Company may attend the board of directors’ meeting to express their opinion. The Supervisors’ attendance status in 2016 was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate in person (%)
Supervisor	Ms. Ko, Lee-Ching (Representative of Evergreen Steel Corp.)	6	0	100%
Supervisor	Ms. Ku Lai, Mei-Hsueh (Representative of Evergreen Steel Corp.)	6	0	100%

- C. The Supervisors shall understand the financial and business status of the Company by communicating with internal auditors and independent accountants. Internal auditors submit audit reports to the supervisors periodically, and the Company’s independent accountants present a financial report and audit status to the supervisors periodically.

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

- A. The Company’s Remuneration Committee is composed of three independent directors.
- B. The duties of the Remuneration Committee are as follows:
  - (a) Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors, supervisors and managers.
  - (b) Periodically evaluate and establish remuneration of directors, supervisors, and managers.
- C. The Remuneration Committee met two (2) times in 2016. Members’ attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate in person (%)
Convener	Mr. Wu, Chin-Shun	2	0	100%
Member	Mr. Chang, Chia-Chee	2	0	100%
Member	Mr. Chen, Ching-Kuhn	2	0	100%



**(4) Information disclosure is required if the company has established principles related to corporate governance:**

Details can be found on [http://www.evergreen-marine.com/tbi1/jsp/TBI1\\_Governance.jsp](http://www.evergreen-marine.com/tbi1/jsp/TBI1_Governance.jsp), <http://mops.twse.com.tw/> and <http://stock.evergreen.com.tw>

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

**Evergreen Marine Corp. (Taiwan) LTD.**

**Internal Control Statement**

Date: Mar. 31, 2017

The Company states the following with regard to its internal control system during the period from Jan. 1, 2016 to Dec. 31, 2016, based on the findings of self-evaluation:

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



reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on Mar. 30, 2017, where zero of the 8 attending directors (include commissioned to attend) expressed dissenting opinions, and all affirmed the contents of this Statement.

Evergreen Marine Corp.(Taiwan) LTD.

Chairman:

President:

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

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

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

- (a) Use professional financial information systems and maintain close contact with financial institutions to get the most up-to-date exchange rate information.
- (b) Use the same currency as revenue received in order to pay expenses if possible in order to achieve a natural hedge and prevent exchange rate risk.
- (c) Open foreign currency accounts to buy or sell foreign currencies.

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

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

All derivatives trades are for purposes of hedging. Interest rate and fuel swap agreements are done to hedge risk arising from market volatility and fluctuation.





## I. Business Highlights

### 1. Business Scope

(1) The company's main areas of business

The core business of Evergreen Marine is container shipping. Our fleet capacity ranked fifth in the world at the end of 2016. All of our service routes are operated on a regular liner basis. We also offer inland transport, stevedoring, and logistics support services. Our customers are drawn from the manufacturing, trading and retail industries and come from all over the world thus the company's business performance is closely connected to the global economy.

(2) Present service items

The company's service routes comprise a global network, including:

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

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

(3) Planned service development

The maritime business environment is still facing harsh challenges over capacity and oversupply this year. Shipping lines have to be well prepared to ride the head winds. After becoming a member of the Ocean Alliance, Evergreen shall maintain its robust and flexible strategies, optimizing its fleet network and service routes. Adjustments to our service routes are summarized below:

#### **Transpacific routes**

1. Asia-US East Coast Service (NUE2 / NUE4 / AUE / NUE / AWE1): In order to take advantage of the expanded Panama Canal, Evergreen Line upgraded capacity and invited alliance members to restructure East Coast services in June 2016, terminating the AWE1 service in September 2016.
2. Asia-US East Coast Service (PEX3): Evergreen Line and CMA slot swap weekly capacity of 340 TEU from July 2016.
3. Asia-US West Coast Service (MD3): Evergreen Line and Hanjin slot swap weekly capacity of 300 TEU from May to September 2016.
4. Asia-US West Coast Service (CAX): Evergreen Line and Hanjin slot swap weekly capacity of 200 TEU from May to September 2016.

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

1. CKYHE Alliance, composed of COSCO, K-Line and Yang Ming, HANJIN and EVERGREEN, provides five Asia-North Europe services and four Asia-

Mediterranean services. After Hanjin Shipping's financial difficulties were exposed in August and they withdrew from the market, the alliance dropped one service in both the European and Mediterranean regions.

2. Intra-Europe Feeder Services: To cope with enlarged mother vessel fleets in the main Asia-Europe/Mediterranean region and considering future market potential, regional services were reinforced by capacity adjustment and extension of port coverage. In July 2016, a BAL3 service covering the Baltic region – Poland, Estonia, Latvia and Lithuania, was launched and a more intensive feeder network for global customers was provided.

3. Mediterranean Regional Services:

In May 2016, the WEM service was terminated due to the poor profitability of the West Med-East Med trade. To further enhance service networks in the Mediterranean region, a new AIS (Adriatic Israel Service) was launched in October in partnership with COSCO to provide customers with direct links between Italy, Slovenia, and Israel.

In November 2016, the Black Sea feeder set-up was re-arranged and a new BSM/EBS service replaced BSF/PMS/EBS services. In addition, rotation of ADL and PSI services between Italy and Croatia was revised to provide a more stable feeder service.

### **Transatlantic strings**

1. Trans-Atlantic Express (TAE): Evergreen, COSCO, K-Line and Yang Ming run a joint service with a total of four vessels deployed. From end of April 2017, the Ocean Alliance comprising Evergreen, COSCO, CMA and OOCL will enlarge vessel capacity with five vessels of 8,500 TEU in order to provide extensive port coverage from North Europe to the U.S. East Coast. In additional service scope to the U.S. Gulf coast and Mexico will be enlarged to meet customer demand and strengthen service competitiveness.

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

1. Far East-East Africa services(AEF/ ASEA): Maintain stable 2-string services through joint agreement with CMA-CGM & Emirates. Continuous enhancement of daily operations and provide quality services to valuable customers.
2. Far East-South Africa services (FAX/ASA): Keep the well-regarded ASA / FAX 2-loop service with Cosco / K-Line / PIL / MOL team to offer the most competitive and stable individual services to Durban and Cape Town.
3. Far East-West Africa (WA1): Although WA1 has been widely welcomed by customers and continuous support received, there is no better option but to suspend the service from February 2016 due to unsustainable rate level occurred from fierce market competition.



4. Far East- Panama/Caribbean: For the Caribbean Market, in 2016, most countries enjoyed steady economic growth along with stable growth in cargo demand, except for Venezuela which still suffered from political and economic chaos. Market capacity significantly increased in Q3. The freight market remained in a state of severe competition for the whole year.
5. Far East- Mexico/West Coast South America (WSA/ WSA2): Ships serving the WSA service route were upgraded to S/E types in 2016. The GDP outlook for Latin American countries in 2017 is estimated to be in the 3-4% range. As long as market supply remains balanced, reasonable freight rates can be expected.
6. Far East- East Coast South America (ESA/ESA2): In 2016, supply met demand after a service reshuffle from May, in addition to recovery in Brazil boosted by the Rio Olympics. From January 2017, Evergreen Line did a slot exchange with Nippon Yusen Kaisha (NYK) to enhance service coverage in Brazil, the largest market in the area. Regarding the economic forecast, GDP growth in Brazil, Argentina, Uruguay and Paraguay in 2017 is expected to bottom out from a negative position to 0.5%~3.2% as projected by the IMF. Evergreen Line foresees promising results on the east coast of South America all year long in 2017.

### **Intra-Asia strings**

1. ASEAN service routes TMI (Thailand - Malaysia - Indonesia route ), IMX (Indonesia - Malaysia Express) and SYS (Yangon), were consolidated and strengthened in September 2016 to optimize Southeast Asia networks including a Yangon weekly service and an added Indonesia direct service to Yangon.
2. Restructuring of East Malaysia services for CPM (China - Philippines - East Malaysia) and CPM2 (China - Philippines - East Malaysia 2) deployment have been completed in November 2016 to improve the East Malaysia service network and save feeder expenses.
3. Hanjin announced its bankruptcy in September 2016 and opened a KTP service (Korea - Taiwan - Philippine flights), adjusting NSB rotation (Northeast Asia - Southeast Asia) to improve Korean import/export space shortage and maintain NSB service stability.

## **2. Container Shipping Industry Profile**

### **(1) Macroeconomic Environment**

#### **a. Low cargo volume growth era**

According to the IMF's latest report, global economic growth for 2016 will be 3.1% only. The IMF has further adjusted the global economic growth rate for 2017 to 3.4% in consideration of the weaker performance of developing countries and the U.S..

Also, according to Alphaliner reports, estimated global container trade growth for 2016 was 1.5%, with a 2017 forecast of 1.7%. For the volume growth rate to remain substantially higher than that of GDP growth rates in the short term would be more difficult to reproduce.

#### **b. A new alliance is established**

In 2017, the global container shipping industry will be dominated by three major alliances with a new wave of competition: the 2M alliance composed of Maersk and Mediterranean Shipping, the Ocean Alliance, and the THE Alliance formed by Yang Ming, Hapag-Lloyd and Japan's three largest shipping companies.

Evergreen, CMA CGM, Cosco and OOCL announced in April 2016 the formation of the Ocean Alliance. The operation of the new alliance is scheduled to begin in April 2017. At the initial stage, there will be 350 new container vessels provides services on 41 routes. The alliance cooperation period for the first term will be five years. The agreement will be renewed for another five years upon maturity if no objection is raised.

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

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

#### **a. Upstream industry**

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

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

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

#### **c. Downstream industries**

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

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

#### **a. Adoption of ULCVs**

In order to reduce unit costs and improve competitiveness, shipping lines have been phasing in high-efficiency ultra large container vessels. According to



Alphaliner statistics, at the end of 2012, vessels larger than 10,000 TEU in the world container fleet totaled 162 units at 13% of carrying capacity. At the end of 2016, this figure had doubled to 388 units at 26%.

#### **b. Green Shipping Trends**

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

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

##### **a. Large-scale Mergers and Acquisitions**

In order to expand service scope and enhance competitiveness, there were five important mergers and acquisitions of container shipping companies in 2016. According to Alphaliner's March 2017 statistics, the top five ocean carriers share 53.3% of global capacity between them. Market concentration has further intensified.

##### **b. Traditional Key East-West routes dominated by major alliances**

The launching of ultra-large vessels has forced shipping lines to organize alliances to reduce operating risks. The 2017 global container shipping industry will be dominated by three major alliances with a new wave of competition: the Ocean Alliance consists of EMC, COSCO, CMA and OOCL. The 2M Alliance is composed of Maersk and Mediterranean Shipping. The THE Alliance was formed by Yang Ming, Hapag-Lloyd and Japan's three largest shipping companies. The three major alliance's global capacity share will amount to 74.1%.

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

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

We have spent around NT\$100 million on related labor expenditure with the below R&D accomplishments in 2016:

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

According to the Airborne Toxic Control Measure for Auxiliary Diesel Engines. Operated on Ocean-Going Vessels At-Berth in a California Port's California Air Resource Board (CARB) requirements, the Company fleet's use of shore power



systems in cold-ironing across the fleet will reach at least a 50% emissions reduction applicable from January 1, 2014, to December 31, 2016. These emission reductions are required to be at least 70% effective from January 1, 2017.

In addition, we maintain an “Environmental Guardians” page on our website so as to proactively share emissions management and treatment of ballast and sludge, as well as introducing 19 state-of-the-art L-type designs and other green instruments for the easy reference of our customers.

## **(2) Maritime Certification**

Evergreen upholds the spirit and vision of sustainable development, committing to professional maritime training. The Evergreen Seafarer Training Center has comprehensive training equipment and we rigorously organize training courses to continuously improve crew’s professional knowledge and skills so as to prevent maritime accidents and environmental pollution.

In 2016, the Evergreen Seafarer Training Center organized a total of 359 professional training courses in 30 categories training 2,576 people.

In May 2016, the UK Maritime and Coastguard Agency recertified the Company for Ships Security Officer, Basic Training - Elementary First Aid, Proficiency in Medical First Aid, Proficiency in Medical Care and Proficiency in Medical Care Refresher trainings. The courses provided by the Evergreen Seafarer Training Center (ESTC) met the requirements of IMO STCW (Standards of Safety, Training, Certification, and Watchkeeping) 2010 Amendments.

In October 2016, the Maritime and Port Authority of Singapore agreed to recognize 15 courses conducted by the Evergreen Seafarer Training Center (ESTC) for certification in Human Factor, Leadership and Bridge Resource Management, Human Factor, Leadership and Engine Room Resource Management, Operational Use of ECDIS, etc.

To expand the cultivation of maritime professionals, Evergreen strengthened its cooperation with National Kaohsiung Marine University, offering a post-graduate program in maritime transportation with a series of complete knowledge and professional skills training, offering the opportunity for non-maritime undergraduates to engage in maritime work. Evergreen also subsidizes the total tuition and part of the accommodation expenses. Qualified students can get internship in Evergreen fleet, then join fleet service further if perform excellently.



**(3) E-Commerce**

Evergreen’s shipmentlink.com is being constantly upgraded and innovated for customers. System functions researched and developed in 2016 are listed below:

Projects	Summary
Put email program through an email audit and self-assessment software	There are always mailboxes with sensitive information. These might be the mailboxes for which can perform discovery actions to demonstrate compliance with regulatory or legal requirements.
Setting up AntiVirus in email system	With the rising volume and complexity of threats. Centralized into an adaptive system that protects, detects, and corrects the threats could reduce the threats that get through, find them faster, and use fewer resources in the process.
Computer facilities centre changes new monitoring system	To replace the current aged one and merge all related systems into one host computer.
Renovating of new Wireless Terminal Device in Kaohsiung terminals	To replace the existing old one which have being used for over 10 years.

**Future R&D Plans**

(1) We have budgeted for the below future R&D projects with NT\$120 million of related expenditure:

Projects	Summary	Schedules	Description of Progress up to 2017/4/24
Renew Webmail maintenance contract	To ensure updating the newest revision of web-mail to Evergreen and consultant service.	2017/09/30	Under process of project register.
Renew Anti-Virus of mail system contract	With the rising volume and complexity of threats. Centralized into an adaptive system that protects, detects, and corrects today’s threats could reduce the threats that get through and find them faster.	2017/09/30	Under process of internal approval.

Projects	Summary	Schedules	Description of Progress up to 2016/4/24
Mail archiving system	For saving manpower and easier to seek out the achieved historical mails.	2017/09/30	Under process of project planning.
Email audit and self-assessment software	There are always mailboxes with sensitive information. The software can perform discovery actions to demonstrate compliance with regulatory or legal requirements.	2017/09/30	Under process of project register.
Software-Defined Wide Area Network	The implementation of the SDN control plan can follow a centralized, hierarchical, or decentralized design. Initial SDN control plan proposals focused on a centralized solution, where a single control entity has a global view of the network.	2017/09/30	Under process of products survey and test.
Anti advanced persistent threat (APT)	To protect servers of organization from APT and reduce risk of losing information/data.	2017/09/30	Under process of products survey and test.
Outsourcing of Penetration Testing framework	A penetration test can help determine whether a system is vulnerable to attack, if the defenses were sufficient, and which defenses (if any) the test defeated. Penetration test reports may also assess potential impacts to the organization and suggest countermeasures to reduce risk.	2017/09/30	Under process of internal approval.



Projects	Summary	Schedules	Description of Progress up to 2016/4/24
Renovate extension codes with 220V power socket	To renovate 124 extension codes with 220V power socket in Computer facilities center.	2017/04/30	Under process of Price negotiation.
Extend leasing contract of overseas Wi-Fi service	The WI-FI router and handset international roaming SIM card can provide cheaper and more convenient facility to users during their overseas business trip.	2017/07/31	Under process of internal approval.
Yearly procurement of desktop/laptop computers	To renew PC, monitor, laptop, hard disc....and minimize their usage being under 6 years.	2017/07/31	Under process of project register.
Computer equipment procurement for new B type vessels	To prepare necessary information appliances of B type vessels which are to be delivery in 2017~2019.	2017/07/31	Under process of internal approval.
Renovating of new Wireless Terminal Devices in Kaohsiung terminals	To replace the existing old one which have being used for over 10 years at terminal 4 and terminal 5 in Kaohsiung port.	2017/09/30	Under process of project register.

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

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

## 4. Short & Long Term Business Plans

### Short-Term: Enhance competitiveness and maintain growth momentum

- (1) Improve ships' loading factors: including enhancement of schedule accuracy, loading efficiency, and fleet flexibility, etc.
- (2) Enlarging joint venture partnerships: to work out best routes and widen service network coverage.
- (3) Enforcing line performance management: Appoint line managers to conduct regular line inspections and reviews. Line managers are expected to improve ships' loading factors, adjust cargo composition in order to maximize revenue on trade lanes, and immediately propose improvements for under-performing trade lanes.
- (4) Providing value-added services: fully grasp market trends, communicate effectively with customers and provide appropriate rates to strengthen competitiveness.

### Long-Term: Reduce operating costs and pursue sustainable profitability

- (1) Encourage employees to engage in thinking outside the box: business development must continue to inject new ideas, maximize benefits and reduce costs as the goal, while continuously improving operational efficiency.
- (2) Reduce operating costs: including improvements in unit cost reduction and KPI achievement so as to boost operational efficiency.
- (3) Build a younger fleet: To maximize revenue income with total elevated operating terms.
- (4) Training courses: We believe that employees are the most valuable asset of the company. We provide employees with solid, professional training courses and enforce a rotation system to cultivate professional competencies and international viewpoints of our employees.

## II. Overview of the Industry

### 1. Market Analysis

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

Unit: NT\$ Thousands

Year Service routes	Revenue of the Group for 2015	Revenue of the Group for 2016
America	52,831,321	47,309,728
Europe	22,021,904	22,004,525
Asia	28,139,100	25,305,203
Others	18,351,587	15,403,167

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

Year/Item Taiwan-based Shipping lines	March, 2016		Mach, 2017	
	Capacity (TEU)	Market Share (%)	Capacity (TEU)	Market Share (%)
Evergreen (Group)	936,593	4.5	1,004,441	4.8
Yang Ming Lines	514,400	2.5	570,003	2.8
Wan Hai Lines	212,071	1.1	225,201	1.1
TS Lines	73,951	0.3	62,728	0.3

Data Source: Alphaliner

**(3) Market Outlook for Supply-Demand and Growth****Far East to North America Trade**

The IMF estimated the growth of US GDP at 1.6% in 2016 and 2.3% in 2017. Despite uncertainties after the U.S. presidential election, the dollar has been climbing after the Federal Reserve decided to raise its benchmark interest rate while crude oil prices stayed relatively low which will be beneficial for US import trading. In addition, an increasing number of people in employment, a high minimum wage, and low inflation will promote a euphoric tide of consumer expenditure. Overall, stable volume growth in 2017 Far East trade to the US can be expected.

**North America to Far East Trade**

In 2017 the forecast is that slow economic growth among Far Eastern raw material importing countries will lead to weak demand for major US export commodities. In terms of exchange rates a climbing dollar will have a negative impact on orders which may be shifted to other countries. Moreover, China continues its prohibition on US meat and strict regulation on metal scrap and waste paper imports. In this regard, slow growth in export volumes from the Far East accompanied by stable allocation supply and low crude oil prices will still fuel freight rate competition under the imbalance of supply and demand in 2017.

**Far East to Europe/Mediterranean Trade**

Due to a serious imbalance between supply and demand in this trade, freight rates were undercut drastically among carriers, down to historically low levels. After a Korean shipping company stepped out of the market, rate levels began to rebound gradually from September 2016. According to CTS statistics, market capacity in 2016 only increased by 1.7% compared to 2015. In the meantime, cargo volume increased by 1.2%, which

revealed that the gap between supply and demand had been shrinking. It's estimated that market capacity demand will increase by 2.5%, and the overall economic situation will be recover to a certain extent in 2017. Though capacity supply in the market will still exceed demand, ocean freight will be maintained at reasonable levels owing to collapse, mergers and alliance restructuring of carriers. Major long-term contract negotiations for 2017 have already returned to a fair price level; we expect Asia-Europe/Mediterranean trade performance will be better than 2016.

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

Economic prospects in the Eurozone point to a growth rate of 1.47%. The stronger USD policy and slow euro tendency will benefit exports from the Europe/Mediterranean region. Germany as the leading exporter in Europe estimates relatively moderate economic growth in 2017. The only uncertain and negative impact may be from the eastern Mediterranean area due to occasional terroris activities and civil war, which will influence recovery of production in this region.

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

According to Datamyne, in 2016 volume of transatlantic westbound markets grew by 2.25%. As market capacity supply was still higher than demand, average revenue results suffered. The Ocean Alliance will start to operate from April 2017. Under the new alliance structure, Evergreen will widen its service scope with expanded port coverage on both the European and the U.S. east coast side, aiming to provide efficient and reliable services.

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

According to JOC, 2016 EC to EUR market volume dropped by 1.26%, mainly from Q2 and Q3.

With a weak Euro and depreciated British Pound after Brexit, the 2017 cargo volume forecast is 1.4%. We will work to achieve a new KPI for Ocean Alliance TA new services, and focus on market share in new ports of call.

### **Far East – Mexico/South America West Coast Service (WSA)**

The ships serving the WSA service route were upgraded to S/E types in 2016. The GDP outlook for Latin American countries in 2017 is estimated to be in the 3~4% range. As long as market supply remains balanced, reasonable freight rates can be expected.

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

For the Caribbean market, in 2016, most countries enjoyed steady economic growth along with stable growth in cargo demand, except for Venezuela which was still suffering from political and economic chaos. Market capacity supply significantly increased in the third quarter. The freight market remained under severe competition the whole year. Looking ahead to 2017, the Caribbean led by a strong US dollar is expected



to significantly uplift the overall economy, volume is expected to grow significantly. Estimated regional growth of 3% will drive freight rates further up.

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

In 2016, supply and demand balanced after a service reshuffle in May, in addition to recovery in Brazil after the Rio Olympics. From January 2017, Evergreen Line slot exchanged with Nippon Yusen Kaisha (NYK) to enhance service coverage in Brazil, the largest market in the area. Regarding economic forecasts, GDP growth in Brazil, Argentina, Uruguay, Paraguay in 2017 is expected to bottom out from a negative position to 0.5%~3.2% as projected by the IMF. Under a stabilized demand and supply environment, a market boom can be expected in 2017 on the east coast of South America.

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

In 2016, South Africa failed to reach targeted growth due to a weak economy and depreciation of the local currency (ZAR) resulting in weak buying power. Lifting to East Africa was behind target mainly due to adjustment of importers' purchase orders from time to time.

The IMF has predicted an overall 6% plus growth in East Africa, and 1% growth in South Africa, SAFR/EAFR recovery is expected.

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

As per IADA statistics, the 2016 capacity supply and demand ratio of Intra Asian routes was 1.1:1. Supply was still greater than demand, but the gap narrowed from 2015. Per the IMF's report on the 2016 World Economic Outlook that global economic activity will strengthen in 2017~2018, especially in emerging markets and developing countries. China will maintain its top position as the fastest growing economy with an estimated economic growth rate of up to 6.5%. More than half of intra-Asian box trade involves China. Intra-Asian regional market trade volume is expected to maintain its upward momentum. Asia's market outlook remains cautiously optimistic.

#### **Reefer business**

According to Drewry Shipping Consultants' forecasts, reefer cargo demand from Europe, North America and Asia continues to grow, and commodity-wise, fresh fruits have been dominating the market, followed by frozen meat, fish and dairy products.

For 2017, we are working on new equipment deployment to replace aging reefer equipment, and will prioritize reefer traffic with high revenue contribution to optimize equipment utilization and continue enhancing reefer traffic in intra-Asia, North and South America to diversify cargo sources and grow our reefer business.

#### **Special equipment**

The global need for special equipment keeps growing. To cope with VLCS and market demand, Evergreen Line has phased in new special equipment in 2016 to enlarge



the special cargo business. We will continue to develop special cargo by offering a state-of-the-art fleet.

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

##### **Innovative Thinking**

The international shipping market changes constantly and fast. It requires creative thinking to make corresponding adjustments to overcome the challenges for sustainability. Such as: assigning line managers and adopting a KPI system to monitor performance and make necessary adjustments to make the best use of corporate assets and create maximum revenue income.

##### **Recognized Quality**

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

###### **(1) Evergreen named Best Shipping Line- Trans-Pacific**

Evergreen Line was awarded Best Shipping Line - Trans-Pacific by the Asia Cargo News at the 30th presentation of the Asian Freight, Logistics and Supply Chain Awards (AFLAS).

Criteria for "Supply Chain Asia Logistics Awards" selection includes customer service, shipment accuracy, e-commerce systems and innovation and quality of shipping. Over 15,000 readers of the Asia Cargo News were invited to select companies that had consistently demonstrated excellence in customer service, innovation and quality of services provided. Only service users can vote in the AFLAS Awards. This accolade is therefore particularly significant as it signifies a vote of confidence in the carrier's efforts to provide shippers with quality services.

###### **(2) Evergreen Receives Environmental Protection Award from Los Angeles**

In September 2016, the Port Authority of Los Angeles honored Evergreen Line with an environmental protection award. The award was conferred in recognition of the carrier's excellent performance in the 2015 Vessel Speed Reduction Program initiated by the largest port in North America.

The program rewards vessel operators' compliance with a policy of reducing vessel speeds to 12 knots or less within 40 nautical miles of Point Fermin (near the entrance to the Los Angeles harbor). The aim is to minimize greenhouse gas emissions and thus reduce their influence on air quality in the port community.

In 2015, Evergreen Line's vessel fleet called 138 times at the Port of Los Angeles. The carrier's voluntary efforts to reduce speed is estimated to have lowered emissions by 4,657 tonnes of CO<sub>2</sub>, 156 tonnes of NO<sub>x</sub>, 87 tonnes of SO<sub>x</sub> and 8 tonnes of particulate matter.



#### **E-Commerce**

Evergreen's shipmentlink.com is being constantly upgraded and innovated for customers. In March 2016, we establish an official website (www.master-agency.com.cn) to provide customers in Greater China with new function in addition to existing schedules, bills of lading, container tracking and cargo reports and other functions. Online log-in and uploading of money remittance functions were incorporated into the system to facilitate customer access to the updated information at their fingertips, as well as achieving carbon reduction and the overall objective of paperless operations.

Security remains Evergreen Line's top concern. In concert with the new regulations for the safety of life at sea (SOLAS) which came into force on July 1, 2016, we have finished upgrading our website. Customers can easily query the weight of containers which has been verified through our website (www.shipmentlink.com, www.master-agency.com.cn) via the mobile app version of ShipmentLink, upload to Excel, E-mail, EDI or VGM transmission platforms provided by third parties. This reduces the risk of cargo delay due to omission of VGM declaration.

For the best interests of consumers and to abide by the governing law, the company has established competition law compliance guidelines in site area, whereby the customers are notified of the corporate's determination to adhere to the anti-competitive rules and regulations to fulfill its' social responsibilities .

#### **Eco-Friendliness**

According to the "Airborne Toxic Control Measure for Auxiliary Diesel Engines. Operated on Ocean-Going Vessels At-Berth in a California Port" regulation of the California Air Resource Board(CARB), the Company's fleet use of shore power systems in cold-ironing across the fleet will reach at least a 50% emission reductions applicable from January 1, 2014, to December 31, 2016, with emission reductions of least 70% enforced on January 1, 2017.

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

#### **Advantages**

- (1) After years of industry consolidation, the shipping industry's structure is overall strong. New coalitions will give carriers better efficiency and cost reductions.
- (2) Improved spot rates and service contract rates: rate levels of main East-West routes in January 2017 are already showing significant upturn laying down a good foundation for contract negotiation this year.
- (3) Expansion of the Panama Canal offers a relief valve for deployment of ships of 8,000 TEU and above.
- (4) More scrapping improves supply/demand balance.

### **Disadvantages**

- (1) Uncertainties surround the global economy: United States trade policies, Fed rate hikes, a rising dollar, China's economic slowdown, and Brexit. The prosperity of container shipping in the past 10 years, to a large extent, was dependent on free trade and outsourcing, in particular the impact of China's accession to the World Trade Organization. If the United States sharply limits imports and withdraws overseas factories, carriers will face huge challenges.
- (2) Soaring fuel prices increase carriers' cost.
- (3) Although ULCV can increase economies of scale and reduce operating costs they will also cause an over-supply of capacity, especially in 2017 and 2018. New deliveries have been deferred continuously but further observation is required.

### **Response strategies**

Facing the new normal of global economic and trade growth retardation and imbalanced capacity demand and supply, we adapt the following strategies:

- (1) As a founding member of the Shipping Alliance, under the premise of providing customers with quality shipping services worldwide, any options that can enhance port coverage, reduce costs, optimize the combination of fleet investment and enhance competitiveness can be considered. Continuing to provide better service routes in the global market according to customer's needs is also key. In April 2017 the new Alliance becomes operational, service levels will be upgraded and the advantages will be more prominent.
- (2) Fleet renewal reduces operating costs and improves competitiveness. 18,000 TEU of chartering and 14,000 TEU in ships will be delivered to strengthen the company fleet network and create more economies of scale.
- (3) Management and employees in general should make every effort to carry out quantitative performance targets. KPI management will make overall operations easier to master, analyze and adjust to ensure achievement of set targets.
- (4) Attitude adjustment, to be "innovative and challenging", actively seeking breakthroughs in sluggish times.

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

### **(1) Function of main products**

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



## **(2) Manufacturing Process of Main Products**

Being a container shipping transportation service provider, our disclosed service string and their adjustments are the detail processing of our main products.

## **3. Status of Supply of Main Materials**

Being a container shipping transportation service provider, we do not use raw materials as manufacturers do, however we do have to use substantial fuel for transportation equipment consumption which can be deemed as main materials. Currently fuel costs comprise about 10% of our total operating costs but this fluctuates with fuel prices. Except for stable supply by reputable vendors at major ports, we also tactically adjust fueling port rotations for favorable fuel prices in addition to strategic slow steaming measures for cost saving.

## **4. Main customers who purchased over 10% of total sales in recent 2 years and their individual purchase amount and share: None.**

## **5. Company's total expenses for environmental protection in 2016**

In 2016, no major environmental pollution incident occurred in our fleets, and there were no losses or penalties incurred. Expenses were simply for routine maintenance of equipment, and additional costs for using low pollutant fuels. The details of expenses are listed below:

- (1) The cost of maintenance and parts for environmental protection equipment, shore power systems and on low-sulfur fuel storage tanks amounted to USD 4,451,314.05.
- (2) The cost for vessels using low-sulfur fuel for M/E, Generator Engine and Aux. boiler while sailing in emission control areas to comply with IMO regulations & CARB requirements of the US west coast amounted to USD 23,930,843.81.
- (3) The cost for vessels M/E, Generator and Aux. Boiler using Marine Gas oil when berthing at EU ports and using low-sulfur fuel oil while sailing in emission control areas amounted to USD 13,449,639.11.

## **6. Environmental protection policies and measures**

The Company has established environmental protection policy based on caring for the ocean, continuously upgrades shipboard equipment to reduce air pollution emissions and manages its own fleets with requirements exceeding international regulations. The Company is currently undertaking the following measures for environmental protection:

- (1) In compliance with the California Air Resources Board (CARB) regulation, fleet vessels sailing through the West Coast of the U.S., within 24 nautical miles of the California coastline should use Marine Gas Oil for M/E, Generator Engines and Aux. Boiler as from July 1, 2009.

