EVERGREEN MARINE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH
REVIEW REPORT OF INDEPENDENT AUDITORS
FOR THE SIX MONTHS ENDED
JUNE 30, 2006 AND 2005

English Translation of a Report Originally Issued in Chinese

Review Report of Independent Auditors

The Board of Directors and Stockholders
Evergreen Marine Corporation

We have reviewed the accompanying consolidated balance sheets of Evergreen Marine Corporation (the "Company") and its subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report on these financial statements based on our review. We did not audit the consolidated financial statements of Peony Investment S.A., a subsidiary of the Company, and its affiliated companies. Those statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it related to amounts included for Peony Investment S.A. and its affiliated companies, is based solely on the report of other auditors. Those statements reflect total assets of 82,855,343 thousand New Taiwan dollars and 78,179,532 thousand New Taiwan dollars, constituting 64.31% and 58.20% of the consolidated total assets as of June 30, 2006 and 2005, respectively, and reflect net operating revenues of 54,052,868 thousand New Taiwan dollars and 46,507,629 thousand New Taiwan dollars, constituting 75.74% and 68.76% of consolidated net operating revenues for the six months then ended, respectively. In addition we did not audit the financial statements of all the investee companies accounted for under the equity method. Those statements were audited by other auditors whose reports have been furnished to us and our opinion expressed herein, insofar as it related to amounts included for these investee companies accounted for under the equity method, is based solely on the reports of other auditors. Those statements reflect long-term investments of 18,669,369 thousand New Taiwan dollars and 17,055,044 thousand New Taiwan dollars, constituting 14.49% and 12.70% of the consolidated total assets as of June 30, 2006 and 2005 respectively, and reflect investment loss of 598,214 thousand New Taiwan dollars and investment income of 846,099 thousand New Taiwan dollars, constituting 680.63% and 11.05% of the consolidated pre-tax net income for the six months then ended, respectively.

We conducted our review in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China on Taiwan, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the reports of other auditors, we are not aware of any material modifications or adjustments that should be made to the financial statements referred to above in order for them to be in conformity with the "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China on Taiwan.

As discussed in Note C to the financial statements, effective from January 1, 2006, the Company has adopted the SFAS No.34, "Accounting for Financial Instruments" and No.36, "Disclosure and Presentation of Financial Instruments".

August 22, 2006
Taipei, Taiwan
Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2006 and 2005

(Expressed in New Taiwan Thousand Dollars)

(Reviewed, Not Audited)

ASSETS	June 30, 2006	June 30, 2005
Current Assets		
Cash and cash equivalents (Notes C & D1)	$12,172,776	$17,026,035
Financial assets at fair value through profit or loss - current (Notes B,C & D2)	4,149,069	12,221,764
Held-to-maturity financial assets - current (Notes B,C & D3)	25,455	20,472
Derivative financial assets held for hedging - current (Notes B,C & D4)	66,820	-
Notes receivable (Note B)	431	26
Accounts receivable, net (Notes B & D5)	13,799,897	13,142,559
Accounts receivable - related parties (Notes B, D5 & E)	351,011	359,961
Other receivables (Notes B & D6)	677,765	1,135,415
Other receivables - related parties (Notes B, D6 & E)	712,233	650,645
Other financial assets - current, net (Notes B & D7)	2,814	-
Inventories (Notes B & D8)	2,867,748	2,100,879
Prepayments	818,204	957,527
Deferred income tax assets - current (Notes B & D27)	19,785	-
Restricted assets - current (Note F)	135,415	133,700
Other current assets (Notes D9 & E)	4,443,143	3,545,208
Total Current Assets	40,242,566	51,294,191
Long-Term Investments (Notes B, C,D10 & E)		
Available-for-sale financial assets-non current	586,680	569,520
Held-to-maturity financial assets-non current	-	20,472
Financial assets carried at cost - non current (Note F)	5,674,280	5,613,597
Debt investments with no active market	12,709	12,035
Long-term equity investments accounted for by the equity method	26,675,528	24,882,426
Other long-term investments	3,930	3,797
Total Long-Term Investments	32,953,127	31,101,847
Property, Plant and Equipment (Notes B, D11, E & F)		
Land	2,160,659	2,134,575
Buildings	2,068,168	1,824,725
Machinery	571,843	514,264
Loading / discharging equipment	6,823,620	6,031,118
Computer equipment	166,265	165,752
Transportation equipment	22,713,738	23,722,273
Ships and equipment	64,644,618	65,916,122
Dock facilities	622,238	661,844
Office equipment	282,129	290,802
Leasehold improvements	110,419	6,000
Costs and revaluation increments	100,163,697	101,267,475
Less: Accumulated depreciation	(46,542,788)	(50,849,480)
Prepayments for equipment	475,406	520,029
Total Property, Plant and Equipment, Net	54,096,315	50,938,024
Intangible Assets		
Deferred pension costs (Note B)	198,893	201,878
Other Assets		
Refundable deposits	911,951	163,699
Deferred charges (Note B)	114,336	244,242
Long-term installment receivables (Note D12)	318,569	388,425
Total Other Assets	1,344,856	796,366
TOTAL ASSETS	$128,835,757	$134,332,306

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2006	June 30, 2005
Current Liabilities		
Short-term loans (Note D13)	$100,000	$1,195,348
Financial liabilities at fair value throuth profit or loss - current (Notes B, C & D14)	122,176	85,020
Notes payable	7,164	14,107
Accounts payable	7,288,421	3,436,463
Accounts payable - related parties (Note E)	219,910	149,767
Income tax payable (Note B)	1,059,054	1,000,637
Accrued expenses (Notes B, D15 & E)	15,984,383	15,898,535
Other payables(Note D16)	5,358,992	5,459,840
Other payables-related parties(Notes D16 & E)	1,251,739	386
Long-term liabilities due within one year (Notes B & D17)	8,963,236	9,469,057
Other current liabilities (Note E)	2,022,276	1,997,542
Deferred income tax liabilities - current (Notes B & D27)	-	53,091
Total Current Liabilities	42,377,351	38,759,793
Long-Term Liabilities (Note B)		
Derivative financial liabilities held for hedging-non current(Notes B, C & D18)	23,956	-
Financial liabilities accounted for by the cost method-non current(Notes B, C & D19)	9,004	-
Corporate bonds payable (Notes B & D20)	4,624,162	9,003,497
Long-term loans (Note D21)	18,070,589	25,926,263
Total Long-Term Liabilities	22,727,711	34,929,760
Other Liabilities		
Accrued pension liability (Note B)	535,451	629,857
Guarantee deposits received	4,015	3,453
Deferred income tax liabilities - non-current (Notes B & D27)	1,323,497	1,766,164
Deferred credits(Note E)	1,853,132	1,459,886
Total Other Liabilities	3,716,095	3,859,360
Total Liabilities	68,821,157	77,548,913
Capital Stock (Note D22)		
Common stock	27,251,676	24,613,860
Stock dividends to be distributed	1,907,617	2,461,386
Total Capital Stock	29,159,293	27,075,246
Capital Surplus (Note D23)		
Paid-in capital in excess of par - common stock	3,353,601	3,147,552
Donated capital	372	372
Long-term investments	1,491,189	1,485,728
Others	6,713	6,713
Total Capital Surplus	4,851,875	4,640,365
Retained Earnings (Note D24)		
Legal reserve	6,442,985	5,220,594
Special reserve	957,344	957,344
Unappropriated retained earnings	14,067,795	16,128,530
Total Retained Earnings	21,468,124	22,306,468
Equity Adjustments		
Cumulative translation adjustments (Note B)	1,059,074	(405,218)
Net loss not recognized as pension cost (Note B)	(298,003)	(486,017)
Deferred credits	-	164,253
Unrealized gain on available-for-sale financial asset(Notes B & C)	187,717	-
Unrealized gain on cash flow hedge(Notes B & C)	33,107	-
Other(Notes B & C)	(6,522)	-
Total Equity Adjustments	975,373	(726,982)
Total Equity Attributable to Stockholders of the Company	56,454,665	53,295,097
Minority interest	3,559,935	3,488,296
Total Stockholders' Equity	60,014,600	56,783,393
Commitments and Contingent Liabilities (Note G)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$128,835,757	$134,332,306

The accompanying notes are an integral part of the financial statements.

(Please refer to Ernst & Young independent auditors' report dated August 22, 2006.)

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Six Months Ended June 30, 2006 and 2005

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

(Reviewed, Not Audited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Operating Revenues (Notes B, D25 & E)	$71,361,942	$67,640,164
Operating Costs (Notes D26 & E)	(70,107,121)	(59,067,843)
Gross Profit	1,254,821	8,572,321
Operating Expenses (Notes D26 & E)	(1,924,070)	(1,880,677)
General and administrative expenses	(1,924,070)	(1,880,677)
Operating (Loss) Profit	(669,249)	6,691,644
Non-Operating Income		
Interest income (Notes C & E)	314,504	180,473
Investment income accounted for under the equity method (Notes B & D10)	-	1,073,452
Dividend income	28,281	152,402
Gain on disposal of property, plant and equipment (Notes B & E)	743,048	4,228
Gain on disposal of investments(Note C)	86,997	-
Foreign exchange gain(Notes B & C)	28,122	370,740
Rent income (Note E)	31,435	29,133
Gain on valuation of financial assets(Notes B & C)	-	76,271
Gain on valuation of financial liabilities(Note B)	180,227	-
Others	469,395	163,908
Total Non-Operating Income	1,882,009	2,050,607
Non-Operating Expenses		
Interest expense (Note C)	(669,661)	(825,102)
Investment loss accounted for under the equity method (Notes B & D10)	(512,076)	-
Other investment loss (Notes C & D10)	-	(1,300)
Loss on disposal of property, plant and equipment (Note B)	(1,907)	(7,532)
Loss on disposal of investment (Note C)	-	(222)
Financial expenses	(26,503)	(37,036)
Loss on valuation of financial assets (Note B)	(70,767)	-
Loss on valuation of financial liabilities(Notes B & C)	-	(152,699)
Others(Note C)	(19,737)	(63,550)
Total Non-Operating Expenses	(1,300,651)	(1,087,441)
Income before Income Tax	(87,891)	7,654,810
Income Tax Expense (Notes B & D27)	(49,034)	(1,291,983)
Consolidated Net Income from Continuing Operations	(136,925)	6,362,827
Cumulative Effect of Changes in Accouting Principle (Note C) (Net of tax benefit $50,937)	(103,312)	-
Consolidated Net (Loss) Income	$(240,237)	$6,362,827
Consolidated Net Income Attributed to:		
Stockholders of the Company	$58,595	$6,163,019
Minority interest	(298,832)	199,808
Consolidated Net (Loss) Income	$(240,237)	$6,362,827

Earnings Per Share (after retroactive adjustments) (in dollars) (Notes B & D28)

	2006 Pre tax	2006 After tax	2005 Pre tax	2005 After tax
Basic earnings per share (after retroactive adjustment) (in dollars)	Pre tax	After tax	Pre tax	After tax
Consolidated Net (Loss) Income from Continuing Operations	$(0.03)	$(0.05)	$2.66	$2.21
Cumulative Effect of Changes in Accounting Principle	(0.05)	(0.03)	-	-
Consolidated Net (loss) income	$(0.08)	$(0.08)	$2.66	$2.21
Consolidated basic earnings per share attributed to:				
Stockholders of the Company		$0.02		$2.14
Minority interest		(0.10)		0.07
Consolidated Net (loss) income		$(0.08)		$2.21
Diluted earnings per share (after retroactive adjustment) (in dollars)	Pre tax	After tax	Pre tax	After tax
Consolidated Net (Loss) Income from Continuing Operations	$(0.03)	$(0.05)	$2.50	$2.08
Cumulative Effect of Changes in Accounting Principle	(0.05)	(0.03)	-	-
Consolidated Net (loss) income	$(0.08)	$(0.08)	$2.50	$2.08
Consolidated diluted earnings per share attributed to:				
Stockholders of the Company		$0.02		$2.01
Minority interest		(0.10)		0.07
Consolidated Net (loss) income		$(0.08)		$2.08

The accompanying notes are an integral part of the financial statements.

(Please refer to Ernst & Young independent auditors' report dated August 22, 2006.)

English Translation of Financial Statements Originally Issued in Chinese
EVERGREEN MARINE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2006 and 2005
(Expressed in New Taiwan Thousand Dollars)
(Reviewed, Not Audited)

				Retained Earnings										
	Common Stock	Stock Dividends to be Distributed	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Deferred Credits	Unrealized gain on Available-for-sale Assets	Unrealized gain on Cash flow hedge	Other	Minority Interest	Total
Balance, January 1, 2005	$24,259,425	$-	$4,030,933	$4,012,127	$957,344	$18,681,936	$856,564	$(594,695)	$72,911	$-	$-	$-	$3,437,386	$55,713,931
Appropriation of 2004 earnings														
Legal reserve				1,208,467		(1,208,467)								-
Stock dividends		2,461,386				(2,461,386)								-
Cash dividends						(4,922,772)								(4,922,772)
Bonuses to employees						(80,000)								(80,000)
Remuneration to directors and supervisors						(43,800)								(43,800)
Conversion of convertible bonds into common stock	354,435		601,589											956,024
Adjustments arising from long-term equity investments accounted for under equity method														
Adjustments on capital surplus due to changes in percentage of shareholding			7,828											7,828
Recognition of changes in investees' capital surplus based on percentage of shareholding			15											15
Cumulative translation adjustments							(136,383)							(136,383)
Adjustments on deferred credits									91,342					91,342
Net loss not recognized as pension cost								(1,186)						(1,186)
Translation adjustments arising from investees' financial statements denominated														-
in foreign currencies							(1,123,607)							(1,123,607)
Translation adjustments arising from foreign currency denominated long-term investments accounted for under cost method							(1,792)							(1,792)
Net loss not recognized as pension cost								109,864						109,864
Combined net income for the six months ended June 30, 2005						6,163,019							199,808	6,362,827
Change in minority interest													(148,898)	(148,898)
Balance, June 30, 2005	$24,613,860	$2,461,386	$4,640,365	$5,220,594	$957,344	$16,128,530	$(405,218)	$(486,017)	$164,253	$-	$-	$-	$3,488,296	$56,783,393
Balance, January 1, 2006	$27,075,246	$-	$4,640,403	$5,220,594	$957,344	$22,189,422	$897,009	$(298,003)	$43,979	$-	$-	$-	$3,702,555	$64,428,549
Adjustment for adopting the newly released SFAS No.34										72,213	70,806	(6,522)		136,497
Appropriation of 2005 earnings														
Legal reserve				1,222,391		(1,222,391)								-
Stock dividends		1,907,617				(1,907,617)								-
Cash dividends						(4,905,302)								(4,905,302)
Bonuses to employees						(70,000)								(70,000)
Remuneration to directors and supervisors						(60,400)								(60,400)
Conversion of convertible bonds into common stock	176,430		206,049											382,479
Adjustments arising from long-term equity investments accounted for under equity method														
Adjustments on capital surplus due to changes in percentage of shareholding						(14,512)								(14,512)
Recognition of changes in investees' capital surplus based on percentage of shareholding			1											1
Cumulative translation adjustments							(179,963)							(179,963)
Adjustments on deferred credits			5,422						(43,979)					(38,557)
Unrealized gain on changes in fair value of Available-for-sale financial assets										99,181				99,181
Unrealized loss on changes in values cash flow hedge											(4,857)			(4,857)
Translation adjustments arising from investees' financial statements denominated in foreign currencies							342,028							342,028
Unrealized gain on changes in fair value of Available-for-sale financial assets										16,323				16,323
Unrealized loss on changes in values of cash flow hedges											(32,842)			(32,842)
Combined net income for the six months ended June 30, 2006						58,595							(298,832)	(240,237)
Change in minority interest													156,212	156,212
Balance, June 30, 2006	$27,251,676	$1,907,617	$4,851,875	$6,442,985	$957,344	$14,067,795	$1,059,074	$(298,003)	$-	$187,717	$33,107	$(6,522)	$3,559,935	$60,014,600

The accompanying notes are an integral part of the financial statements.
(Please refer to Ernst & Young independent auditors' report dated August 22, 2006.)

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2006 and 2005

(Expressed in New Taiwan Thousand Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Cash Flows from Operating Activities		
Net income	$58,595	$6,163,019
Minority interest (loss) income	(298,832)	199,808
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of changes in accounting principles for financial instruments	103,312	-
Depreciation	2,333,419	2,730,890
Amortization	31,488	31,269
Reclassification of depreciation of dock facilities to operating costs and others	103,218	93,138
Reclassification of amortization of deferred charges to others	26,788	36,729
Net (gain) / loss on disposal of property, plant and equipment	(741,141)	3,304
Excess of equity-accounted investment income over cash dividends	1,046,597	(440,347)
Realized loss on financial assets carried at cost	-	1,300
Interest amortization of financial assets and unrealized exchange gains	(1,679)	-
Interest compensation of convertible bonds	1,624	1,858
Gain on long-term bond investments	-	(12,581)
Decrease in financial assets and liabilities at fair value through profit or loss	1,364,411	4,822,328
Increase in other financial assets	(2,814)	-
(Increase) / Decrease in notes and accounts receivable	(855,837)	8,851
Increase in other receivables	(342,261)	(1,206,426)
Decrease / (Increase) in inventories	175,517	(146,170)
(Increase) / Decrease in prepayments	(520,392)	101,412
Net (increase) / decrease in agent accounts	(83,436)	1,176,891
Increase in agency reciprocal accounts	(805)	(1,082)
(Increase) / Decrease in restricted assets	(1,365)	1,500
Increase in other current assets	(8,903)	(24,387)
Decrease in refundable deposits	129,558	36,055
Increase / (decrease) in notes and accounts payable	2,856,034	(2,206,593)
(Decrease) / Increase in income tax payable	(454,753)	641,719
Increase in accrued expenses	1,041,352	2,074,050
(Decrease) / Increase in other payables	(82,037)	283,007
Decrease in other current liabilities	(31,590)	(66,963)
Net change in accrued pension liability	40,750	59,891
Increase / (Decrease) in other liabilities	159,750	(52,230)
Net change in deferred income tax assets / liabilities	(957,671)	290,470
Net effect of taxes due to changes in accounting principles for financial instrument	26,385	-
Net effect of taxes due to unrealized gain or loss on cash flow hedge	10,948	-
Net cash provided by operating activities	5,126,230	14,600,710
Cash Flows from Investing Activities		
Proceeds from disposal of long-term investment	-	11,143
Acquisition of long-term equity investment accounted for by the equity method	(697,906)	-
Increase in available-for-sale financial assets - non current	-	(1,513)
Acquisition of property, plant and equipment	(7,020,069)	(2,963,432)
Proceeds from disposal of property, plant and equipment	5,794,285	6,866
Increase in deferred charges	(61,900)	(37,819)
Decrease in long-term receivables	43,958	60,654
Net cash used in investing activities	(1,941,632)	(2,924,101)
Cash Flows from Financing Activities		
Decrease in short-term loans	(1,700,000)	(4,372,476)
Decrease in short-term bills payable	(799,755)	(2,099,091)
Decrease in long-term loans	(4,074,335)	(2,322,768)
Increase in guarantee deposits received	-	3,368
Net change in minority interest	156,212	(148,898)
Net cash used in financing activities	(6,417,878)	(8,939,865)
Effect of Exchange Rate Changes	251,398	(316,599)
Effect of Initial Consolidation of Subsidiaries	-	528,500
Net (Decrease) / Increase in Cash and Cash Equivalents	(2,981,882)	2,948,645
Cash and Cash Equivalents, Beginning of Period	15,154,658	14,077,390
Cash and Cash Equivalents, End of Period	$12,172,776	$17,026,035
Supplemental Information:		
Interest paid	$578,736	$696,550
Less: Interest capitalized	-	-
Interest paid, net of interest capitalized	$578,736	$696,550
Income tax paid	$1,417,387	$367,307
Financing Activities Not Affecting Cash Flows:		
Long-term liabilities due within one year	$8,963,236	$9,469,057
Capitalization of retained earnings	$1,907,617	$2,461,386
Conversion of convertible bonds into common stock	$382,479	$956,024

The accompanying notes are an integral part of the financial statements.

(Please refer to Ernst & Young independent auditors' report dated August 22, 2006.)

English Translation of Financial Statements Originally Issued in Chinese

EVERGREEN MARINE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2006 and 2005
(Reviewed, Not Audited)
(Expressed in New Taiwan thousand dollars unless otherwise stated)

A. ORGANIZATION AND OPERATIONS

The accompanying consolidated financial statements cover Evergreen Marine Corporation (the "Company"), its subsidiary-Taiwan Terminal Services Co., Ltd., and Peony Investment S.A., and its affiliated companies. Backgrounds of the Company and the related subsidiaries are summarized below.

(1) The Company was established on September 25, 1968 and was approved by the Securities and Futures Commission (SFC), Ministry of Finance (MOF) (currently known as the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan), to be a public company on November 2, 1982. It was further approved by the SFC to be a listed company on July 6, 1987. Shares of the Company have been traded on the Taiwan Stock Exchange since September 21, 1987. The Company is mainly engaged in domestic and international marine transportation, shipping agency services and distribution of containers.

(2) Taiwan Terminal Services Co., Ltd. (TTSC) was established in Taiwan in October 1997 and is 55% owned by the Company. The principal activities of TTSC are cargo loading and discharging.

(3) Peony Investment S.A. (Peony) was established by the Company in Panama as a wholly-owned subsidiary in April 1993 to pursue transportation-related investment opportunities around the world.

(4) Greencompass Marine S.A. (GMS) was established by Peony in Panama in January 1994 with a 100% equity interest. GMS is mainly engaged in container shipping.

(5) Clove Holding Ltd. (Clove) was established by Peony in the British Virgin Islands (BVI) in March 2001 with a 100% equity interest. Clove is primarily engaged in investments of container yards and terminals.

(6) Vigor Enterprise S.A. (Vigor) was established by Peony in Panama in April 1997 with a 100% equity interest. Vigor is mainly engaged in investments of container manufacturing.

(7) Hatsu Marine Ltd. (HML) was acquired by Peony in UK in April 2001 with the main activity in container shipping. As of June 30, 2006, the Company's equity interest in HML was 51%.

(8) Evergreen Heavy Industrial Corp. (Malaysia) Sdn. Bhd. (EHIC(M)) was acquired by Peony in November 1998 with the main business in the manufacturing of dry steel containers, container parts and other related parts. The Company's equity interest in EHIC(M) as of June 30, 2006 was 84.44%.

(9) Armand Investment (Netherlands) N.V. (Armand N.V.) was established by Peony in the Netherlands in October 2003 with the main business in inland transportation, transshipment and repairs of containers.. The Company's equity interest in Armand N.V. as of June 30, 2006 was 70%.

(10) Shenzhen Greentrans Transportation Co., LTD (SGTC) was established by Peony in the China in March 1998 with the main business in loading, discharging, storage, repairs, cleaning, and island transportation of containers. The Company's equity interest in SGTC as of June 30, 2006 was 55%.

(11) PT. Multi Bina Pura International (MBPI) was established by Peony in Indonesia in 1994. MBPI is mainly engaged in container storage and inspections of containers at the customs house. The Company's equity interest in MBPI as of June 30, 2006 was 95.3%.

(12) PT. Multi Bina Transport (MBT) was acquired by MBPI and Peony in April 1998 and December 2002, respectively. The major activities of MBT are inland transportation, repairs and cleaning of containers. As of June 30, 2006, the total equity interest of MBT held by the Company was 86.91%.

(13) Island Equipment LLC (Island) was acquired by HML and Clove in April 2004 and is mainly engaged in investments of operating machinery and equipment of port terminals. The total equity interest of Island held by the Company as of June 30, 2006 was 43.65%.

(14) Ample Holding Ltd. (Ample) was established by Clove in March 2001 with the main business in investments of container yards and docks. The Company's equity interest in Ample as of June 30, 2006 was 90%.

(15) Armand Estate B.V. (Armand B.V.) was acquired by Armand N.V. with a 100% equity interest in October 2003. The principal activity of Armand Estate is investing in container yards and docks.

(16) Whitney Equipment LLC (Whitney) was established by Island in Delaware, USA in June 2005 with 100% equity interest. Whitney is mainly engaged in investments and leases of operating machinery and equipment of port terminals.