- (2) Conduct strict audit and corrective actions for fleet and make preparations beforehand in order to prevent deficiency and pollution occurring.
- (3) All seafarers are given thorough environmental education and training courses to acquire correct environmental awareness and knowledge.
- (4) Keep all environmental equipment on board in good condition for crew to operate smoothly.
- (5) Continuously monitor the operating condition of vessel's main engine and auxiliary machinery. Take necessary actions immediately for efficiently using the fuel to reach the goal of energy conservation and carbon emission reduction.
- (6) Maintain the validity of statutory certificates such as International Oil Pollution Prevention(IOPP), International Air Pollution Prevention(IAPP) and International Sewage Pollution Prevention(ISPP) for all vessels.
- (7) Continuously sign up for GARD Protection and Indemnity (GARD P&I) insurance.
- (8) Provide Vessel Certificate of Financial Responsibility (COFR) for all vessels sailing in the United States to undertake responsibilities and obligations if oil pollution occurs in US waters.
- (9) Carry out M/E turbocharger cut-out operations to cooperate with vessel slow steaming in order to reduce fuel oil consumption and GHG emissions.
- (10) Pay close attention to the development of international regulations for environmental protection. Complying with new regulations allows the fleet to meet the requirements for environmental protection in ports and around the world.
- (11) For all ocean-going vessels entering the Emission Control Area(Baltic Sea, North Sea and the English Channel, North America) sulphur content of fuel oil used on board ships shall not exceed 0.1 % m/m after January 1, 2015.
- (12) All ocean-going vessels use cleaner fuel (sulphur content shall not exceed 0.5 % m/m) while at berth in Hong Kong waters with effect from July 1, 2015.
- (13) For core ports of the Yangtze River Delta area including Shanghai, Ningbo, Zhoushan, Suzhou, Nantong fuel exchange regulations will go into force on April 1, 2016. For Shenzhen port of the Pearl River Delta fuel exchange regulations will go into force on October 1, 2016.
- (14) North Atlantic Right Whale Seasonal Speed Restrictions are in effect. Restrictions imposed by the NOAA require vessels to proceed at 10 knots or less in restricted areas during specific times of the year (from Nov. to Apr.) in the Mid-Atlantic and Southeast U.S. Seasonal Management Areas (SMAs) of the U.S. East Coast. Vessels are allowed to operate at speeds greater than 10 knots, if necessary to maintain a safe maneuvering speed in areas where conditions are severely restricting ship's maneuverability. Any deviation from the speed restriction should be entered in the logbook.



- (15) Commission AMP system and use shore power for all L-Type and S-Type vessels berthing in ports of USLAX, USOKL as from 2015. Joined the Cold Ironing running berthing in ports of CNXGA, CNSHG, CNNBO, CNXSM and CNYYT & CNXHK.

#### 7. New international environmental protection regulations

- (1) China has published new regulations designating three areas as sulphur control areas effective on January 1, 2019. Eleven key ports are allowed to impose requirements for fuel burned at berth as early as January 1, 2016. Since Jan. 1, 2017, all ships berthing at ports near the Pearl River Delta, Yangtze River Delta and the Bohai Sea shall use fuel with sulfur content  $\leq 0.5\%$  m/m. (excluding one hour after getting alongside and one hour before departure).
- (2) Accession by Finland has triggered the entry into force of a key international measure for environmental protection that aims to stop the spread of potentially invasive aquatic species in ships' ballast water. The International Convention for the Control and Management of Ships' Ballast Water and Sediment (BWM Convention) will enter into force on September 8, 2017.
- (3) IMO reached a decision that the 0.50% global fuel sulphur limit will be effective from January 1, 2020. Ships operating within the Baltic, North Sea, North American, and U.S. Caribbean Emission Control Areas (ECAs) will need to continue to comply with the 0.10% sulphur limits.

#### 8. Code of Conduct/Courtesy

As a leading container carrier, the Company consistently upholds attitudes of integrity, transparency and responsible to engage in business activities.

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

- (1) Observe the company's regulations and working manual as well as to act loyally, responsibly and under supervisors' orders, directions and supervision.
- (2) Conduct themselves in an impartial, prudent and self-disciplined manner, protect the company's reputation, disregard bad habits, and respect fellow members.
- (3) Perform their duties and responsibilities; cooperate and coordinate with interrelated departments to achieve goals set by the company.
- (4) Commit to providing all its services strictly without any practices that could be construed as bribery and/or corruption.

- (5) Strictly prohibited from discriminating against any employee, contractor or customer.
- (6) Comply with any and all competition law regimes that are relevant to its countries of operation.

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

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

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

## 10. Social Responsibility

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

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

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

In November 2013, Typhoon Haiyan devastated the central region of the Philippines, causing catastrophic damage. Evergreen Line worked with Crisis Relief Services & Training (CREST) a non-profit Christian humanitarian organization in Malaysia, offering



free transportation services to carry relief supplies to the affected areas.

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

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

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



## 11. Important Agreement

### (1) Short-haul Agreements

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



AGREEMENT	THE PARTY	DURATION	CONTENT	REMARK
Vessel Sharing Agreement	1. OOCL (ASIA PACIFIC) LTD. 2. YANGMING (UK) LTD.	From: 2006.4.30 Till: 2007.04.29 Can be extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, OOCL, YM (UK) Ltd. jointly. (Taiwan/Hong Kong/Vietnam Service)	Slot guaranteed
Vessel Sharing Agreement	1. WAN HAI LINES LTD. 2. HAPAG-LLOYD CONTAINER LINE	From: 2006.04.30 Till: 2007.04.29 Can be extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, WHL and HLCL jointly. (Taiwan/Mainland/Singapore/Malaysia/India Service)	Slot guaranteed
Slot Exchange Agreement	WAN HAI LINES LTD.	From: 2009.02.22 Till: 2009.08.23 Can be extended. It is subject to 45 days pre-notice prior to termination.	EMC slot exchanges with WHL. (North East Asia/South East Asia/Korea/South East Asia Service)	Slot guaranteed
Vessel Sharing Agreement	1. COSCO CONTAINER LINES SOUTH EAST ASIA PTE. LTD. 2. SIMATECH SHIPPING PTE. LTD.	From: 2012.11.29 Till: 2014.05.28 Can be extended. It is subject to 60 days pre-notice prior to termination.	Operated by EMC, COSCONSEA and SSF jointly. (ASEAN-Persian Gulf-ISC Service)	Slot guaranteed
Slot Exchange Agreement	CNC LINE	From: 2015.07.12 Till: 2016.01.12 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with CNC. (Taiwan-Thailand / Singapore-Japan, Malaysia-Japan)	Slot guaranteed

AGREEMENT	THE PARTY	DURATION	CONTENT	REMARK
Slot Exchange Agreement	CNC LINE	From: 2015.11.25 Till: 2016.05.25 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with CNC.  (Korea-Taiwan-Vietnam / North East Asia - South East Asia Service B)	Slot guaranteed
Vessel Sharing Agreement	1. SIMATECH SHIPPING PTE LTD 2. K LINE 3. YANG MING LINES 4. HAPAG-LLOYD	From: 2013.08.01 Till: 2014.07.31 Can be extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, SSF, K Line, Yang Ming Lines and Hapag-Lloyd.  (North China-India)	Slot guaranteed
Slot Charter Agreement	WAN HAI LINES LTD.	From: 2014.09.01 Till: 2015.02.28 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC charter from WHL.  (Korea - SouthEast Asia)	Slot guaranteed
Slot Exchange Agreement	ADVANCE CONTAINER LINERS (PTE) LTD.	From: 2015.04.27 Till: 2015.10.27 Can be extended. It is subject to 30 days pre-notice prior to termination.	EMC slot exchanges with ACL.  (Singapore-Thailand-Cambodia / China-East Malaysia Service)	Slot guaranteed
Vessel Sharing Agreement	1. YANG MING LINES 2. SINOTRANS 3. PIL 4. TS LINES	From: 2013.06.07 Till: 2014.06.07 Can be extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, YML, SINOTRANS, TSL & PIL jointly.	Slot guaranteed



AGREEMENT	THE PARTY	DURATION	CONTENT	REMARK
Slot Exchange Agreement	SINOKOR MERCHANT MARINE CO., LTD	From: 2015.07.08 Till: 2015.01.08 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with SKR.  (NorthEast Asia - SouthEast Asia service / Korea-China-Indonesia/Korea-Vietnam-Thailand)	Slot guaranteed
Slot Exchange Agreement	X-Press	From: 2016.03.27 Till: 2016.09.27 Can be extended. It is subject to 30 days pre-notice prior to termination.	EMC slot exchanges with X-Press.  (Central China-SouthEast / Singapore-Bangkok / Kaohsiung-Cebu / Vietnam-Singapore-Malaysia / Kaohsiung-Manila service )	Slot guaranteed
Slot Exchange Agreement	T.S. LINE CO., LTD.	From: 2016.05.01 Till: 2016.11.01 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with TSL.  (Taiwan-Shanghai / Vietnam-Singapore-Malaysia service )	Slot guaranteed
Slot Exchange Agreement	MCC TRANSPORT SINGAPORE PTE. LTD.	From: 2016.09.04 Till: 2016.12.04 Can be extended. It is subject to 30 days pre-notice prior to termination.	EMC slot exchanges with MCC.  (Taiwan-Shanghai / Vietnam-Malaysia-Indonesia service)	Slot guaranteed
Vessel Sharing Agreement	1. COSCONSEA 2. WAN HAI LINES LTD. 3. PACIFIC INTERNATIONAL LINES (PTE) LTD.	From: 2016.09.07 Till: 2017.03.07 Can be extended. It is subject to 60 days pre-notice prior to termination.	Operated by EMC, CONCONSEA, WHL& PIL jointly.  (Pakistan-India Express Service)	Slot guaranteed

AGREEMENT	THE PARTY	DURATION	CONTENT	REMARK
Slot Exchange Agreement	K LINE	From: 2016.09.04 Till: 2016.12.04 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with K Line.  (Pakistan-India Express / Pakistan-Mundra Express service)	Slot guaranteed
Vessel Sharing Agreement	1. OOCL 2. KAWASAKI KISEN KAISHA LTD. 3. YANG MING LINES 4. MOL	From: 2016.09.30 Till: 2017.04.30 Can be extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, OOCL, KKK, Yang Ming Lines and MOL.  (North EAST ASIA -Australia)	Slot guaranteed
Slot Exchange Agreement	COSCO	From: 2016.04.01 Till: 2017.04.01 Can be extended. It is subject to 60 days pre-notice prior to termination.	EMC slot exchanges with COSCO.  (Far East -Red Sea / Red Sea Express service)	Slot guaranteed
Vessel Sharing Agreement	COSCO	From: 2016.07.01 Till: 2017.03.30	Operated by EMC & COSCON jointly.  (Far East -Red Sea Service)	Slot guaranteed
Slot Exchange Agreement	COSCO	From: 2016.08.21 Till: 2017.03.30	EMC slot exchanges with COSCO.  (Far East -Gulf service)	Slot guaranteed
Slot Exchange Agreement	OOCL	From: 2016.08.21 Till: 2017.03.30	EMC slot exchanges with OOCL.  (Far East -Gulf service)	Slot guaranteed



**(2) Long-haul Agreements**

Agreement	THE PARTY	DURATION	CONTENT	REMARK
Vessel Sharing and Slot Exchange Agreement	1. COSCO CONTAINER LINE 2. KAWASAKI KISEN KAISHA LTD. 3. HANJIN SHIPPING 4. YANG MING LINE	From: 2014.03.01 Till: 2017.03.31	Operated by ELJSA & CKYH. (F.E. / EUR and MED services)	1. Slot guaranteed. 2. NE6 and MD3 cooperation with HJS was terminated due to HJS went to rehabilitation since 2016.09.01.
Slot Exchange Agreement	CMA CGM	From: 2002.03.15 Till: 2017.03.31	Operated by ELJSA & CMA CGM. (F.E. / EUR service)	Slot guaranteed
Slot Exchange Agreement	UNITED ARAB SHIPPING COMPANY	From: 2014.05.18 Till: 2017.03.31	Operated by ELJSA & UASC. (F.E. / EUR service)	Slot guaranteed
Slot Exchange Agreement	UNITED ARAB SHIPPING COMPANY	From: 2016.09.01 Till: 2017.03.31	Operated by ELJSA & UASC. (F.E. / MED service)	Slot guaranteed
Vessel Sharing Agreement	1. CMA CGM 2. COSCO CONTAINER LINE 3. UNITED ARAB SHIPPING COMPANY	From: 2016.03.31 Till: 2017.03.31	Operated by EMC & O3 jointly. (F.E. / MED service)	Slot guaranteed

Agreement	THE PARTY	DURATION	CONTENT	REMARK
Vessel Sharing Agreement	1. CMA CGM 2. COSCO CONTAINER LINE 3. YANG MING LINE	From: 2017.01.20 Till: 2018.04.20 Subsequently extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC, COSCO, CMA CGM, YML jointly. (Far East/ S.America service)	Slot guaranteed
Vessel Sharing Agreement	1. COSCO CONTAINER LINE 2. KAWASAKI KISEN KAISHA LTD. 3. MITSUI O.S.K. LINES LTD. 4. PACIFIC INTERNATIONAL LINES	From: 2014.09.29 Till: Subsequently extended. It is subject to 90 days pre-notice prior to termination.	Operated by EMC/ MOL/ PIL/ KLINE jointly.	Slot guaranteed
Vessel Sharing Agreement	1. COSCO CONTAINER LINE 2. KAWASAKI KISEN KAISHA LTD. 3. HANJIN SHIPPING 4. YANG MING LINE	From: 2014.09.21 Till: 2017.03.31	Operated by ELJSA & CKYH jointly.	Slot guaranteed



Agreement	THE PARTY	DURATION	CONTENT	REMARK
Slot Exchange Agreement	MITSUI O.S.K. LINES LTD.	From: 2010.04.10 Till: 2017.03.31 Subsequently extended. It is subject to a 3-month pre-notice prior to termination, not to be given earlier than 9 months after commencement.	ELJSA slot exchange with MOL. (Far East/ USWC)	Slot guaranteed
Slot Exchange Agreement	MITSUI O.S.K. LINES LTD.	From: 2016.06.01 Till: 2017.03.31 Subsequently extended. It is subject to a 3-month pre-notice prior to termination, not to be given earlier than 9 months after commencement.	ELJSA slot exchange with MOL. (Far East/ USEC)	Slot guaranteed
Vessel Sharing Agreement	1. COSCO CONTAINER LINE 2. WAN HAI LINES 3. PACIFIC INTERNATIONAL LINES 4. YANG MING LINE	From: 2015.12.25 Till: 2017.05.02 It is subject to a 3 month pre-notice prior to termination, not to be given earlier than 3 months after commencement.	Operated by ELJSA & COSCON & WHL & PIL & YML.	Slot guaranteed
Vessel Sharing Agreement	1. COSCO 2. YANG MING LINE	From: 2015.12.26 Till: 2017.12.25 It is subject to a 3 month pre-notice prior to termination, not to be given earlier than 3 months after commencement.	Operated by ELJSA & COSCON & YML.	Slot guaranteed



Agreement	THE PARTY	DURATION	CONTENT	REMARK
Slot Exchange Agreement	COSCO CONTAINER LINE	From: 2013.05 Till: 2017.03.31	ELJSA slot exchange with COS. (FE/ USWC)	Slot guaranteed
Slot Exchange Agreement	HANJIN SHIPPING CO., LTD.	From: 2016.05 Till: 2016.08.31	ELJSA slot exchange with HJS. (FE/ USWC)	1. Slot guaranteed 2. Cooperation with HJS was terminated due to HJS went to rehabilitation since 2016.09.01.
Vessel Sharing and Slot Exchange Agreement	1. COSCO CONTAINER LINES 2. KAWASAKI KISEN KAISHA 3. HANJIN SHIPPING Co., LTD. 4. YANG MING LINES	From: 2016.06 Till: 2017.03.31	Operated by ELJSA & CKYH. (F.E./ USEC services)	1. Slot guaranteed 2. Cooperation with HJS was terminated due to HJS went to rehabilitation since 2016.09.01.



1. Five-Year Financial Summary – Based on IFRS

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets			56,741,092	57,268,959	52,171,999	53,977,007	51,096,477
Property, plant and equipment			76,169,083	99,524,289	107,619,180	99,470,430	93,598,444
Intangible assets			9,658	22,578	22,371	121,341	111,574
Other assets			42,089,458	32,119,181	32,838,657	36,184,986	36,220,883
Total assets			175,009,291	188,935,007	192,652,207	189,753,764	181,027,738
Current liabilities	Before distribution		34,276,386	40,653,423	39,356,167	42,031,169	40,113,060
	After distribution		-	41,001,181	-	-	-
Non-current liabilities		The Group adopted R.O.C. GAAP for the preparation of consolidated financial statements for year 2012.	80,563,316	83,445,251	92,001,438	94,084,094	88,810,407
Total liabilities	Before distribution		114,839,702	124,098,674	131,357,605	136,115,263	128,923,467
	After distribution		-	124,446,432	-	-	-
Equity attributable to owners of the parent			57,242,048	60,880,785	58,001,047	50,987,493	49,743,499
Common stock			34,749,523	34,775,802	35,123,560	35,123,560	35,123,560
Capital surplus		7,271,957	7,292,458	7,986,633	7,989,014	7,989,688	
Retained earnings	Before distribution		16,049,508	17,185,085	11,795,067	4,985,031	5,297,696
	After distribution		-	16,489,569	-	-	-
Other equity interest			(828,940)	1,627,440	3,095,787	2,889,888	1,332,555
Treasury shares			-	-	-	-	-
Non-controlling interest			2,927,541	3,955,548	3,293,555	2,651,008	2,360,412
Total equity	Before distribution		60,169,589	64,836,333	61,294,602	53,638,501	52,103,911
	After distribution		-	64,488,575	-	-	-

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

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years					As of
		2012	2013	2014	2015	2016	March 31, 2017
Operating revenue			139,216,384	144,284,374	133,813,687	124,467,608	33,838,895
Gross Profit			388,745	7,347,226	1,619,324	(3,488,164)	2,108,524
Operating income (loss)			(773,161)	3,758,015	(3,847,026)	(7,848,262)	658,038
Non-operating income and expenses			(815,986)	(546,272)	(835,470)	(960,721)	(433,561)
Profit (loss) before income tax			(1,589,147)	3,211,743	(4,682,496)	(8,808,983)	224,477
Profit (loss) from continuing operations			(2,046,804)	2,035,049	(4,739,297)	(8,565,311)	168,909
Profit (loss) from discontinued operation	The Group		-	-	-	-	-
Profit (loss) for the period	adopted		(2,046,804)	2,035,049	(4,739,297)	(8,565,311)	168,909
Other comprehensive income (loss), net of income tax	R.O.C.	GAAP for the	1,457,237	2,594,253	851,149	906,829	(1,704,173)
Total comprehensive income (loss)	consolidated	financial	(589,567)	4,629,302	(3,888,148)	(7,658,482)	(1,535,264)
Profit (loss), attributable to owners of the parent	statements	for year 2012.	(1,497,304)	1,155,924	(4,408,079)	(6,607,986)	312,665
Profit (loss), attributable to non-controlling interest			(549,500)	879,125	(331,218)	(1,957,325)	(143,756)
Comprehensive income (loss), attributable to owners of the parent			(250,135)	3,601,295	(3,226,155)	(7,015,935)	(1,244,668)
Comprehensive income (loss), attributable to non-controlling interests			(339,432)	1,028,007	(661,993)	(642,547)	(290,596)
Earnings per share (in dollars)			(0.43)	0.33	(1.26)	(1.88)	0.09



(3) Condensed Balance Sheet

Unit: NT\$ Thousands

Item		Year	Financial Summary for The Last Five Years				
			2012	2013	2014	2015	2016
Current assets				19,271,637	20,382,555	24,394,141	26,797,737
Property, plant and equipment				14,006,137	20,522,164	27,982,312	26,055,383
Intangible assets				7,118	9,705	10,080	52,203
Other assets				65,551,503	63,359,304	58,542,582	53,141,674
Total assets				98,836,395	104,273,728	110,929,115	106,046,997
Current liabilities	Before distribution			9,192,585	13,740,529	15,261,971	14,761,758
	After distribution			-	14,088,287	-	-
Non-current liabilities			The Company adopted R.O.C. GAAP for the preparation of financial statements for year 2012.	32,401,762	29,652,414	37,666,097	40,297,746
Total liabilities	Before distribution			41,594,347	43,392,943	52,928,068	55,059,504
	After distribution			-	43,740,701	-	-
Common stock					34,749,523	34,775,802	35,123,560
Capital surplus				7,271,957	7,292,458	7,986,633	7,989,014
Retained earnings	Before distribution			16,049,508	17,185,085	11,795,067	4,985,031
	After distribution			-	16,489,569	-	-
Other equity interest				(828,940)	1,627,440	3,095,787	2,889,888
Treasury shares				-	-	-	-
Total equity	Before distribution			57,242,048	60,880,785	58,001,047	50,987,493
	After distribution			-	60,533,027	-	-

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

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating revenue			19,508,830	26,151,838	25,134,073	23,060,494
Gross Profit			1,224,693	3,175,924	1,932,085	910,018
Operating income (loss)			(222,418)	3,589,338	469,199	(764,840)
Non-operating income and expenses	The Company adopted R.O.C. GAAP for the preparation of financial statements for year 2012.		(1,229,184)	(1,668,545)	(5,183,782)	(6,297,750)
Profit (loss) before income tax			(1,451,602)	1,920,793	(4,714,583)	(7,062,590)
Profit (loss) from continuing operations			(1,497,304)	1,155,924	(4,408,079)	(6,607,986)
Profit (loss) from discontinued operation			-	-	-	-
Profit (loss) for the year			(1,497,304)	1,155,924	(4,408,079)	(6,607,986)
Other comprehensive income, net of income tax			1,247,169	2,445,371	1,181,924	(407,949)
Total comprehensive income			(250,135)	3,601,295	(3,226,155)	(7,015,935)
Earnings per share (in dollars)			(0.43)	0.33	(1.26)	(1.88)



2. Five- Year Financial Summary – Based on R.O.C. GAAP

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		55,769,066				
Funds and investments		26,612,918				
Fixed assets		71,944,088				
Intangible assets		458,670				
Other assets		513,096				
Total assets		155,297,838				
Current liabilities	Before distribution	30,044,382				
	After distribution	-				
Long-term liabilities		58,742,282				
Other liabilities		4,082,333				
Total liabilities	Before distribution	92,868,997				
	After distribution	-				
Common stock		34,749,407				
Capital surplus		7,489,891				
Retained earnings	Before distribution	22,672,661				
	After distribution	-				
Unrealized gain (loss) on financial instruments		347,247				
Cumulative translation adjustments		(4,877,940)				
Net loss not recognized as pension cost		(1,284,299)				
Minority interest		3,331,874				
Total stockholders' equity	Before distribution	62,428,841				
	After distribution	-				

The Group adopted IFRSs for the preparation of consolidated financial statements for year 2013 ~ 2016.

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

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating income		141,028,128				
Gross profit (loss)		4,079,204				
Operating income (loss)		(1,271,373)				
Non-operating income and gains		2,515,331				
Non-operating expenses and losses		1,399,136				
Income (loss) from continuing operations before income tax		(155,178)				
Income (loss) from continuing operations		(418,637)				
Income (loss) from discontinued operation		-				
Net income (loss)		(418,637)				
Earnings per share (in dollars)		0.04				

The Group adopted IFRSs for the preparation of consolidated financial statements for year 2013 ~ 2016.



(3) Condensed Balance Sheet

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		17,223,561				
Funds and investments		60,961,730				
Fixed assets		17,566,708				
Intangible assets		12,858				
Other assets		173,250				
Total assets		95,938,107				
Current liabilities	Before distribution	7,074,119				
	After distribution	-				
Long-term liabilities		27,232,594				
Other Liabilities		2,534,428				
Total liabilities	Before distribution	36,841,141				
	After distribution	-				
Common stock		34,749,407				
Capital surplus		7,489,891				
Retained earnings	Before distribution	22,672,660				
	After distribution	-				
Unrealized gain (loss) on financial instruments		347,247				
Cumulative translation adjustments		(4,877,940)				
Net loss not recognized as pension cost		(1,284,299)				
Total stockholders' equity	Before distribution	59,096,966				
	After distribution	-				

The Company adopted IFRSs for the preparation of financial statements for year 2013 ~ 2016.



**(4) Condensed Statements of Income**

Unit: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating income		16,220,232				
Gross profit		1,143,262				
Operating income (loss)		(332,834)				
Non-operating income and gains		1,147,943				
Non-operating expenses and losses		774,643				
Income (loss) from continuing operations before income tax		40,466	The Company adopted IFRSs for the preparation of financial statements for year 2013 ~ 2016.			
Income (loss) from continuing operations		128,531				
Income (loss) from discontinued operation		-				
Net income (loss)		128,531				
Earnings per share (in dollars)		0.04				



### 3. Five – Year Financial Analysis

#### (1) Consolidated Financial Analysis – Based on IFRS

Item	2012	2013	2014	2015	2016	As of March 31, 2017
Financial structure (%)						
Debt ratio		65.62	65.68	68.18	71.73	71.22
Long-term funds to property, plant and equipment		184.76	148.99	142.44	148.51	150.55
Solvency (%)						
Current ratio		165.54	140.87	132.56	128.42	127.38
Quick ratio		147.73	127.35	123.12	118.34	117.20
Times interest earned (times)		(2.86)	6.95	(3.75)	(6.07)	1.65
Operating performance						
Receivable turnover (times)		10.46	10.30	10.19	10.32	2.83
Average collection days	The Group adopted	35	35	36	35	32
Accounts payable turnover (times)	R.O.C.	10.21	9.78	9.48	9.94	2.57
Property, plant and equipment turnover (times)	GAAP	2.08	1.64	1.29	1.20	0.35
Total assets turnover (times)	for the preparation of consolidated financial statements for year 2012.	0.84	0.79	0.70	0.65	0.18
Profitability						
Return on total assets (%)		(1.03)	1.36	(2.06)	(3.94)	0.25
Return on total equity (%)		(3.39)	3.26	(7.51)	(14.90)	0.32
Pre-Tax income to paid-in capital (%)		(4.57)	9.24	(13.33)	(25.08)	0.64
Profit ratio (%)		(1.47)	1.41	(3.54)	(6.88)	0.50
Earnings per share (NT\$)		(0.43)	0.33	(1.26)	(1.88)	0.09
Cash flow (%)						
Cash flow ratio		6.44	27.54	13.26	(1.83)	5.62
Cash flow adequacy ratio		32.97	68.43	44.45	73.34	79.16
Cash flow reinvestment ratio		1.16	5.56	2.28	(0.36)	1.11
Leverage						
Operating leverage		(9.66)	4.20	(2.76)	(0.63)	6.35
Financial leverage		0.65	1.17	0.80	0.86	2.09

**(2) Non-Consolidated Financial Analysis – Based on IFRS**

Item	2012	2013	2014	2015	2016
Financial structure (%)					
Debt ratio		42.08	41.61	47.71	51.91
Long-term funds to property, plant and equipment		640.03	441.14	341.88	350.35
Solvency (%)					
Current ratio		209.64	148.33	159.83	181.53
Quick ratio		201.42	142.61	155.50	177.51
Times interest earned (times)		(280.05)	505.92	(804.44)	(1048.67)
Operating performance					
Receivable turnover (times)		15.02	13.27	12.07	11.2
Average collection days		24	28	30	33
Accounts payable turnover (times)	The	9.64	10.29	9.96	9.07
Property, plant and equipment turnover (times)	Company	1.65	1.51	1.03	0.85
Total assets turnover (times)	adopted	0.20	0.25	0.23	0.21
	R.O.C.				
	GAAP for the				
	preparation				
Profitability	of financial				
Return on total assets (%)	statements	(1.22)	1.52	(3.69)	(5.62)
Return on total equity (%)	for year	(2.61)	1.95	(7.41)	(12.12)
Pre-tax income to paid-in capital (%)	2012.	(4.18)	5.52	(13.42)	(20.10)
Profit ratio (%)		(7.68)	4.42	(17.53)	(28.65)
Earnings per share (NT\$)		(0.43)	0.33	(1.26)	(1.88)
Cash flow (%)					
Cash flow ratio		32.96	22.97	2.20	4.59
Cash flow adequacy ratio		97.03	81.88	83.48	258.89
Cash flow reinvestment ratio		3.03	3.24	(0.01)	0.68
Leverage					
Operating leverage		(13.39)	1.37	7.66	(3.29)
Financial leverage		0.37	1.15	(9.01)	0.55



**(3) Consolidated Financial Analysis – Based on R.O.C. GAAP**

Item	2012	2013	2014	2015	2016
Financial structure (%)					
Debt ratio	59.80				
Long-term funds to property, plant and equipment	168.42				
Solvency (%)					
Current ratio	185.62				
Quick ratio	165.54				
Times interest earned (times)	0.66				
Operating performance					
Receivable turnover (times)	13.20				
Average collection days	27				
Accounts payable turnover (times)	28.35				
Fixed assets turnover (times)	2.06				
Total assets turnover (times)	0.96				
Profitability					
Return on total assets (%)	(0.03)				
Return on stockholders' equity (%)	(0.65)				
Pre-tax income to paid-in capital (%)	(0.45)				
Profit ratio (%)	(0.30)				
Earnings per share (NT\$)	0.04				
Cash flow (%)					
Cash flow ratio	26.26				
Cash flow adequacy ratio	46.69				
Cash flow reinvestment ratio	4.57				
Leverage					
Operating leverage	(5.50)				
Financial leverage	0.74				

The Group adopted IFRSs for the preparation of consolidated financial statements for year 2013 ~ 2016.

**(4) Non-Consolidated Financial Analysis – Based on R.O.C. GAAP**

Item	2012	2013	2014	2015	2016
Financial structure (%)					
Debt ratio	38.40				
Long-term funds to property, plant and equipment	491.43				
Solvency (%)					
Current ratio	243.47				
Quick ratio	234.66				
Times interest earned (times)	1.10				
Operating performance					
Receivable turnover (times)	18.34				
Average collection days	19				
Accounts payable turnover (times)	11.17				
Fixed assets turnover (times)	0.99				
Total assets turnover (times)	0.17				
Profitability					
Return on total assets (%)	0.50				
Return on stockholders' equity (%)	0.21				
Pre-tax income to paid-in capital (%)	0.11				
Profit ratio (%)	0.79				
Earnings per share (NT\$)	0.04				
Cash flow (%)					
Cash flow ratio	56.89				
Cash flow adequacy ratio	20.92				
Cash flow reinvestment ratio	3.90				
Leverage					
Operating leverage	(8.13)				
Financial leverage	0.44				

The Company adopted IFRSs for the preparation of financial statements for year 2013 ~ 2016.



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

##### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

##### ***Opinion***

We have audited the accompanying consolidated balance sheets of Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) and its subsidiaries (the Company and its subsidiaries constitute the “Group”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, based on our audit and on consideration of the separate audit reports on individual financial statements of the Group (please refer to *Other Matter* section of the report), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers, and in accordance with International Financial Reporting Standards and International Accounting Standards as adopted by the Financial Supervisory Commission of Republic of China.

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

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

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

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

#### **Accuracy of freight revenue**

##### Description

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

Evergreen Marine Corporation (Taiwan) Ltd. primarily engages in global container shipping service covering ocean-going and near-sea shipping line, shipping agency business as well as container freight station business. In 2016, freight revenue was NT\$ 110,022,623 thousand, representing 88.39% of operating revenue. Since ocean-going shipping often lasts for several days, voyages are sometimes completed after the date of balance sheet. Also, demands for freight are consistently sent by forwarders during voyage. Due to the factors mentioned above, freight revenue is recognized under the percentage-of-completion method for each vessel during the reporting period.

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



How our audit addressed the matter

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

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

**Impairment of property, plant and equipment**

Description

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

As of December 31, 2016, property, plant and equipment amounted to NT\$ 99,470,430 thousand, constituting 52.42% of total assets, and ship equipment, transport equipment and cargo handling equipment amount to NT\$ 81,070,851 thousand, accounting for approximately 81.50% of total property, plant and equipment. As new ships have been built and put into operation by many carriers around the world, market supply has exceeded demand. Therefore, the market imbalance led to price competition,



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

#### How our audit addressed the matter

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

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

#### **Realizability of deferred tax assets**

##### Description

Please refer to Note 4(29) for accounting policies on deferred tax assets, Note 5(2) for uncertainty of accounting estimates and assumptions applied on deferred tax assets, and Note 6(28) for details of deferred tax assets.

As of December 31, 2016, the Group has deferred tax assets amounting to NT\$ 662,014 thousand. The evaluation of the realizability of deferred tax assets relies on whether the operating plan could generate sufficient taxable income, including assumptions such as expected market demand, economic condition, revenue growth rates and cost. As the determination of assumptions involve management judgment and high uncertainty in estimates, we consider the realizability of deferred tax assets as a key audit matter.



How our audit addressed the matter

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

1. Understand operation and industry of the Company to assess the reasonableness of future operating plan proposed by management, including examining the procedure of operating plan and understanding whether the plan is in agreement with the content approved by management.
2. Interview with management for details of operation plan and check the past performance of operating plan as well as compare the performance with industry forecast index to assess the intention and capability of management.
3. Obtain the deferred assets valuation statement compiled by management and examine the consistency of estimate method and the reasonableness of material assumptions, such as expected revenue, cost and expenses in future operating plan to assess the reasonableness of future realizable income after tax.
4. Assess sensitivity analysis adopting different revenue growth rates and cost assumption, and confirm whether the uncertainty effects of the future estimated realizable income after tax have been dealt properly addressed by management

***Other matter – Audit by other independent auditors***

We did not audit the financial statements of all the consolidated subsidiaries. Those statements and the information disclosed in Note 13 were performed by other independent accountants whose reports thereon have been furnished to us, and our audit expressed herein is based solely on the reports of the other independent auditors. The statements reflects that total assets in these subsidiaries amounted to NT\$62,747,081 thousand and NT\$67,152,721 thousand, constituting 33.07% and 34.86% of the total consolidated assets as of December 31, 2016, and 2015, respectively. Net operating revenues in the subsidiaries amounted to NT\$46,208,197 thousand and NT\$50,884,347 thousand, constituting 37.12% and 38.03% of the total consolidated net operating revenues of 2016 and 2015 for the years then ended. In addition, we did not audit the financial statements of all the investee companies accounted for using equity method. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our audit expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 related to these long-term equity investments, is based solely on the audit reports of other independent auditors.

Long-term equity investments in these investee companies amounted to NT\$15,396,048 thousand and NT\$14,393,328 thousand, constituting 8.11% and 7.47% of the total consolidated assets as of December 31, 2016 and 2015, respectively, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) was NT\$1,049,924 thousand and NT\$1,166,011 thousand for the years then ended.

We have also audited the parent company only financial statement of Evergreen Marine Corporation (Taiwan) Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified opinion with explanatory paragraph thereon.

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

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

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

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

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

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



the basis of these consolidated financial statements.

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

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

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

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

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

Lai, Chung-Hsi

Chih, Ping-Chiun

for and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2017

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

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



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

Assets	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 34,413,449	18	\$ 32,834,520	17
Held-to-maturity financial assets - current	6(3)	170,000	-	200,000	-
Notes receivable, net		30,011	-	39,624	-
Accounts receivable, net	6(4)	11,572,595	6	10,783,582	6
Accounts receivable, net - related parties	7	922,674	-	762,913	-
Other receivables		785,855	-	320,983	-
Other receivables - related parties	7	287,067	-	470,771	-
Current income tax assets		218,829	-	226,444	-
Inventories	6(5)	3,174,920	2	2,798,186	1
Prepayments		1,063,328	1	917,626	1
Other current assets	6(6), 7 and 8	1,338,279	1	2,817,350	2
<b>Current assets</b>		<u>53,977,007</u>	<u>28</u>	<u>52,171,999</u>	<u>27</u>
<b>Non-current assets</b>					
Available-for-sale financial assets - non-current	6(2)	2,694,826	2	2,576,927	1
Held-to-maturity financial assets - non-current	6(3)	50,000	-	220,000	-
Investments accounted for using equity method	6(7)	25,779,053	14	24,584,558	13
Property, plant and equipment, net	6(8)(24), 7 and 8	99,470,430	52	107,619,180	56
Investment property - net	6(9) and 8	1,938,774	1	1,967,025	1
Intangible assets		121,341	-	22,371	-
Deferred income tax assets	6(28)	662,014	-	489,531	-
Other non-current assets	6(10) and 8	5,060,319	3	3,000,616	2
<b>Non-current assets</b>		<u>135,776,757</u>	<u>72</u>	<u>140,480,208</u>	<u>73</u>
<b>Total assets</b>		<u>\$ 189,753,764</u>	<u>100</u>	<u>\$ 192,652,207</u>	<u>100</u>

(Continued)

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

## CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable		\$ 12,615,885	7	\$ 12,658,949	6
Accounts payable - related parties	7	291,777	-	192,562	-
Other payables		1,838,287	1	1,826,325	1
Other payables - related parties	7	142,174	-	133,170	-
Current income tax liabilities		108,469	-	217,478	-
Other current liabilities	6(11) and 7	27,034,577	14	24,327,683	13
<b>Current liabilities</b>		<b>42,031,169</b>	<b>22</b>	<b>39,356,167</b>	<b>20</b>
<b>Non-current liabilities</b>					
Corporate bonds payable	6(12)	-	-	3,000,000	2
Long-term loans	6(13)	77,673,504	41	71,095,549	37
Deferred income tax liabilities	6(28)	633,182	1	961,391	-
Other non-current liabilities	6(14)(15)	15,777,408	8	16,944,498	9
<b>Non-current liabilities</b>		<b>94,084,094</b>	<b>50</b>	<b>92,001,438</b>	<b>48</b>
<b>Total liabilities</b>		<b>136,115,263</b>	<b>72</b>	<b>131,357,605</b>	<b>68</b>
<b>Equity attributable to owners of the parent</b>					
<b>Capital</b>					
Common stock	6(17)	35,123,560	18	35,123,560	18
<b>Capital surplus</b>					
Capital surplus	6(18)	7,989,014	4	7,986,633	4
<b>Retained earnings</b>					
Legal reserve	6(19)	9,233,242	5	9,233,242	5
Unappropriated retained earnings		( 4,248,211 )	( 2)	2,561,825	1
<b>Other equity interest</b>					
Other equity interest	6(20)	2,889,888	2	3,095,787	2
<b>Equity attributable to owners of the parent</b>		<b>50,987,493</b>	<b>27</b>	<b>58,001,047</b>	<b>30</b>
<b>Non-controlling interest</b>		<b>2,651,008</b>	<b>1</b>	<b>3,293,555</b>	<b>2</b>
<b>Total equity</b>		<b>53,638,501</b>	<b>28</b>	<b>61,294,602</b>	<b>32</b>
<b>Significant Contingent Liabilities And Unrecognized Contract Commitments</b>	9				
<b>Significant events after the balance sheet date</b>	11				
<b>Total liabilities and equity</b>		<b>\$ 189,753,764</b>	<b>100</b>	<b>\$ 192,652,207</b>	<b>100</b>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2017.



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

Items	Notes	Years ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(21) and 7	\$ 124,467,608	100	\$ 133,813,687	100
<b>Operating costs</b>	6(26)(27) and 7	( 127,955,772)	( 103)	( 132,194,363)	( 99)
<b>Gross (loss) profit</b>		( 3,488,164)	( 3)	1,619,324	1
Unrealized profit from sales		( 14,136)	-	( 84,261)	-
Realized profit on from sales		8,187	-	5,252	-
<b>Gross (loss) profit</b>		( 3,494,113)	( 3)	1,540,315	1
<b>Operating expenses</b>	6(26)(27) and 7	( 6,235,412)	( 5)	( 5,701,090)	( 4)
<b>Other gains - net</b>	6(22)	1,881,263	2	313,749	-
<b>Operating loss</b>		( 7,848,262)	( 6)	( 3,847,026)	( 3)
Other income	6(23)	802,322	1	695,808	-
Other gains and losses	6(24)	470,571	-	( 84,441)	-
Finance costs	6(25)	( 1,245,952)	( 1)	( 986,094)	( 1)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		( 987,662)	( 1)	( 460,743)	-
<b>Total non-operating income and expenses</b>		( 960,721)	( 1)	( 835,470)	( 1)
<b>Loss before income tax</b>		( 8,808,983)	( 7)	( 4,682,496)	( 4)
Income tax benefit	6(28)	243,672	-	( 56,801)	-
<b>Loss for the year</b>		( \$ 8,565,311)	( 7)	( \$ 4,739,297)	( 4)
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Loss on remeasurements of defined benefit plans		( \$ 62,172)	-	( \$ 162,439)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 155,908)	-	( 154,579)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		20,614	-	22,440	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		( 197,466)	-	( 294,578)	-

(Continued)



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

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

Items	Notes	Years ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Exchange differences on translating the financial statements of foreign operations		\$ 498,341	1	\$ 327,271	-
Unrealized gain on valuation of available-for-sale financial assets		145,411	-	1,039,584	1
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		448,018	-	(209,339)	-
Income tax relating to the components of other comprehensive income (loss)		12,525	-	(11,789)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>1,104,295</u>	<u>1</u>	<u>1,145,727</u>	<u>1</u>
<b>Other comprehensive income for the year, net of income tax</b>		<u>\$ 906,829</u>	<u>1</u>	<u>\$ 851,149</u>	<u>1</u>
<b>Total comprehensive loss for the year</b>		<u>(\$ 7,658,482)</u>	<u>(6)</u>	<u>(\$ 3,888,148)</u>	<u>(3)</u>
<b>Loss, attributable to:</b>					
Owners of the parent		<u>(\$ 6,607,986)</u>	<u>(5)</u>	<u>(\$ 4,408,079)</u>	<u>(4)</u>
Non-controlling interest		<u>(\$ 1,957,325)</u>	<u>(2)</u>	<u>(\$ 331,218)</u>	<u>-</u>
<b>Comprehensive loss attributable to:</b>					
Owners of the parent		<u>(\$ 7,015,935)</u>	<u>(5)</u>	<u>(\$ 3,226,155)</u>	<u>(3)</u>
Non-controlling interest		<u>(\$ 642,547)</u>	<u>(1)</u>	<u>(\$ 661,993)</u>	<u>-</u>
<b>Loss per share (in dollars)</b>	6(29)				
<b>Basic loss per share</b>		<u>(\$ 1.88)</u>		<u>(\$ 1.26)</u>	
<b>Diluted loss per share</b>		<u>(\$ 1.88)</u>		<u>(\$ 1.26)</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2017.



## 4 Financial Information

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

Notes	Equity attributable to owners of the parent										Total	Non-controlling interest	Total equity
	Retained Earnings				Other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate d retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges					
<b>Year 2015</b>													
	\$ 34,775,802	\$ 7,292,458	\$ 9,115,638	\$ 828,940	\$ 7,240,507	\$ 1,356,698	\$ 636,519	(\$ 365,777)	\$ 60,880,785	\$ 3,955,548	\$ 64,836,333		
	-	-	117,604	-	( 117,604 )	-	-	-	-	-	-	-	-
	-	-	-	( 828,940 )	828,940	-	-	-	-	-	-	-	-
	347,758	-	-	-	( 347,758 )	-	-	-	-	-	-	-	-
	-	-	-	-	( 347,758 )	-	-	-	( 347,758 )	-	( 347,758 )	-	( 347,758 )
6(18)	-	694,175	-	-	-	-	-	-	694,175	-	694,175	-	694,175
	-	-	-	-	( 4,408,079 )	-	-	-	( 4,408,079 )	( 331,218 )	( 4,739,297 )	-	( 4,739,297 )
6(20)	-	-	-	-	( 286,423 )	798,388	825,331	( 155,372 )	1,181,924	( 330,775 )	851,149	-	851,149
	\$ 35,123,560	\$ 7,986,633	\$ 9,233,242	\$ -	\$ 2,561,825	\$ 2,155,086	\$ 1,461,850	(\$ 521,149)	\$ 58,001,047	\$ 3,293,555	\$ 61,294,602		\$ 61,294,602
<b>Year 2016</b>													
	\$ 35,123,560	\$ 7,986,633	\$ 9,233,242	\$ -	\$ 2,561,825	\$ 2,155,086	\$ 1,461,850	(\$ 521,149)	\$ 58,001,047	\$ 3,293,555	\$ 61,294,602		\$ 61,294,602
6(18)	-	2,381	-	-	-	-	-	-	2,381	-	2,381	-	2,381
	-	-	-	-	( 6,607,986 )	-	-	-	( 6,607,986 )	( 1,957,325 )	( 8,565,311 )	-	( 8,565,311 )
6(20)	-	-	-	-	( 202,050 )	( 900,464 )	241,311	453,254	( 407,949 )	1,314,778	906,829	-	906,829
	\$ 35,123,560	\$ 7,989,014	\$ 9,233,242	\$ -	(\$ 4,248,211 )	\$ 1,254,622	\$ 1,703,161	(\$ 67,895)	\$ 50,987,493	\$ 2,651,008	\$ 53,638,501		\$ 53,638,501

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2017.

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

	Notes	Years ended December 31	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 8,808,983 )	(\$ 4,682,496 )
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(8)(9)	8,106,130	8,192,869
Amortization	6(26)	30,501	12,869
Bad debts expense	6(4)(6)	144,901	24,155
Interest income	6(23)	( 277,749 )	( 230,050 )
Interest expense	6(25)	1,245,952	986,094
Dividend income	6(23)	( 142,152 )	( 137,552 )
Realized loss from available-for-sale financial assets	6(24)	1,878	717,713
Loss (gain) on disposal of investments accounted for using equity method		1,865	( 131,351 )
Share of loss of associates and joint ventures accounted for using equity method		987,662	460,743
Net gain on disposal of property, plant and equipment	6(22)	( 1,881,263 )	( 313,749 )
Realized loss from property, plant and equipment	6(24)	49,429	-
Net loss on disposal of intangible assets		3	5
Realized income with affiliated companies		( 17,120 )	( 14,184 )
Unrealized income with affiliated companies		14,136	84,261
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Notes receivable, net		8,823	31,052
Accounts receivable		( 1,067,949 )	3,764,309
Accounts receivable, net - related parties		( 171,827 )	( 318,423 )
Other receivables		( 476,640 )	127,651
Other receivables - related parties		177,204	( 140,943 )
Inventories		( 423,095 )	1,841,054
Prepayments		( 160,259 )	123,444
Other current assets		1,378,329	776,113
Other non-current assets		( 31,257 )	( 30,878 )
Net changes in liabilities relating to operating activities			
Accounts payable		165,241	( 2,158,105 )
Accounts payable - related parties		102,996	( 498,267 )
Other payables		( 106,113 )	( 320,320 )
Other payables - related parties		( 28,318 )	12,213
Other current liabilities		1,811,096	( 804,141 )
Other non-current liabilities		( 63,008 )	( 92,107 )
Cash inflow generated from operations		570,413	7,281,979
Interest received		277,749	230,050
Interest paid		( 1,282,509 )	( 1,004,725 )
Income tax paid		( 333,038 )	( 1,287,414 )
Net cash flows (used in) from operating activities		( 767,385 )	5,219,890

(Continued)



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

	Notes	Years ended December 31	
		2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of available-for-sale financial assets		\$ 1,253	\$ -
Proceeds from disposal of held-to-maturity financial assets		200,000	-
Acquisition of held-to-maturity financial assets		-	( 50,000 )
Proceeds from capital reduction of investments accounted for using equity method		97,704	-
Acquisition of investments accounted for using equity method		( 2,866,762 )	( 1,435,320 )
Proceeds from disposal of investments accounted for using equity method		-	7,304
Disposal of subsidiaries		-	( 61,740 )
Acquisition of property, plant and equipment		( 1,669,499 )	( 2,515,724 )
Proceeds from disposal of property, plant and equipment		2,651,016	482,265
Acquisition of intangible assets		( 76,428 )	( 13,347 )
Increase in other non-current assets		( 2,596,335 )	( 10,873,074 )
Cash dividend received		848,702	552,762
Net cash flows used in investing activities		( 3,410,349 )	( 13,906,874 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		10,600,283	4,637,138
Decrease in short-term loans		( 10,600,283 )	( 4,637,138 )
Decrease other payables	7	( 5,716 )	( 7,270 )
Increase in long-term loans		23,897,467	28,122,621
Decrease in long-term loans		( 18,353,483 )	( 16,961,552 )
Decrease other non-current liabilities		( 827,099 )	( 1,961,861 )
Cash dividends paid		-	( 347,758 )
Net cash flows from financing activities		4,711,169	8,844,180
Effect of exchange rate changes		1,045,494	( 149,217 )
Net increase in cash and cash equivalents		1,578,929	7,979
Cash and cash equivalents at beginning of year		32,834,520	32,826,541
Cash and cash equivalents at end of year		\$ 34,413,449	\$ 32,834,520

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2017.

EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016



New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

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

**B. Annual improvements to IFRSs 2010-2012 cycle**

**IFRS 8, 'Operating segments'**

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to the Chief Operating Decision-Maker regularly.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

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



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

**B. IFRS 15 "Revenue from contracts with customers"**

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

**C. IFRS 16, 'Leases'**

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

**D. Amendments to IAS 7, 'Disclosure initiative'**

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



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with IFRSs International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-



controlling interests having a deficit balance.

- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
The Company	TTSC	Cargo loading and discharging	55.00	55.00	
The Company	Peony	Investments in transport-related business	100.00	100.00	
The Company	ETS	Terminal Services	100.00	100.00	
Peony	GMS	Container Shipping	100.00	100.00	
Peony	Clove	Investments in container yards and port terminals	100.00	100.00	
Peony	EMU	Container shipping	51.00	51.00	
Peony	EHIC(M)	Manufacturing of dry steel containers and container parts	84.44	84.44	
Peony	Armand N.V.	Investments in container yards and port terminals	70.00	70.00	

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
Peony	KTIL	Loading, discharging, storage, repairs and cleaning	20.00	20.00	(a)
Peony	MBPI	Containers storage and inspections of containers at the customs house	95.03	95.03	
Peony	MBT	Inland transportation, repairs and cleaning of containers	17.39	17.39	
Peony	EGS	Agency services dealing with port formalities	51.00	51.00	
Peony	EGK	Agency services dealing with port formalities	100.00	100.00	
Peony	EGT	Agency services dealing with port formalities	51.00	51.00	
Peony	EGI	Agency services dealing with port formalities	99.99	99.99	
Peony	EMA	Agency services dealing with port formalities	67.50	67.50	
Peony	EIT	Agency services dealing with port formalities	55.00	55.00	
Peony	EES	Agency services dealing with port formalities	55.00	55.00	
Peony	ERU	Agency services dealing with port formalities	51.00	51.00	
Peony	EGD	Agency services dealing with port formalities	100.00	100.00	
Peony	EGUD	Agency services dealing with port formalities	-	100.00	(c)
Peony	EGD-WWX	Agency services dealing with port formalities	100.00	100.00	
Peony	EGF	Agency services dealing with port formalities	100.00	100.00	
Peony	EGN	Agency services dealing with port formalities	100.00	100.00	
Peony	EGV	Agency services dealing with port formalities	49.00	49.00	(b)
Peony	ESA	Agency services dealing with port formalities	55.00	55.00	



## 4 | Financial Information

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
Peony	EGB	Real estate leasing	95.00	95.00	
EMU	Island	Investments in operating machinery and equipment of port terminals	15.00	15.00	
EMU	KTIL	Loading, discharging, storage, repairs and cleaning of containers	20.00	20.00	(a)
EMU	EGU	Agency services dealing with port formalities	100.00	100.00	
EMU	EGUD	Agency services dealing with port formalities	100.00	-	(c)
EGD	EGDL	Agency services dealing with port formalities	100.00	100.00	
EGD	EGDV	Agency services dealing with port formalities	100.00	100.00	
Clove	Island	Investments in operating machinery and equipment of port terminals	36.00	36.00	
Armand N.V.	Armand B.V.	Investments in container yards and port terminals	100.00	100.00	
Island	Whitney	Investments and leases of operating machinery and equipment of port terminals	100.00	100.00	
Island	Hemlock	Investments and leases of operating machinery and equipment of port terminals	100.00	100.00	
MBPI	MBT	Inland transportation, repairs and cleaning of containers	72.95	72.95	

- (a) The Group shall present consolidated financial statements in which it consolidates its investments in KTIL since control is presumed to exist when the Group merely owns 40% interests of the entity and when there is power to cast the majority of votes at meetings of the Board of Directors.
- (b) On September 25, 2015, the Board of Directors has resolved that the subsidiary – Peony to sell 2% share ownership in the indirect subsidiary – EGV, amounting to USD 221 thousand on September 30, 2015. After the Group sold its shares, the shareholding ratio was reduced to 49% and the majority of the voting power of the Board of Directors has been lost. It is assessed that Peony has already lost control over EGV and thus accounted for EGV using equity method.
- (c) On August 1, 2016, the Board of Directors has resolved that the subsidiary – Peony to sell 100% share ownership of EGUD to the indirect subsidiary – EMU. Since EMU obtained the wholly-owned ownership, the Board of Directors resolved a reorganization plan to transfer businesses from EGU and EGUD to EMU on August 1, 2016. As of the issuance of financial report, the liquidation of EGU and EGUD are still in process.

C.Subsidiary not included in the consolidated financial statements: None.

D.Adjustments for subsidiaries with different balance sheet dates: None.

E.Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2016 and, 2015, the non-controlling interest amounted to \$2,651,008 and \$3,293,555, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2016		December 31, 2015		
		Amount	Ownership (%)	Amount	Ownership (%)	
EMU	U.K.	\$ 1,346,808	49%	\$ 1,918,751	49%	

Summarized financial information of the subsidiaries:

Balance sheets

	EMU	
	December 31, 2016	December 31, 2015
Current assets	\$ 8,558,298	\$ 8,805,235
Non-current assets	43,908,688	47,285,533
Current liabilities	( 18,383,253)	( 15,396,098)
Non-current liabilities	( 31,335,146)	( 36,778,851)
Total net assets	\$ 2,748,587	\$ 3,915,819

Statements of comprehensive income

	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	\$ 44,957,343	\$ 48,333,479
Loss before income tax	(\$ 4,301,640)	(\$ 1,232,659)
Income tax expense	( 11,309)	( 22,283)
Loss for the period from continuing operations	( 4,312,949)	( 1,254,942)
Other comprehensive loss, net of tax	( 1,144)	( 30,613)
Total comprehensive loss for the period	(\$ 4,314,093)	(\$ 1,285,555)
Comprehensive loss attributable to non-controlling interest	(\$ 2,113,906)	(\$ 629,922)

Statements of cash flows

	EMU	
	Year ended December 31, 2016	Year ended December 31, 2015
Net cash (used in) provided by operating activities	(\$ 133,883)	\$ 896,883
Net cash provided by (used in) investing activities	158,015	( 457,734)
Net cash provided by (used in) financing activities	98,750	( 70,916)
Effect of exchange rates on cash and cash equivalents	( 36,117)	65,348
Increase in cash and cash equivalents	86,765	433,581
Cash and cash equivalents, beginning of year	1,803,873	1,370,292
Cash and cash equivalents, end of year	\$ 1,890,638	\$ 1,803,873

(4) Foreign currency translation

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

## A. Foreign currency transactions and balances

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

#### B. Translation of foreign operations

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



operation.

(5) Classification of current and non-current items

A.Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a)Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b)Assets held mainly for trading purposes;
- (c)Assets that are expected to be realised within twelve months from the balance sheet date;
- (d)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B.Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a)Liabilities that are expected to be settled within the normal operating cycle;
- (b)Liabilities arising mainly from trading activities;
- (c)Liabilities that are to be settled within twelve months from the balance sheet date;
- (d)Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

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

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



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

(8) Available-for-sale financial assets

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

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

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

(9) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

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

C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Notes, accounts and other receivables

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

(11) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be



reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

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

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an

equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

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

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

(13) Leases (lessor)

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

(14) Inventories

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

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

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership



percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains and loss on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss

during the financial period in which they are incurred.

C.Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D.The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 ~ 60 years
Loading and unloading equipment	2 ~ 20 years
Ships	18 ~ 25 years
Transportation equipment	6 ~ 10 years
Lease assets	3 ~ 90 years
Other equipment	1 ~ 15 years

(17) Leased assets/ leases (lessee)

A.Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a)A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b)The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c)Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B.Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

C.The accounting treatment of sale and leaseback transactions depends on the substance of the transaction. If sale and finance leaseback is in substance a financing transaction, the difference between the sales proceeds and the carrying value of the asset is deferred and amortised to the income statement over the lease term. If the sale price is below the fair value, the difference between sale price and carrying amount should be recognised immediately except that, if a loss arising is compensated by future rent at below market price, it should be deferred and amortised



in proportion to the rent payments over the period for which the asset is expected to be used. If the sale price is above the fair value, the excess of proceeds over fair value should be deferred and amortised over the period for which the asset is expected to be used.

(18) Investment property

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

(19) Intangible assets

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

(20) Impairment of non-financial assets

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

(21) Loans

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(22) Accounts payable

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

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition.

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

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

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss. Derivative liabilities that are linked to equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and that must be settled by delivery of such unquoted equity instruments are presented in 'financial liabilities measured at cost'.

(24) Derecognition of financial liabilities

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

(25) Offsetting financial instruments

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

(26) Financial liabilities and equity instruments

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

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

- (a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'.



They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.

- (b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.
- (c) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus—stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock warrants.

(27) Derivative financial instruments and hedging activities

- A. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.
- B. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).
- C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- E. Cash flow hedge



- (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within ‘other gains and losses’.
- (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within ‘finance costs’. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognised in operating costs.
- (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms



to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and adjust to undistributed earnings.
- iii. Past service costs are recognised immediately in profit or loss.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognized as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

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

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

### (29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Dividends

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



(31) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

(32) Operating segments

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

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

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

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

Financial assets—impairment of equity investments

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

including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would transfer the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss. Please refer to Note 6(2).

(34) Critical accounting estimates and assumptions

A. Revenue recognition

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

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

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

As of December 31, 2016, the Group had property, plant and equipment and intangible assets amounting to \$99,470,430 and 121,341, respectively.

C. Impairment assessment of investments accounted for using equity method

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

D. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31 2016, the Group recognised deferred tax assets amounting to \$662,014.



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

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

As of December 31, 2016, the carrying amount of unlisted stocks without active market was \$1,056,802.

6. DETAILS OF SIGNIFICANT ACCOUNTS(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash	\$ 17,294	\$ 17,180
Checking accounts and demand deposits	5,625,604	6,715,600
Time deposits	28,770,551	25,452,362
Cash equivalents	-	649,378
	<u>\$ 34,413,449</u>	<u>\$ 32,834,520</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

(2) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 1,023,088	\$ 490,801
Emerging stocks	-	532,287
Unlisted stocks	<u>266,779</u>	<u>273,564</u>
	1,289,867	1,296,652
Valuation adjustment	<u>1,404,959</u>	<u>1,280,275</u>
	<u>\$ 2,694,826</u>	<u>\$ 2,576,927</u>

A. The Group recognised \$124,684 and \$1,076,835 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

B. The Company originally owned the emerging stock of Taiwan High Speed Rail Corporation which was firstly publicly traded on October 27, 2016. However, for the year ended December 31, 2015, the Company assessed that there had been objective evidence of impairment given that the market price of the shares continuously fell. The Company then recognised \$717,713 as impairment loss in 2015.

C. The Group recognised impairment loss of \$3,712 on unlisted stocks.

D.The Group has no available-for-sale assets pledged to others.

(3) Held-to-maturity financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Financial bonds	\$ <u>170,000</u>	\$ <u>200,000</u>
Non-current items:		
Financial bonds	\$ <u>50,000</u>	\$ <u>220,000</u>

A.The Group recognised interest income of \$8,197 and \$10,588 for amortised cost in profit or loss for the years ended December 31, 2016 and 2015, respectively.

B.The counterparties of the Group's investments have good credit quality.

C.The Group has no held-to-maturity financial assets pledged to others.

(4) Accounts receivable, net

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 11,671,670	\$ 10,814,354
Less: allowance for bad debts	( 99,075)	( 30,772)
	\$ <u>11,572,595</u>	\$ <u>10,783,582</u>

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

	December 31, 2016	December 31, 2015
Group 1	\$ 1,284,920	\$ 998,102
Group 2	<u>8,806,443</u>	<u>8,809,632</u>
	\$ <u>10,091,363</u>	\$ <u>9,807,734</u>

Note:

Group1: Low risk: The Group's ten largest customers, with sound performance and high transparency of financial information, are approved based on the Group's credit quality control policy.

Group 2: General risk.

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

	December 31, 2016	December 31, 2015
Up to 30 days	\$ 1,232,006	\$ 786,868
31 to 180 days	<u>249,226</u>	<u>188,980</u>
	\$ <u>1,481,232</u>	\$ <u>975,848</u>

The above ageing analysis was based on past due date.



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

- (a) As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to \$99,075 and \$30,772 respectively.
- (b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	2016		
	Individual provision	Group provision	Total
At January 1	(\$ 30,772)	\$ -	(\$ 30,772)
Provision for impairment	( 97,446)	-	( 97,446)
Reversal of impairment	25,275	-	25,275
Write-offs during the period	3,826	-	3,826
Net exchange differences	42	-	42
At December 31	<u>(\$ 99,075)</u>	<u>\$ -</u>	<u>(\$ 99,075)</u>
	2015		
	Individual provision	Group provision	Total
At January 1	(\$ 37,089)	\$ -	(\$ 37,089)
Provision for impairment	( 24,155)	-	( 24,155)
Reversal of impairment	25,988	-	25,988
Write-offs during the period	667	-	667
Net exchange differences	3,817	-	3,817
At December 31	<u>(\$ 30,772)</u>	<u>\$ -</u>	<u>(\$ 30,772)</u>

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

(5) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Ship fuel	\$ 2,782,953	\$ -	\$ 2,782,953
Steel and others	391,967	-	391,967
	<u>\$ 3,174,920</u>	<u>\$ -</u>	<u>\$ 3,174,920</u>
	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Ship fuel	\$ 2,401,157	\$ -	\$ 2,401,157
Steel and others	397,029	-	397,029
	<u>\$ 2,798,186</u>	<u>\$ -</u>	<u>\$ 2,798,186</u>



(6) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Shipowner's accounts	\$ 110,646	\$ 1,066,136
Agency accounts	772,724	618,677
Other financial assets	183,200	774,273
Temporary debits	271,709	358,264
	<u>\$ 1,338,279</u>	<u>\$ 2,817,350</u>

## A. Shipowner's accounts:

(a) Temporary accounts, between the Group and other related parties – Evergreen International S.A., Gaining Enterprise S.A., Italia Marittima S.p.A., Evergreen Marine (Hong Kong) Ltd. and Evergreen Marine (Singapore) Pte. Ltd. incurred due to foreign port formalities and pier rental expenses.