(17) Hemlock Equipment LLC (Hemlock) was established by Island in Delaware, USA in June 2005 with 100% equity interest. Hemlock is mainly engaged in investments and leases of operating machinery and equipment of port terminals.

The Company and its subsidiaries had 3,496 and 3,087 employees as of June 30, 2006 and 2005, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis for preparation of consolidated financial statements

   (1) Effective from January 1, 2005 as pursuant to the newly revised Statement of Financial Accounting Standards (SFAS) No.7, "Consolidated Financial Statements", the Company is required to consolidate accounts of the investee companies of which the Company directly or indirectly holds more than 50% of the common stocks, or over which the Company can exercise significant influence except in situations where the individual total asset or total operating revenue of investees are determined immaterial.

   (2) The accompanying consolidated financial statements are prepared in accordance with the SFAS No. 7, "Consolidated Financial Statements". Transactions between the consolidated entities are eliminated. The resulting difference between the initial investments and the net worth of the respective investee companies is amortized on a straight-line basis over 5 years. However, effective from January 1, 2006, differences attributable to goodwill is no longer amortized and neither is any previously amortized amount reversed. The remaining unamortized carrying amount and any incremental differences attributable to goodwill is recognized in accordance with the guidelines related to amortization of acquisition costs as stated in the Statement of Financial Accounting Standards (SFAS) No.25, "Business Combination – Purchase-Price Accounting". Goodwill is measured as at the initial investment cost less the accumulated impairment loss and subsequently remeasured every year as pursuant to the SFAS No. 35, "Accounting for Asset Impairment".

   (3) Where the Company holds more than 50% voting shares of an investee (including the existing and potential voting shares held by the Company and its subsidiaries) or any of the following conditions is met, the Company is deemed to have controlling power in such investee. Such investee must be accounted for by the equity method and included in the consolidated financial statements.

      (a) Under the agreements entered into by the Company with other investors, the equivalent voting shares of the investee held by the Company exceed 50%.

      (b) Under the applicable regulations or agreements, the Company can control the investee's financial, operational and personnel policies.

      (c) The Company has the right to employ or dismiss more than 50% of the members of the Board (or equivalent organization) in which the controlling power over the investee lies.

      (d) The Company controls more than 50% of the voting rights in the investee's Board (or equivalent organization) in which the controlling power over the investee lies.

      (e) The Company has controlling power in other matters.

   (4) The financial statements of foreign subsidiaries are prepared in each foreign subsidiary's functional currency. When preparing consolidated financial statements, the exchange rate used for translating assets and liability is the rate prevailing on the balance sheet date, the exchange rate used for translating shareholders' equity is historical rate, and the exchange rate used for translating income statement accounts is the weighted-average exchange rate. Exchange gains or losses resulting from the foreign currency translation should be recorded as the accumulated translation adjustments under separate component of stockholders' equity.

(5) The subsidiaries included in the consolidated financial statements are set forth below:

			Ownership (%)		
Investor	Investee	Business Scope	June 30, 2006	June 30, 2005	Remark
The Company	TTSC	Cargo loading and discharging	55.00	55.00	
	Peony	Investments in transport-related businesses	100.00	100.00	
Peony	GMS	Container shipping	100.00	100.00	
	Clove	Investments in container yards and port terminals	100.00	100.00	
	Vigor	Investments in container manufacturing	100.00	100.00	
	HML	Container shipping	51.00	51.00	
	EHIC (M)	Manufacturing of dry steel containers and container parts	84.44	97.50	
	Armand N.V.	Investments in container yards and port terminals	70.00	70.00	
	SGTC	Loading, discharging, storage, repairs, cleaning and inland transportation of containers	55.00	55.00	
	MBPI	Container storage and inspections of containers at the customs house	95.30	95.00	
	MBT	Inland transportation, repairs and cleaning of containers	86.91	86.69	MBT is 17.39% directly owned by Peony and 72.95% indirectly owned by Peony through MBPI. Therefore, Peony's total equity interest in MBT is 86.91%.

			Ownership (%)		
Investor	Investee	Business Scope	June 30, 2006	June 30, 2005	Remark
Peony	Island	Investments in operating machinery and equipment of port terminals	43.65	43.65	Peony indirectly holds 15% and 36% equity interest in Island through HML and Clove, respectively. Therefore, Peony's total equity interest in Island is 43.65%.
Clove	Ample	Investments in container yards and port terminals	90.00	90.00	
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	
	Hemlock	Investments and leases of operating machinery and equipment of port terminals	100.00	100.00	

(6) Changes in subsidiaries that had been included in or exempted from the consolidated financial statements :

None.

(7) Subsidiaries that are not included in the consolidated financial statements:

None.

2. Classification of current and non-current assets and liabilities

(1) Current assets are assets that come from operating activities, which are expected to be converted into cash, consumed, or sold during the operating period; held for trading purposes; expected to be converted into cash within one year from the balance sheet date; as well as cash or cash equivalents except those subject to exchange, curtailment or other restrictions due one year after the balance sheet date. Any assets that are not classified as current are non-current assets.

(2) Current liabilities are liabilities that come from operating activities, which are expected to be paid off during the operating period; incurred for trading purposes; expected to be paid back within one year from the balance sheet date. Any liabilities that are not classified as current are non-current liabilities.

(3) Financial liabilities that expire within twelve months from the balance sheet date and match the following terms should be classified as non-current liabilities.

   a. The original contract term exceeds twelve months.
   b. Attempt on long-term refinancing.
   c. Have completed long-term refinancing and extended the period of liabilities before date of the balance sheet, or have the power to refinance or extend the period of liabilities for one year after balance sheet date.

3. Accounting estimation

(1) In preparation of the consolidated financial statements, the Company makes significant accounting estimations and assumptions in accordance with the generally accepted accounting principles. These estimations and assumptions would affect the amounts of assets and liabilities on the balance sheet date, disclosure of contingent assets and liabilities, and the amounts of revenues and expenses recognized for the accounting period. However, actual result and estimations are subject to potential differences.

(2) Accrued expenses are recorded at the amounts stated in the original supporting documents. Foreign port charges without supporting documents are estimated as per past records and period-end sailing schedules. Differences between the expenses actually incurred in the following year and the estimated accrued expenses are credited or charged to operating costs or expenses in the following year.

4. Cash and cash equivalents

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

5. Financial assets and financial liabilities

(1) In accordance with the SFAS No. 34, "Accounting for Financial Instruments". The Company classified financial assets into categories such as, financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets, derivative financial assets for hedge, bonds investment in non-active market, and financial assets accounted for by the cost method. The Company classified financial liabilities into categories such as, financial liabilities as fair value through profit or loss, derivative financial liabilities for hedge, and financial liabilities accounted for by the cost method. Derivative financial instruments that are not designated as effective hedging instruments are classified as financial assets held for trading and financial liabilities held for trading. On initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets and financial liabilities at fair value through profit or loss which are not measured at fair value, transaction costs that are directly attributable to the acquisition or issuance of liability should be capitalized. The Company adopted the trade date accounting for regular purchase or sale. The regular purchase or sale refers to the acquisition or sale of financial assets with a time to delivery within a period generally accepted in the market or standardized by regulations.

(2) After the initial recognition of financial assets, the Company proceeds with subsequent measurement explained as follows:

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified into financial assets held for trading and financial assets designated as at fair value through profit or loss at inception. Fair value of listed and OTC Securities is the closing price on the balance sheet date, fair value of mutual fund is the net assets value on the balance sheet date.

b. Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and a fixed maturity that the Company has positive intent and ability to hold to maturity as held-to-maturity financial assets. On subsequent measurement, held-to-maturity financial assets are carried at amortized cost. Any profits or losses incurred due to changes in fair value should be recognized in income statement when recognizing impairments or amortization. The amortised cost is calculated as the amount at which the asset is measured at initial recognition minus any repayments of principal, plus or minus the cumulative amortization using the effective interest rate method of the difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectibility. While determining cash flows associated with the financial instruments for calculating the effective interest rate, the Company takes into consideration the contract terms of financial instruments including transaction fees paid or received, premiums or discounts and transaction cost…etc.

c. Debt investments with no active market

Debt investments with no active market are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses are recognized when such investments are derecognized, impaired, or amortized.

d. Available-for-sale financial assets

Available-for-sale financial assets include assets that are available for sale and all other non-derivative financial assets that do not fit into any of the three categories of financial assets mentioned above. Available-for-sale financial assets are measured at fair value. All changes in fair value, except impairment losses and foreign exchange rate losses for monetary financial assets, are recognized directly in equity until the asset is derecognized. When the financial asset is derecognized, the cumulative gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement.

e. Derivative financial assets held for hedging purpose

Derivative financial assets held for hedging purpose are those that are designated as effective hedging instrument under hedge accounting. On subsequent measurement, derivative financial assets held for hedging purpose are carried at fair value. The fair value of listed company is closing price and of open-ended fund is net assets value on balance sheet date. The so-called fair value refers to the closing market price for listed equity securities and the net asset value on the balance sheet date for open-ended mutual funds.

f. Financial assets carried at cost

Financial assets carried at cost are those with fair values that can not be reliably measured and are traded in non- active market without public price, and derivative financial instruments linked to and completed by the financial assets. On subsequent measurement, financial assets carried at cost are measured at cost.

(3) The subsequent measurement for financial liabilities is measured at amortized cost. For financial liabilities at fair value through profit or loss and derivatives financial liabilities, the fair value is applied for measurement. For linked derivative financial liabilities that are traded in non-active market without reliable fair value, cost method is applied for measurement. The financial liabilities that are designated as hedging instruments should be accounted for under hedge accounting.

6. Derecognition of Financial assets and liabilities

(1) All or part of a financial asset is derecognized when the contractual rights that compose the asset expire. When all or part of a financial asset is transferred and contractual rights that composes the asset is given up, the cash flow received from the clearing house within a certain limit is treated as sale. When the transfer of financial asset does not qualify as lost of contractual rights, then such transfer of asset is recognized as guaranteed loan. Reacquiring rights of such assets will no longer be accounted as derivative financial assets.

(2) All or part of a financial liability is derecognized when the obligation specified in the contract binding the financial liability is either discharged, cancelled or expired. Where there has been an exchange between an existing borrower of debt instruments and the Company with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, then the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss from extinguishment of the original financial liability is recognized in the income statement.

7. Allowance for doubtful accounts

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

8. Inventories

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

9. Long-term equity investments accounted for by the equity method

    (1) The equity method is applied where the Company holds more than 20% of the voting shares and can exercise significant influence over the investees. The difference between the investment cost and the stocks' net worth is amortized over five years on a straight-line basis. Effective from January 1, 2006, pursuant to the revised statement of Financial Accounting Standards No. 5 "Long-term Investments in Equity Securities", the difference between initial investments and the stocks' net worth is no longer amortized. The amortized amount can not be reversed. The unamortized amount which the investment cost is greater than the stock's net worth should be recognized as goodwill, the unamortized amount which the investment cost is less than the stock's net worth should be recognized as deferred liability. Any additional difference is recognized in accordance with the guidelines related to amortization of acquisition cost, as stated in the SFAS No. 25. "Business Combination-Purchase Price Accounting". The unrealized revenue which occurred between the Company and its investee or occurred between investees in the period should be eliminated. For investee companies of which the Company holds more than 50% of voting shares, not only the equity method should be applied for the valuation of subsidiaries, but also the consolidated financial statement should be prepared.

    (2) Foreign currency denominated financial statements of overseas subsidiaries and investees are translated into New Taiwan dollars in accordance with the Statement of Financial Accounting Standards (SFAS) No. 14, "Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements". The translation differences are recorded as "cumulative translation adjustments" under stockholders' equity.

10. Property, plant and equipment

    (1) Property, plant and equipment are stated at cost plus capitalized interest and less accumulated depreciation and impairment. Expenditures incurred on major improvements or renewals that will increase the efficiency or prolong the useful lives of the assets are capitalized. Other expenditures related to regular maintenance and repairs are expensed as incurred. Gains or losses on disposal of property, plant and equipment are credited or charged to non-operating income in the year of disposal.

    (2) Depreciation is calculated on a straight-line basis according to the respective assets' useful lives regulated by the Authority plus one year for salvage value.

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

11. Asset impairment

(1) Pursuant to SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of SFAS No. 35 on each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”) and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use. For previously recognized losses, the Company shall assess, on each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company is required to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years. Impairment loss (reversal) is classified as non-operating losses / (income).

(2) The Company assesses the financial assets whether there is any objective evidence of impairment for all financial assets within the scope of SFAS No. 35 on each balance sheet date. Impairment calculation and recognition for financial assets with different valuation model is as follows:

a. Financial assets carried at amortized cost

When there is an objective evidence of impairment for financial assets carried at amortized cost, the impairment value is measured as the difference between the carrying amount and the present value of the expected future cash flows discounted at the original effective rate. The carrying amount of the financial assets is reduced through an allowance account, and impairment loss is recognized as profit or loss for the period. If, in a subsequent period, the amount of the impairment loss decreases, and the amount of the impairment loss is clearly due to on event occurring after the initial recognition of impairment, the previously recognized impairment loss can be reversed through allowance account. However, the carrying value of financial assets should not exceed the amortized cost of unrecognized impairment after reverse. The reversed amount should be recognized in the income statement.

b. Financial assets accounted for by the cost method

When there is an objective evidence of impairment for investments in unquoted equity instruments, the impairment loss is recognized as loss for the period. The amount for impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the financial asset's effective interest rate at the time. Reversal of impairment loss recognized is not allowed for these assets.

c. Available-for-sale financial assets

When there is an objective evidence of impairment for available-for-sale financial assets, the cumulative net loss that had been recognized from equity is removed and recognized in profit or loss for the period. The amount to be recognized for impairment is the difference between the acquisition cost (minus principal recovered and any adjustments to amortization) and the current fair value or the recoverable amount with further deduction of the remaining amount of such financial assets after impairment loss has been deducted. If, in a subsequent period, the amount of the impairment loss decreases, such deduction in the amount of impairment loss for available-for-sale equity instruments can not be recognized in the income statement, but rather as adjustments in equity. However, if the subsequent decrease in the amount of the impairment loss is clearly due to an event occurring after the initial recognition of impairment, the previously recognized impairment loss can be reversed through profit or loss.

12. Deferred charges

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

13. Convertible bonds

(1) Pursuant to the newly issued SFAS No.36 "Disclosure and Presentation for financial Instruments", the equity component of the compound financial instrument that issued before the effective date (January 1, 2006) should not be separated from such compound instrument. In accordance with guideline stated in the Letter Chi-Mi-Tze No.78 (95) issued by the Accounting Research and Development Foundation, the embedded derivative instrument that is not composed by equity should be separated with the main contract after judgment, the issuer does not have to separate the derivative component, but must continuously recognize interest compensation and premium or discount. The Company used same accounting method for corporate bonds issued before January 1, 2006. The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date in accordance with the interest method. Premium or discount on convertible corporate bonds with redemption options is required to be amortized over the period from the date of issuance to the expiry date of the redemption right. The excess of the redemption price over the face value of the convertible bonds is recognized as liability on interest compensation under the interest method during the period from the date of issuance to the expiry date of the redemption right.

(2) Conversion of convertible bonds is accounted for by the book value method. The unamortized premium or discount, issuance cost, accrued interest payable, interest payable by the bondholders, liability on interest compensation and the face value of the bonds are netted on the date of conversion, and the resulting net amount is reversed accordingly. The excess of the net amount over the par value of the converted stock is recorded as capital surplus.

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

14. Pensions

(1) The Company and its subsidiary-TTSC's pension plans apply to all permanent employees. For the first fifteen years of service, two points are rewarded for each year of service. For service period exceeding 15 years, one point is rewarded for each additional year of service with a maximum of 45 points allowed. Pensions paid upon retirement are based on the service period and the average monthly salary of the six months prior to the approval of retirement.

(2) The Labor Pension Act ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company shall make monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.

(3) According to the SFAS No.18, "Accounting for Pension", the Company and its subsidiary- TTSC have recognized pension costs based on the actuarial report since 1995 Under the defined benefit pension scheme, net periodic pension cost was contributed according to the actuarial report, which includes current service cost, interest cost, expected rate of return on plan assets, amortization of unrecognized net transition assets. The part of accumulated benefit obligation which exceeds fair value of pension fund was recorded as minimum pension liability on the balance sheet. Unrecognized net transition assets and net benefit obligation are amortized on a straight-line basis over 15 years. Prior service cost and gain or loss is amortized by average remaining service period on a straight-line basis. While preparing interim financial statements, the amount of minimum pension liability was adjusted by the difference between net periodic pension cost and contribution. Under the defined benefit pension scheme, contribution is recognized in the year when the expenditures are incurred. The amount of the minimum pension liability need not be re-evaluated. In accordance to the SFAS No.23 "Presentation and Disclosure for Interim Financial Reports", information related to pension is not disclosed.

(4) The Company's oversea subsidiaries had not established pension plans as it is not compulsory in countries where oversea subsidiaries are registered.

15. Revenue recognition

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

16. Income taxes

(1) Projected income tax is estimated based on the expected taxable income for the current year. Difference between the estimated tax and the actual tax paid is recorded as an adjustment to income tax expense for the current year. An additional 10% tax is levied on unappropriated retained earnings, which is recorded as income tax expense for the year when the tax is levied.

(2) Inter-period and intra-period income taxes are allocated in accordance with the SFAS No. 22, "Accounting for Income Taxes". Income tax effects arising from taxable temporary differences are recognized as deferred income tax liabilities. Income tax effects arising from deductible temporary differences, loss carryforwards and income tax credits are recognized as deferred income tax assets and a valuation allowance is provided based on the expected realizability of the deferred income tax assets. Pursuant to the "Basic Income Tax Regulation" which took effect on January 1, 2006, the Company and its subsidiary, TTSC, is now required to consider the minimum expected future income tax payable when assessing the realizability of deferred income tax assets.

(3) Income tax credits are accounted for in accordance with the SFAS No. 12, "Accounting for Income Tax Credits" and are recognized in the year when the related expenditures are incurred.

17. Basic (diluted) earnings per share

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

18. Foreign currency transactions

(1) Exchange of foreign currency transaction

Transactions of non-derivative financial instruments denominated in foreign currencies are recorded at the amount of New Taiwan dollars translated using the exchange rate on the date of the transaction. Any profit or loss incurred due to different exchange rate applied at the time of the actual exchange or settlement is recognized in the income for the current period. The carrying amounts of foreign currency denominated assets and liabilities on the balance sheet date are translated at the exchange rate on that date. In addition, any resulting foreign exchange rate profits or losses are recognized in the income for the current period. However, for equity instruments classified under available-for-sale financial assets, foreign exchange rate profit or loss is recognized as adjustments in equity. Equity instruments accounted for by the cost method is measured at the historical exchange rate on the transaction date. For foreign currency denominated long term investments which are accounted for by the equity method, the measurement is based on the equity reported in the financial statements of the investee companies prepared in foreign currencies adjusted for translations. Foreign exchange rate profit or loss is then recognized as changes in cumulative translation adjustments under equity.

(2) Currency translated basis for foreigner subsidiaries

The foreign currency financial statement of the subsidiaries accounted for under the equity method are translated into New Taiwan dollars. All assets and liabilities are translated by the exchange rate on balance sheet date. Except for the beginning retained earnings which is translated by the exchange rate on the end of prior year, the rest of accounts in equity are translated by the historical rate. The accounts in income statement are translated by the average exchange rate. The difference between the translated amount and the initial cost is recorded as "cumulative translation adjustment" under stockholders' equity.

19. Derivative financial instruments and hedge trading

(1) Oil swap and interest rate swap are utilized to hedge against fluctuations in interest rates and oil prices. The initial recognition and subsequent valuation of derivative financial instruments are carried at fair value. The assets should be recognized for positive fair values, the liabilities should be recognized for negative fair value.

(2) The changes in fair value of derivatives are recognized in the income statement when such instrument does not qualify for hedge accounting.

Hedge relationship is classified into following three categories:

a. Fair value hedges: to mitigate the risk of changes in the fair value of an recognized asset or liability or unrecognized commitment.

b. Cash flow hedges: to mitigate the risk of volatility in cash flow. The volatility is attributable to a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that might affect profit or loss.

c. Hedge of net investment in a foreign operation: to mitigate the risk of the exchange rate fluctuations associated with net investment in a foreign operation.

The Company used cash flow hedge to avoid the exchange risk arising from existing commitments.

(3) The hedging relationship, hedging management and hedging strategy should be documented at the beginning of a designated hedge. The hedge instruments, related hedge items or transactions and identification of hedged risk, and the method for measuring the hedge effectiveness, should be documented. The Company expected that the hedge could offset the volatility of fair value and cash flow during the period under hedge. The Company also assesses the effectiveness of hedge, and makes sure the hedge is highly effective during the period.

(4) In the case where the hedge trading met the criteria of hedge accounting, the accounting for hedging is set forth bellow:

a. Fair value hedge

The fair value hedge is used to mitigate the risk of a fair value change of the recognized assets or liabilities, unrecognized commitment, or designated part of such items, which could arise from certain specific risk and affect income. In a fair value hedge, the gain or loss on the hedged items arising from hedged risks are recognized in the income statement. The gain or loss of derivative financial instrument that is measured at fair value on the subsequent measurement is also recognized in the income statement.

For the fair value hedge associated with hedged items that are initially measured at amortized cost, the adjustment is amortized under effective interest method by the budging period and recognized in the income statement. The amortization begins ether when the adjustment is recognized or when hedge accounting ceased to apply.

For the unrecognized commitment that is designated as a hedge item, the cumulative fair value changes due to hedged risk are classified as assets or liabilities and recognized in the income statement.

The Company discontinues hedge accounting when the hedging instrument is settled, sold, terminated or exercised, no longer qualify for hedge doesn't meet the criteria of hedge relationship, or when the Company decides to revoke the designation.

b. Cash flow hedge

Cash flow hedge is to avoid risk of volatility in cash flow, that arises from recognized assets or liabilities, or certain specific risk associated with highly expected transaction and that affect income statement. The gain or loss that is attributable to effective hedge is recognized in equity directly and that is attributable to ineffective hedge is recognized in income statement.

In the case where the expected transaction being hedged is likely to result in the recognition of financial assets or financial liabilities, the gain or loss previously recognized directly as adjustments in equity is to be transferred to income statement as profit or loss in the period when such assets or liabilities affect net income. In other case where the expected transaction under hedge is likely to result in the recognition of non-financial assets or non-financial liabilities, the gain or loss previously recognized directly as adjustments in equity for such hedging instrument is now treated as valuation adjustments to the book value of such assets or liabilities.

When the occurrence of the expected transaction is deemed unlikely, the accumulated profit or loss previously recognized as adjustments in equity is to be recognized as profit or loss for the period. When hedging instruments are matured, sold, terminated or executed, or when the Company cancelled designated hedging instruments under initial recognition, the accumulated amount previously recognized directly as adjustments in equity is to remain in equity as adjustment item when such expected transaction do occur. However, when such expected transaction is not likely to occur, the accumulated amount should be recognized in current income.

c. Hedge of net investment in a foreign operation

Accounting for hedge of net investment in a foreign operation is similar to accounting for cash flow hedge. The hedge instruments are recognized directly in equity when deemed effective and recognized in the income statement when deemed ineffective. Cumulative gains or losses that recognized as adjustment in equity is transferred to income statement upon disposal of foreign operation.

C. CHANGES IN ACCOUNTING PRINCIPLES

1. Effective from January 1, 2006, the financial instruments of the Company adopt the Statement of Financial Accounting Standard (SFAS) No. 34, "Accounting for Financial Instruments" and SFAS No. 36, "Presentation and Disclosure for Financial Instruments". All financial instruments on hand as of the effective date are recognized according to the followings:

(1) Transaction which was designated as a hedge prior to the effective date

For designated hedge transaction prior to the effective date which does not qualify for conditions of an effective hedge accounting is no longer applicable since the effective date. No retroactive adjustments is required for prior year accounting and relative SFAS standards is to be complied with.

(2) Accounting for derivative instruments

The Company recognizes all derivative financial instruments as either assets or liabilities at fair value. With the exception of those designated as hedging instruments, the difference between the carrying value and the fair value of all derivative financial instruments are recognized as cumulative effect of changes in accounting principles.