(b) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Group has joined Cosco Container Lines Co., Ltd., Kawasaki Kisen Kaisha, Ltd., Yang Ming (UK), Ltd. and Hanjin Shipping Co., Ltd. to form the CKYHE Alliance Transactions for the trading of shipping spaces.

## B. Agency accounts:

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

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

(7) Investments accounted for using equity method

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Evergreen International Storage and Transport Corporation	\$ 8,517,744	\$ 8,394,827
EVA Airways Corporation	8,699,063	7,970,003
Taipei Port Container Terminal Corporation	1,414,293	1,432,922
Charng Yang Development Co., Ltd.	531,069	521,634
Luanta Investment (Netherlands) N.V.	1,993,507	2,035,947
Balsam Investment (Netherlands) N.V.	550,749	249,716
Colon Container Terminal S.A.	2,740,375	2,852,856
Others	1,332,253	1,126,653
	<u>\$ 25,779,053</u>	<u>\$ 24,584,558</u>

## B.Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Ownership(%)</u>		<u>Nature of relationship</u>	<u>Methods of measurement</u>
		<u>December 31, 2016</u>	<u>December 31, 2015</u>		
Evergreen International Storage and Transport Corporation	TW	39.74%	39.74%	With a right over 20% to vote	Equity method
EVA Airways Corporation	TW	16.31%	16.31%	Have a right to vote in the Board of Directors	Equity method

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

Balance sheet

	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 4,883,682	\$ 4,831,723
Non-current assets	28,917,060	29,250,378
Current liabilities	( 2,380,308)	( 1,911,824)
Non-current liabilities	( 9,592,754)	( 10,654,488)
Total net assets	<u>\$ 21,827,680</u>	<u>\$ 21,515,789</u>
Share in associate's net assets	\$ 8,611,875	\$ 8,485,861
Unrealized income with affiliated companies	( 94,131)	( 91,034)
Carrying amount of the associate	<u>\$ 8,517,744</u>	<u>\$ 8,394,827</u>

	<u>EVA Airways Corporation</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 69,375,363	\$ 58,585,588
Non-current assets	148,288,041	136,820,724
Current liabilities	( 62,284,933)	( 58,580,061)
Non-current liabilities	( 96,042,190)	( 82,098,729)
Total net assets	<u>\$ 59,336,281</u>	<u>\$ 54,727,522</u>
Share in associate's net assets	<u>\$ 8,699,063</u>	<u>\$ 7,970,003</u>

Statement of comprehensive income

	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Revenue	<u>\$ 7,472,097</u>	<u>\$ 7,348,665</u>
Profit for the period	\$ 809,015	\$ 843,287
Other comprehensive loss, net of tax	( 123,347)	( 99,320)
Total comprehensive income	<u>\$ 685,668</u>	<u>\$ 743,967</u>
Dividends received from associates	<u>\$ 148,422</u>	<u>\$ 148,422</u>



	EVA Airways Corporation	
	Year ended December	Year ended December
	31, 2016	31, 2015
Revenue	\$ 144,679,665	\$ 137,168,544
Profit for the period	\$ 3,953,667	\$ 6,859,210
Other comprehensive income (loss), net of tax	2,084,356	(2,067,974)
Total comprehensive income	\$ 6,038,023	\$ 4,791,236
Dividends received from associates	\$ 188,845	\$ -

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

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$8,562,246 and \$8,219,728, respectively.

	Year ended December	Year ended December
	31, 2016	31, 2015
Loss for the period	(\$ 3,686,346)	(\$ 3,542,529)
Other comprehensive loss , net of tax	(22,627)	(19,588)
Total comprehensive loss	(\$ 3,708,973)	(\$ 3,562,117)

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

	December 31, 2016	December 31, 2015
Evergreen International Storage and Transport Corporation	\$ 5,428,009	\$ 5,873,263
EVA Airways Corporation	9,649,978	11,708,388
	\$ 15,077,987	\$ 17,581,651

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

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

- F. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. to participate in Ningbo Victory Container Co., Ltd. capital increase as the original shareholder, and the investment amount was USD 6,144 thousand as of May 26, 2016. The shareholding ratio remained at 40% after the capital increase and Ningbo Victory Container Co., Ltd. is accounted for using equity method.
- G. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. participated in Balsam Investment (Netherlands) N.V.'s capital increase as an original shareholder. The investment amount was USD 76,930 thousand and USD 42,695 thousand for the year ended December 31, 2016 and 2015, respectively. The shareholding ratio remains at 49% after the capital increase and Balsam Investment (Netherlands) N.V. is accounted for using equity method.
- H. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. participated in Greenpen Properties Sdn. Bhd.'s capital increase as the original shareholder, and the investment amount was MYR 1,200 thousand as of January 14, 2015. The shareholding ratio remained at 30% after the capital increase and Greenpen Properties Sdn. Bhd. is accounted for using equity method.
- I. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. participated in Luanta Investment (Netherlands) N.V.'s capital increase as the original shareholder, and the investment amount was EUR 1,900 thousand for the year ended December 31, 2015. The shareholding ratio remained at 50% after the capital increase and Luanta Investment (Netherlands) N.V. is accounted for using equity method.
- J. The Board of Directors has resolved that the subsidiary - Peony Investment S.A. participated in Evergreen Marine (UK) Limited (EMU)'s capital increase as the original shareholder, and the investment amount was USD 51,000 for the year ended October 24, 2016. The shareholding ratio remained at 51% after the capital increase and Evergreen Marine (UK) Limited (EMU)'s is accounted for using equity method.



## 4 Financial Information

### (8) Property, plant and equipment, net

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

	Land	Buildings	Machinery equipment	Loading and unloading equipment	Computer and communication equipment	Transportation equipment	Ships	Office equipment	Lease assets	Leasehold improvements	Others	Total
At January 1, 2015												
Cost	\$ 843,655	\$ 1,846,873	\$ 757,910	\$ 7,521,651	\$ 256,551	\$ 17,894,326	\$ 99,827,604	\$ 513,386	\$ 22,761,125	\$ 228,617	\$ -	\$ 152,451,698
Accumulated depreciation	-	( 1,054,389)	( 565,562)	( 4,915,222)	( 216,249)	( 6,249,241)	( 34,797,467)	( 429,329)	( 4,570,222)	( 129,728)	-	( 52,927,409)
<u>2015</u>	<u>\$ 843,655</u>	<u>\$ 792,484</u>	<u>\$ 192,348</u>	<u>\$ 2,606,429</u>	<u>\$ 40,302</u>	<u>\$ 11,645,085</u>	<u>\$ 65,030,137</u>	<u>\$ 84,057</u>	<u>\$ 18,190,903</u>	<u>\$ 98,889</u>	<u>\$ -</u>	<u>\$ 99,524,289</u>
Opening net book amount	\$ 843,655	\$ 792,484	\$ 192,348	\$ 2,606,429	\$ 40,302	\$ 11,645,085	\$ 65,030,137	\$ 84,057	\$ 18,190,903	\$ 98,889	\$ -	\$ 99,524,289
Additions	158	-	264	38,646	19,436	1,419,455	436,845	45,622	58,737	53,456	451,909	2,524,528
Disposals	-	( 17,116)	( 214)	( 4,553)	( 1,436)	( 32,119)	( 13,352)	( 284)	( 99,008)	-	-	( 168,082)
Reclassifications	-	( 6,453)	-	1,103,596	( 10)	3,963	10,120,380	1,171	( 7,400)	70,284	( 660)	11,284,871
Depreciation	-	( 45,337)	( 24,523)	( 380,800)	( 19,370)	( 1,457,350)	( 4,330,358)	( 31,811)	( 1,837,280)	( 46,306)	( 48)	( 8,173,183)
The effects of changes in consolidated entity	-	-	-	-	( 166)	-	-	( 43)	-	-	-	( 209)
Net exchange differences	( 20,157)	( 41,623)	( 28,474)	51,539	( 1,525)	298,713	1,759,938	( 2,805)	597,692	( 1,346)	15,014	2,626,966
Closing net book amount	<u>\$ 823,656</u>	<u>\$ 681,955</u>	<u>\$ 139,401</u>	<u>\$ 3,414,857</u>	<u>\$ 37,231</u>	<u>\$ 11,877,747</u>	<u>\$ 73,003,590</u>	<u>\$ 95,907</u>	<u>\$ 16,903,644</u>	<u>\$ 174,977</u>	<u>\$ 466,215</u>	<u>\$ 107,619,180</u>
At December 31, 2015												
Cost	\$ 823,656	\$ 1,658,060	\$ 638,955	\$ 8,698,643	\$ 235,114	\$ 19,390,776	\$ 112,145,161	\$ 516,257	\$ 23,354,144	\$ 350,042	\$ 466,263	\$ 168,277,071
Accumulated depreciation	-	( 976,105)	( 499,554)	( 5,283,786)	( 197,883)	( 7,513,029)	( 39,141,571)	( 420,350)	( 6,450,500)	( 175,065)	( 48)	( 60,657,891)
<u>\$ 823,656</u>	<u>\$ 681,955</u>	<u>\$ 139,401</u>	<u>\$ 3,414,857</u>	<u>\$ 37,231</u>	<u>\$ 11,877,747</u>	<u>\$ 73,003,590</u>	<u>\$ 95,907</u>	<u>\$ 16,903,644</u>	<u>\$ 174,977</u>	<u>\$ 466,215</u>	<u>\$ 466,215</u>	<u>\$ 107,619,180</u>

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

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

(9) Investment property, net

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2016			
Cost	\$ 1,420,461	\$ 1,046,174	\$ 2,466,635
Accumulated depreciation	-	( 499,610)	( 499,610)
	<u>\$ 1,420,461</u>	<u>\$ 546,564</u>	<u>\$ 1,967,025</u>
<u>2016</u>			
Opening net book amount	\$ 1,420,461	\$ 546,564	\$ 1,967,025
Reclassifications	( 5,701)	-	( 5,701)
Depreciation	-	( 19,490)	( 19,490)
Net exchange differences	( 129)	( 2,931)	( 3,060)
Closing net book amount	<u>\$ 1,414,631</u>	<u>\$ 524,143</u>	<u>\$ 1,938,774</u>
At December 31, 2016			
Cost	\$ 1,414,631	\$ 1,000,649	\$ 2,415,280
Accumulated depreciation	-	( 476,506)	( 476,506)
	<u>\$ 1,414,631</u>	<u>\$ 524,143</u>	<u>\$ 1,938,774</u>
At January 1, 2015			
Cost	\$ 1,414,008	\$ 1,005,858	\$ 2,419,866
Accumulated depreciation	-	( 432,652)	( 432,652)
	<u>\$ 1,414,008</u>	<u>\$ 573,206</u>	<u>\$ 1,987,214</u>
<u>2015</u>			
Opening net book amount	\$ 1,414,008	\$ 573,206	\$ 1,987,214
Reclassifications	6,453	-	6,453
Depreciation charge	-	( 19,686)	( 19,686)
Net exchange differences	-	( 6,956)	( 6,956)
Closing net book amount	<u>\$ 1,420,461</u>	<u>\$ 546,564</u>	<u>\$ 1,967,025</u>
At December 31, 2015			
Cost	\$ 1,420,461	\$ 1,046,174	\$ 2,466,635
Accumulated depreciation	-	( 499,610)	( 499,610)
	<u>\$ 1,420,461</u>	<u>\$ 546,564</u>	<u>\$ 1,967,025</u>



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

	Year ended December 31, 2016	Year ended December 31, 2016
Rental revenue from the lease of the investment property	\$ 109,254	\$ 111,670
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 21,986	\$ 22,732
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 1,586	\$ 2,194

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was \$3,696,799 and \$3,802,088, respectively. The fair value measurements were based on the market prices of recently sold properties in the immediate vicinity of a certain property.

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

(10) Other non-current assets

	December 31, 2016	December 31, 2015
Prepayments for equipment	\$ 4,898,843	\$ 2,868,273
Refundable deposits	159,013	131,330
Others	2,463	1,013
	\$ 5,060,319	\$ 3,000,616

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

	Year ended December 31, 2016	Year ended December 31, 2015
Amount capitalised	\$ 55,774	\$ 27,105
Interest rate	1.31%~2.93%	1.22%~1.88%

(11) Other current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receipt in advance	\$ 13,827	\$ 134,745
Long-term liabilities - current portion	14,965,142	16,901,627
Corporate bonds - current portion	3,000,000	-
Shipowner's accounts	3,535,446	1,612,614
Agency accounts	3,938,029	3,704,600
Long-term leases payable - current	1,530,688	1,948,979
Others	51,445	25,118
	<u>\$ 27,034,577</u>	<u>\$ 24,327,683</u>

(12) Corporate bonds payable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Domestic secured corporate bonds	\$ 3,000,000	\$ 3,000,000
Less: current portion or exercise of put options	( 3,000,000)	-
	<u>\$ -</u>	<u>\$ 3,000,000</u>

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

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

B.Coupon rate: 1.28% fixed per annum

C.Principal repayment and interest payment

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

D.Collaterals

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

(13) Long-term loans

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Secured bank loans	\$ 62,831,664	\$ 65,537,583
Unsecured bank loans	29,737,286	21,603,500
Add : unrealised foreign exchange (gains) losses	105,294	884,380
Less: hosting fee credit	( 35,598)	( 28,287)
	<u>92,638,646</u>	<u>87,997,176</u>
Less: current portion	( 14,965,142)	( 16,901,627)
	<u>\$ 77,673,504</u>	<u>\$ 71,095,549</u>
Borrowing period	106.03~116.06	105.1~116.4
Interest rate	0.85%~5.22%	1.03%~5.22%

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

(14) Other non-current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Long-term leases payable - non-current	\$ 12,730,572	\$ 13,825,432
Accrued pension liabilities	2,968,046	3,012,333
Guarantee deposits received	23,322	31,767
Unrealised gain on sale and leaseback	55,468	74,966
	<u>\$ 15,777,408</u>	<u>\$ 16,944,498</u>

(15) Finance lease liabilities

The Group leases in loading and unloading equipment, ships and transportation equipment under finance lease, based on the terms of the lease contracts. Future minimum lease payments and their present values as at December 31, 2016 and 2015 are as follows:

	<u>December 31, 2016</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year	\$ 2,016,904	(\$ 486,216)	\$ 1,530,688
<u>Non-current</u>			
Later than one year but not later than five years	6,761,219	( 1,397,946)	5,363,273
Over five years	7,562,359	( 195,060)	7,367,299
	<u>14,323,578</u>	<u>( 1,593,006)</u>	<u>12,730,572</u>
	<u>\$ 16,340,482</u>	<u>(\$ 2,079,222)</u>	<u>\$ 14,261,260</u>



	December 31, 2015		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 2,463,335	(\$ 514,356)	\$ 1,948,979
<u>Non-current</u>			
Later than one year but not later than five years	7,299,039	( 1,502,409)	5,796,630
Over five years	8,463,609	( 434,807)	8,028,802
	<u>15,762,648</u>	<u>( 1,937,216)</u>	<u>13,825,432</u>
	<u>\$ 18,225,983</u>	<u>(\$ 2,451,572)</u>	<u>\$ 15,774,411</u>

(16) Pension

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

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

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	(\$ 4,165,132)	(\$ 4,118,557)
Fair value of plan assets	1,197,086	1,106,224
Net defined benefit liability	<u>(\$ 2,968,046)</u>	<u>(\$ 3,012,333)</u>

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

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



	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	(\$ 4,015,531)	\$ 1,136,967	(\$ 2,878,564)
Current service cost	( 150,274)	-	( 150,274)
Interest (expense) income	( 74,329)	16,376	( 57,953)
	<u>( 4,240,134)</u>	<u>1,153,343</u>	<u>( 3,086,791)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
	-	( 22,957)	( 22,957)
Change in demographic assumptions	231	-	231
Change in financial assumptions	( 128,590)	-	( 128,590)
Experience adjustments	( 11,123)	-	( 11,123)
	<u>( 139,482)</u>	<u>( 22,957)</u>	<u>( 162,439)</u>
Pension fund contribution	-	135,694	135,694
Paid pension	204,358	( 121,152)	83,206
Exchange Difference	56,701	( 38,704)	17,997
Balance at December 31	<u>(\$ 4,118,557)</u>	<u>\$ 1,106,224</u>	<u>(\$ 3,012,333)</u>

- (e) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries-TTSC's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	0.05%~8.5%	0.20%~9.00%
Future salary increases	0.5%~11.00%	0.90%~11.00

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

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

	Discount rate		Future salary increases	
	Increase 0.025%~1.00%	Decrease 0.025%~1.00%	Increase 0.25%~1.00%	Decrease 0.25%~1.00%
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 145,285)	\$ 155,788	\$ 102,046	(\$ 91,900)
	Increase 0.10%~1.00%	Decrease 0.10%~1.00%	Increase 0.25%~1.00%	Decrease 0.25%~1.00%
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 139,085)	\$ 149,033	\$ 100,909	(\$ 94,648)

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

(g) Expected contributions to the defined benefit pension plans of the Company and its subsidiary-TTSC for the year ending December 31, 2017 amounts to \$95,989.

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

(b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were \$184,067 and \$164,089, respectively.



(17) Capital stock

As of December 31, 2016, the Company's authorized capital was \$36,000,000, and the paid-in capital was \$ 35,123,560, consisting of 3,512,356 thousand shares of common stocks with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

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

	Year ended December 31, 2016			
	Share premium	Adjustments to share of changes in equity of associates and joint ventures	Donated assets	Others
At January 1, 2016	\$ 5,895,171	\$ 2,084,303	\$ 446	\$ 6,713
Recognition of change in equity of associates in proportion to the Company's ownership	-	2,381	-	-
At December 31, 2016	\$ 5,895,171	\$ 2,086,684	\$ 446	\$ 6,713
	Year ended December 31, 2015			
	Share premium	Adjustments to share of changes in equity of associates and joint ventures	Donated assets	Others
At January 1, 2015	\$ 5,895,171	\$ 1,390,128	\$ 446	\$ 6,713
Recognition of change in equity of associates in proportion to the Company's ownership	-	694,175	-	-
At December 31, 2015	\$ 5,895,171	\$ 2,084,303	\$ 446	\$ 6,713



(19) Retained earnings

	Year ended December 31, 2016	Year ended December 31, 2015
At January 1	\$ 2,561,825	\$ 7,240,507
Loss for the period	( 6,607,986)	( 4,408,079)
Appropriations and distribution of retained earnings	-	15,820
Remeasurement on post employment benefit obligations, net of tax	202,050	( 286,423)
At December 31	<u>(\$ 3,844,111)</u>	<u>\$ 2,561,825</u>

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

## B. Dividend policy

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

## C. Legal reserve

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

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

E. (a) The appropriation of 2014 earnings resolved by the Shareholders on June 17, 2015 is as follows:

	Year ended December 31, 2014	
	Amount	Dividend per share (in dollars)
Accrual of legal reserve	<u>\$ 117,604</u>	
Reversal of special reserve	<u>\$ 828,940</u>	
Appropriate cash dividends to shareholders	<u>\$ 347,758</u>	<u>\$ 0.1</u>
Appropriate stock dividends to shareholders	<u>\$ 347,758</u>	<u>\$ 0.1</u>



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

F. For the year ended December 31, 2016, the Company incurred accumulated deficit. On March 30, 2017, the Board of Directors proposed to offset the accumulated deficit totaling \$4,248,211 with the legal reserve.

As of the reporting date of the financial statements, the stockholders have not approved the proposal during their meeting.

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

(20) Other equity items

	Hedging reserve	Available-for- sale investment	Currency translation	Total
At January 1, 2016	(\$ 521,149)	\$ 1,461,850	\$ 2,155,086	\$ 3,095,787
Revaluation – gross	-	145,411	-	145,411
Revaluation – tax	-	10,331	-	10,331
Revaluation – associates	-	85,569	-	85,569
Cash flow hedges:				
– Fair value loss in the period				
– Associates	453,254	-	-	453,254
Currency translation differences:				
–Group	-	-	( 811,853)	( 811,853)
–Group – tax	-	-	2,194	2,194
–Associates	-	-	( 90,805)	( 90,805)
At December 31, 2016	<u>(\$ 67,895)</u>	<u>\$ 1,703,161</u>	<u>\$ 1,254,622</u>	<u>\$ 2,889,888</u>
	Hedging reserve	Available-for- sale investment	Currency translation	Total
At January 1, 2015	(\$ 365,777)	\$ 636,519	\$ 1,356,698	\$ 1,627,440
Revaluation – gross	-	1,039,584	-	1,039,584
Revaluation – tax	-	( 11,763)	-	( 11,763)
Revaluation – associates	-	( 202,490)	-	( 202,490)
Cash flow hedges:				
– Fair value losses in the period				
– Associates	( 155,372)	-	-	( 155,372)
Currency translation differences:				
– Group	-	-	649,891	649,891
– Group – tax	-	-	( 26)	( 26)
– Associates	-	-	148,523	148,523
At December 31, 2015	<u>(\$ 521,149)</u>	<u>\$ 1,461,850</u>	<u>\$ 2,155,086</u>	<u>\$ 3,095,787</u>

(21) Operating revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Marine freight income	\$ 110,022,623	\$ 122,343,912
Container manufacturing income	2,061,104	2,334,778
Ship rental and slottage income	1,291,148	2,378,628
Commission income and agency service income	1,267,085	1,373,276
Container income and others	9,825,648	5,383,093
	<u>\$ 124,467,608</u>	<u>\$ 133,813,687</u>

(22) Other income and expenses, net

	Year ended December 31, 2016	Year ended December 31, 2015
Gains on disposal of property, plant and equipment	<u>\$ 1,881,263</u>	<u>\$ 313,749</u>

(23) Other income

	Year ended December 31, 2016	Year ended December 31, 2015
Rental revenue	\$ 111,613	\$ 115,367
Dividend income	142,152	137,552
Interest income:		
Interest income from bank deposits	269,552	219,462
Interest income from financial assets other than financial assets at fair value through profit or loss	8,197	10,588
Other income - other	270,808	212,839
	<u>\$ 802,322</u>	<u>\$ 695,808</u>

(24) Other gains and losses

	Year ended December 31, 2016	Year ended December 31, 2015
Net currency exchange gains	\$ 657,945	\$ 592,266
Gains on disposal of investments	432	134,062
Impairment loss on available-for-sale financial assets	( 1,878)	( 717,713)
Impairment loss on property, plant and equipment	( 49,429)	-
Other non-operating expenses	( 136,499)	( 93,056)
	<u>\$ 470,571</u>	<u>(\$ 84,441)</u>

(25) Finance costs

	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense:		
Bank loans	\$ 1,263,326	\$ 974,799
Corporate bonds	38,400	38,400
	<u>1,301,726</u>	<u>1,013,199</u>
Less: capitalisation of qualifying assets (	55,774)	( 27,105)
Finance costs	<u>\$ 1,245,952</u>	<u>\$ 986,094</u>

(26) Expenses by nature

	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefit expense	\$ 6,493,978	\$ 6,478,412
Depreciation on property, plant and equipment	8,086,640	8,173,183
Amortisation on intangible assets	30,501	12,869
Other operating costs and expenses	<u>119,580,065</u>	<u>123,230,989</u>
	<u>\$ 134,191,184</u>	<u>\$ 137,895,453</u>

(27) Employee benefit expense

	Year ended December 31, 2016	Year ended December 31, 2015
Wages and salaries	\$ 5,359,634	\$ 5,379,897
Labor and health insurance fees	423,550	361,404
Pension costs	391,211	372,316
Other personnel expenses	<u>319,583</u>	<u>364,795</u>
	<u>\$ 6,493,978</u>	<u>\$ 6,478,412</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for no less than 0.5% and pay remuneration to the directors and supervisors that account for no more than 5% of the total distributed amount.

B. For the year ended December 31, 2016, the Company generated loss and thus did not accrue employees' and supervisors' remuneration.

Employees', directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

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

(28) Income tax

## A. Income tax (benefit) expense

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

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the period	\$ 294,699	\$ 350,970
Prior year income tax (over) underestimation	( 71,897)	26,048
Total current tax	<u>222,802</u>	<u>377,018</u>
Deferred tax:		
Origination and reversal of temporary differences	( 466,474)	( 320,217)
Total deferred tax	( 466,474)	( 320,217)
Income tax benefit	<u>(\$ 243,672)</u>	<u>\$ 56,801</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Fair value gains/losses on available- for-sale financial assets	\$ 10,331	(\$ 11,763)
Exchange differences on translating the financial statements of foreign operations	2,194	( 26)
Remeasurement of defined benefit obligations	20,614	22,440
	<u>\$ 33,139</u>	<u>\$ 10,651</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio	(\$ 98)	(\$ 72)



B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	(\$ 940,918)	(\$ 447,570)
Expenses disallowed by tax regulation	781,390	506,564
Tax exempted income by tax regulation	( 11,824)	( 27,764)
Effect from tax credit of investment	( 423)	( 941)
Prior year income tax (over) underestimation	( 71,897)	26,048
Effect from Alternative Minimum Tax	-	464
Income tax (benefit) expense	(\$ 243,672)	\$ 56,801

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

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

	Year ended December 31, 2015					
	January 1	Recognised	Recognised	Recognised	Translation	December 31
		in profit or loss	in other comprehensive income	in equity	differences	
Temporary differences:						
— Deferred tax assets:						
Bad debts expense	\$ 2,963	\$ 4	\$ -	\$ -	\$ (507)	\$ 2,460
Loss on valuation of financial assets	28	-	3,741	-	-	3,769
Deferred profit from disposal of loading and unloading equipment	5,416	( 1,444)	-	-	-	3,972
Unrealized expense	26,671	893	-	-	( 1,044)	26,520
Unrealized exchange loss	9,077	18,790	-	-	82	27,949
Pension expense and actuarial losses/(gains)	340,774	741	27,501	-	( 4,105)	364,911
Others	1,080	( 475)	-	-	( 57)	548
Net operating loss carryforward	-	59,402	-	-	-	59,402
Subtotal	<u>\$ 386,009</u>	<u>\$ 77,911</u>	<u>\$ 31,242</u>	<u>\$ -</u>	<u>\$ (5,631)</u>	<u>\$ 489,531</u>
— Deferred tax liabilities:						
Gain on valuation of financial assets	(\$ 332)	\$ -	\$ 332	\$ -	\$ -	\$ -
Unrealized exchange gain	( 10,369)	( 16,105)	-	-	2,471	( 24,003)
Unrealized gain	( 24,539)	14,196	-	-	1,212	( 9,131)
Pension expense and actuarial losses/(gains)	( 1,044)	2,543	( 4,686)	-	261	( 2,926)
Foreign investment income	( 1,099,299)	238,626	( 16,237)	( 72)	597	( 876,385)
Others	( 61,256)	3,046	-	-	9,264	( 48,946)
Subtotal	<u>( 1,196,839)</u>	<u>242,306</u>	<u>( 20,591)</u>	<u>( 72)</u>	<u>13,805</u>	<u>( 961,391)</u>
Total	<u>(\$ 810,830)</u>	<u>\$ 320,217</u>	<u>\$ 10,651</u>	<u>(\$ 72)</u>	<u>\$ 8,174</u>	<u>(\$ 471,860)</u>

D.Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
2016	\$ 747,045	\$ 747,045	\$ -	2026
2015	292,430	292,430	-	2025
	<u>\$ 1,039,475</u>	<u>\$ 1,039,475</u>	<u>\$ -</u>	



December 31, 2015				
Year incurred	Amount filed	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
2015	\$ 292,430	\$ 292,430	\$ -	2025

E.The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary difference unrecognised as deferred tax liabilities were \$10,868,779 and \$17,146,238, respectively.

F.As of December 31, 2016, the Company’s income tax returns through 2013 have been assessed and approved by the Tax Authority.

G.Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	\$ (4,248,211)	\$ 1,643,560
Earnings generated in and after 1998	-	918,265
	\$ (4,248,211)	\$ 2,561,825

H.As of December 31, 2016 and 2015, the balance of the imputation tax credit account was \$2,412,471 and \$2,253,595, respectively. The creditable tax rate was 48.15% for 2015. As of December 31, 2016, the Company has accumulated deficits and has no distributable earnings. As a result, creditable tax rate was not disclosed.

(29) Loss per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 6,607,986)	3,512,356	(\$ 1.88)
<u>Diluted loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 6,607,986)	3,512,356	(\$ 1.88)



	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 4,408,079)	3,512,356	(\$ 1.26)
<u>Diluted loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 4,408,079)	3,512,356	(\$ 1.26)

(30) Supplemental cash flow information

Investing activities with partial cash payments

## A. Property, plant and equipment

	Year ended December 31, 2016	Year ended December 31, 2015
Purchase of property, plant and equipment	\$ 1,674,832	\$ 2,524,528
Add: opening balance of payable on equipment	10,360	1,556
Less: ending balance of payable on equipment	( 15,693)	( 10,360)
Cash paid during the period	\$ 1,669,499	\$ 2,515,724

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

	Year ended December 31, 2016	Year ended December 31, 2015
Prepayments for equipment	\$ 2,771,129	\$ 10,628,533
Add: opening balance of payable on equipment	5,767	277,413
Less: ending balance of payable on equipment	( 124,787)	( 5,767)
Capitalized interest	( 55,774)	( 27,105)
Cash paid during the period	\$ 2,596,335	\$ 10,873,074



C. Intangible assets

	Year ended December 31, 2016	Year ended December 31, 2015
Purchase of intangible assets	\$ 124,775	\$ -
Add: opening balance of payable on equipment	-	-
Less: ending balance of payable on equipment	( 48,347)	-
Cash paid during the period	<u>\$ 76,428</u>	<u>\$ -</u>

**7. RELATED PARTY TRANSACTIONS**

(1) Significant related party transactions and balances

A. Operating revenue:

	Year ended December 31, 2016	Year ended December 31, 2015
Sales of services:		
Associates	\$ 3,655,458	\$ 3,027,856
Other related parties	<u>12,117,953</u>	<u>10,986,919</u>
	<u>\$ 15,773,411</u>	<u>\$ 14,014,775</u>

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

B. Purchases:

	Year ended December 31, 2016	Year ended December 31, 2015
Purchases of services:		
Associates	\$ 3,126,670	\$ 2,810,912
Other related parties	<u>5,880,186</u>	<u>6,689,522</u>
	<u>\$ 9,006,856</u>	<u>\$ 9,500,434</u>

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

## C. Receivables from related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable:		
Associates	\$ 183,493	\$ 105,368
Other related parties	<u>739,181</u>	<u>657,545</u>
Subtotal	<u>\$ 922,674</u>	<u>\$ 762,913</u>
Other receivables:		
Associates	\$ 2,527	\$ 6,096
Other related parties	<u>204,729</u>	<u>140,000</u>
Subtotal	<u>\$ 207,256</u>	<u>\$ 146,096</u>
Total	<u><u>\$ 1,129,930</u></u>	<u><u>\$ 909,009</u></u>

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

## D. Payables to related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts payable:		
Associates	\$ 116,075	\$ 39,624
Other related parties	<u>175,702</u>	<u>152,938</u>
Subtotal	<u>\$ 291,777</u>	<u>\$ 192,562</u>
Other payables:		
Associates	\$ 5,992	\$ 4,117
Other related parties	<u>72,921</u>	<u>60,201</u>
Subtotal	<u>\$ 78,913</u>	<u>\$ 64,318</u>
Total	<u><u>\$ 370,690</u></u>	<u><u>\$ 256,880</u></u>

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

## E. Property transactions:

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

	<u>Year ended December 31,</u> <u>2016</u>	<u>Year ended December 31,</u> <u>2015</u>
Associates	\$ 10,620	\$ 3,010
Other related parties	<u>54,979</u>	<u>1,035</u>
	<u><u>\$ 65,599</u></u>	<u><u>\$ 4,045</u></u>



(b) Disposal of property, plant and equipment:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates	\$ -	\$ -	\$ 3,413	\$ 3,410
Other related parties	94	6	20	20
	<u>\$ 94</u>	<u>\$ 6</u>	<u>\$ 3,433</u>	<u>\$ 3,430</u>

F. Agency accounts:

	December 31, 2016	December 31, 2015
Debit balance of agency accounts:		
Associates	\$ 21,542	\$ -
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Credit balance of agency accounts:		
Associates	(\$ 33,835)	(\$ 75,146)
Other related parties	(645,696)	(112,283)
	<u>(\$ 679,531)</u>	<u>(\$ 187,429)</u>

G. Shipowner's accounts:

	December 31, 2016	December 31, 2015
Debit balance of shipowner's accounts:		
Associates	\$ -	\$ 83,275
Other related parties	24,154	25,139
	<u>\$ 24,154</u>	<u>\$ 108,414</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Credit balance of shipowner's accounts:		
Associates	(\$ 310,278)	\$ -
Other related parties	(2,281,096)	(657,808)
	<u>(\$ 2,591,374)</u>	<u>(\$ 657,808)</u>

H. Loans to/from related parties:

(a) Loans to related parties:

i. Outstanding balance:

	December 31, 2016	December 31, 2015
Associates	<u>\$ 79,811</u>	<u>\$ 324,675</u>

ii. Interest income

	Year ended December 31, 2016	Year ended December 31, 2015
Associates	<u>\$ 2,964</u>	<u>\$ 3,857</u>

The loans to associates carry interest at floating rates for the years ended December 31, 2016 and 2015.