(3) Accounting for financial instruments at fair value through profit or loss and amortized cost

The Company reclassified its financial assets and financial liabilities at fair value and amortized cost according to appropriated categories as of the effective date and measured each at fair value and amortized cost, respectively. Difference between the carrying value and the fair value of the financial instruments at fair value through profit or loss which is to be measure at fair value is recognized as cumulative effect of changes in accounting principles. Difference between the carrying value and the fair value of the financial instruments either measured at amortized cost or classified under the available-for-sale financial instruments, and the derivatives which are associated with cash flow hedge or net investment hedge for foreign operation are recognized directly in equity.

(4) Accounting for cash flow hedge

The Company reclassified the deferred income and loss incurred for cash flow hedge before the effective date that still qualify for conditions of an effective hedge since effective date to adjustment item in equity.

(5) Accounting for the non-monetary assets denominated in foreign currency

The Company revalued the costs of its non-monetary assets denominated in foreign currencies originally carried at costs using the prevailing exchange rate at the trade date. Cumulative loss originally recognized in equity is then transferred among accounts of other financial assets.

The effects of above change in accounting principle adopted by the Company for the first half of the year 2006 are set forth as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles		Recognized as Adjustments in Equity	
	Pre tax	After tax	Pre tax	After tax
Financial assets at fair value through profit or loss-current	$97,269	$91,040	$-	$-
Derivative financial assets held for hedge purpose-current	-	-	169,983	127,487
Available-for-sale financial assets –non current	-	-	72,213	72,213
Held- to- maturity financial assets-non current	-	-	3,799	2,849
Debt investment with no active market-non current	-	-	(367)	(367)
Financial liabilities at fair value through profit or loss-current	(251,518)	(194,352)	-	-
Derivative financial liabilities held for hedge purpose- non current	-	-	(120,092)	(101,199)
Financial liabilities accounted for by the cost method -non current	-	-	(9,004)	(9,004)
Total	$(154,249)	$(103,312)	$116,532	$91,979
Effects to EPS: (In dollars)				
Basic EPS	$(0.05)	$(0.03)		
Diluted EPS	$(0.05)	$(0.03)		

2. In accordance with the rule stipulated in the ARDF's Letter (94) Chi-Mi-Tze No.016, the Company adopts the SFAS No.34 in preparation of the comparative financial statements effective from January 1, 2006. Certain accounts in the financial statement for the six months ended June 30, 2005 are reclassified relative to the accounts in the financial statement for the six months ended June 30, 2006; however, no restatement is mandatory. If different measurement is used for similar accounts for the two comparative periods, difference should be explained in notes to financial statements. When there is difficulty in doing so, pro forma information for prior years needs not to be listed. The Company's use of different accounting policies for measuring financial instruments for the six months ended 2005 and 2006 are summarized as follows:

   (1) Short-term investments

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

(2) Long-term equity investments accounted for by the cost method

a. Long-term equity investments are stated at historical cost and revalued at the end of the fiscal year. For the investee companies of which the Company holds less than 20% of the voting shares or over which the Company cannot exercise significant influence, the lower of cost or market value method is applied when the investees are listed companies. The unrealized loss resulting from the decline in market value of such investments is charged to stockholders' equity. If the investees are non-listed companies, the cost method is applied. When the loss in investment value is permanent and the possibility of a recovery in value is remote, the book value is adjusted and an investment loss is recognized accordingly.

b. Long-term investments which was denominated in foreign currency and recorded under cost method were translated by current exchange rate on the balance sheet date. If the translated amount was less than the cost of acquisition, the difference were recorded as "cumulative translation adjustment" under stockholder's equity, if the translated amount was greater than the cost of acquisition, the original cost is retained as the carrying amount.

(3) Derivative financial instruments

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

a. Options

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

b. Interest rate swaps

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

c. Cross currency swaps

Cross currency swap contracts are undertaken for meeting the financing demand in different currencies. Such contracts are accounted for by the difference between the interest received or paid upon each settlement and recorded as adjustments to foreign exchange gain or loss for the period.

d. Forward exchange contracts

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

e. Oil swaps

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

Certain accounts in the financial statements as of and for the six months ended June 30, 2005 have been reclassified to conform to the classifications prescribed by the "Guidelines for Preparation of Financial Reports by Securities Issuers" and the newly released and revised SFAS. The reclassifications of the entire, or a part of, the account balance of certain accounts are summarized as follows:

	June 30, 2005	
	Before Reclassification	After Reclassification
Balance sheet		
Assets:		
Cash & Cash equivalents	$14,313,164	$17,026,035
Short-term investment, net	13,774,109	-
Other financial assets, net-current	1,201,470	-
Long-term investment under the cost method	6,047,521	-
Long-term bonds investment	12,035	-
Other financial assets-non current	135,596	-
Financial assets at fair value through profit or loss-current	-	12,221,764
Held-to-maturity financial assets-current	-	20,472
Available-for-sale financial assets-non current	-	569,520
Held-to-maturity financial assets-non current	-	20,472
Financial assets carried at cost-non current	-	5,613,597
Debt investment with no active market- non current	-	12,035
Liabilities		
Other current liabilities	1,986,672	1,901,652
Financial liabilities at fair value through profits or loss-current	-	85,020

	For the six months ended 2005	
	Before Reclassification	After Reclassification
Income Statement		
Non-operating income		
Interest Revenue	$182,053	$180,473
Gain on disposal of investments	80,551	-
Foreign exchange gain	254,375	370,740
Gain on valuation of financial assets	-	76,271
Non-operating loss		
Interest expense	852,707	825,102
Other investment loss	9,732	1,300
Loss on disposal of investments	-	222
Loss on valuation of financial liabilities	-	152,699
Others	69,929	63,550

3. The difference in investment cost of long-term investment accounted for under equity method (including subsidiaries acquired) and the net worth of investee′ equity is recognized in accordance with the guidelines related to amortization of acquisition costs as stated in the SFAS No.25 "Business Combination-Purchase Price Accounting" as of January 1, 2006 pursuant to the newly revised SFAS No.1 "Concepts of Financial Accounting and Preparation of Financial Statements", SFAS No.5 "Accounting for Long-Term Investment" and SFAS No.25 "Business Combination-Purchase Price Accounting". Difference attributable to goodwill is no longer allowed to be amortized, yet is to be assessed periodically for any signs of impairment subsequently. Such changes in accounting principles have no effect on the consolidated net income as well as the consolidated EPS for the first half year of 2006.

D. DETAILS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

	June 30, 2006	June 30, 2005
Cash	$14,938	$37,690
Checking account deposits	30,666	38,262
Demand deposits	9,244	178,453
Foreign currency deposits	2,792,068	2,641,226
Time deposits (New Taiwan dollars)	147,300	469,000
Time deposits (foreign currencies)	7,934,555	10,213,895
Cash equivalents – negotiable certificates of deposit	-	733,000
Cash equivalents - reverse repurchase bonds	1,262,000	2,712,871
Add: Unrealized foreign exchange (loss) gain	(17,995)	1,638
Total	$12,172,776	$17,026,035

(1) The interest rates on the above time deposits for the six months ended June 30, 2006 and 2005 ranged from 1.62% to 14.75%, and 0.80% to 4.72%, respectively.

(2) The interest rate on the reverse repurchase bonds for the six months ended June 30, 2006 and 2005 was 1.42%~1.49% and 1.20%~ 3.40%, respectively. The interest rate on the negotiable certificates of deposit for the six months ended June 30, 2005 was 1.15%~1.20%.

2. Financial assets at fair value through profits or loss

	June 30, 2006	June 30, 2005
Financial assets held for trading		
Bonds investment	$3,948	$53,948
Equity securities	99,741	302,707
Beneficiary certificate	3,233,969	10,693,546
Interest rate swap (IRS)	39,453	-
Structural financial instrument	809,788	1,091,456
Equity-linked financial instrument	49,796	119,175
Subtotal	4,236,695	12,260,832
Less: Valuation adjustment	(87,626)	(39,068)
Net	$4,149,069	$12,221,764

(1) Effective from January 1, 2006, above financial assets are reclassified as financial assets held for trading. Under the SFAS No.34 "Accounting for financial instrument", the fair value recognition method resulted in a favorable cumulative effect of changes in accounting principle of 91,040 thousand (after tax) which is included in the consolidated net income for the six months ended June 30, 2006.

(2) The Interest rate swaps are used to mitigate the cash flow risk arising from fluctuations in the interest rate. As of June 30, 2006 and 2005, the financial assets resulted from outstanding interest rate swaps are set forth below：

In thousand dollars

June 30, 2006			June 30, 2005		
Contract Period	Notional Amount	Carrying Value	Contract period	Notional Amount	Carrying Value
08.27.03~08.27.07	USD5,000	$7,474	08.27.03~08.27.07	USD5,000	$-
05.26.04~09.16.07	USD4,000	1,661	05.26.04~09.16.07	USD6,500	-
05.07.04~05.07.07	USD10,000	6	05.07.04~05.07.07	USD10,000	-
08.27.03~08.27.07	USD7,500	11,255	03.16.04~03.16.09	USD10,000	-
03.16.04~03.16.09	USD10,000	2,894	05.07.04~05.07.07	USD10,000	-
05.07.04~05.07.07	USD10,000	554	06.30.04~07.02.09	USD25,000	-
03.16.04~03.16.09	USD15,000	4,022	03.16.04~03.16.09	USD15,000	-
04.26.05~04.26.10	USD25,000	2,828	08.27.03~08.27.07	USD7,500	-
04.30.04~03.30.09	USD9,000	162	04.30.04~03.30.09	USD9,000	-
07.07.03~07.07.08	USD11,250	7,261	07.07.03~07.07.08	USD11,250	-
01.26.06~12.30.07	USD10,588	1,336	-	-	-
Total		$39,453			$-

(3) As of June 30, 2006 and 2005, the contracts of structural financial instrument and equity linked notes are set forth below：

In thousand dollars

	June 30, 2006		June 30, 2005	
	Notional Amount	Carrying Value	Notional Amount	Carrying Value
Structural financial instruments	USD23,200/ NTD50,000	$773,425	USD28,113/ NTD80,000/ JPY400,000	$1,082,704
Equity linked notes	NTD50,000	49,943	NTD119,175	118,766
Total		$823,368		$1,201,470

(4) As of June 30, 2006 and 2005, none of above financial assets was pledged as collateral.

3. Held –to- maturity financial assets-current

	June 30, 2006	June 30, 2005
Bond investments due within 1 year	$25,455	$20,472

For details regarding the above mentioned bond investments due within one year, please refer to Note D.10.

4. Derivative financial assets for hedging-current

	June 30, 2006			June 30, 2005		
	Contract Period	Notional tons	Carrying Value	Contract Period	Notional tons	Carrying Value
Oil Swap	02.06-07.06	5,000	$9,613	07.04-12.05	15,000	$-
〃	02.06-07.06	5,000	9,291	07.04-12.05	15,000	-
〃	02.06-07.06	5,000	9,659	04.05-12.05	5,000	-
〃	04.06-09.06	15,000	28,604	05.05-12.05	5,000	-
〃	02.06-07.06	5,000	9,653	05.05-12.05	5,000	-
〃	-	-	-	06.05-03.06	5,000	-
〃	-	-	-	05.05-12.05	40,000	-
〃	-	-	-	06.05-03.06	50,000	-
Total			$66,820			$-

(1) Effective from January 1, 2006, the Company recorded those that qualify as effective hedging instrument under the SFAS No.34 " Accounting for Financial Instruments" at fair value which resulted in a favorable unrealized gain of 127,487 thousand(after tax) to be carried under equity and not to be included in the consolidated net income for the six months ended June 30, 2006.

(2) For the risk management and strategy of the above oil swap, please refer to Note 10.

5. Accounts receivable, net

	June 30, 2006	June 30, 2005
Non-related parties	$13,786,190	$13,112,312
Plus: unrealized foreign exchange gain	18,756	31,824
Less: allowance for doubtful accounts	(5,049)	(1,577)
Subtotal	13,799,897	13,142,559
Related parties	351,011	359,961
Net	$14,150,908	$13,502,520

6. Other receivables

	June 30, 2006	June 30, 2005
Non-related parties		
Accrued income	$2,876	$242,792
Tax refund receivable	47,929	39,949
Accounts receivable from disposal of investment	50,477	325,403
Current portion of long-term installment receivables	59,521	58,099
Others	516,962	469,172
Subtotal	677,765	1,135,415
Related parties		
Dividends receivable	531,770	633,105
Other	180,463	17,540
Subtotal	712,233	650,645
Total	$1,389,998	$1,786,060

Please refer to Note D12 for details regarding the current portion of long-term installment receivables.

7. Other financial assets – current, net

	June 30, 2006	June 30, 2005
Future transaction margin	$2,814	$-

As of June 30, 2006 and 2005, none of the above financial assets was pledged as collateral.

8. Inventories

	June 30, 2006	June 30, 2005
Fuel	$2,556,124	$1,608,273
Stell and others	311,624	492,606
Total	$2,867,748	$2,100,879

9. Other current assets

	June 30, 2006	June 30, 2005
Agency accounts	$4,389,044	$3,466,033
Agency reciprocal accounts	12,120	13,055
Temporary debits	41,979	66,120
Total	$4,443,143	$3,545,208

(1) Agency accounts

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

(2) Agency reciprocal accounts

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

10. Long-term investments

	June 30, 2006	June 30, 2005
Available-for-sale financial assets- non current	$586,680	$569,520
Held-to-maturity financial assets- non current	-	20,472
Financial assets carried at cost-non current	5,674,280	5,613,597
Debt investment with no active market- non current	12,709	12,035
Long-term equity investment accounted for by the equity method	26,675,528	24,882,426
Other long-term investment	3,930	3,797
Total	$32,953,127	$31,101,847

(1) Available-for-sale financial assets-non current：

	June 30, 2006	June 30, 2005
The listed and the OTC securities	$586,680	$433,924
Other financial assets	-	135,596
Total	$586,680	$569,520

1) The listed and the OTC securities

	June 30, 2006		June 30, 2005	
	Amount	Ownership (%)	Amount	Ownership (%)
Central Reinsurance Corp.	$490,801	8.45	$426,581	8.73
Fubon Financial Holding Co., Ltd.	7,344	0.04	7,343	0.03
Subtotal	498,145		433,924	
Plus: valuation adjustment	88,535		-	
Total	$586,680		$433,924	

a. Effective from January 1,2006, the Company restated above financial assets as available-for-sale financial assets-non-current under the SFAS No.34 〞Accounting for Financial Instruments〞 at fair value which resulted in a favorable unrealized gain of 72,213 thousand (after tax) to be carried under equity and not to be included in the consolidated net income for the six months ended June 30, 2006.

b. The Company′s Board of directors passed a resolution for the Company to inject additional cash into Central Reinsurance Company as a shareholder on August 25, 2005. The Company subscribed 5,584 thousand shares at $11.5 per share with total amount $64,220 thousand. After cash injection, the percentage of shareholding in Central Reinsurance Company increased to 8.45%.

c. As of June 30, 2006 and 2005, none of above financial assets has been pledged as collateral.

2) Other financial assets

	Maturity Date	June 30, 2006	June 30, 2005
Taishin International Bank - structured time deposits	September 12, 2013	$-	$34,175
Banca Del Gottrdo - inverse floating - rate bills	September 24, 2013	-	68,410
Banca Del Gottrdo – money market fund	No fixed maturity date	-	43,668
Subtotal		-	146,253
Less:Cumulative translation adjustments		-	(10,657)
Total		$-	$135,596

None of the above financial assets has been pledged as collateral. The interest rates ranged from 2.58% to 3.40% during the six month ended June 30, 2005.

(2) Held-to-maturity financial assets–non current

	June 30, 2006			
	Face Value	Period	Interest rate (%)	Amount
Container Terminal Development Bonds	KRW750,000 thousand dollars	11.26.99~11.26.06	8.00	$20,472
Plus: Unrealized exchange gain				4,983
Total				25,455
Less: due within one year				(25,455)
Due over one year				$-

	June 30, 2005			
	Face Value	Period	Interest rate (%)	Amount
Container Terminal Development Bonds	KRW 2,250,000 thousand dollars	11.26.99~11.26.06	8.00	$40,944
Plus: Unrealized exchange gain				-
Total				40,944
Less: due within one year				(20,472)
Due over one year				$20,472

a. Effective from January 1, 2006, the Company restated above financial assets as held-to- maturity financial assets-non-current which were adjusted at the prevailing exchange rate on effective date under the SFAS No.34 " Accounting for Financial Instruments". Such adjustment resulted in a favorable unrealized gain of 2,849 thousand (after tax) which is to be carried under equity and not to be included in the consolidated net income for the six months ended June 30, 2006.

b. As of June 30, 2006 and 2005, none of the above financial assets have been pledged as collateral.

(3) Financial assets carried at cost-non current:

	June 30, 2006		June 30, 2005	
	Amount	Ownership (%)	Amount	Ownership (%)
Non-listed Securities				
Power World Fund Inc	$27,272	5.68	$50,000	5.68
Fubon Securities Finance Co., Ltd.	190,322	4.93	190,322	4.93
Taiwan HSR Consortium	1,250,000	2.53	1,250,000	2.53
Linden Technologies, Inc.	15,372	2.53	15,372	2.53
Taiwan Fixed Network Co., Ltd.	700,000	1.08	700,000	1.08

	June 30, 2006		June 30, 2005	
	Amount	Ownership (%)	Amount	Ownership (%)
Well Long Information Co., Ltd.	-	0.14	-	0.14
Dongbu Pusan Container Terminal Co., Ltd.	50,397	15.00	49,193	15.00
Hutchison Inland Coriainer Depots Ltd.	48,316	7.50	47,162	7.50
South Asia Gateway Teminals	78,103	5.00	76,237	5.00
Classic Outlook Investment Ltd.	3,314,479	2.25	3,235,304	2.25
Everup Profits Ltd.	7	2.25	7	2.25
Lloyd Triestion LIK Ltd.	12	-	-	-
Total	$5,674,280		$5,613,597	

a. In the second quarter of 2005, the Company assessed a decline in value of the investment in Well Long Information Co., Ltd., and that the investment cost could not be recovered. As a result, a realized investment loss of $1,300 thousand was recognized based on the carrying value and recorded under non-operating expenses – other investment loss.

b. In July 2005, Power World Fund Inc.(PWF), reduced its capital. The conversion rate on the capital reduction was 454.5 shares for every 1,000 old shares held, and the amount returned to the stockholders was $10 (par value) per share. As a result of the capital reduction, the proceeds received by the Company based on its proportionate equity interest in PWF were $22,727 thousand, and the carrying amount of the Company's investment in PWF was written down by $22,727 thousand. No gain and loss has incurred.

c. The shares of Classic Outlook Investment Ltd. and Everup Profits Ltd. have been pledged as collaterals for the loans borrowed by Clove Holding Ltd. Please refer to Notes D21 and F for details.

d. The subsidiary-Peony previously pledged 300,000 shares of Dongbu Pusan Container Terminal Co., Ltd. (DPCT) as collaterals for DPCT's borrowings. In the first half year of 2005, the collaterals were dissolved with a new agreement, and the pledged stocks were taken back by Peony. Under the new agreement, Peony should provide DPCT's stocks as collateral while DPCT has debts occurred.

(4) Debt investment with no active market:

Item	Period	Coupon rate	June 30, 2006	June 30, 2005
Convertible Bond－Tuntex	03.10.05~ 03.10.13	0%	$12,030	$12,581
(Thailand) Public Company Limited				
Plus: unrealized exchange gain			679	-
Less: Cumulative translation adjustment			-	(546)
Total			$12,709	$12,035

a. In 1997, the Company purchased US$180 thousand of the convertible bonds issued by Tuntex (Thailand) Public Company Limited. As Tuntex encountered financial difficulties, it defaulted at maturity of the bonds. Accordingly, the Company fully recognized the losses on the bonds in 2001. Tuntex subsequently filed an application to the court for corporate restructuring and reached a consensus with the creditors to reissue the above-mentioned bonds. The convertible bonds allocated to the Company were recorded at their face value of THB15,737 thousand (NT$12,581 thousand), and the Company recognized $12,581 thousand income under "non-operating income – others" for the six months ended June 30, 2005.

b. Effective from January 1, 2006, the Company reclassified above financial assets as Bonds investment with no active market-non-current which was also restated at amortized cost and adjusted by the prevailing exchange rate on the effective date under the SFAS No.34 " Accounting for Financial Instruments". Such adjustment resulted in an unfavorable unrealized loss of 367 thousand (after tax) which is be carried under equity and not to be included in the consolidated net income for the six months ended June 30, 2006.

c. For above stock conversion right of convertible bonds, please refer to Note D.19.

d. As of June 30, 2006 and 2005, none of above financial asset has been pledged as collateral.

(5) Long-term investment under equity method:

	June 30, 2006		June 30, 2005	
	Amount	Ownership (%)	Amount	Ownership (%)
Charng Yang Development Co., Ltd.	$415,336	40.00	$387,498	40.00
Evergreen International Storage and Transport Corporation.	7,271,653	39.74	7,125,816	39.74
Evergreen Secure Corporation	46,240	31.25	38,423	31.25
EVA Airways Co.	9,163,493	20.02	8,777,225	20.43
Taipei Port Container Terminal Corporation	227,975	27.00	231,075	27.00
Toplogis Technology Corporation	2,277	25.00	5,917	25.00
Shanghai Jifa Logistics Co., Ltd.	255,770	21.06	240,257	21.06
Ningbo Victory Container Co., Ltd.	83,111	40.00	74,841	40.00
Qingdao Evergreen Container Storage and Transportation Co., Ltd.	167,650	40.00	155,393	40.00
Luanta Investment (Netherlands) N.V.	611,122	50.00	398,178	50.00
Balsam Investment (Netherlands) N.V.	5,756,976	49.00	5,077,030	49.00
Evergreen Shipping (S) Pte. Ltd.	39,722	25.50	30,216	25.50
Evergreen Korea Corporation	73,501	50.00	64,962	50.00
Evergreen Star (Thailand) Co., Ltd.	41,166	25.50	33,108	25.50
Colon Container Terminal S.A.	1,784,238	40.00	1,665,235	40.00
PT. Evergreen Marine Indonesia	27,473	25.44	26,431	25.40
Evergreen Container Terminal (Thailand) Ltd.	699,707	48.18	537,696	48.18
Evergreen India Pte. Ltd.	2,789	49.98	3,631	49.99
Evergreen Marine Australia Pty. Ltd.	5,329	25.50	9,494	25.50
Total	$26,675,528		$24,882,426	

a. The investment income recognized for the above investees accounted for under the equity method was based on their financial statements audited by independent auditors for the corresponding periods. For the six months ended June 30, 2006 and 2005, investment loss of $512,076 thousand and investment income $1,073,452, were recognized respectively.

b. On March 1, 2006, the Company's Board of Directors passed a resolution for the Company to inject additional cash in EVA Airways Co., as a shareholder. The Company subscribed 58,159 thousand shares at $12 per share amounting to $697,906 thousand. The ownership decreased to 20.02% after additional cash injection. Therefore, the retained earnings decreases by 14,512 thousand.

c. As of June 30, 2006 and 2005, none of above long-term equity investment was pledged or collateralized.

(6) Other long-term investment

	June 30, 2006	June 30, 2005
The membership fee and service charges paid to Marshall golf country club	$312	$312
The membership fee paid to Mission Hills golf club	3,618	3,485
Total	$3,930	$3,797

11. Property, plant and equipment, net

	June 30, 2006		
	Cost	Accumulated Depreciation	Balance
Land	$2,160,659	$-	$2,160,659
Buildings	2,068,168	556,942	1,511,226
Machinery	571,843	474,171	97,672
Loading / discharging equipment	6,823,620	3,002,040	3,821,580
Computer equipment	166,265	99,395	66,870
Transportation equipment	22,713,738	18,853,844	3,859,894
Ships and equipment	64,644,618	23,318,373	41,326,245
Dock facilities	622,238	-	622,238
Office equipment	282,129	214,501	67,628
Leasehold improvements	110,419	23,522	86,897
Subtotal	100,163,697	46,542,788	53,620,909
Prepayments for equipment	475,406	-	475,406
Total	$100,639,103	$46,542,788	$54,096,315

	June 30, 2005		
	Cost	Accumulated Depreciation	Balance
Land	$2,134,575	$-	$2,134,575
Buildings	1,824,725	504,167	1,320,558
Machinery	514,264	447,797	66,467
Loading / discharging equipment	6,031,118	2,629,348	3,401,770
Computer equipment	165,752	106,097	59,655
Transportation equipment	23,722,273	18,275,568	5,446,705
Ships and equipment	65,916,122	28,671,631	37,244,491
Dock facilities	661,844	-	661,844
Office equipment	290,802	214,463	76,339
Leasehold improvements	6,000	409	5,591
Subtotal	101,267,475	50,849,480	50,417,995
Prepayments for equipment	520,029	-	520,029
Total	$101,787,504	$50,849,480	$50,938,024

(1) Please refer to Note E for details of the transactions on property, plant and equipment with related parties and Note F for details of the assets pledged as collaterals.