(b) Loans from related parties:

i. Outstanding balance:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Associates	\$ 48,472	\$ 49,331
Other related parties	<u>14,789</u>	<u>19,521</u>
	<u>\$ 63,261</u>	<u>\$ 68,852</u>

ii. Interest expense:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Associates	<u>\$ 917</u>	<u>\$ 677</u>

The loans from associates carry interest at floating rates for the years ended December 31, 2016 and 2015.

I. Endorsements and guarantees provided to related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Associates	<u>\$ 2,689,558</u>	<u>\$ 2,199,352</u>

(2) Key management compensation

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Salaries and other short-term employee benefits	\$ 166,850	\$ 170,259
Post-employment benefits	<u>5,073</u>	<u>3,524</u>
	<u>\$ 171,923</u>	<u>\$ 173,783</u>

**8. PLEDGED ASSETS**

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

Pledged assets	Book value		Purpose
	December 31, 2016	December 31, 2015	
Other financial assets			Performance guarantee
- Pledged time deposits	\$ 183,200	\$ 774,273	
Refundable deposits			
- Pledged time deposits	2,000	2,000	"
Property, plant and equipment			
-Land	514,312	514,312	Long-term loan
-Buildings	195,726	203,089	"
-Loading and unloading equipment	2,977,745	2,846,912	"
-Ships	60,825,653	64,718,531	"
-Transportation equipment	801,241	974,871	"
-Computer and communication equipment	740,223	-	"
Investment property			
-Land	1,285,781	1,285,781	Long-term loan
-Buildings	489,315	507,722	"
	<u>\$ 68,015,196</u>	<u>\$ 71,827,491</u>	

**9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS****(3) Contingencies**

None.

**(4) Commitments**

A. As of December 31, 2016, the Company had delegated Mizuho Bank to issue Standby Letter of Credit amounting to USD 5,000 thousand.

B. A former stockholder of the Company sold some of its shares through issuance of global depository receipts (GDRs). The issuance of GDRs was approved by the SEC on June 19, 1996 as per Letter (85) Tai-Cai-Zheng (1) No. 35410. On August 2, 1996, the GDRs were approved by the UK governing authority to be listed on the London Stock Exchange and were issued in Asia, Europe and the US. The total amount of the issuance of GDRs was USD 115,000 thousand. The initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at \$50.50 (in dollars) per share, and the number of supplementary units issued was 817,438. In total, the number of units issued was 6,267,030, representing 62,670,300 shares of the Company's common stock at \$50.50 (in dollars) per share, and the GDRs issued amounted to USD 115,000 thousand. Another 2,089,061 units, representing 20,890,685 shares of the Company's common stock, were issued during the period from 1997 to December 31, 2016. As of December 31, 2016, 7,994,095 units were redeemed and 361,996 units

were outstanding, representing 3,620,035 shares of the Company's common stock.

C. As of December 31, 2016, the long-term and medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Group's purchase of new ships and general working capital requirement amounted to \$111,081,882 and the unutilized credits was \$18,387,308.

D. Operating lease

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

	<u>December 31, 2016</u>	
Within 1 year	USD	313,614
1~5 years		795,874
Over 5 years		<u>247,600</u>
	<u>USD</u>	<u>1,357,088</u>

E. As of December 31, 2016, the amount of guaranteed notes issued by the Company for loans borrowed was \$69,561,424.

F. To meet its operational needs, the Company signed the shipbuilding contracts with Taiwan Shipbuilding Co., Ltd. and Imabari Shipbuilding Co., Ltd. As of December 31, 2016, the total price of the contracts, wherein the vessels have not yet been delivered, amounted to USD 763,800 thousand, USD 622,530 thousand of which remain unpaid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 30, 2017, the proposal to offset the accumulated deficit was approved by the Board of Directors. Please refer to Note 6(19) for the details.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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



instruments measured at fair value is provided in Note 12(3).

	December 31, 2016	
	Book value	Fair value
	Level 3	Level 3
Financial liabilities:		
Bonds payable (including current portion)	\$ 3,000,000	\$ 3,029,085
Long-term loans (including current portion)	92,638,646	97,079,974
	<u>\$ 95,638,646</u>	<u>\$ 100,109,059</u>
	December 31, 2015	
	Book value	Fair value
	Level 3	Level 3
Financial liabilities:		
Bonds payable	\$ 3,000,000	\$ 3,051,987
Long-term loans (including current portion)	87,997,176	93,086,207
	<u>\$ 90,997,176</u>	<u>\$ 96,138,194</u>

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

i. Bonds payable:

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

ii. Long-term loans:

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

**B. Financial risk management policies**

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

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



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

## (a) Market risk

Foreign exchange risk

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

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



December 31, 2015			
	Foreign currency amount		Book value
	(In Thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	668,562	32.8875	\$ 21,987,333
EUR:USD	2,982	1.0887	106,769
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	534,097	32.8875	\$ 17,565,115
GBP:USD	87,197	1.4821	4,250,205

- iv. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to \$657,945 and \$592,266, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

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

	Year ended December 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 219,873	\$ -
EUR:USD	1%	1,068	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 175,651	\$ -
EUR:USD	1%	42,502	-

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity would have increased/decreased by \$26,514 and \$25,221 for the years ended December 31, 2016 and 2015, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in the NTD, USD and GBP.
- ii. At December 31, 2016 and 2015, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been \$795,571 and \$733,114 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.



(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with high reputation are accepted.
- ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. For credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6(4).

(c) Liquidity risk

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

December 31, 2015	Between 3					Total
	Less than 3 months	months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Accounts payable	\$ 12,484,927	\$ 173,999	\$ 23	\$ -	\$ -	\$ 12,658,949
Accounts payable - related parties	192,562	-	-	-	-	192,562
Other payables	1,359,402	456,786	8,819	-	1,318	1,826,325
Other payables - related parties	64,225	68,945	-	-	-	133,170
Bonds payable	-	38,400	3,038,400	-	-	3,076,800
Long-term loans (including current portion)	4,350,018	13,837,805	12,631,177	35,493,365	27,179,032	93,491,397
Long-term leases (including current portion)	759,230	1,189,749	1,509,305	4,287,325	8,028,802	15,774,411

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

(3) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

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

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



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

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

C.The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31 2016, and 2015 is as follows:

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 1,638,024</u>	<u>\$ -</u>	<u>\$ 1,056,802</u>	<u>\$ 2,694,826</u>
December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 1,231,965</u>	<u>\$ -</u>	<u>\$ 1,344,962</u>	<u>\$ 2,576,927</u>

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

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

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

(b)Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c)When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

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

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
At January 1	\$ 1,344,962	\$ 944,789
Gains and losses recognised in other comprehensive income (Note 1)	( 288,160)	400,083
At December 31	<u>\$ 1,056,802</u>	<u>\$ 1,344,872</u>

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

G. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

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

I. The following is the qualitative information of significant unobservable inputs and sensitivity



analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,049,106	Market comparable companies	Price to earnings ratio multiple	9.32~32.31	The higher the multiple and control premium, the higher the fair value
			Price to book ratio multiple	0.42~2.97	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	20%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
Venture capital shares Private equity fund investment	7,696	Net asset value	Net asset value		The higher the net asset value, the higher the fair value
	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,334,793	Market comparable companies	Price to earnings ratio multiple	13.09~39.28	The higher the multiple and control premium, the higher the fair value
			Price to book ratio multiple	0.42~3.11	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	20%~30%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
Venture capital shares Private equity fund investment	10,169	Net asset value	Net asset value		The higher the net asset value, the higher the fair value



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

				December 31, 2016				
				Recognised in profit or loss		Recognised in other comprehensive income		
				Favourable change	Unfavourable change	Favourable change	Unfavourable change	
	Input	Change						
Financial assets								
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability	±1%	\$	-	\$	-	\$ 10,491	\$ 10,491
	Net asset value	±1%		-		-	77	77
			\$	-	\$	-	\$ 10,568	\$ 10,568
				December 31, 2015				
				Recognised in profit or loss		Recognised in other comprehensive income		
				Favourable change	Unfavourable change	Favourable change	Unfavourable change	
	Input	Change						
Financial assets								
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability	±1%	\$	-	\$	-	\$ 13,348	\$ 13,348
	Net asset value	±1%		-		-	102	102
			\$	-	\$	-	\$ 13,450	\$ 13,450

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A.Loans to others: Please refer to table 1.

B.Provision of endorsements and guarantees to others: Please refer to table 2.

C.Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.



D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

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

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measure of segment information

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

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

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



Year ended December 31, 2015

	Transportation Department	Investing and holding Department	Other Departments	Adjustments and written-off	Total
Revenue from external customers	\$ 130,919,169	\$ 515,890	\$ 2,378,628	\$ -	\$ 133,813,687
Revenue from internal customers	<u>12,917,591</u>	<u>-</u>	<u>-</u>	<u>( 12,917,591)</u>	<u>-</u>
Segment revenue	143,836,760	515,890	2,378,628	( 12,917,591)	133,813,687
Interest income	217,355	10,269	2,426	-	230,050
Interest expense	( 924,526)	( 61,564)	( 4)	-	( 986,094)
Depreciation and amortisation	( 7,834,940)	( 334,512)	( 36,286)	-	( 8,205,738)
Share of income (loss) of associates and joint ventures accounted for using equity method	1,453,589	( 1,914,332)	-	-	( 460,743)
Other items	<u>( 127,087,763)</u>	<u>37,177</u>	<u>( 2,023,072)</u>	<u>-</u>	<u>( 129,073,658)</u>
Segment profit (loss)	<u>\$ 9,660,475</u>	<u>(\$ 1,747,072)</u>	<u>\$ 321,692</u>	<u>(\$ 12,917,591)</u>	<u>(\$ 4,682,496)</u>
Recognizable assets	\$ 161,960,782	\$ 4,336,855	\$ 1,770,012	\$ -	\$ 168,067,649
Investments accounted for using equity method	<u>17,956,335</u>	<u>6,628,223</u>	<u>-</u>	<u>-</u>	<u>24,584,558</u>
Segment assets	<u>\$ 179,917,117</u>	<u>\$ 10,965,078</u>	<u>\$ 1,770,012</u>	<u>\$ -</u>	<u>\$ 192,652,207</u>
Segment liabilities	<u>\$ 128,966,507</u>	<u>\$ 2,044,153</u>	<u>\$ 346,945</u>	<u>\$ -</u>	<u>\$ 131,357,605</u>

**(4) Reconciliation for segment income (loss)**

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

(5) Trading information

Service routes	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	% of Account Balance	Amount	% of Account Balance
North America	\$ 47,309,728	43	\$ 53,831,321	44
Europe	22,004,525	20	22,021,904	18
Asia	25,305,203	23	28,139,100	23
Others	15,403,167	14	18,351,587	15
	<u>\$ 110,022,623</u>	<u>\$ 100</u>	<u>\$ 122,343,912</u>	<u>\$ 100</u>

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 19,814,103	30,637,333	\$ 21,898,204	31,163,038
America	57,465,469	30,781,100	59,996,816	32,826,987
Europe	44,776,521	43,895,208	48,268,819	47,277,040
Asia	2,074,550	1,273,640	3,284,707	1,336,801
Others	336,965	3,583	365,141	5,326
	<u>\$ 124,467,608</u>	<u>\$ 106,590,864</u>	<u>\$ 133,813,687</u>	<u>\$ 112,609,192</u>

(7) Major customer information

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



## 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Loans to others

For the year ended December 31, 2016

Expressed in thousands of NTD

Table 1

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note 3)	Balance at December 30, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with borrower (Note 5)	Reason for short-term financing (Note 6)	Allowances for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
1	Peony Investment S.A.	Lauritz Investment (Netherlands) N.V.	Receivables from related parties	Yes	\$ 501,383	\$ 80,579	\$ 79,236	1.7026-1.8611	2	\$ -	Working capital requirement	\$ -	None	\$ -	\$ 5,444,809	\$ 13,612,023	
1	Peony Investment S.A.	Clove Holding Ltd.	Receivables from related parties	Yes	367,681	354,547	338,431	1.8717	2	-	Working capital requirement	-	None	-	10,889,619	13,612,023	(Note 9)
2	Clove Holding Ltd.	Whitney Equipment LLC.	Receivables from related parties	Yes	100,277	96,695	96,695	1.8579	2	-	Working capital requirement	-	None	-	558,773	1,117,547	(Note 9)

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2016.

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

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

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

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

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

PEONY : USD 844,641\*32.2315\*20%≐5,444,809

Clove Holding Ltd. : USD 86,681\*32.2315\*20%≐558,773

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

PEONY : USD 844,641\*32.2315\*40%≐10,889,619

Clove Holding Ltd. : USD 86,681\*32.2315\*40%≐1,117,547

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

Clove Holding Ltd. : USD 86,681\*32.2315\*40%≐1,117,547

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

PEONY : USD 844,641\*32.2315\*50%≐3,612,023

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

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Expressed in thousands of NTD

Table 2

Number (Note 1)	Endorser/Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2016 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Evergreen Marine Corporation	Greencoast Marine S.A.	3	\$ 101,974,987	\$ 39,228,425	\$ 36,510,573	\$ 22,153,033	\$ -	71.61%	\$ 127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Peony Investment S.A.	2	101,974,987	494,697	161,158	-	-	0.32%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	3	101,974,987	44,406,101	38,536,422	36,869,621	-	75.58%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Whitney Equipment LLC.	3	101,974,987	974,200	722,629	701,902	-	1.42%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Hemlock Equipment LLC.	3	101,974,987	620,247	446,728	434,114	-	0.88%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Colon Container Terminal S.A.	6	25,493,747	1,572,866	1,418,186	1,155,177	-	2.78%	127,468,733	N	N	N	
0	Evergreen Marine Corporation	Balsam Investment (Netherlands) N.V.	6	25,493,747	1,271,372	1,271,372	781,775	-	2.49%	127,468,733	N	N	N	
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	2	101,974,987	1,637,850	1,579,344	1,579,344	-	3.10%	127,468,733	Y	N	N	

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

(1) The Company is "0".

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

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

(1) Having business relationship.

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

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

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

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

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

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

The calculation is as follows:

The Company:  $50,987,493 * 250\% = 127,468,733$

Limit on endorsement or guarantees provided by the Company for a single entity is \$25,493,747 (Amounting to 50% of its net worth).

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$101,974,987.

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

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

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

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



# 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2016

Expressed in thousands of shares/thousands

Table 3

Securities held by Evergreen Marine Corporation	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2016			Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	
Stock:							
Power World Fund Inc.			Available-for-sale financial asset - non-current	770	\$ 7,697	5.68	\$ 7,697
Taiwan HSR Consortium			"	50,694	932,770	0.90	932,770
Linden Technologies, Inc.			"	50	12,675	1.44	12,675
TopLogis, Inc.			"	2,464	14,563	17.48	14,563
Ever Ascend Construction Corp.			"	9,317	109,541	17.50	109,541
Central Reinsurance Corp.			"	47,492	705,254	8.45	705,254
Financial bonds:							
Bank of Taichung Unsecured Subordinate Financial Debentures			Held-to-maturity financial asset - current	-	20,000		20,000
Taichung Commercial Bank 1st Unsecured Subordinate Financial Debentures-B Issue in 2009			"	-	100,000		100,000
Sunny Bank 1st Subordinate Financial Debentures-B Issue in 2010			"	-	50,000		50,000
Sunny Bank 2nd Subordinate Financial Debentures-B Issue in 2015			Held-to-maturity financial asset - non-current	-	50,000		50,000
Donghai Pusan Container Terminal Co., Ltd.			Available-for-sale financial asset - non-current	300	USD 3,807	15.00	USD 3,807
Hutchison Inland Container Deposits Ltd.			"	0.75	USD 300	4.60	USD 300
South Asia Gateway Terminals (Private) Ltd.			"	18,942	USD 24,145	5.00	USD 24,145
RTW Air Services (S) Pte Ltd.			"	30	SGD 44	2.00	SGD 44
Evergreen Shipping Agency (Singapore) Pte Ltd.			"	4	THB 440	2.00	THB 440
Evergreen Shipping Agency (Thailand) Co., Ltd.			"	10	EUR 10	2.86	EUR 10
Evergreen Shipping Agency (Deutschland) GmbH			"				

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

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

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

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



## Evergreen Marine Corporation (Taiwan) Ltd.

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

For the year ended December 31, 2016

Expressed in thousands of shares/thousands of NTD

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2016		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Evergreen Marine Corporation	Beneficiary Certificates:													
	TCB Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current			-	\$ -	49,830	\$ 500,000	\$ 500,269	\$ 500,000	269	-	\$ -	-
	Capital Money Market Fund	"			-	-	72,148	1,150,000	1,150,688	1,150,000	688	-	-	-
	Taishin 1699 Money Market Fund	"			-	-	52,342	700,000	700,191	700,000	191	-	-	-
	Allianz Gbl Investors Taiwan Money Market Fund	"			-	-	48,452	600,000	600,296	600,000	296	-	-	-
Yuanta De-Li Money Market Fund	"				-	-	37,262	600,496	600,000	496	-	-	-	-

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

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

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

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company.



Evergreen Marine Corporation (Taiwan) Ltd.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Evergreen Marine Corporation	Taiwan Terminal Services Co., Ltd.	Subsidiary	Purchases	\$ 835,972	4%	30-60 days	\$ -	-	(\$ 76,829)	3%	(Note)
	Evergreen International Corp.	Investee of the Company's major shareholder	Sales	1,688,434	7%	30-60 days	-	-	70,254	3%	
			Purchases	410,040	2%	30-60 days	-	-	( 50)	-	
	Evergreen International Storage and Transport Corp.	Investee accounted for using equity method	Purchases	422,548	2%	30-60 days	-	-	( 12,357)	-	
			Sales	1,270,509	6%	30-60 days	-	-	5,706	-	(Note)
	Greencompass Marine S.A.	Indirect subsidiary of the Company	Purchases	1,211,021	5%	30-60 days	-	-	-	-	(Note)
			Sales	1,313,918	6%	30-60 days	-	-	5,425	-	(Note)
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Company	Purchases	164,708	1%	30-60 days	-	-	-	-	(Note)
			Purchases	620,861	3%	30 days	-	-	( 31,379)	1%	(Note)
	Everport Terminal Services Inc.	Subsidiary	Sales	588,545	3%	30-60 days	-	-	1,578	-	
			Purchases	383,943	2%	30-60 days	-	-	-	-	
	Italia Marittima S.p.A.	Investee of Balsam	Purchases	1,612,693	7%	30-60 days	-	-	-	-	
			Sales	1,273,971	6%	30-60 days	-	-	10,258	-	
	Gaining Enterprise S.A.	Subsidiary of EITC accounted for using equity method	Purchases	225,002	1%	30-60 days	-	-	( 1,407)	-	
Sales			104,420	-	30-60 days	-	-	-	-		
Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Company's major shareholder	Purchases	252,559	1%	30-60 days	-	-	-	-		
		Sales	835,972	100%	30-60 days	-	-	76,829	99%	(Note)	
Taiwan Terminal Services Co., Ltd.	Evergreen Marine Corp.	The parent	Sales	835,972	100%	30-60 days	-	-	76,829	99%	(Note)

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Everport Terminal Services Inc.	Evergreen Marine Corp.	The parent	Sales	USD 19,254	6%	30 days	-	-	USD 974	5%	(Note)	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 128,005	41%	30 days	-	-	USD 6,909	39%		
	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 32,268	10%	30 days	-	-	USD 1,974	11%	(Note)	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 76,752	25%	30 days	-	-	USD 4,417	25%	(Note)	
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 23,833	8%	30 days	-	-	USD 1,278	7%		
	Whitney Equipment LLC.	Indirect subsidiary of the Parent Company	Purchases	USD 7,589	2%	30-60 days	-	-	(USD 128)	1%	(Note)	
	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 52,398	3%	30-60 days	-	-	USD 420	-	(Note)
				Purchases	USD 23,482	1%	30-60 days	-	-	(USD 27)	-	(Note)
		Evergreen Marine Corp.	The parent	Sales	USD 37,557	2%	30-60 days	-	-	-	-	(Note)
				Purchases	USD 39,402	2%	30-60 days	-	-	(USD 177)	-	(Note)
				Purchases	USD 4,199	-	30-60 days	-	-	-	-	(Note)
	Everport Terminal Services Inc.	Everport Terminal Services Inc.	Subsidiary	Purchases	USD 32,268	2%	30 days	-	-	(USD 1,974)	1%	(Note)
				Sales	USD 72,339	4%	30-60 days	-	-	USD 1,003	1%	
Evergreen Marine (Singapore) Pte. Ltd.		Investee of the Parent Company's major shareholder	Purchases	USD 19,768	1%	30-60 days	-	-	(USD 840)	-		
			Purchases	USD 9,340	-	30-60 days	-	-	-	-	-	
			Sales	USD 30,982	2%	30-60 days	-	-	-	-	-	
Evergreen Marine (Hong Kong) Ltd.	Investee of the Parent Company's major shareholder	Purchases	USD 29,275	2%	30-60 days	-	-	-	-	-		
		Purchases	USD 26,157	1%	30-60 days	-	-	-	-	-		
		Purchases	USD 4,125	-	30-60 days	-	-	-	-	-	(Note)	
Evergreen Insurance Company Limited	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 4,623	-	30-60 days	-	-	(USD 865)	-		



## 4 | Financial Information

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Evergreen Marine (UK) Limited	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 23,482	2%	30-60 days	-	-	USD 27	-	(Note)
			Purchases	USD 52,398	3%	30-60 days	-	-	(USD 420)	-	(Note)
	Evergreen Marine Corp.	The Parent	Sales	USD 5,108	-	30-60 days	-	-	-	-	(Note)
			Purchases	USD 40,748	3%	30-60 days	-	-	USD 168	-	(Note)
	Everport Terminal Services Inc.	Subsidiary of the Parent Company	Purchases	USD 76,752	5%	30 days	-	-	(USD 4,417)	3%	(Note)
			Sales	USD 20,358	1%	30-60 days	-	-	USD 2,258	2%	
	Italia Marittima S.p.A.	Investee of Balsam	Purchases	USD 28,304	2%	30-60 days	-	-	(USD 1,756)	1%	
			Sales	USD 21,953	2%	30-60 days	-	-	USD 185	-	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Purchases	USD 23,473	2%	30-60 days	-	-	(USD 992)	1%	
			Purchases	USD 8,794	1%	30-60 days	-	-	(USD 2)	-	
Evergreen Heavy Industrial Corp.(Malaysia) Berhad	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 5,485	-	30-60 days	-	-	-	-	
			Sales	MYR 165,941	100%	45 days	-	-	MYR 46,595	99%	
Evergreen Shipping Agency (Deutschland) GmbH	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	EUR 3,794	31%	30-60 days	-	-	-	-	(Note)
			Sales	EUR 3,578	29%	7 days	-	-	EUR 340	2%	
Evergreen Shipping Agency (Netherlands) B.V.	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	EUR 3,726	31%	30-60 days	-	-	-	-	(Note)
			Sales	EUR 3,369	28%	30-60 days	-	-	EUR 281	3%	
Whitney Equipment LLC.	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 7,589	47%	30-60 days	-	-	USD 128	96%	(Note)
			Sales	USD 7,589	47%	30-60 days	-	-	USD 128	96%	(Note)

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

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

Evergreen Marine Corporation (Taiwan) Ltd.  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 December 31, 2016

Expressed in thousands

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Evergreen Marine Corp.	Evergreen International Corporation	Investee of the Company's major shareholder	\$ 252,026	-	\$ -	-	\$ 250,064	-
Peony Investment S.A.	Clove Holding Ltd. (Note)	Subsidiary	USD 10,505	-	-	-	-	-
Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Gaining Enterprise S.A.	Investee of EITC	MYR 46,595	-	-	-	MYR 46,595	-

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

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.



# 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2016

Expressed in thousands of NTD

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Evergreen Marine Corporation	Taiwan Terminal Services Co.,Ltd.	1	Operating cost	\$ 835,972	Note 4	0.67
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Shipowner's account - credit	166,555	"	0.09
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating revenue	1,270,509	"	1.02
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating cost	1,211,021	"	0.97
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating revenue	1,313,918	"	1.06
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating cost	164,708	"	0.13
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	1	Operating cost	620,861	"	0.50
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating revenue	1,689,588	"	1.36
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating cost	757,171	"	0.61
1	Greencompass Marine S.A.	Everport Terminal Services Inc.	3	Operating cost	1,040,483	"	0.84
1	Greencompass Marine S.A.	Evergreen Shipping Agency (Deutschland) GmbH	3	Operating cost	135,405	"	0.11
1	Greencompass Marine S.A.	Evergreen Shipping Agency (Netherlands) B.V.	3	Operating cost	133,009	"	0.11
2	Evergreen Marine (UK) Limited	Everport Terminal Services Inc.	3	Operating cost	2,474,871	"	1.99
3	Whitney Equipment LLC.	Everport Terminal Services Inc.	3	Operating revenue	244,704	"	0.20
4	Peony Investment S.A.	Clove Holding Ltd.	3	Other receivables	338,588	"	0.18

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Note 5: The Company may decide whether or not to disclose transaction details in this table based on the Materiality Principle.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investees  
For the year ended December 31, 2016

Table 8

Expressed in thousands of shares/thousands of NTD

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote	
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value				
Evergreen Marine Corp.	Peony Investment S.A.	Republic of Panama	Investment activities	\$ 15,358,310	\$ 15,358,310	4,765	100.00	\$ 27,071,237	7,161,062 (\$)	7,148,370	Subsidiary of the Company (Note)	
	Taiwan Terminal Services Co., Ltd.	Taiwan	Loading and discharging operations of container yards	55,000	55,000	5,500	55.00	39,556	20,613	11,337	" (Note)	
	Everport Terminal Services Inc.	U.S.A	Terminal services	3,223	3,223	1	100.00	176,298	116,099	116,099	" (Note)	
	Chang Yang Development Co., Ltd.	Taiwan	Development, rental, sale of residential and commercial buildings	320,000	320,000	58,542	40.00	531,069	173,587	69,435	Investee accounted for using equity method	
	Evergreen International Storage and Transport Corporation	Taiwan	Container transportation and gas stations	4,753,514	4,753,514	424,063	39.74	8,517,745	810,884	325,083	"	
	Evergreen Security Corporation	Taiwan	General security guards services	25,000	25,000	6,336	31.25	89,536	42,036	13,136	"	
	EVA Airways Corporation	Taiwan	International passengers and cargo transportation	10,767,879	10,767,879	660,957	16.31	8,699,063	3,476,004	567,017	"	
	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	1,094,073	1,094,073	109,378	21.03	967,475	60,556	12,738	"	
	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,384	3,384	105	17.50	4,459	1,581	277	"	
	VIP Greenport Joint Stock Company	Vietnam	Terminal services	175,000	-	12,500	21.74	181,427	26,644	6,219	"	
	Peony Investment S.A.	Clove Holding Ltd.	British Virgin Islands	Investment holding company	1,693,742	1,693,742	10	100.00	2,793,867	40,966	40,966	Indirect subsidiary of the Company (Note)
		Evergreen Shipping Agency (Deutschland) GmbH	Germany	Shipping agency	268,037	268,037	-	100.00	190,635	9,652	9,652	" (Note)
		Evergreen Shipping Agency (Ireland) Ltd.	Ireland	Shipping agency	-	3,062	-	-	-	359	359	" (Note)
		Evergreen Shipping Agency (Korea) Corporation	South Korea	Shipping agency	78,194	78,194	121	100.00	40,507	2,689	2,689	" (Note)
		Evergreen Shipping Agency (Netherlands) B.V.	Netherlands	Shipping agency	128,185	128,185	0,047	100.00	49,982	5,530	5,530	" (Note)
Evergreen Shipping Agency (Poland) SP. ZO O		Poland	Shipping agency	21,337	21,337	2	100.00	10,669	708	708	" (Note)	
Greencompass Marine S.A.		Republic of Panama	Marine transportation	11,393,835	11,393,835	3,535	100.00	15,219,216	3,267,545	3,267,545	" (Note)	
Evergreen Shipping Agency (India) Pvt. Ltd.		India	Shipping agency	37,929	37,929	100	99.99	74,342	9,992	9,991	" (Note)	
Evergreen Argentina S.A.		Argentina	Leasing	4,512	4,512	150	95.00	2,298	4,775	4,536	" (Note)	



## 4 | Financial Information

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value			
Peony Investment S.A.	Evergreen Shipping Agency (France) S.A.S.	France	Shipping agency	\$ 29,234	\$ 29,234	5	100.00	\$ 15,714	\$ 8,433	8,433	Indirect subsidiary of the Company (Note)
	PT. Multi Bina Pura International	Indonesia	Loading and discharging operations of container yards and inland transportation	252,725	252,725	17	95.03	484,124	69,559	66,102	" (Note)
	PT. Multi Bina Transport	Indonesia	Container repair, cleaning and inland transportation	25,924	25,924	2	17.39	15,634	3,421	595	" (Note)
	Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Malaysia	Container manufacturing	879,754	879,754	42,120	84.44	1,062,781	35,373	29,869	" (Note)
	Armand Investment (Netherlands) N.V.	Curacao	Investment holding company	371,066	371,066	4	70.00	308,201	( 8,867)	( 6,207)	" (Note)
	Evergreen Shipping (Spain) S.L.	Spain	Shipping agency	124,736	124,736	3	55.00	82,114	62,917	34,604	" (Note)
	Evergreen Shipping Agency (Italy) S.p.A.	Italy	Shipping agency	75,808	75,808	0.55	55.00	47,870	( 17,257)	( 9,492)	" (Note)
	Evergreen Marine (UK) Limited	U.K	Marine transportation	1,034,716	1,034,716	765	51.00	1,401,743	( 4,312,950)	( 2,199,604)	" (Note)
	Evergreen Shipping Agency (Australia) Pty. Ltd.	Australia	Shipping agency	7,964	7,964	0.675	67.50	18,325	23,055	15,562	" (Note)
	Evergreen Shipping Agency (Russia) Ltd.	Russia	Shipping agency	27,332	27,332	-	51.00	14,418	36,721	18,728	" (Note)
	Evergreen Shipping Agency (Singapore) Pte. Ltd.	Singapore	Shipping agency	69,523	69,523	765	51.00	169,418	76,789	39,162	" (Note)
	Evergreen Shipping Agency (Thailand) Co., Ltd.	Thailand	Shipping agency	47,509	47,509	408	51.00	50,920	46,351	23,639	" (Note)
	Evergreen Agency (South Africa) (Pty) Ltd.	South Africa	Shipping agency	18,719	18,719	5,500	55.00	118,664	81,257	44,691	" (Note)
	PT. Evergreen Shipping Agency Indonesia	Indonesia	Shipping agency	31,361	31,361	0.441	49.00	95,384	43,617	21,373	Investee company of Peony accounted for using equity method
	Evergreen Shipping Agency (Vietnam) Corp.	Vietnam	Shipping agency	14,633	14,633	-	49.00	178,818	74,617	36,562	"
	Luanta Investment (Netherlands) N.V.	Curacao	Investment holding company	1,523,825	1,523,825	460	50.00	1,993,507	( 3,662)	( 1,831)	"
	Balsam Investment (Netherlands) N.V.	Curacao	Investment holding company	12,199,185	9,719,616	0.451	49.00	550,749	( 4,388,530)	( 2,150,380)	"
	Green Peninsula Agencies SDN. BHD.	Malaysia	Investment holding company	233,840	233,840	1,500	30.00	214,639	223,360	67,008	"
	Evergreen Shipping Agency Co. (U.A.E.) LLC	United Arab Emirates	Shipping agency	67,106	67,106	-	49.00	68,150	61,599	30,184	"
	Greenpen Properties Sdn. Bhd.	Malaysia	Renting estate and storehouse company	13,732	13,732	1,500	30.00	44,670	11,195	3,358	"



Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value			
Armand Investment (Netherlands) N.V.	Armand Estate B.V.	Netherlands	Investment holding company	\$ 545,870	\$ 545,870	0.045	100.00	\$ 442,817	(\$ 8,060)	Indirect subsidiary of the Company (Note)	
Armand Estate B.V.	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	506,019	506,019	50,602	9.73	446,818	( 5,892)	Investee company of Armand Estate B.V. accounted for using equity method	
Clove Holding Ltd.	Colon Container Terminal, S.A.	Republic of Panama	Inland container storage and loading	736,812	736,812	22,860	40.00	2,740,375	( 134,468)	Investee company of Clove Holding Ltd. accounted for using equity method	
Island Equipment LLC	Island Equipment LLC.	U.S.A	Investment holding company	4,641	4,641	-	36.00	168,463	48,774	Indirect subsidiary of the Company (Note)	
Island Equipment LLC	Whirney Equipment LLC.	U.S.A	Equipment leasing company	6,446	6,446	-	100.00	169,044	30,521	" (Note)	
Evergreen Marine (UK) Limited	Hemlock Equipment LLC.	U.S.A	Equipment leasing company	6,446	6,446	-	100.00	332,516	49,943	" (Note)	
Evergreen Marine (UK) Limited	Island Equipment LLC.	U.S.A	Investment holding company	1,934	1,934	-	15.00	70,193	48,774	" (Note)	
Evergreen Marine (UK) Limited	Evergreen Shipping Agency (UK) Limited	U.K	Shipping agency	0.06	0.06	-	100.00	27,249	7,089	" (Note)	
Evergreen Marine (UK) Limited	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,191	3,191	99	16.50	4,204	1,581	Investee company of Evergreen Marine (UK) Limited accounted for using equity method	
PT. Multi Bina Pura Internasional	Evergreen Shipping Agency (Ireland) Ltd.	Ireland	Shipping agency	3,262	-	0.1	100.00	3,262	-	Indirect subsidiary of the Company (Note)	
Evergreen Shipping Agency (Deutschland) GmbH	PT. Multi Bina Transport	Indonesia	Container repair, cleaning and inland transportation	106,409	106,409	8	72.95	65,582	3,421	" (Note)	
Evergreen Shipping Agency (Deutschland) GmbH	Evergreen Shipping Agency (Austria) GmbH	Austria	Shipping agency	617	617	-	100.00	7,162	1,106	" (Note)	
Evergreen Shipping Agency (Deutschland) GmbH	Evergreen Shipping Agency (Switzerland) S.A.	Switzerland	Shipping agency	2,340	2,340	0.1	100.00	10,641	1,204	" (Note)	

Note: This transaction was written off when the consolidated financial statements were prepared.  
 Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount', and 'Shares held as at December 31, 2016' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee For the year ended December 31, 2016' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company For the year ended December 31, 2016' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.



## 4 Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investments in Mainland China  
For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income (loss) of the investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect) (%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2(2)(B))	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ningbo Victory Container Co., Ltd.	Inland container transportation, container storage, loading, discharging, repair and related activities	\$ 578,530	(2)	\$ 32,796	\$ 198,030	\$ -	\$ 230,826	\$ 28,119	40.00	\$ 11,247	\$ 269,601	\$ -	
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	196,741	(2)	143,331	-	97,662	45,669	214,516	40.00	85,807	181,367	-	
Kingtrans Intl. Logistics (Tianjin) Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	360,750	(2)	128,926	-	-	128,926	(42,663)	40.00	(17,065)	171,019	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Evergreen Marine Corp.	\$ 405,421	\$ 999,807	\$ 30,592,496

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company, Peony Investment S.A., in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2016' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

## 5. Parent Company Only Financial Statements and Report of Independent Accountants

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

#### ***Opinion***

We have audited the accompanying parent company only balance sheets of Evergreen Marine Corporation (Taiwan) Ltd. (the “Company”) as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (please refer to *Other Matter* section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of Evergreen Marine Corporation (Taiwan) Ltd. as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” .

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

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

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

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

**Accuracy of freight revenue**Description

Please refer to Note 4(29) for accounting policies on revenue recognition, Note 5(2) for uncertainty of accounting estimates and assumptions applied on revenue recognition, and Note 6(15) for details of sales revenue.

Evergreen Marine Corporation (Taiwan) Ltd. primarily engages in global container shipping service covering ocean-going and near-sea shipping line, shipping agency business as well as container freight station business. In 2016, freight revenue was NT\$ 21,383,160 thousand, representing 92.73% of operating revenue. Since ocean-going shipping often lasts for several days, voyages are sometimes completed after the balance sheet date. Also, demands for freight are consistently sent by forwarders during voyage. Due to the factors mentioned above, freight revenue is recognized under the percentage-of-completion method for each vessel of which the service has been provided during the reporting period.

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

How our audit addressed the matter

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

1. Understand operation and industry of the Company to assess the reasonableness of policies and procedures on revenue recognition, and confirm whether it is appropriate to the financial statements.

2. Understand the procedures of revenue recognition from booking, picking, billing to receiving. Assess and test relevant internal controls, including checking freight items and amounts of delivery information against the approved contracts and booking list. In addition, recalculate the accuracy of freight revenue, and ensure its consistency with the bill of lading report.
3. Acquire estimated freight income report for vessels underway as of balance sheets date, and inquire with management for the reasonableness of judgment. In addition, check historical freight revenue for total voyage under each individual vessel, along with comparing with current cargo loading condition as well as actual revenue received after period end to ensure the reasonableness of revenue assumptions.
4. Confirm the completeness of vessels underway for the reporting period, including tracking the movements of shipments on the internet to ensure the vessels that depart before period end have been taken into consideration in the freight revenue calculation.
5. Verify accuracy of data used in calculating percentage of completion under each voyage, including selecting samples and check whether total shipping days shown on the Company's website are in agreement with cruise timetable as well as recalculating shipping days (days between departure and balance sheet date), in order to examine the soundness of percentage applied.

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

### Description

Please refer to Note 4(15) for accounting policies on property, plant and equipment, Note 5(2) for uncertainty of accounting estimates and assumptions applied on impairment of property, plant and equipment, and Note 6(8) for details of property, plant and equipment.

As of December 31, 2016, property, plant and equipment amounted to NT\$ 26,055,383 thousand, constituting 24.57% of total assets, and ship equipment, transport equipment and cargo handling equipment amounted to NT\$ 25,051,436 thousand, accounting for approximately 96.14% of total property, plant and equipment. As new ships have been built and put into operation by many carriers around the world, market supply has exceeded demand. Therefore, the market imbalance led to price competition, resulting to losses for the industry and raising the risk of asset impairment. The valuation of impairment and recoverable amounts are evaluated by the Company using the present value of the future cash flows expected to be derived from an asset or cash-generating unit compared to the book value. The main assumptions of discounts rates used in recoverable amounts, and expected operating



revenue growth rates, gross profit, operating profit rates, capital expenditures and discount rates used in future cash flow estimates are subject to management's judgment and involve high uncertainty, and the estimated results are material to the financial statements. Given the conditions as described above exist in the Company and its investee companies using equity method, we consider the impairment assessment of ship equipment, transport equipment and cargo handling equipment in the property, plant and equipment under the Company and its investee companies as a key audit matter.

How our audit addressed the matter

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

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

**Realizability of deferred tax assets**

Description

Please refer to Note 4(27) for accounting policies on deferred tax assets, Note 5(2) for uncertainty of accounting estimates and assumptions applied on deferred tax assets, and Note 6(27) for details of deferred tax assets.

As of December 31, 2016, the Company has deferred tax assets amounting to NT\$ 520,670 thousand. The evaluation of the realizability of deferred tax assets assessment relies on whether the operating plan could generate sufficient taxable income, including assumptions such as expected market demand, economic condition, revenue growth rates and cost. As the determination of assumptions involve management judgment and high uncertainty in estimates, we consider the realizability of deferred tax assets as a key audit matter.

### How our audit addressed the matter

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

1. Understand operation and industry of the Company to assess the reasonableness of future operating plan proposed by management, including examining the procedure of operating plan and understanding whether the plan is in agreement with the content approved by management.
2. Interview with management for details of operation plan and check the past performance of operating plan as well as compare the performance with industry forecast index to assess the intention and capability of management.
3. Obtain the deferred assets valuation statement compiled by management and examine the consistency of estimate method and the reasonableness of material assumptions, such as expected revenue, cost and expenses in future operating plan to assess the reasonableness of future realizable income after tax.
4. Assess sensitivity analysis adopting different revenue growth rates and cost assumption, and confirm whether the uncertainty effects of the future estimated realizable income after tax have been properly addressed by management.

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

We did not audit the financial statements of all the investee companies accounted for using equity method. Those statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these long-term equity investments, is based solely on the reports of the other independent auditors. Long-term equity investments in these investee companies amounted to NT\$19,659,814 thousand and NT\$20,344,766 thousand, constituting 18.54% and 18.34% of the total assets as of December 31, 2016, and 2015, respectively, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) was NT\$3,321,665 thousand and NT\$934,340 thousand for the years then ended.



***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

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

***Auditor’s responsibilities for the audit of the parent company only financial statements***

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



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

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

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



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

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

Lai, Chung-Hsi

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2017

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

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

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 20,654,209	20	\$ 18,678,635	17
Held-to-maturity financial assets - current	6(3)	170,000	-	200,000	-
Notes receivable, net		29	-	37	-
Accounts receivable, net	6(4)	2,115,896	2	1,684,859	2
Accounts receivable - related parties	7	123,897	-	192,943	-
Other receivables		686,293	1	195,704	-
Other receivables - related parties	7	207,467	-	153,857	-
Current income tax assets		195,071	-	180,626	-
Inventories	6(5)	401,083	-	473,999	1
Prepayments		192,983	-	187,725	-
Other current assets	6(6), 7 and 8	2,050,809	2	2,445,756	2
<b>Current Assets</b>		<u>26,797,737</u>	<u>25</u>	<u>24,394,141</u>	<u>22</u>
<b>Non-current assets</b>					
Available-for-sale financial assets - non-current	6(2)	1,782,500	2	1,349,363	1
Held-to-maturity financial assets - non-current	6(3)	50,000	-	220,000	-
Investments accounted for using equity method	6(7)	46,181,530	44	53,343,917	48
Property, plant and equipment - net	6(8) and 8	26,055,383	25	27,982,312	25
Investment property - net	6(9) and 8	1,926,846	2	1,945,991	2
Intangible assets		52,203	-	10,080	-
Deferred income tax assets	6(27)	520,670	-	363,764	1
Other non-current assets	6(10)	2,680,128	2	1,319,547	1
<b>Non-current assets</b>		<u>79,249,260</u>	<u>75</u>	<u>86,534,974</u>	<u>78</u>
<b>Total assets</b>		<u>\$ 106,046,997</u>	<u>100</u>	<u>\$ 110,929,115</u>	<u>100</u>

(Continued)



EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable		\$ 2,506,745	2	\$ 2,168,272	2
Accounts payable - related parties	7	123,976	-	81,789	-
Other payables		506,974	1	354,109	-
Other payables - related parties	7	8,995	-	35,683	-
Current income tax liabilities		-	-	4	-
Other current liabilities	6(11) and 7	11,615,068	11	12,622,114	12
<b>Current Liabilities</b>		<u>14,761,758</u>	<u>14</u>	<u>15,261,971</u>	<u>14</u>
<b>Non-current liabilities</b>					
Corporate bonds payable	6(12)	-	-	3,000,000	3
Long-term loans	6(13)	38,261,648	36	32,255,720	29
Deferred income tax liabilities	6(27)	546,379	1	865,079	1
Other non-current liabilities	6(14)(15)	1,489,719	1	1,545,298	1
<b>Non-current liabilities</b>		<u>40,297,746</u>	<u>38</u>	<u>37,666,097</u>	<u>34</u>
<b>Total Liabilities</b>		<u>55,059,504</u>	<u>52</u>	<u>52,928,068</u>	<u>48</u>
<b>Equity</b>					
<b>Capital</b>	6(16)				
Common stock		35,123,560	33	35,123,560	32
<b>Capital surplus</b>	6(17)				
Capital surplus		7,989,014	7	7,986,633	7
<b>Retained earnings</b>	6(18)				
Legal reserve		9,233,242	9	9,233,242	8
Undistributed earnings		( 4,248,211 )	( 4 )	2,561,825	2
<b>Other equity interest</b>	6(19)				
Other equity interest		2,889,888	3	3,095,787	3
<b>Total equity</b>		<u>50,987,493</u>	<u>48</u>	<u>58,001,047</u>	<u>52</u>
<b>Significant Contingent Liabilities And</b>	9				
<b>Unrecognised Contract Commitments</b>					
<b>Significant Events After The Balance</b>	11				
<b>Sheet Date</b>					
<b>Total liabilities and equity</b>		<u>\$ 106,046,997</u>	<u>100</u>	<u>\$ 110,929,115</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 30, 2017.

EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except loss per share amounts)

Items	Notes	Years ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(20) and 7	\$ 23,060,494	100	\$ 25,134,073	100
<b>Operating costs</b>	6(25)(26) and 7	( 22,150,476)	( 96)	( 23,201,988)	( 92)
<b>Gross profit</b>		910,018	4	1,932,085	8
<b>Operating expenses</b>	6(25)(26) and 7	( 1,700,579)	( 7)	( 1,655,643)	( 7)
<b>Other gains - net</b>	6(21) and 7	25,721	-	192,757	1
<b>Operating (loss) profit</b>		( 764,840)	( 3)	469,199	2
<b>Non-operating income and expenses</b>					
Other income	6(22)	414,010	2	334,169	1
Other gains and losses	6(2)(23)	( 44,409)	-	( 655,470)	( 3)
Finance costs	6(24)	( 614,846)	( 3)	( 521,266)	( 2)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		( 6,052,505)	( 26)	( 4,341,215)	( 17)
<b>Total non-operating income and expenses</b>		( 6,297,750)	( 27)	( 5,183,782)	( 21)
<b>Loss before income tax</b>		( 7,062,590)	( 30)	( 4,714,583)	( 19)
Income tax benefit	6(27)	454,604	2	306,504	1
<b>Loss for the year</b>		( \$ 6,607,986)	( 28)	( \$ 4,408,079)	( 18)
<b>Other comprehensive income</b>	6(19)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Losses on remeasurements of defined benefit plans		( \$ 49,377)	-	( \$ 168,143)	( 1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 161,067)	( 1)	( 146,864)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		8,394	-	28,584	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		( 202,050)	( 1)	( 286,423)	( 1)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Other comprehensive income, before tax, exchange differences on translation		( 811,853)	( 4)	649,891	2
Other comprehensive income, before tax, available-for-sale financial assets		435,609	2	666,959	3
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		170,153	1	147,449	1
Income tax relating to the components of other comprehensive income		192	-	4,048	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>		( 205,899)	( 1)	1,468,347	6
<b>Other comprehensive (loss) income for the year</b>		( \$ 407,949)	( 2)	\$ 1,181,924	5
<b>Total comprehensive loss for the year</b>		( \$ 7,015,935)	( 30)	( \$ 3,226,155)	( 13)
<b>Basic loss per share (in dollars)</b>	6(28)				
Basic loss per share		( \$ 1.88)		( \$ 1.26)	
Diluted loss per share		( \$ 1.88)		( \$ 1.26)	

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 30, 2017.



## 4 | Financial Information

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
 (Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest			Total equity	
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gain or loss on available-for-sale financial assets		Hedging instrument gain (loss) on effective hedge of cash flow hedges
<b>Year 2015</b>										
Balance at January 1, 2015		\$ 34,775,802	\$ 7,292,458	\$ 9,115,638	\$ 828,940	\$ 7,240,507	\$ 1,356,698	\$ 636,519	(\$ 365,777)	\$ 60,880,785
Appropriation of 2014 earnings	6(18)	-	-	117,604	-	( 117,604)	-	-	-	-
Legal reserve		-	-	-	( 828,940)	828,940	-	-	-	-
Reversal of special reserve		-	-	-	-	( 347,758)	-	-	-	( 347,758)
Cash dividends		347,758	-	-	-	( 347,758)	-	-	-	-
Stock dividends		-	-	-	-	( 347,758)	-	-	-	-
Adjustments to share of changes in equity of subsidiaries, associates and joint ventures	6(17)	-	694,175	-	-	-	-	-	-	694,175
Loss for the year		-	-	-	-	( 4,408,079)	-	-	-	( 4,408,079)
Other comprehensive income (loss) for the year	6(19)	-	-	-	-	( 286,423)	798,388	825,331	( 155,372)	1,181,924
Balance at December 31, 2015		\$ 35,123,560	\$ 7,986,633	\$ 9,233,242	\$ -	\$ 2,561,825	\$ 2,155,086	\$ 1,461,850	(\$ 521,149)	\$ 58,001,047
<b>Year 2016</b>										
Balance at January 1, 2016		\$ 35,123,560	\$ 7,986,633	\$ 9,233,242	\$ -	\$ 2,561,825	\$ 2,155,086	\$ 1,461,850	(\$ 521,149)	\$ 58,001,047
Appropriation of 2015 earnings		-	-	-	-	-	-	-	-	-
Adjustments to share of changes in equity of subsidiaries, associates and joint ventures	6(17)	-	2,381	-	-	-	-	-	-	2,381
Loss for the year		-	-	-	-	( 6,607,986)	-	-	-	( 6,607,986)
Other comprehensive income (loss) for the year	6(19)	-	-	-	( 202,050)	( 900,464)	241,311	453,254	( 407,949)	( 407,949)
Balance at December 31, 2016		\$ 35,123,560	\$ 7,989,014	\$ 9,233,242	\$ -	(\$ 4,248,211)	\$ 1,254,622	\$ 1,703,161	(\$ 67,895)	\$ 50,987,493

The accompanying notes are an integral part of these financial statements.  
 See report of independent accountants dated March 30, 2017.

EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 7,062,590 )	(\$ 4,714,583 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)(25)	1,696,877	1,646,406
Amortization	6(25)	15,173	7,973
Bad debt expense		73,732	-
Interest expense	6(24)	614,846	521,266
Interest income	6(22)	( 157,446 )	( 104,412 )
Dividend income	6(22)	( 66,195 )	( 56,990 )
Realized loss from available-for-sale financial assets	6(2)	1,220	717,713
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		6,052,505	4,341,215
Net gain on disposal of property, plant and equipment		( 25,721 )	( 192,757 )
Loss on disposal of investments		-	7,550
Realized income with affiliated companies		( 8,932 )	( 8,932 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		8	( 23 )
Accounts receivable		( 504,769 )	451,792
Accounts receivable - related parties		69,046	( 46,017 )
Other receivables		( 490,589 )	53,158
Other receivables - related parties		( 53,610 )	( 139,316 )
Inventories		72,916	155,421
Prepayments		( 5,258 )	( 26,723 )
Other current assets		394,947	( 616,033 )
Other non-current assets		( 79 )	8,208
Changes in operating liabilities			
Accounts payable		338,473	( 121,601 )
Accounts payable - related parties		42,187	( 34,433 )
Other payables		30,918	( 113,156 )
Other payables - related parties		( 23,318 )	11,909
Other current liabilities		269,910	( 68,983 )
Other non-current liabilities		( 104,956 )	( 62,315 )
Cash inflow generated from operations		1,169,295	1,616,337
Interest received		157,446	104,412
Income tax paid		( 14,183 )	( 856,793 )
Interest paid		( 634,552 )	( 527,768 )
Net cash flows from operating activities		<u>678,006</u>	<u>336,188</u>

(Continued)



EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of available-for-sale financial assets		\$ 1,253	\$ -
Acquisition of held-to-maturity financial assets		-	( 50,000 )
Proceeds from sale of held-to-maturity financial assets		200,000	-
Acquisition of investments accounted for using equity method	6(7)	( 188,025 )	-
Acquisition of property, plant and equipment	6(29)	( 195,015 )	( 1,523,329 )
Proceeds from disposal of property, plant and equipment		736,376	213,173
Acquisition of intangible assets		( 57,296 )	( 8,348 )
Other non-current assets	6(29)	( 1,404,809 )	( 6,321,961 )
Cash dividends received		476,112	249,330
Net cash flows used in investing activities		( 431,404 )	( 7,441,135 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in long-term loans		11,327,955	20,055,410
Decrease in long-term loans		( 9,598,983 )	( 9,143,496 )
Increase in short-term loans		1,817,199	281,550
Decrease in short-term loans		( 1,817,199 )	( 281,550 )
Cash dividends paid		-	( 347,758 )
Net cash flows from financing activities		1,728,972	10,564,156
Net increase in cash and cash equivalents		1,975,574	3,459,209
Cash and cash equivalents at beginning of year		18,678,635	15,219,426
Cash and cash equivalents at end of year		\$ 20,654,209	\$ 18,678,635

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 30, 2017.



EVERGREEN MARINE CORPORATION (TAIWAN) LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
 (Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 30, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014



New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

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

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

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

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

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

Step 1: Identify contracts with customer.



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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

C. IFRS 16, ‘Leases’

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

D. Amendments to IAS 7, ‘Disclosure initiative’

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

A. These parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

### (3) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing



joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

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

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

(7) Available-for-sale financial assets

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

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

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognized and derecognized using trade date accounting.

C. Held-to-maturity financial assets are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

(9) Notes, accounts and other receivables

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



(10) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

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

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is



reclassified from ‘other comprehensive income’ to ‘profit or loss’. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

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

(12) Operating leases (lessor)

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

(13) Inventories

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

At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(14) Investments accounted for using equity method / associates

- A. Subsidiary is an entity where the Company has the right to dominate its finance and operation policies (includes special purpose entity), normally the Company owns more than 50 percent of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.
- B. Unrealized gains or losses resulted from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately for the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interests in that subsidiary, the Company



continues to recognize its shares in the subsidiary's loss proportionately.

- D.Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.
- E.If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost and recognizes any resulting difference as a gain or loss in profit or loss. The Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when it loses control of the subsidiary.
- F.Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G.The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred constructive obligations or made payments on behalf of the associate.
- H.When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognises in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains or loss on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts

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

K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

L. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

M. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

N. According to “Rules Governing the Preparations of Financial Statements by Securities Issuers”, 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.



D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	50 ~ 55 years
Loading and unloading equipment	6 ~ 20 years
Ships	18 ~ 25 years
Transportation equipment	6 ~ 10 years
Other equipment	3 ~ 5 years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50~60 years.

(18) Intangible assets

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

(19) Impairment of non-financial assets

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

(20) Loans

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable

that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(21) Accounts payable

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Financial liabilities and equity instruments

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

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

(a) Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest



method.

- (c) Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in ‘capital surplus—stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock warrants.

(25) Derivative financial instruments and hedging activities

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

losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognised in operating costs.

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and adjust to undistributed earnings.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of



employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Company to encourage voluntary termination of employment, the termination benefits are recognized as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

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

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

**(27) Income tax**

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



D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

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

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

(28) Dividends

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

(29) Revenue recognition

Sales of services

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

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement,



the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would transfer the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit or loss, please refer to Note 6(2).

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

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

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

As of December 31, 2016, the Company had property, plant and equipment and intangible assets, amounting to \$26,055,383 and \$52,203, respectively.

C. Impairment assessment of investments accounted for using the equity method

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

D. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2016, the Company recognized deferred tax assets amounting to \$520,670.

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

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

As of December 31, 2016, the carrying amount of unlisted stocks without active market was \$144,476.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash	\$ 14,861	\$ 14,732
Checking accounts and demand deposits	3,292,633	3,210,465
Time deposits	17,346,715	14,804,060
Cash equivalents	-	649,378
	<u>\$ 20,654,209</u>	<u>\$ 18,678,635</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

(2) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 1,023,088	\$ 490,801
Emerging stocks	-	532,287
Unlisted stocks	88,917	91,391
	<u>1,112,005</u>	<u>1,114,479</u>
Valuation adjustment	670,495	234,884
	<u>\$ 1,782,500</u>	<u>\$ 1,349,363</u>

A. The Company recognized net gain of \$435,609 and \$666,959 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

B. The Company originally owned the emerging stock of Taiwan High Speed Rail Corporation which was first publicly traded on October 27, 2016. However, for the year ended December 31, 2015, the Company assessed that there had been objective evidence of impairment given that the market price of the shares continuously declined. The Company then recognised \$717,713 as impairment loss in 2015.

C. The Company recognized impairment loss of \$3,065 on unlisted stocks.

D. No available-for-sale financial assets held by the Company were pledged to others.



(3) Held-to-maturity financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Financial bonds	\$ 170,000	\$ 200,000
Non-current items:		
Financial bonds	\$ 50,000	\$ 220,000

A. The Company recognized interest income of \$8,197 and \$10,588 in profit or loss for amortized cost for the years ended December 31, 2016 and 2015, respectively.

B. The counterparties of the Company's investments have good credit quality.

C. No held-to-maturity financial assets held by the Company were pledged to others.

(4) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 2,189,628	\$ 1,684,859
Less: allowance for bad debts	( 73,732)	-
	\$ 2,115,896	\$ 1,684,859

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

	December 31, 2016	December 31, 2015
Group 1	\$ 126,994	\$ 104,906
Group 2	1,546,534	1,053,463
	\$ 1,673,528	\$ 1,158,369

Note:

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

Group 2: General risk company.

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

	December 31, 2016	December 31, 2015
Up to 30 days	\$ 225,216	\$ 335,454
31 to 180 days	217,152	191,036
	\$ 442,368	\$ 526,490

The above ageing analysis was based on past due date.

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

(a) As of December 31, 2016, the Company's accounts receivable that was impaired amounted to \$73,732.

(b) As of December 31, 2015, impairment loss for accounts receivable is not provided.

(c) Movements in the provision for impairment of accounts receivable are as follows:

	2016		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ -	\$ -
Provision for impairment	73,732	-	73,732
Reversal of impairment	-	-	-
At December 31	<u>\$ 73,732</u>	<u>\$ -</u>	<u>\$ 73,732</u>

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

(5) Inventories

	December 31, 2016		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Ship fuel	<u>\$ 401,083</u>	<u>\$ -</u>	<u>\$ 401,083</u>
	December 31, 2015		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Ship fuel	<u>\$ 473,999</u>	<u>\$ -</u>	<u>\$ 473,999</u>

(6) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Shipowner's accounts	\$ 1,659,549	\$ 1,663,062
Agent accounts	164,506	145,483
Other financial assets	116,960	474,731
Temporary debits	109,794	162,480
	<u>\$ 2,050,809</u>	<u>\$ 2,445,756</u>

A. Shipowner's accounts

(a) These pertain to temporary accounts between the Company and Evergreen International S.A., Gaining Enterprise S.A., Greencompass Marine S.A., Italia Marittima S.p.A., Evergreen Marine (UK) Ltd., Evergreen Marine (Hong Kong) Ltd. and Evergreen Marine (Singapore) Pte. Ltd.. These accounts occur as these ship owners incur foreign port expenses and related rental expenses.

(b) In response to market competition and enhancement of global transportation network to provide better logistics services to customers, the Company has joined Cosco Container Lines Co., Ltd., Kawasaki Kisen Kaisha, Ltd., Yang Ming (UK), Ltd. and Hanjin Shipping Co., Ltd. to form the new CKYHE Alliance for the trading of shipping spaces.

B. Agency accounts

These accounts occur when domestic and foreign agencies, based on the agreement with the Company, deal with foreign port formalities regarding arrival and departure of ships, cargo loading, discharging and forwarding, collection of freight, and payment of expenses incurred in the foreign port.



(7) Investments accounted for using equity method

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiary of the Company		
Peony Investment S.A.	\$ 26,887,947	\$ 35,208,499
Everport Terminal Services Inc.	176,298	61,474
Taiwan Terminal Services Co., Ltd.	39,556	40,626
Related Company		
Evergreen International Storage and Transport Corporation	8,604,700	8,475,835
EVA Airways Corporation	8,699,063	7,970,003
Taipei Port Container Terminal Corporation	967,475	980,212
Chang Yang Development Co., Ltd.	531,069	521,634
Evergreen Security Corporation	89,536	81,366
Evergreen Marine (Latin America), S.A.	4,459	4,268
VIP Greenport Joint Stock Company	181,427	-
	<u>\$ 46,181,530</u>	<u>\$ 53,343,917</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Evergreen International Storage and Transport Corporation	\$ 5,428,009	\$ 5,873,263
EVA Airways Corporation	9,649,978	11,708,388
	<u>\$ 15,077,987</u>	<u>\$ 17,581,651</u>

B. The above investment income or loss accounted for using the equity method was based on the financial statements of the investees for the corresponding periods, which were audited by independent auditors.

C. For information on the subsidiaries, please refer to Note 4(3) of the consolidated financial statements as of December 31, 2016.