(2) All the aforementioned ships and equipment have been insured based on the market value of each vessel or the requirement of the creditor banks. As of June 30, 2006 and 2005, the insurance coverage amounted to USD1,328,060 thousand and USD676,640 thousand, respectively. In addition, the ships were covered by the protection and indemnity insurance with GARD. The indemnity amount was unlimited except for oil pollution which was limited to USD 10 billion and USD 8 billion for the six months ended June 30, 2006 and 2005.

(3) The Company's loading/discharging equipment has been covered by the general insurance for construction machinery with insurance coverage amounting to $5,771,219 thousand and $4,996,110 thousand as of June 30, 2006 and 2005, respectively. The fire insurance coverage for office equipment was $2,672,545 thousand and $1,858,893 thousand as of June 30, 2006 and 2005, respectively. Container facilities were insured with full coverage amounting to USD486,840 thousand and USD677,452 thousand as of June 30, 2006 and 2005, respectively..

(4) The Company entered into a construction agreement with Kaohsiung Harbor Bureau to complete the extension project of Pier No. 116 of Kaohsiung Harbor. The Company is entitled to use the pier free of charge for 16 years commencing from the date of completion. At expiration of the 16-year period, the Company is obliged to return the pier to the Bureau but has the priority to lease the pier. The construction project was reclassified to dock facilities upon its completion on January 1, 1992, and is amortized on a straight-line basis over 16 years with the amortization charged to loading/discharging expenses.

(5) The Company entered into a construction agreement with Kaohsiung Harbor Bureau to complete the extension project of Piers No. 79~81 of Kaohsiung Harbor. The Company is entitled to use the piers free of charge for 10 years commencing from the date of completion. At expiration of the 10-year period, the Company is obliged to return the piers to the Bureau but has the priority to lease the piers. The construction project was reclassified to dock facilities upon its completion in the beginning of 2000, and is amortized on a straight-line basis over 10 years with the amortization charged to loading/discharging expenses.

12. Long-term installment receivables

	June 30, 2006	June 30, 2005
Receivables from sales of vessels	$403,864	$488,794
Less: Unrealized foreign exchange loss	(25,774)	(42,270)
Total	378,090	446,524
Less: Current portion	(59,521)	(58,099)
Long-term installment receivables, net	$318,569	$388,425

(1) The above installment receivables derived from the four vessels, GLEE, GLOW, GRUP and GALT sold in 2001 and 2002 with a total price of USD54,648 thousand. The interest charged on the receivables is LIBOR (London InterBank Offered Rate) plus 1.5%. As of June 30, 2006 and 2005, the accrued amount of the receivables was USD11,676 thousand and USD14,127 thousand, respectively.

(2) As of June 30, 2006, details of the above long-term installment receivables that were to be collected in the following years are as follow (expressed in thousand dollars):

Expiration	Amount
Within 1 year	USD 1,838
1~2 years	8,124
2~3 years	1,143
3~4 years	571
Total	USD 11,676

13. Short-term loans

	June 30, 2006		June 30, 2005	
Item	Interest Rate (%)	Amount	Interest Rate (%)	Amount
New Taiwan dollars	1.62	$100,000	1.35	$500,000
Loans borrowed by overseas subsidiaries	-	-	3.66~4.08	695,348
Total		$100,000		$1,195,348

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

14. Financial liabilities at fair value through profit or loss - current

Financial liabilities for trading

	June 30, 2006			June 30, 2005		
	Contract Period	Notional Amount/ Unit (ton)	Carrying Value	Contract Period	Notional Amount/ Unit (ton)	Carrying Value
IRS	07.23.02~ 07.23.07	NTD187,500	$1,808	07.23.02~ 07.23.07	NTD312,500	$-
〃	11.18.03~ 11.18.08	USD 20,000	105	11.18.03~ 11.18.08	USD20,000	-
〃	07.17.03~ 07.17.08	NTD500,000	30,308	07.17.03~ 07.17.08	NTD500,000	-
〃	06.30.04~ 07.02.09	USD 25,000	3,974	04.26.05~ 04.26.10	USD25,000	-
〃	05.05.05~ 05.05.10	USD25,000	2,482	05.05.05~ 05.05.10	USD25,000	-
〃	08.19.03~ 08.19.08	NTD500,000	8,289	08.19.03~ 08.19.08	NTD500,000	-
〃	09.14.99~ 03.14.08	USD 16,176	3,225	09.14.99~ 03.14.08	USD 19,412	-
Subtotal			50,191			-
Oil Swap	04.05~06.07	-	4	01.04~03.05	10,000	-
〃	07.04~06.07	-	7	-	-	-
Subtotal			11			-

	June 30, 2006			June 30, 2005		
	Contract Period	Notional Amount/ Unit (ton)	Carrying Value	Contract Period	Notional Amount/ Unit (ton)	Carrying Value
FX Option	09.25.01~ 12.13.06	JPY1,920,000	2	09.25.01~ 12.13.06	JPY2,320,000	772
〃	05.05.04~ 05.05.09	EUR25,000	37,740	05.05.04~ 05.07.09	EUR31,000	36,833
〃	10.04.01~ 03.12.08	USD37,235	7,120	10.04.01~ 05.05.09	USD100,000	47,415
〃	06.15.06~ 07.17.06	EUR2,000	410	-	-	-
〃	03.31.06~ 07.05.06	EUR1,000	2,629	-	-	-
Subtotal			47,901			85,020
CCS	09.03~03.07	USD6,250	17,247	09.03~03.07	USD12,500	-
〃	09.03~03.07	USD2,500	6,826	09.03~03.07	USD5,000	-
Subtotal			24,073			-
Total			$122,176			$85,020

(1) Effective from January 1,2006, the Company carried above financial instrument at fair value under the SFAS No.34 〝Accounting for Financial Instruments〞 resulting in a unfavorable cumulative effects of changes in accounting principle of 194,352 thousand (after tax) and be included in the consolidated net income for the six months ended June 30, 2006.

(2) The disclosure of credit risk, credit risk and fair value for the above derivative financial liabilities, please refer to Note J.

15. Accrued expenses

	June 30, 2006	June 30, 2005
Accrued expenses	$13,155,243	$12,363,195
Estimated accrued expenses	2,807,999	3,545,657
Plus: Unrealized foreign exchange loss (gain)	21,141	(10,317)
Total	$15,984,383	$15,898,535

The estimated accrued expenses represent the estimation of the expenses to be incurred with the foreign agents and on the agency services rendered by the Company to the foreign marine transportation companies. The estimated accrued expenses as of December 31, 2005 were $2,544,448 thousand of which $2,192,499 thousand was reversed as of June 30, 2006, constituting 86.17% of the estimated amount. The estimated accrued expenses as of December 31, 2004 were $3,241,837 thousand of which $2,488,959 thousand was reversed as of June 30, 2005, constituting 76.78% of the estimated amount.

16. Other payable

	June 30, 2006	June 30, 2005
Non related parties		
Accrued expense	$4,096	$3,559
Dividends payable	4,931,356	4,938,410
Remuneration to directors and supervisor and bonus for employees	130,400	123,800
Others	293,140	394,071
Subtotal	5,358,992	5,459,840
Related party		
Payables on equipment	1,251,542	-
Others	197	386
Subtotal	1,251,739	386
Total	$6,610,731	$5,460,226

17. Long-term liabilities due within one year

	June 30, 2006	June 30, 2005
Corporate bonds payable	$4,000,000	$1,500,000
Long-term bank loans	1,231,333	2,486,849
Long-term loans borrowed by subsidiaries	3,731,903	5,482,208
Total	$8,963,236	$9,469,057

18. Derivative financial liabilities for hedging-non current

	June 30, 2006			June 30, 2005		
	Contract period	Notional amount	Carrying value	Contract period	Notional amount	Carrying value
IRS	06.03.03 12.03.08	NTD300,000	$9,180	06.03.03~ 12.03.08	NTD300,000	$-
〃	06.03.03~ 12.05.08	NTD200,000	6,136	06.03.03~ 12.05.08	NTD200,000	-
〃	08.27.02~ 06.27.07	NTD120,000	886	08.27.02~ 06.27.07	NTD200,000	-
〃	12.20.05~ 07.07.08	USD18,750	2,210	-	-	-
〃	01.18.06~ 05.10.11	USD17,115	4,325	-	-	-
〃	01.18.06~ 05.10.11	USD17,577	1,219	-	-	-
Total			$23,956			$-

(1) Effective from January 1, 2006, the Company recorded those that qualify as effective hedging instrument under the SFAS No.34 " Accounting for Financial Instruments" at fair value which resulted in a unfavorable loss of 101,199 thousand (after tax) to be carried under equity and not be included in the consolidated net income for the six months ended June 30,2006.

(2) The disclosure of credit risk, credit risk and fair value for the above derivative financial liabilities, please refer to Note J.

19. Financial liabilities carried at cost-non current

	Item	Conversion date	June 30, 2006	June 30, 2005
Stock conversion right	Tuntex (Thailand) Public Company Limited	03.10.13	$9,004	$-

Above financial liability arised from the Company's acquisition of the convertible corporate bonds with embedded stock conversion right issued by the Tuntex (Thailand) Public Company Limited (the TUNTEX) in first quarter of 2005. On the agreement of convertible bonds, the TUNTEX should choose to either pay back the face value of corporate bonds (THB15,737 thousand dollars) in cash or convert to stock on the maturity date. The Company didn't record separately on initial acquisition. Effective from January 1, 2006, in accordance with the guideline of the SFAS No.34 "Accounting for financial instruments", the convertible bonds were discounted by the effective rate of acquisition with amount of THB 11,263 thousand (converted into NTD 9,004 thousand), resulting in an unfavorable unrealized loss 9,004 thousand dollars(after tax) in equity. Those losses were not included in the consolidated net income for the six months ended June 30, 2006, and were subsequently measured at cost method using the historical exchange rate.

20. Corporate bonds payable

	June 30, 2006	June 30, 2005
Seventh secured corporate bonds	$-	$1,500,000
Eighth secured corporate bonds	1,500,000	1,500,000
Ninth secured corporate bonds	1,000,000	1,000,000
Tenth secured corporate bonds	1,500,000	1,500,000
Eleventh secured corporate bonds	1,500,000	1,500,000
First unsecured convertible bonds	1,634,400	1,634,400
Second unsecured convertible bonds	1,481,800	1,864,300
Add: Accrued interest compensation	7,962	4,797
Subtotal	8,624,162	10,503,497
Less: Current portion	(4,000,000)	(1,500,000)
Non-current portion	$4,624,162	$9,003,497

(1) Please refer to Schedules 1 ~ 3 for details of the terms on the above corporate bonds.

(2) On January 12, 2004, the Company issued its first unsecured domestic convertible bonds (hereinafter referred to as the "Bonds") at face value, totaling $4 billion. The major terms on the issuance are set forth below.