D. The basic information of the associates that are material to the Company is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Ownership(%)</u>		<u>Nature of relationship</u>	<u>Methods of measurement</u>
		<u>December</u>	<u>December</u>		
		<u>31, 2016</u>	<u>31, 2015</u>		
Evergreen International Storage and Transport Corporation	TW	39.74%	39.74%	With a right over 20% to vote	Equity method
EVA Airways Corporation	TW	16.31%	16.31%	Have a right to vote in the Board of Directors	Equity method

E. The summarized financial information of the associates that are material to the Company is as below:

Balance sheet

	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 4,883,682	\$ 4,831,723
Non-current assets	28,917,060	29,250,378
Current liabilities	( 2,380,308)	( 1,911,824)
Non-current liabilities	( 9,592,754)	( 10,654,488)
Total net assets	<u>\$ 21,827,680</u>	<u>\$ 21,515,789</u>
Share in associate's net assets	8,611,875	8,485,861
Unrealized income with affiliated companies	( 7,175)	( 10,026)
Carrying amount of the associate	<u>\$ 8,604,700</u>	<u>\$ 8,475,835</u>

	<u>EVA Airways Corporation</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 69,375,363	\$ 58,585,588
Non-current assets	148,288,041	136,820,724
Current liabilities	( 62,284,933)	( 58,580,061)
Non-current liabilities	( 96,042,190)	( 82,098,729)
Total net assets	<u>\$ 59,336,281</u>	<u>\$ 54,727,522</u>
Share in associate's net assets	<u>\$ 8,699,063</u>	<u>\$ 7,970,003</u>

Statement of comprehensive income

	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Revenue	\$ 7,472,097	\$ 7,348,665
Profit for the period from continuing operations	809,015	843,287
Other comprehensive loss, net of tax	( 123,347)	( 99,320)
Total comprehensive income	<u>\$ 685,668</u>	<u>\$ 743,967</u>
Dividends received from associates	<u>\$ 148,422</u>	<u>\$ 148,422</u>



	EVA Airways Corporation	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	\$ 144,679,665	\$ 137,168,544
Profit for the period from continuing operations	3,953,667	6,859,210
Other comprehensive income (loss), net of tax	2,084,356	( 2,067,974)
Total comprehensive income	\$ 6,038,023	\$ 4,791,236
Dividends received from associates	\$ 188,845	\$ -

F. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:

As of December 31, 2016 and 2015, the carrying amount of the Company's individually immaterial associates amounted to \$1,773,966 and \$1,587,480, respectively.

	Year ended December 31, 2016	Year ended December 31, 2015
Income for the period from continuing operations	\$ 183,291	\$ 94,583
Other comprehensive loss, net of tax	( 15,893)	( 18,759)
Total comprehensive income	\$ 167,398	\$ 75,824

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



(8) Property, plant and equipment

	Land	Buildings	Loading and unloading equipment	Computer and communication equipment	Transportation equipment	Ships	Office equipment	Leasehold improvements	Other	Total
At January 1, 2016										
Cost	\$ 558,532	\$ 402,956	\$ 5,590,610	\$ 117,697	\$ 5,401,982	\$ 24,439,856	\$ 218,298	\$ 319,403	\$ 4,351	\$ 37,053,685
Accumulated depreciation	-	(191,280)	(3,881,599)	(101,061)	(1,662,899)	(2,903,730)	(164,652)	(166,104)	(48)	(9,071,373)
	\$ 558,532	\$ 211,676	\$ 1,709,011	\$ 16,636	\$ 3,739,083	\$ 21,536,126	\$ 53,646	\$ 153,299	\$ 4,303	\$ 27,982,312
<u>2016</u>										
Opening net book amount	\$ 558,532	\$ 211,676	\$ 1,709,011	\$ 16,636	\$ 3,739,083	\$ 21,536,126	\$ 53,646	\$ 153,299	\$ 4,303	\$ 27,982,312
Additions	-	-	82,234	2,709	40,062	37,865	6,258	17,937	3,757	190,822
Disposals	-	-	(4)	-	(626,555)	-	(242)	-	-	(626,801)
Reclassifications	-	-	36,943	-	-	76,565	8,572	-	64,702	186,782
Depreciation	-	(8,119)	(155,182)	(8,601)	(370,164)	(1,054,548)	(18,071)	(62,564)	(483)	(1,677,732)
Closing net book amount	\$ 558,532	\$ 203,557	\$ 1,673,002	\$ 10,744	\$ 2,782,426	\$ 20,596,008	\$ 50,163	\$ 108,672	\$ 72,279	\$ 26,055,383
At December 31, 2016										
Cost	\$ 558,532	\$ 402,956	\$ 5,663,204	\$ 120,405	\$ 4,661,534	\$ 24,554,286	\$ 209,733	\$ 337,340	\$ 72,810	\$ 36,580,800
Accumulated depreciation	-	(199,399)	(3,990,202)	(109,661)	(1,879,108)	(3,958,278)	(159,570)	(228,668)	(531)	(10,525,417)
	\$ 558,532	\$ 203,557	\$ 1,673,002	\$ 10,744	\$ 2,782,426	\$ 20,596,008	\$ 50,163	\$ 108,672	\$ 72,279	\$ 26,055,383



## 4 | Financial Information

	Land	Buildings	Loading and unloading equipment	Computer and communication equipment	Transportation equipment	Ships	Office equipment	Leasehold improvements	Other	Total
At January 1, 2015										
Cost	\$ 558,532	\$ 402,956	\$ 4,744,650	\$ 108,202	\$ 4,107,825	\$ 19,067,341	\$ 190,151	\$ 205,543	\$ -	\$ 29,385,200
Accumulated depreciation	-	(182,268)	(3,745,294)	(93,694)	(1,354,547)	(3,202,523)	(162,151)	(122,559)	-	(8,863,036)
	<u>\$ 558,532</u>	<u>\$ 220,688</u>	<u>\$ 999,356</u>	<u>\$ 14,508</u>	<u>\$ 2,753,278</u>	<u>\$ 15,864,818</u>	<u>\$ 28,000</u>	<u>\$ 82,984</u>	<u>\$ -</u>	<u>\$ 20,522,164</u>
2015										
Opening net book amount	\$ 558,532	\$ 220,688	\$ 999,356	\$ 14,508	\$ 2,753,278	\$ 15,864,818	\$ 28,000	\$ 82,984	\$ -	\$ 20,522,164
Additions	-	-	-	9,495	1,384,369	42,853	38,112	52,953	4,351	1,532,133
Disposals	-	-	(2)	-	(6,608)	(13,352)	(20)	-	-	(19,982)
Reclassifications	-	-	864,957	-	3,963	6,644,257	1,171	60,909	-	7,575,257
Depreciation	-	(9,012)	(155,300)	(7,367)	(395,919)	(1,002,450)	(13,617)	(43,547)	(48)	(1,627,260)
Closing net book amount	<u>\$ 558,532</u>	<u>\$ 211,676</u>	<u>\$ 1,709,011</u>	<u>\$ 16,636</u>	<u>\$ 3,739,083</u>	<u>\$ 21,536,126</u>	<u>\$ 53,646</u>	<u>\$ 153,299</u>	<u>\$ 4,303</u>	<u>\$ 27,982,312</u>
At December 31, 2015										
Cost	\$ 558,532	\$ 402,956	\$ 5,590,610	\$ 117,697	\$ 5,401,982	\$ 24,439,856	\$ 218,298	\$ 319,403	\$ 4,351	\$ 37,053,685
Accumulated depreciation	-	(191,280)	(3,881,599)	(101,061)	(1,662,899)	(2,903,730)	(164,652)	(166,104)	(48)	(9,071,373)
	<u>\$ 558,532</u>	<u>\$ 211,676</u>	<u>\$ 1,709,011</u>	<u>\$ 16,636</u>	<u>\$ 3,739,083</u>	<u>\$ 21,536,126</u>	<u>\$ 53,646</u>	<u>\$ 153,299</u>	<u>\$ 4,303</u>	<u>\$ 27,982,312</u>

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

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

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2016			
Cost	\$ 1,414,008	\$ 975,187	\$ 2,389,195
Accumulated depreciation	-	( 443,204)	( 443,204)
	<u>\$ 1,414,008</u>	<u>\$ 531,983</u>	<u>\$ 1,945,991</u>
<u>2016</u>			
Opening net book amount	\$ 1,414,008	\$ 531,983	\$ 1,945,991
Depreciation charge	-	( 19,145)	( 19,145)
Closing net book amount	<u>\$ 1,414,008</u>	<u>\$ 512,838</u>	<u>\$ 1,926,846</u>
At December 31, 2016			
Cost	\$ 1,414,008	\$ 975,187	\$ 2,389,195
Accumulated depreciation	-	( 462,349)	( 462,349)
	<u>\$ 1,414,008</u>	<u>\$ 512,838</u>	<u>\$ 1,926,846</u>
At January 1, 2015			
Cost	\$ 1,414,008	\$ 975,187	\$ 2,389,195
Accumulated depreciation	-	( 424,058)	( 424,058)
	<u>\$ 1,414,008</u>	<u>\$ 551,129</u>	<u>\$ 1,965,137</u>
<u>2015</u>			
Opening net book amount	\$ 1,414,008	\$ 551,129	\$ 1,965,137
Depreciation charge	-	( 19,146)	( 19,146)
Closing net book amount	<u>\$ 1,414,008</u>	<u>\$ 531,983</u>	<u>\$ 1,945,991</u>
At December 31, 2015			
Cost	\$ 1,414,008	\$ 975,187	\$ 2,389,195
Accumulated depreciation	-	( 443,204)	( 443,204)
	<u>\$ 1,414,008</u>	<u>\$ 531,983</u>	<u>\$ 1,945,991</u>



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

	Year ended December 31, 2016	Year ended December 31, 2015
Rental income from the lease of the investment property	\$ 98,004	\$ 95,477
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 19,145	\$ 19,146
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ -	\$ -

B. The fair value of the investment property held by the Company as at December 31, 2016 and 2015 was \$3,583,847 and \$3,627,787, respectively. The fair value measurements were based on the market prices of recently sold properties in the immediate vicinity of a certain property.

Valuations were made using the income approach which is categorised within Level 2 in the fair value hierarchy.

C. Impairment information about the investment property is provided in Note 8.

(10) Other current assets

	December 31, 2016	December 31, 2015
Prepayments for equipment	\$ 2,656,169	\$ 1,295,667
Refundable deposits	23,647	23,568
Others	312	312
	<u>\$ 2,680,128</u>	<u>\$ 1,319,547</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Amount capitalised	\$ 24,557	\$ 14,977
Interest rate	1.31%~1.59%	1.45%~1.88%

(11) Other current liabilities

	December 31, 2016	December 31, 2015
Corporate bonds payable - current portion	\$ 3,000,000	\$ -
Long-term liabilities - current portion	6,218,417	10,495,373
Shipowner's accounts	1,231,371	1,342,186
Agency accounts	1,154,491	777,298
Others	10,789	7,257
	<u>\$ 11,615,068</u>	<u>\$ 12,622,114</u>

(12) Corporate bonds payable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Domestic secured corporate bonds	\$ 3,000,000	\$ 3,000,000
Less: current portion or exercise of put options	( 3,000,000)	-
	<u>\$ -</u>	<u>\$ 3,000,000</u>

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

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

B. Coupon rate: 1.28% fixed per annum

C. Principal repayment and interest payment

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

D. Collaterals

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

(13) Long-term loans

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Secured bank loans	\$ 20,315,266	\$ 20,270,198
Unsecured bank loans	23,532,722	21,603,500
Add : unrealized foreign exchange loss	644,763	884,380
Less : deferred expenses - hosting fee credit	( 12,686)	( 6,985)
	44,480,065	42,751,093
Less: current portion	( 6,218,417)	( 10,495,373)
	<u>\$ 38,261,648</u>	<u>\$ 32,255,720</u>
Maturity range	106.03~116.03	105.01~115.03
Interest rate	0.85%~1.90%	1.13%~1.80%

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

(14) Other non-current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accrued pension liabilities	\$ 1,479,872	\$ 1,535,254
Guarantee deposits received	9,847	10,044
	<u>\$ 1,489,719</u>	<u>\$ 1,545,298</u>



## (15) Pension

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

(b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 1,952,460)	(\$ 1,997,170)
Fair value of plan assets	<u>472,588</u>	<u>461,916</u>
Net defined benefit liability	<u>(\$ 1,479,872)</u>	<u>(\$ 1,535,254)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2016			
Balance at January 1	(\$ 1,997,170)	\$ 461,916	(\$ 1,535,254)
Current service cost	( 18,723)	-	( 18,723)
Interest (expense) income	( 23,975)	<u>5,420</u>	( 18,555)
	<u>( 2,039,868)</u>	<u>467,336</u>	<u>( 1,572,532)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 2,043)	( 2,043)
Change in financial assumptions	-	-	-
Experience adjustments	( 47,334)	<u>-</u>	( 47,334)
	<u>( 47,334)</u>	<u>( 2,043)</u>	<u>( 49,377)</u>
Pension fund contribution	-	129,908	129,908
Paid pension	<u>134,742</u>	( 122,613)	<u>12,129</u>
Balance at December 31	<u>(\$ 1,952,460)</u>	<u>\$ 472,588</u>	<u>(\$ 1,479,872)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	(\$ 1,887,464)	\$ 457,549	(\$ 1,429,915)
Current service cost	( 15,590)	-	( 15,590)
Interest (expense) income	( 31,748)	7,618	( 24,130)
	<u>( 1,934,802)</u>	<u>465,167</u>	<u>( 1,469,635)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,533	4,533
Change in financial assumptions	( 93,601)	-	( 93,601)
Experience adjustments	( 79,075)	-	( 79,075)
	<u>( 172,676)</u>	<u>4,533</u>	<u>( 168,143)</u>
Pension fund contribution	-	98,425	98,425
Paid pension	110,308	( 106,209)	4,099
Balance at December 31	<u>(\$ 1,997,170)</u>	<u>\$ 461,916</u>	<u>(\$ 1,535,254)</u>

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>



Assumptions regarding future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Morality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 46,316)	\$ 48,145	\$ 29,948	(\$ 28,907)
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 47,716)	\$ 49,637	\$ 29,365	(\$ 28,304)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to \$104,600.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 10 years.

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015 were \$52,170 and \$59,306, respectively.

(16) Capital stock

As of December 31, 2016, the Company’s authorized capital was \$36,000,000, and the paid-in capital was \$35,123,560, divided into 3,512,356 thousand shares of common stocks with a par value of \$10 (in dollars) per share.

(17) Capital reserve

The Securities and Exchange Act requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.



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

	Year ended December 31, 2015			
	Share premium	Adjustments to share of changes in equity of associates and joint ventures	Donated assets	Others
At January 1	\$ 5,895,171	\$ 1,390,128	\$ 446	\$ 6,713
Recognition of change in equity of associates in portion to the Company's ownership	-	694,175	-	-
At December 31	<u>\$ 5,895,171</u>	<u>\$ 2,084,303</u>	<u>\$ 446</u>	<u>\$ 6,713</u>

(18) Retained earnings

	Year ended December 31, 2016	Year ended December 31, 2015
At January 1	\$ 2,561,825	\$ 7,240,507
Loss for the period	( 6,607,986)	( 4,408,079)
Distribution (appropriation) of earnings	-	15,820
Remeasurement on post employment benefit obligations, net of tax	( 202,050)	( 286,423)
At December 31	<u>(\$ 4,248,211)</u>	<u>\$ 2,561,825</u>

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

## B. Dividend policy

The Company is currently at the stable growth stage. In order to facilitate future expansion plans, dividends to stockholders are distributed mutually in the form of both cash and stocks with the



basic principle that the ratio of cash dividends to total stock dividends shall not be lower than 10%.

C. Legal reserve

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

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

E.(a) The appropriation of 2014 earnings resolved by the shareholders on June 17, 2015 is as follows:

	Year ended December 31, 2014	
	Amount	Dividend per share (in dollars)
Accrual of legal reserve	\$ 117,604	
Reversal of special reserve	\$ 828,940	
Appropriate cash dividends to shareholders	\$ 347,758	\$ 0.1
Appropriate stock dividends to shareholders	\$ 347,758	\$ 0.1

(b) In response to future operating plans, the Company has retained all distributable earnings and has not appropriated bonus to shareholders, directors' and supervisors' remuneration and employees' bonus for the year ended December 31, 2015.

F. For the year ended December 31, 2016, the Company incurred accumulated deficit. On March 30, 2017, the Board of Directors proposed to offset the accumulated deficit totaling \$4,248,211 with the legal reserve. As of the reporting date of the financial statements, the stockholders have not approved the proposal during their meeting.

G. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(26).

(19) Other equity items

	Hedging reserve	Available-for- sale investment	Currency translation	Total
At January 1, 2016	(\$ 521,149)	\$ 1,461,850	\$ 2,155,086	\$ 3,095,787
Revaluation – gross	-	435,609	-	435,609
Revaluation – tax	-	( 2,002)	-	( 2,002)
Revaluation – associates	-	( 192,296)	-	( 192,296)
Cash flow hedges:				
– Fair value gains in the period				
– associates	453,254	-	-	453,254
Currency translation differences:				
–Parent	-	-	( 811,853)	( 811,853)
–Tax of Parent	-	-	2,194	2,194
–Associates	-	-	( 90,805)	( 90,805)
At December 31, 2016	<u>(\$ 67,895)</u>	<u>\$ 1,703,161</u>	<u>\$ 1,254,622</u>	<u>\$ 2,889,888</u>

	Hedging reserve	Available-for- sale investment	Currency translation	Total
At January 1, 2015	(\$ 365,777)	\$ 636,519	\$ 1,356,698	\$ 1,627,440
Revaluation – gross	-	666,959	-	666,959
Revaluation – tax	-	4,074	-	4,074
Revaluation – associates	-	154,298	-	154,298
Cash flow hedges:				
– Fair value loss in the period				
– associates	( 155,372)	-	-	( 155,372)
Currency translation differences:				
–Parent	-	-	649,891	649,891
–Tax of Parent	-	-	( 26)	( 26)
–Associates	-	-	148,523	148,523
At December 31, 2015	<u>(\$ 521,149)</u>	<u>\$ 1,461,850</u>	<u>\$ 2,155,086</u>	<u>\$ 3,095,787</u>

(20) Operating revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Marine freight income	\$ 21,383,160	\$ 23,609,015
Ship rental income and slottage income	753,582	560,409
Commission income and agency service income	283,073	291,421
Other income	640,679	673,228
	<u>\$ 23,060,494</u>	<u>\$ 25,134,073</u>



(21) Other gains -net

	Year ended December 31, 2016	Year ended December 31, 2015
Gains on disposal of property, plant and equipment	\$ 25,721	\$ 192,757

(22) Other income

	Year ended December 31, 2016	Year ended December 31, 2015
Rental revenue	\$ 99,140	\$ 96,494
Dividend income	66,195	56,990
Interest income:		
Interest income from bank deposits	149,249	93,824
Interest income from financial assets other than financial assets at fair value through profit or loss	8,197	10,588
Other income – others	91,229	76,273
	<u>\$ 414,010</u>	<u>\$ 334,169</u>

(23) Other gains and losses

	Year ended December 31, 2016	Year ended December 31, 2015
Impairment loss on available-for-sale financial assets	(\$ 1,220)	(\$ 717,713)
Net currency exchange gains	31,840	128,991
Gains (losses) on disposal of investments	2,297	( 4,839)
Depreciation charges on investment property	( 19,145)	( 19,146)
Other non-operating expenses	( 58,181)	( 42,763)
	<u>(\$ 44,409)</u>	<u>(\$ 655,470)</u>

(24) Finance costs

	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense:		
Bank loans	\$ 601,003	\$ 497,843
Corporate bonds	38,400	38,400
	639,403	536,243
Less: capitalisation of qualifying assets	( 24,557)	( 14,977)
Finance costs	<u>\$ 614,846</u>	<u>\$ 521,266</u>

(25) Expenses by nature

	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefit expense	\$ 1,718,261	\$ 1,754,935
Depreciation charges on property, plant and equipment	1,677,732	1,627,260
Amortisation charges on intangible assets	15,173	7,973
Stevedorage	7,290,336	7,024,753
Inland haulage and canal due	5,593,837	5,734,728
Bunker fuel	2,486,026	3,350,673
Operating lease payments	2,536,858	2,585,291
Port charge	988,757	1,101,748
Commission	810,847	831,100
Professional service and data service expenses	209,106	255,860
Ship supplies and lubricant oil	168,155	225,363
Other operating costs and expenses	355,967	357,947
	<u>\$ 23,851,055</u>	<u>\$ 24,857,631</u>

(26) Employee benefit expense

	Year ended December 31, 2016	Year ended December 31, 2015
Wages and salaries	\$ 1,455,083	\$ 1,469,879
Labor and health insurance fees	105,754	106,481
Pension costs	89,448	99,026
Other personnel expenses	67,976	79,549
	<u>\$ 1,718,261</u>	<u>\$ 1,754,935</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for no less than 0.5% and pay remuneration to the directors and supervisors that account for no more than 5% of the total distributed amount.

B. For the years ended December 31, 2016 and 2015, the Company generated loss and thus did not accrue employees', directors' and supervisors' remuneration.

Employees', directors' and supervisors' remuneration of 2015 as resolved by the shareholders at the shareholders' meeting were in agreement with those amounts recognised in the profit or loss of 2015.

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



(27) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the period	\$ -	\$ 266
Adjustments in respect of prior years	( 265)	3
Total current tax	( 265)	269
Deferred tax:		
Origination and reversal of temporary differences	( 454,339)	( 306,773)
Total deferred tax	( 454,339)	( 306,773)
Income tax benefit	(\$ 454,604)	(\$ 306,504)

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

	Year ended December 31, 2016	Year ended December 31, 2015
Fair value gains/losses on available -for-sale financial assets	(\$ 2,002)	\$ 4,074
Exchange differences on translating the financial statements of foreign operations	2,194	( 26)
Actuarial gains/losses on defined benefit obligations	8,394	28,584
Share of other comprehensive income of associates	12,780	( 16,211)
	\$ 21,366	\$ 16,421

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

	Year ended December 31, 2016	Year ended December 31, 2015
Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio	(\$ 99)	(\$ 72)

## B.Reconciliation between income tax and accounting benefit

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	(\$ 1,200,640)	(\$ 801,479)
Expenses disallowed by tax regulation	757,945	504,855
Tax exempted income by tax regulation	( 11,644)	( 10,149)
Prior year income tax (over) underestimation	( 265)	3
Effect from Alternative Minimum Tax	-	266
Income tax benefit	<u>(\$ 454,604)</u>	<u>(\$ 306,504)</u>

C.Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	Year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
—Deferred tax assets:					
Bad debts expense	\$ 504	\$ 12,556	\$ -	\$ -	\$ 13,060
Loss on valuation of financial assets	3,742	-	( 2,002)	-	1,740
Deferred profit from disposal of loading and unloading equipment	3,971	12,737	-	-	16,708
Unrealized expense	7,187	4,344	-	-	11,531
Unrealized exchange loss	27,966	21,377	-	-	49,343
Pension expense	233,453	( 17,809)	-	-	215,644
Actuarial losses/(gains)	27,539	-	8,394	-	35,933
Net operating loss carryforward	<u>59,402</u>	<u>117,309</u>	<u>-</u>	<u>-</u>	<u>176,711</u>
Subtotal	<u>363,764</u>	<u>150,514</u>	<u>6,392</u>	<u>-</u>	<u>520,670</u>
—Deferred tax liabilities:					
Equity-accounted investment income	(\$ 865,079)	\$ 303,825	\$ 14,974	(\$ 99)	(\$ 546,379)
Total	<u>(\$ 501,315)</u>	<u>\$ 454,339</u>	<u>\$ 21,366</u>	<u>(\$ 99)</u>	<u>(\$ 25,709)</u>



	Year ended December 31, 2015				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
– Deferred tax assets:					
Bad debts expense	\$ 442	\$ 62	\$ -	\$ -	\$ 504
Loss on valuation of financial assets	-	-	3,742	-	3,742
Deferred profit from disposal of loading and unloading equipment	5,416	( 1,445)	-	-	3,971
Unrealized expense	6,655	532	-	-	7,187
Unrealized exchange loss	10,088	17,878	-	-	27,966
Pension expense	244,130	( 10,677)	-	-	233,453
Actuarial losses/(gains)	-	-	27,539	-	27,539
Net operating loss carryforward	-	59,402	-	-	59,402
Subtotal	266,731	65,752	31,281	-	363,764
– Deferred tax liabilities:					
Gain on valuation of financial assets	(\$ 332)	\$ -	\$ 332	\$ -	\$ -
Equity-accounted investment income	( 1,089,791)	241,021	( 16,237)	( 72)	( 865,079)
Actuarial losses/(gains)	( 1,045)	-	1,045	-	-
Subtotal	( 1,091,168)	241,021	( 14,860)	( 72)	( 865,079)
Total	(\$ 824,437)	\$ 306,773	\$ 16,421	(\$ 72)	(\$ 501,315)

D.Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
2016	\$ 747,045	\$ 747,045	\$ -	2026
2015	292,430	292,430	-	2025
	<u>\$ 1,039,475</u>	<u>\$ 1,039,475</u>	<u>\$ -</u>	

December 31, 2015				
Year incurred	Amount filed	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
2015	\$ 292,430	\$ 292,430	\$ -	2025



E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary difference unrecognised as deferred tax liabilities were \$10,868,779 and \$17,146,238, respectively.

F. As of December 31, 2016, the Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Earnings generated in and before 1997	(\$ 4,248,211)	\$ 1,643,560
Earnings generated in and after 1998	<u>-</u>	<u>918,265</u>
	<u>(\$ 4,248,211)</u>	<u>\$ 2,561,825</u>

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was \$2,412,471 and \$2,253,595, respectively. The creditable tax rate was 48.15% for 2015. As of December 31, 2016, the Company has accumulated deficits and has no distributable earnings. As a result, creditable tax rate was not disclosed.

(28) Loss per share

	<u>Year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 6,607,986)	<u>3,512,356</u>	(\$ 1.88)
<u>Diluted loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 6,607,986)	<u>3,512,356</u>	(\$ 1.88)



	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary (share in thousands)	(in dollars)
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 4,408,079)	3,512,356	(\$ 1.26)
<u>Diluted loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 4,408,079)	3,512,356	(\$ 1.26)

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

(a) Property, plant and equipment

	Year ended December 31, 2016	Year ended December 31, 2015
Purchase of property, plant and equipment	\$ 190,822	\$ 1,532,133
Add: opening balance of payable on equipment	10,360	1,556
Less: ending balance of payable on equipment	( 6,167)	( 10,360)
Cash paid during the period	<u>\$ 195,015</u>	<u>\$ 1,523,329</u>

(b) Prepayment for equipment

	Year ended December 31, 2016	Year ended December 31, 2015
Prepayments for equipment	\$ 1,547,284	\$ 6,065,292
Add: opening balance of payable on equipment	5,767	277,413
Less: ending balance of payable on equipment	( 123,685)	( 5,767)
Capitalized interest	( 24,557)	( 14,977)
Cash paid during the period	<u>\$ 1,404,809</u>	<u>\$ 6,321,961</u>

## 7. RELATED PARTY TRANSACTIONS

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

Names of related parties	Relationship with the Company
Taiwan Terminal Services Co., Ltd. (TTSC)	Subsidiary
Peony Investment S.A. (Peony)	Subsidiary
Everport Terminal Services Inc. (ETS)	Subsidiary
Kingtrans International Logistics (Tianjin) Co., Ltd. (KTIL)	Indirect subsidiary
Clove Holding Ltd. (CLOVE)	Indirect subsidiary
PT. Multi Bina Transport (MBT)	Indirect subsidiary
PT. Multi Bina Pura International (MBPI)	Indirect subsidiary
Greencompass Marine S.A. (GMS)	Indirect subsidiary
Evergreen Heavy Industrial Co., (Malaysia) Berhad. (EHIC(M))	Indirect subsidiary
Evergreen Marine (UK) Limited (EMU)	Indirect subsidiary
Evergreen Shipping Agency (Deutschland) GmbH (EGD)	Indirect subsidiary
Evergreen Shipping Agency (U.K.) Limited (EGU)	Indirect subsidiary
Evergreen Shipping Agency (Switzerland) S.A. (EGDL)	Indirect subsidiary
Evergreen Shipping Agency (Austria) GmbH (EGDV)	Indirect subsidiary
Evergreen Shipping Agency (Ireland) Ltd. (EGUD)	Indirect subsidiary
Evergreen Shipping Agency (Netherlands) B.V. (EGN)	Indirect subsidiary
Evergreen Shipping Agency (Poland) SP.ZO.O (EGD-WWX)	Indirect subsidiary
Evergreen Argentina S.A. (EGB)	Indirect subsidiary
Evergreen Shipping Agency France S.A.S. (EGF)	Indirect subsidiary
Evergreen Shipping (Spain) S.L. (EES)	Indirect subsidiary
Evergreen Shipping Agency (Italy) S.p.A. (EIT)	Indirect subsidiary
Island Equipment LLC. (Island)	Indirect subsidiary
Armand Investment (Netherlands) N.V. (Armand N.V.)	Indirect subsidiary
Evergreen Shipping Agency (Australia) Pty. Ltd. (EMA)	Indirect subsidiary
Evergreen Shipping Agency (Thailand) Co., Ltd. (EGT)	Indirect subsidiary
Evergreen Shipping Agency (Singapore) Pte. Ltd. (EGS)	Indirect subsidiary
Evergreen Shipping Agency (India) Pvt. Ltd. (EGI)	Indirect subsidiary
Evergreen Shipping Agency (Russia) Ltd. (ERU)	Indirect subsidiary
Evergreen Agency (South Africa) (Pty) Ltd.(ESA)	Indirect subsidiary



Names of related parties	Relationship with the Company
Evergreen Shipping Agency (Korea) Corporation (EGK)	Indirect subsidiary
Armand Estate B.V. (Armand B.V.)	Indirect subsidiary
Whitney Equipment LLC. (Whitney)	Indirect subsidiary
Hemlock Equipment LLC. (Hemlock)	Indirect subsidiary

**(2) Significant related party transactions and balances**

**A. Sales of services:**

	Year ended December 31, 2016	Year ended December 31, 2015
Sales of services:		
Subsidiaries	\$ 2,587,856	\$ 2,597,619
Associates	686,417	736,280
Other related parties	3,063,422	3,577,317
	<u>\$ 6,337,695</u>	<u>\$ 6,911,216</u>

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

**B. Purchases of services:**

	Year ended December 31, 2016	Year ended December 31, 2015
Purchases of services:		
Subsidiaries	\$ 2,929,107	\$ 2,488,895
Associates	1,027,780	869,702
Other related parties	2,579,882	2,756,408
	<u>\$ 6,536,769</u>	<u>\$ 6,115,005</u>

Services are purchased from subsidiaries, associates and other related parties under general conditions.

**C. Receivables from related parties:**

	December 31, 2016	December 31, 2015
Accounts receivable:		
Subsidiaries	\$ 11,131	\$ 34,939
Associates	25,944	34,567
Other related parties	86,822	123,437
	<u>\$ 123,897</u>	<u>\$ 192,943</u>

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other receivables:		
Subsidiaries	\$ 1,604	\$ 8,942
Associates	1,440	4,942
Other related parties	<u>204,423</u>	<u>139,973</u>
	<u>\$ 207,467</u>	<u>\$ 153,857</u>

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

D. Payables to related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts payable:		
Subsidiaries	\$ 108,209	\$ 78,765
Associates	14,140	2,087
Other related parties	<u>1,627</u>	<u>937</u>
	<u>\$ 123,976</u>	<u>\$ 81,789</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other payables:		
Associates	\$ 4,250	\$ 1,282
Other related parties	<u>4,745</u>	<u>34,401</u>
	<u>\$ 8,995</u>	<u>\$ 35,683</u>

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

E. Agency accounts:

(a) Debit balance of agency accounts

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ 18,020	\$ 14,491
Associates	<u>18,330</u>	<u>-</u>
	<u>\$ 36,350</u>	<u>\$ 14,491</u>

(b) Credit balance of agency accounts

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ 23,926	\$ 52,582
Associates	23,750	50,600
Other related parties	<u>73,793</u>	<u>48,779</u>
	<u>\$ 121,469</u>	<u>\$ 151,961</u>



F. Shipowner's accounts:

(a) Debit balance of shipowner's accounts

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ 85,485	\$ -
Associates	91,881	241,795
Other related parties	<u>1,204,978</u>	<u>497,844</u>
	<u>\$ 1,382,344</u>	<u>\$ 739,639</u>

(b) Credit balance of shipowner's accounts

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ 166,555	\$ 812,268
Other related parties	<u>775,570</u>	<u>150,639</u>
	<u>\$ 942,125</u>	<u>\$ 962,907</u>

G. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Subsidiaries	\$ 53	\$ -
Associates	10,619	3,010
Other related parties	<u>54,979</u>	<u>1,035</u>
	<u>\$ 65,651</u>	<u>\$ 4,045</u>

(b) Disposal of property, plant and equipment:

	<u>Year ended December 31, 2016</u>		<u>Year ended December 31, 2015</u>	
	Disposal proceeds	(Loss) gain on disposal	Disposal proceeds	(Loss) gain on disposal
Associates	\$ -	\$ -	\$ 3,413	\$ 3,410
Other related parties	<u>94</u>	<u>6</u>	<u>20</u>	<u>20</u>
	<u>\$ 94</u>	<u>\$ 6</u>	<u>\$ 3,433</u>	<u>\$ 3,430</u>

H. Endorsements and guarantees provided to related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ 77,956,854	\$ 81,544,813
Associates	<u>2,689,558</u>	<u>2,199,352</u>
	<u>\$ 80,646,412</u>	<u>\$ 83,744,165</u>

(3) Key management compensation

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and other short-term employee benefits	\$44,686	\$46,352
Post-employment benefits	3,769	3,524
	<u>\$ 48,455</u>	<u>\$ 49,876</u>

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2016	December 31, 2015	
Other financial assets			
- Pledged time deposits	\$ 116,960	\$ 474,731	Guarantee
Property, plant and equipment			
-Land	514,312	514,312	Long-term loan
-Buildings	195,726	203,089	"
-Ships	20,588,290	21,536,126	"
-Loading and unloading equipment	1,223,696	1,288,079	"
Investment property			
-Land	1,285,781	1,285,781	Long-term loan
-Buildings	489,315	507,722	"
	<u>\$ 24,414,080</u>	<u>\$ 25,809,840</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACTCOMMITMENTS(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2016, the Company had delegated Mizuho Bank to issue Standby Letter of Credit amounting to USD 5,000 thousand.

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



USD 115,000 thousand. Another 2,089,061 units, representing 20,890,685 shares of the Company's common stock, were issued during the period from 1997 to December 31, 2016. As of December 31, 2016, 7,994,095 units were redeemed and 361,996 units were outstanding, representing 3,620,035 shares of the Company's common stock.

C.As of December 31, 2016, the long-term and medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Company's purchase of new ships and general working capital requirement amounted to \$54,478,79 and the unutilized credits was \$9,986,040.

D.Operating lease

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

	<u>December 31, 2016</u>	
Within 1 year	USD	71,229
1~5 years		325,251
Over 5 years		132,031
	<u>USD</u>	<u>528,511</u>

E.As of December 31, 2016, the amount of guaranteed notes issued by the Company for loans borrowed was \$69,561,424.

F.To meet operational needs, the Company signed the shipbuilding contracts with Taiwan Shipbuilding Co., Ltd. and Imabari Shipbuilding Co., Ltd. As of December 31, 2016, the total price of the contracts, wherein the vessels have not yet been delivered, amounted to USD 381,900 thousand, USD 309,350 thousand of which remain unpaid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 30, 2017, the proposal to offset the accumulated deficit was approved by the Board of Directors. Please refer to Note 6(18) for the details.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A.Fair value information of financial instruments

(a)Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable,



accounts receivable, other receivables, other financial assets, refundable deposits, guarantee deposits received, held-to-maturity financial assets, short-term loans, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2016	
	Book value	Fair value
Financial liabilities:		
Bonds payable (including current portion)	\$ 3,000,000	\$ 3,029,085
Long-term loans (including current portion)	44,480,065	46,721,632
	<u>\$ 47,480,065</u>	<u>\$ 49,750,717</u>
	December 31, 2015	
	Book value	Fair value
Financial liabilities:		
Bonds payable	\$ 3,000,000	\$ 3,051,987
Long-term loans (including current portion)	42,751,093	45,004,361
	<u>\$ 45,751,093</u>	<u>\$ 48,056,348</u>

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

- i. Bonds payable: Regarding the ordinary corporate bonds issued by the Company, the coupon rate is approximate to the current market rate. Therefore, the fair value is estimated using the present value of the expected cash flows.
- ii. Long-term loans: The fair value is estimated using the present value of the expected cash flows.

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by the Company's Finance Department under policies approved by the Board of Directors. The Company's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company's Operating Department. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.



C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2016		
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 767,422	32.2315	\$ 24,735,162
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 695,430	32.2315	\$ 22,414,752

				December 31, 2015			
				Foreign currency amount			Book value
				(In Thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD				\$ 687,292	32.8875	\$ 22,603,316	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD				\$ 599,743	32.8875	\$ 19,724,048	
iv. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015 amounted to \$31,840 and \$128,991, respectively.							
iiv. Analysis of foreign currency market risk arising from significant foreign exchange variation:							
Year ended December 31, 2016							
Sensitivity analysis							
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD				1%	\$ 247,352	\$	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD				1%	\$ 224,148	\$	-
Year ended December 31, 2015							
Sensitivity analysis							
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD				1%	\$ 226,033	\$	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD				1%	\$ 197,240	\$	-



Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2016 and 2015, would have increased/decreased by \$17,779 and \$13,467, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2016 and 2015, the Company's borrowings at floating rate were denominated in the NTD and USD.
- ii. At December 31, 2016 and 2015, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been \$369,290 and \$336,632 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. For credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company's Finance Department. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

December 31, 2016	Between 3					Total
	Less than 3 months	months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Accounts payable	\$2,506,745	\$ -	\$ -	\$ -	\$ -	\$2,506,745
Accounts payable - related parties	123,976	-	-	-	-	123,976
Other payables	480,672	26,302	-	-	-	506,974
Other payables - related parties	8,995	-	-	-	-	8,995
Bonds payable (including current portion)	-	3,038,400	-	-	-	3,038,400
Long-term loans (including current portion)	1,549,049	5,273,180	8,408,797	23,053,441	8,437,165	46,721,632

December 31, 2015	Between 3					Total
	Less than 3 months	months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Accounts payable	\$2,167,097	\$ 1,175	\$ -	\$ -	\$ -	\$2,168,272
Accounts payable - related parties	81,789	-	-	-	-	81,789
Other payables	327,808	26,301	-	-	-	354,109
Other payables - related parties	35,683	-	-	-	-	35,683
Bonds payable	-	38,400	3,038,400	-	-	3,076,800
Long-term loans (including current portion)	3,006,794	8,053,692	5,261,763	19,492,486	9,195,428	45,010,163

(3) Fair value estimation

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:



Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	\$ 1,638,024	\$ -	\$ 144,476	\$ 1,782,500
December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	\$ 1,231,965	\$ -	\$ 117,398	\$ 1,349,363

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

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

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

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

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

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016	Year ended December 31, 2015
At January 1	\$ 117,398	\$ 133,627
Gains and losses recognised in other comprehensive income (Note 1)	27,078	(16,229)
At December 31	<u>\$ 144,476</u>	<u>\$ 117,398</u>

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

G. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

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

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



value measurement:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 136,780	Market comparable companies	Price to earnings ratio multiple	24.37 ~32.31	The higher the multiple and control premium, the higher the fair value
			Price to book ratio multiple	0.86~2.97	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	20%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
Venture capital shares Private equity fund investment	7,696	Net asset value	Net asset value		The higher the net asset value, the higher the fair value

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

	Input	Change	December 31, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability	±1%	\$ -	\$ -	\$ 1,368	\$ 1,368
	Net asset value	±1%	-	-	77	77
			\$ -	\$ -	\$ 1,445	\$ 1,445



				December 31, 2015			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability	±1%		\$ -	\$ -	\$ 1,072	\$ 1,072
	Net asset value	±1%		-	-	102	102
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174</u>	<u>\$ 1,174</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

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

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

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

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

### 14. SEGMENT INFORMATION

None.



# 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Loans to others  
For the year ended December 31, 2016

Expressed in thousands of NTD

Table 1

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note 3)	Balance at December 30, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
1	Peony Investment S.A.	Laura Investment (Netherlands) N.V.	Receivables from related parties	Yes	\$ 501,383	\$ 80,579	\$ 79,236	1.7026-1.8611	2	\$ -	Working capital requirement	\$ -	None	\$ -	\$ 5,444,809	\$ 13,612,023	
1	Peony Investment S.A.	Clove Holding Ltd.	Receivables from related parties	Yes	367,681	354,547	338,431	1.8717	2	-	Working capital requirement	-	None	-	10,889,619	13,612,023	
2	Clove Holding Ltd.	Whiney Equipment LLC.	Receivables from related parties	Yes	100,277	96,695	96,695	1.8579	2	-	Working capital requirement	-	None	-	558,773	1,117,547	

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

(1) The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2016.

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

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

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

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

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

PEONY : USD 844,641\*32.2315\*20%/=5,444,809

Clove Holding Ltd. : USD 86,681\*32.2315\*20%/=558,773

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

PEONY : USD 844,641\*32.2315\*40%/=10,889,619

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

Clove Holding Ltd. : USD 86,681\*32.2315\*40%/=1,117,547

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

PEONY : USD 844,641\*32.2315\*50%/=13,612,023

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2016

Expressed in thousands of NTD

Table 2

Number (Note 1)	Endorser/Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2016 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Evergreen Marine Corporation	Greencoast Marine S.A.	3	\$ 101,974,987	\$ 39,228,425	\$ 36,510,573	\$ 22,153,033	\$ -	71.61%	\$ 127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Peony Investment S.A.	2	101,974,987	494,697	161,158	-	-	0.32%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	3	101,974,987	44,406,101	38,536,422	36,869,621	-	75.58%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Whiney Equipment LLC.	3	101,974,987	974,200	722,629	701,902	-	1.42%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Hemlock Equipment LLC.	3	101,974,987	620,247	446,728	434,114	-	0.88%	127,468,733	Y	N	N	
0	Evergreen Marine Corporation	Colon Container Terminal S.A.	6	25,493,747	1,522,866	1,418,186	1,155,177	-	2.78%	127,468,733	N	N	N	
0	Evergreen Marine Corporation	Balsam Investment (Netherlands) N.V.	6	25,493,747	1,271,372	1,271,372	781,775	-	2.49%	127,468,733	N	N	N	
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	2	101,974,987	1,637,850	1,579,344	1,579,344	-	3.10%	127,468,733	Y	N	N	

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

The calculation is as follows:

The Company:  $50,987,493 * 25.0\% = 127,468,733$

Limit on endorsement or guarantees provided by the Company for a single entity is \$25,493,747 (Amounting to 50% of its net worth).

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$101,974,987.

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

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

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

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



# 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2016

Expressed in thousands of shares/thousands

Table 3

Securities held by Evergreen Marine Corporation	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2016			Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	
Stock:							
Power World Fund Inc.			Available-for-sale financial asset - non-current	770	\$ 7,697	5.68	\$ 7,697
Taiwan HSR Consortium			"	50,694	932,770	0.90	932,770
Linden Technologies, Inc.			"	50	12,675	1.44	12,675
TopLogic, Inc.			"	2,464	14,563	17.48	14,563
Ever Accord Consumption Corp.			"	9,317	109,541	17.50	109,541
Central Reinsurance Corp.			"	47,492	705,254	8.45	705,254
Financial bonds:							
Bank of Taichung Unsecured Subordinate Financial Debentures			Held-to-maturity financial asset - current	-	20,000		20,000
Ta-Chong Commercial Bank 1st Unsecured Subordinate Financial Debentures-B Issue in 2009			"	-	100,000		100,000
Sunny Bank 1st Subordinate Financial Debentures-B Issue in 2010			"	-	50,000		50,000
Sunny Bank 2nd Subordinate Financial Debentures-B Issue in 2015			Held-to-maturity financial asset - non-current	-	50,000		50,000
Donghai Pusan Container Terminal Co., Ltd.			Available-for-sale financial asset - non-current	300	USD 3,807	15.00	USD 3,807
Hutchison Inland Container Depots Ltd.			"	0.75	USD 300	4.60	USD 300
South Asia Gateway Terminals (Private) Ltd.			"	18,942	USD 24,145	5.00	USD 24,145
RTW Air Services (S) Pte Ltd.			"	30	SGD 44	2.00	SGD 44
Green Siam Air Service Co., Ltd.			"	4	THB 440	2.00	THB 440
Evergreen Shipping Agency (Singapore) Pte Ltd.			"	10	EUR 10	2.86	EUR 10
Evergreen Shipping Agency (Thailand) Co., Ltd.			"				
Evergreen Shipping Agency (Deutschland) GmbH			"				

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

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

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

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

## Evergreen Marine Corporation (Taiwan) Ltd.

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

For the year ended December 31, 2016

Expressed in thousands of shares/thousands of NTD

Table 4

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2016		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
Evergreen Marine Corporation	Beneficiary Certificates:														
	TCB Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current			-	\$ -	49,830	\$ 500,000	49,830	\$ 500,269	\$ 500,000	\$ 269	-	-	\$ -
	Capital Money Market Fund	"			-	-	72,148	1,150,000	72,148	1,150,688	1,150,000	688	-	-	-
	Taishin 1699 Money Market Fund	"			-	-	52,342	700,000	52,342	700,191	700,000	191	-	-	-
	Allianz Gbl Investors Taiwan Money Market Fund	"			-	-	48,452	600,000	48,452	600,296	600,000	296	-	-	-
Yuania De-Li Money Market Fund	"				-	-	37,262	600,000	37,262	600,496	600,000	496	-	-	-

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

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

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

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company.



Evergreen Marine Corporation (Taiwan) Ltd.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	
Evergreen Marine Corporation	Taiwan Terminal Services Co., Ltd.	Subsidiary	Purchases	\$ 835,972	4%	30-60 days	\$ -	- (\$ 76,829)	3%	
	Evergreen International Corp.	Investee of the Company's major shareholder	Sales	1,688,434	7%	30-60 days	-	70,254	3%	
			Purchases	410,040	2%	30-60 days	-	( 50)	-	
	Evergreen International Storage and Transport Corp.	Investee accounted for using equity method	Purchases	422,548	2%	30-60 days	-	( 12,357)	-	
			Sales	1,270,509	6%	30-60 days	-	- 5,706	-	
	Greencoast Marine S.A.	Indirect subsidiary of the Company	Purchases	1,211,021	5%	30-60 days	-	-	-	
			Sales	1,313,918	6%	30-60 days	-	- 5,425	-	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Company	Purchases	164,708	1%	30-60 days	-	-	-	
			Purchases	620,861	3%	30 days	-	( 31,379)	1%	
	Italia Marittima S.p.A.	Investee of Balsam	Sales	588,545	3%	30-60 days	-	- 1,578	-	
			Purchases	383,943	2%	30-60 days	-	-	-	
	Gaining Enterprise S.A.	Subsidiary of EITC accounted for using equity method	Purchases	1,612,693	7%	30-60 days	-	-	-	
			Sales	1,273,971	6%	30-60 days	-	- 10,258	-	
Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Company's major shareholder	Purchases	225,002	1%	30-60 days	-	( 1,407)	-		
		Purchases	104,420	-	30-60 days	-	-	-		
Evergreen Marine (Hong Kong) Ltd.	Investee of the Company's major shareholder	Purchases	252,559	1%	30-60 days	-	-	-		
		Sales	835,972	100%	30-60 days	-	- 76,829	99%		

Taiwan Terminal Services Co., Ltd.

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Everport Terminal Services Inc.	Evergreen Marine Corp.	The parent	Sales	USD 19,254	6%	30 days	-	-	USD 974	5%	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 128,005	41%	30 days	-	-	USD 6,909	39%	
	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 32,268	10%	30 days	-	-	USD 1,974	11%	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 76,752	25%	30 days	-	-	USD 4,417	25%	
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 23,833	8%	30 days	-	-	USD 1,278	7%	
	Whitney Equipment LLC.	Indirect subsidiary of the Parent Company	Purchases	USD 7,589	2%	30-60 days	-	-	(USD 128)	1%	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 52,398	3%	30-60 days	-	-	USD 420	-	
	Evergreen Marine Corp.	The parent	Purchases	USD 23,482	1%	30-60 days	-	-	(USD 27)	-	
	Evergreen Shipping Agency (Deutschland) GmbH	Subsidiary of the Parent Company	Purchases	USD 37,557	2%	30-60 days	-	-	-	-	
	Everport Terminal Services Inc.	Subsidiary	Purchases	USD 39,402	2%	30-60 days	-	-	(USD 177)	-	
Greencompass Marine S.A.	Evergreen Shipping Agency (Deutschland) GmbH	Subsidiary of the Parent Company	Purchases	USD 4,199	-	30-60 days	-	-	-	-	
	Everport Terminal Services Inc.	Subsidiary	Purchases	USD 32,268	2%	30 days	-	-	(USD 1,974)	1%	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 72,339	4%	30-60 days	-	-	USD 1,003	1%	
	Evergreen International Corp.	Investee of the Parent Company's major shareholder	Purchases	USD 19,768	1%	30-60 days	-	-	(USD 840)	-	
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 30,982	2%	30-60 days	-	-	-	-	
	Evergreen Marine (Hong Kong) Ltd.	Investee of the Parent Company's major shareholder	Purchases	USD 29,275	2%	30-60 days	-	-	-	-	
	Evergreen Shipping Agency (Netherlands) B.V.	Subsidiary of the Parent Company	Purchases	USD 26,157	1%	30-60 days	-	-	-	-	
	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 4,125	-	30-60 days	-	-	-	-	
	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 4,623	-	30-60 days	-	-	(USD 865)	-	



## 4 | Financial Information

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	
Evergreen Marine (UK) Limited	Greencoast Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 23,482	2%	30-60 days	-	-	USD 27	-
			Purchases	USD 52,398	3%	30-60 days	-	-	(USD 420)	-
	Evergreen Marine Corp.	The Parent	Sales	USD 5,108	-	30-60 days	-	-	-	-
			Purchases	USD 40,748	3%	30-60 days	-	-	USD 168	-
	Everport Terminal Services Inc.	Subsidiary of the Parent Company	Purchases	USD 76,752	5%	30 days	-	-	(USD 4,417)	3%
			Sales	USD 20,358	1%	30-60 days	-	-	USD 2,258	2%
	Italia Marittima S.p.A.	Investee of Balsam	Purchases	USD 28,304	2%	30-60 days	-	-	(USD 1,756)	1%
			Sales	USD 21,953	2%	30-60 days	-	-	USD 185	-
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Purchases	USD 23,473	2%	30-60 days	-	-	(USD 992)	1%
			Purchases	USD 8,794	1%	30-60 days	-	-	(USD 2)	-
Evergreen Heavy Industrial Corp.(Malaysia) Berhad	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 5,485	-	30-60 days	-	-	-	-
			Sales	MYR 165,941	100%	45 days	-	-	MYR 46,595	99%
Evergreen Shipping Agency (Deutschland) GmbH	Gaining Enterprise S.A.	Investee of EITC	Sales	EUR 3,794	31%	30-60 days	-	-	-	-
			Sales	EUR 3,578	29%	7 days	-	-	EUR 340	2%
Evergreen Shipping Agency (Netherlands) B.V.	Italia Marittima S.p.A.	Indirect subsidiary of the Parent Company	Sales	EUR 3,726	31%	30-60 days	-	-	-	-
			Sales	EUR 3,369	28%	30-60 days	-	-	EUR 281	3%
Whitney Equipment LLC.	Everport Terminal Services Inc.	Subsidiary of the Parent Company	Sales	USD 7,589	47%	30-60 days	-	-	USD 128	96%

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.



Evergreen Marine Corporation (Taiwan) Ltd.  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 December 31, 2016

Expressed in thousands

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Evergreen Marine Corp.	Evergreen International Corporation	Investee of the Company's major shareholder	\$ 252,026	-	\$ -	-	\$ 250,064	-
Peony Investment S.A.	Clove Holding Ltd.	Subsidiary	USD 10,505	-	-	-	-	-
Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Gaining Enterprise S.A.	Investee of EITC	MYR 46,595	-	-	-	MYR 46,595	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties, etc.  
 Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.



# 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2016

Expressed in thousands of NTD

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Evergreen Marine Corporation	Taiwan Terminal Services Co., Ltd.	1	Operating cost	\$ 835,972	Note 4	0.67
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Shipowner's account - credit	166,555	"	0.09
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating revenue	1,270,509	"	1.02
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating cost	1,211,021	"	0.97
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating revenue	1,313,918	"	1.06
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating cost	164,708	"	0.13
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	1	Operating cost	620,861	"	0.50
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating revenue	1,689,588	"	1.36
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating cost	757,171	"	0.61
1	Greencompass Marine S.A.	Everport Terminal Services Inc.	3	Operating cost	1,040,483	"	0.84
1	Greencompass Marine S.A.	Evergreen Shipping Agency (Deutschland) GmbH	3	Operating cost	135,405	"	0.11
1	Greencompass Marine S.A.	Evergreen Shipping Agency (Netherlands) B.V.	3	Operating cost	133,009	"	0.11
2	Evergreen Marine (UK) Limited	Everport Terminal Services Inc.	3	Operating cost	2,474,871	"	1.99
3	Whitney Equipment LLC.	Everport Terminal Services Inc.	3	Operating revenue	244,704	"	0.20
4	Peony Investment S.A.	Clove Holding Ltd.	3	Other receivables	338,588	"	0.18

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.);

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Note 5: The Company may decide whether or not to disclose transaction details in this table based on the Materiality Principle.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investees  
For the year ended December 31, 2016

Expressed in thousands of shares/thousands of NTD

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value			
Evergreen Marine Corp.	Peony Investment S.A.	Republic of Panama	Investment activities	\$ 15,358,310	\$ 15,358,310	4,765	100.00	\$ 27,071,237	(\$ 7,161,062)	(\$ 7,148,370)	Subsidiary of the Company
	Taiwan Terminal Services Co., Ltd.	Taiwan	Loading and discharging operations of container yards	55,000	55,000	5,500	55.00	39,556	20,613	11,337	"
	Everport Terminal Services Inc.	U.S.A.	Terminal services	3,223	3,223	1	100.00	176,298	116,099	116,099	"
	Chang Yang Development Co., Ltd.	Taiwan	Development, rental, sale of residential and commercial buildings	320,000	320,000	58,542	40.00	531,069	173,587	69,435	Investee accounted for using equity method
	Evergreen International Storage and Transport Corporation	Taiwan	Container transportation and gas stations	4,753,514	4,753,514	424,063	39.74	8,517,745	810,884	325,083	"
	Evergreen Security Corporation	Taiwan	General security guards services	25,000	25,000	6,336	31.25	89,536	42,036	13,136	"
	EVA Airways Corporation	Taiwan	International passengers and cargo transportation	10,767,879	10,767,879	660,957	16.31	8,699,063	3,476,004	567,017	"
	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	1,094,073	1,094,073	109,378	21.03	967,475	( 60,556)	( 12,738)	"
	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,384	3,384	105	17.50	4,459	1,581	277	"
	VIP Greenport Joint Stock Company	Vietnam	Terminal services	175,000	-	12,500	21.74	181,427	26,644	6,219	"
	Clove Holding Ltd.	British Virgin Islands	Investment holding company	1,693,742	1,693,742	10	100.00	2,793,867	( 40,966)	( 40,966)	Indirect subsidiary of the Company
	Evergreen Shipping Agency (Deutschland) GmbH	Germany	Shipping agency	268,037	268,037	-	100.00	190,635	9,652	9,652	"
	Evergreen Shipping Agency (Ireland) Ltd.	Ireland	Shipping agency	-	3,062	-	-	-	359	359	"
	Evergreen Shipping Agency (Korea) Corporation	South Korea	Shipping agency	78,194	78,194	121	100.00	40,507	( 2,689)	( 2,689)	"
	Evergreen Shipping Agency (Netherlands) B.V.	Netherlands	Shipping agency	128,185	128,185	0,047	100.00	49,982	5,530	5,530	"
	Evergreen Shipping Agency (Poland) SP. ZO. O	Poland	Shipping agency	21,337	21,337	2	100.00	10,669	708	708	"
Greencompass Marine S.A.	Republic of Panama	Marine transportation	11,393,835	11,393,835	3,535	100.00	15,219,216	( 3,267,545)	( 3,267,545)	"	
Evergreen Shipping Agency (India) Pvt. Ltd.	India	Shipping agency	37,929	37,929	100	99.99	74,342	9,992	9,991	"	
Evergreen Argentina S.A.	Argentina	Leasing	4,512	4,512	150	95.00	2,298	( 4,775)	( 4,536)	"	



## 4 Financial Information

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value			
Peony Investment S.A.	Evergreen Shipping Agency (France) S.A.S.	France	Shipping agency	\$ 29,234	\$ 29,234	5	100.00	\$ 15,714	\$ 8,433	8,433	Indirect subsidiary of the Company
	PT. Multi Bina Pura International	Indonesia	Loading and discharging operations of container yards and inland transportation	252,725	252,725	17	95.03	484,124	69,559	66,102	"
	PT. Multi Bina Transport	Indonesia	Container repair, cleaning and inland transportation	25,924	25,924	2	17.39	15,634	3,421	595	"
	Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Malaysia	Container manufacturing	879,754	879,754	42,120	84.44	1,062,781	35,373	29,869	"
	Armand Investment (Netherlands) N.V.	Curacao	Investment holding company	371,066	371,066	4	70.00	308,201	( 8,867)	( 6,207)	"
	Evergreen Shipping (Spain) S.L.	Spain	Shipping agency	124,736	124,736	3	55.00	82,114	62,917	34,604	"
	Evergreen Shipping Agency (Italy) S.p.A.	Italy	Shipping agency	75,808	75,808	0.55	55.00	47,870	( 17,257)	( 9,492)	"
	Evergreen Marine (UK) Limited	U.K.	Marine transportation	1,034,716	1,034,716	765	51.00	1,401,743	( 4,312,950)	( 2,199,604)	"
	Evergreen Shipping Agency (Australia) Pty. Ltd.	Australia	Shipping agency	7,964	7,964	0.675	67.50	18,325	23,055	15,562	"
	Evergreen Shipping Agency (Russia) Ltd.	Russia	Shipping agency	27,332	27,332	-	51.00	14,418	36,721	18,728	"
	Evergreen Shipping Agency (Singapore) Pre. Ltd.	Singapore	Shipping agency	69,523	69,523	765	51.00	169,418	76,789	39,162	"
	Evergreen Shipping Agency (Thailand) Co., Ltd.	Thailand	Shipping agency	47,509	47,509	408	51.00	50,920	46,351	23,639	"
	Evergreen Agency (South Africa) (Pty) Ltd.	South Africa	Shipping agency	18,719	18,719	5,500	55.00	118,664	81,257	44,691	"
	PT. Evergreen Shipping Agency Indonesia	Indonesia	Shipping agency	31,361	31,361	0.441	49.00	95,384	43,617	21,373	Investee company of Peony accounted for using equity method
	Evergreen Shipping Agency (Vietnam) Corp.	Vietnam	Shipping agency	14,633	14,633	-	49.00	178,818	74,617	36,562	"
	Luanta Investment (Netherlands) N.V.	Curacao	Investment holding company	1,523,825	1,523,825	460	50.00	1,993,507	( 3,662)	( 1,831)	"
	Balsam Investment (Netherlands) N.V.	Curacao	Investment holding company	12,199,185	9,719,616	0.451	49.00	550,749	( 4,388,530)	( 2,150,380)	"
	Green Peninsula Agencies SDN. BHD.	Malaysia	Investment holding company	233,840	233,840	1,500	30.00	214,639	223,360	67,008	"
	Evergreen Shipping Agency Co. (U.A.E.) LLC	United Arab Emirates	Shipping agency	67,106	67,106	-	49.00	68,150	61,599	30,184	"
	Greenpen Properties Sdn. Bhd.	Malaysia	Renting estate and storehouse company	13,732	13,732	1,500	30.00	44,670	11,195	3,358	"

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2016			Net profit (loss) of the investee For the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as of December 31, 2016	Balance as of December 31, 2015	Number of shares	Ownership (%)	Book value			
Armand Investment (Netherlands) N.V.	Armand Estate B.V.	Netherlands	Investment holding company	\$ 545,870	\$ 545,870	0.045	100.00	\$ 442,817	(\$ 8,060)	Indirect subsidiary of the Company	
Armand Estate B.V.	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	506,019	506,019	50,602	9.73	446,818	( 5,892)	Investee company of Armand Estate B.V. accounted for using equity method	
Clove Holding Ltd.	Colon Container Terminal, S.A.	Republic of Panama	Inland container storage and loading	736,812	736,812	22,860	40.00	2,740,375	( 53,787)	Investee company of Clove Holding Ltd. accounted for using equity method	
Island Equipment LLC	Island Equipment LLC.	U.S.A	Investment holding company	4,641	4,641	-	36.00	168,463	48,774	Indirect subsidiary of the Company	
Evergreen Marine (UK) Limited	Whitney Equipment LLC.	U.S.A	Equipment leasing company	6,446	6,446	-	100.00	169,044	30,521	"	
	Hemlock Equipment LLC.	U.S.A	Equipment leasing company	6,446	6,446	-	100.00	332,516	49,943	"	
	Island Equipment LLC.	U.S.A	Investment holding company	1,934	1,934	-	15.00	70,193	48,774	"	
	Evergreen Shipping Agency (UK) Limited	U.K	Shipping agency	0.06	0.06	-	100.00	27,249	7,089	"	
	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,191	3,191	99	16.50	4,204	1,581	Investee company of Evergreen Marine (UK) Limited accounted for using equity method	
	Evergreen Shipping Agency (Ireland) Ltd.	Ireland	Shipping agency	3,262	-	0.1	100.00	3,262	-	Indirect subsidiary of the Company	
PT. Multi Bina Pura International	PT. Multi Bina Transport	Indonesia	Container repair cleaning and inland transportation	106,409	106,409	8	72.95	65,582	3,421	"	
Evergreen Shipping Agency (Deutschland) GmbH	Evergreen Shipping Agency (Austria) GmbH	Austria	Shipping agency	617	617	-	100.00	7,162	1,106	"	
	Evergreen Shipping Agency (Switzerland) S.A.	Switzerland	Shipping agency	2,340	2,340	0.1	100.00	10,641	1,204	"	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as of December 31, 2016' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee For the year ended December 31, 2016' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company For the year ended December 31, 2016' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.



## 4 | Financial Information

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investments in Mainland China  
For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income (loss) of the investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect (%))	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2(2)B)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ningbo Victory Container Co., Ltd.	Inland container transportation, container storage, loading, discharging, repair and related activities	\$ 578,530	(2)	\$ 32,796	\$ 198,030	\$ -	\$ 230,826	\$ 28,119	40.00	\$ 11,247	\$ 269,601	\$ -	
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	196,741	(2)	143,331	-	97,662	45,669	214,516	40.00	85,807	181,367	-	
Kingtrans Intl Logistics (Tianjin) Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	360,750	(2)	128,926	-	-	128,926	(42,663)	40.00	(17,065)	171,019	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Evergreen Marine Corp.	\$ 405,421	\$ 999,807	\$ 30,592,496

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company, Peony Investment S.A., in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2016' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.



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