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

b. Coupon rate: 0% per annum.

c. Principal repayment and interest payment

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

d. Collaterals

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

e. Redemption of the Company's option

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

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

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

f. Redemption of the bondholders' option

During the period from 30 days before the 3-year maturity of Bond to the date of maturity, the bondholders may require the Company to redeem their bonds in cash at the face value plus interest compensation (i.e. 100.60% of the face value with a yield rate of 0.20% per annum).

g. Terms on conversion

(a) Conversion period

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

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

(b) Conversion price

The conversion price is the lower of the three average closing prices of the Company's common stock during the 10, 15 and 20 trading days before October 3, 2003 multiplied by 115%. If any cash or stock dividends are distributed before October 3, 2003, the closing price used in the computation of the conversion price must be adjusted for the effect of the dividend distribution. If any cash or stock dividends are distributed during the period from the date on which the conversion price is set to the date on which the Bonds are converted, the conversion price is required to be adjusted in accordance with the adjusting formula specified in the bond agreement. The conversion price at the issuance of the Bonds was set at $28.60. On June 30, 2006, the adjusted conversion price was $21.85.

h. Others

(a) Entitlement to cash dividends

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

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

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

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

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

b. Coupon rate: 0% per annum.

c. Principal repayment and interest payment

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

d. Collaterals

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

e. Redemption of the Company's option

(a) During the period from 3 months after the Second Bonds are issued to 40 days before the maturity of the Second Bonds, if the closing price of the Company's common stock at the Taiwan Stock Exchange is equal to 50% or above of the conversion price in effect for a period of 30 consecutive trading days, the Company may redeem the outstanding bonds in cash at the face value of the Second Bonds within 30 trading days after the above-mentioned 30 consecutive trading days.

(b) During the period from 3 months after the Second Bonds are issued to 40 days before the maturity of the Second Bonds, if the total amount of the Second Bonds outstanding after the conversion by the bondholders is less than $450 million (10% of the total issued amount), the Company may redeem the outstanding bonds at their face value any time during the 40 days before the maturity of the Second Bonds.

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

f. Redemption of the bondholders' option

During the period from 30 days before the 3.5-year maturity of Bond to the date of maturity, the bondholders may require the Company to redeem their bonds in cash at the face value.

g. Terms on conversion

(a) Conversion period

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

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

(b) Conversion price

The conversion price can be any of the three average closing prices of the Company's common stock during the 1, 3 and 5 trading days before August 24, 2004 multiplied by 103%. If any cash or stock dividends are distributed before August 24, 2004, the closing price used in the computation of the conversion price must be adjusted for the effect of the dividend distribution. If any cash or stock dividends are distributed during the period from the date on which the conversion price is set to the date on which the Second Bonds are converted, the conversion price is required to be adjusted in accordance with the adjusting formula specified in the bond agreement. The conversion price at the issuance of the Second Bonds was set at $28.50. On June 30, 2006, the adjusted conversion price was $19.98.

h. Entitlement to cash dividends

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

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

21. Long-term loans

	June 30, 2006	June 30, 2005
Long-term bank loans	$15,253,276	$23,176,248
Other long-term loans	2,817,313	2,750,015
Total	$18,070,589	$25,926,263

(1) Details of long-term bank loans are as follows:

	June 30, 2006	June 30, 2005
The Company	$2,005,667	$9,390,683
The subsidiaries	13,247,609	13,785,565
Total	$15,253,276	$23,176,248

(a) The Company

Long-term bank loans:

Creditor	Type	Period	June 30, 2006	June 30, 2005
Chiao Tung Bank	Secured	01.31.00 - 01.31.07	$-	$145,440
Chiao Tung Bank	Secured	06.26.01 - 03.01.08	-	218,160
Bank of Taiwan	Secured	10.20.98 - 10.20.05	-	200,000
Bank of Taiwan	Secured	12.17.02 - 08.06.07	297,000	495,000
Bank of Taiwan	Secured	06.30.06 – 06.30.09	1,600,000	-
Bank of Taiwan	Unsecured	05.27.02 - 05.27.07	-	500,000
The Bank of Tokyo-Mitsubishi	Secured	02.25.05 - 08.25.07	-	165,832
The Mizuho Corporate Bank	Secured	03.31.03 - 03.31.07	-	587,395
The Mizuho Corporate Bank	Secured	10.01.03 - 09.08.08	-	1,468,488
Bank of Panhsin	Unsecured	09.03.03 - 09.03.05	-	13,000
Taiwan Cooperative Bank	Secured	06.24.03 - 06.24.08	-	600,000
Chang Hwa Bank	Unsecured	12.16.02 - 12.16.07	-	215,625
Chang Hwa Bank	Unsecured	04.21.04 - 04.21.09	-	2,013,926
Chang Hwa Bank	Unsecured	05.26.04 - 04.21.07	-	1,342,618
Land Bank of Taiwan	Unsecured	12.19.02 - 12.19.07	-	625,000

Creditor	Type	Period	June 30, 2006	June 30, 2005
Hua Nan Commercial Bank	Unsecured	07.23.02– 07.23.07	-	312,500
The Export-Import Bank of the Republic of China	Unsecured	08.27.02 – 08.27.07	120,000	200,000
Sunny Bank	Unsecured	11.28.02 – 11.28.05	-	47,500
Bank of East Asia	Unsecured	02.27.03 – 02.27.09	-	150,000
Bank of East Asia	Unsecured	01.23.06 – 01.23.09	300,000	-
Calyon Corporate and Investment Bank	Unsecured	06.06.03 – 06.06.08	500,000	500,000
First Commercial Bank	Unsecured	06.27.03 – 06.27.08	-	2,100,000
First Commercial Bank	Unsecured	06.23.06 – 07.23.06	300,000	-
Industrial Bank of Taiwan	Unsecured	11.11.03 – 11.11.07	120,000	240,000
Asia Trust	Unsecured	12.30.03 – 07.20.05	-	1,000
Subtotal			3,237,000	12,141,484
Less: Unrealized foreign exchange gain			-	(263,952)
Total			3,237,000	11,877,532
Less: Current portion			(1,231,333)	(2,486,849)
Non-current portion			$2,005,667	$9,390,683

The interest rate range on the above long-term bank loans was 2.075%~2.475% and 0.518%~4.511% for the six-months ended June 30, 2006 and 2005, respectively. Please refer to Note F for details of the collaterals pledged for the above long-term loans.

(b) The subsidiaries

			June 30, 2006		June 30, 2005	
Creditor	Purpose	Period	Interest Rate (%)	Amount	Interest Rate (%)	Amount
The Mizuho Corporate Bank	Shipping finance	08.10.99 - 08.10.06	5.369	$151,444	3.473	$443,478
The Mizuho Corporate Bank	Shipping finance	11.15.95 - 11.15.05	-	-	3.875	126,430
Deutsche Schi Bank	Shipping finance	06.30.99 - 12.30.07	-	-	7.050	557,779
Royal Maritime Corporation	Shipping finance	06.10.99 - 12.10.07	-	-	4.425	104,584
Royal Maritime Corporation	Shipping finance	08.05.99 - 02.05.08	-	-	3.865	125,500
Royal Maritime Corporation	Shipping finance	10.07.99 - 04.07.08	-	-	4.255	125,500
Royal Maritime Corporation	Shipping finance	12.15.99 - 06.15.08	-	-	4.495	125,500
Royal Maritime Corporation	Shipping finance	01.15.00 - 07.15.08	-	-	3.735	146,417
Royal Maritime Corporation	Shipping finance	03.30.00 - 09.30.08	-	-	4.255	146,417
BNP Paribas	Shipping finance	09.30.99 - 03.30.08	-	-	2.945	613,557
The Bank of Tokyo-Mitsubishi	Shipping finance	11.07.97 - 11.07.05	-	-	8.500	112,902
La Salle Bank	Machines finance	10.01.03 - 09.30.09	5.19~6.34	751,641	LIBOR+ 1.20	890,684
Dnb Nor Bank	Machines finance	08.01.05-07.31.11	-	-	LIBOR+ 1.15	1,385,170

Creditor	Purpose	Period	June 30, 2006 Interest Rate (%)	June 30, 2006 Amount	June 30, 2005 Interest Rate (%)	June 30, 2005 Amount
Dnb Nor Bank	Machines finance	07.14.05-07.23.11	5.19~6.34	1,336,609	-	-
ING Bank	Shipping finance	09.27.05-06.02.16	LIBOR+ 1.0~1.25	7,119,895	-	-
HSH Nordbank	Shipping finance	12.05.02-06.05.14	LIBOR+ 1.0~1.25	1,392,537	-	-
ABN AMRO Bank	Shipping finance	01.30.98 - 01.30.06	-	-	3.418	240,217
Citibank	Shipping finance	05.13.97 - 05.13.06	-	-	3.955	240,217
UNI-Asia	Shipping finance	09.17.98 - 09.17.08	-	-	3.911	672,608
UNI-Asia	Shipping finance	07.29.99 - 07.29.09	5.400	623,334	3.590	782,286
UNI-Asia	Shipping finance	03.30.00 - 03.30.10	-	-	2.960	885,010
UNI-Asia	Shipping finance	01.05.00 - 01.05.10	5.560	725,334	3.631	885,010
Calyon Corporate and Investment Bank	Shipping finance	12.08.99 - 12.08.07	-	-	3.431	649,238
Calyon Corporate and Investment Bank	Shipping finance	10.18.01 - 10.18.06	-	-	4.278	616,346
Cathay United Bank	Shipping finance	03.30.04 – 09.30.12	-	-	4.510	379,290
Fortis	Shipping finance	12.18.02 – 12.19.05	-	-	4.680	229,154
Bank of Taiwan	Shipping finance	07.07.03 – 07.07.08	5.846	607,144	3.823	829,697
BEA	Unsecured loan	09.05.03 – 09.05.06	5.405	161,905	4.290	474,113
The Mizuho Corporate Bank	Containers Finance	09.17.03 – 09.17.07	-	-	4.188	849,452
Unibox	Machines finance	05.10.02 – 05.10.11	8.170	1,134,923	6.190	1,671,340
Societe Generale	Shipping finance	01.28.03 – 04.14.28	LIBOR+ 1.0~1.25	1,514,271	3.910	1,946,498
Landes Bank	Shipping finance	06.05.02 - 06.05.14	-	-	LIBOR+ 1.25	3,013,379
Landes Bank	Shipping finance	07.21.03 – 01.21.14	LIBOR+ 1.0~1.25	1,460,475	-	-
Subtotal				16,979,512		19,267,773
Less: Current portion				(3,731,903)		(5,482,208)
Non-current portion				$13,247,609		$13,785,565

(2) Other long-term loan

Creditor	Maturity Date	Interest Rate	June 30, 2006	June 30, 2005
Edgeware Profits Ltd.	December 31, 2007	7.5%	$2,817,313	$2,750,015

The above long-term loan was borrowed by Clove Holding Ltd., from Edgeware Profits Ltd. to finance its acquisition of equity interests in Classic Outlook Investment Ltd. and Everup Profits Ltd. Shares of the two investees were pledged as collaterals for the loan.

(3) Please refer to Note F for details of the assets pledged as collaterals for the above long-term loan.

22. Capital stock

(1) As of June 30, 2006 and 2005, the authorized capital of the Company was $33,000,000 thousand and $30,000,000 thousand, and the paid-in capital was $27,251,676 thousand and $24,613,860 thousand, divided into 2,725,168 thousand and 2,461,386 thousand shares of common stocks, respectively, with a par value of $10 per share.

(2) On June 23, 2006, the Company's stockholders resolved to increase capital by capitalizing $1,907,617 thousand of retained earnings. Accordingly, 190,762 thousand new shares were issued with a par value of $10 per share. The Company's capital stock after the capital increase amounted to $29,159,293 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on July 12, 2006 as per the Letter Jin-Kuan-Zheng-(1) No. 0950130032 with the effective capital increase date set on August 20, 2006.

(3) On June 23, 2005, the Company's stockholders resolved to increase capital by capitalizing $2,461,386 thousand of retained earnings. Accordingly, 246,139 thousand new shares were issued with a par value of $10 per share. The Company's capital stock after the capital increase amounted to $27,075,246 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on July 20, 2005 as per the Letter Jin-Kuan-Zheng-(1) No. 0940129447 with the effective capital increase date set on August 26, 2005.

(4) Details of the common stock converted from the unsecured domestic convertible bonds issued by the Company during the six months ended June 30, 2006 and 2005 are set forth below:

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	No. of Shares (in '000)	Amount	No. of Shares (in '000)	Amount
First unsecured convertible bonds	-	$-	20,211	$202,111
Second unsecured convertible bonds	17,643	176,430	15,232	152,324
Total	17,643	$176,430	35,443	$354,435

23. Capital surplus

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

24. Appropriation of retained earnings and dividend policy

(1) The sections of the Company's Articles of Incorporation that are applicable to the appropriation of the 2005 and 2004 earnings are as follows:

According to Article 26 of the Company's Articles of Incorporation, if there is any profit for a fiscal year, the Company should first make provision for income tax, and make up the losses from prior years, then appropriate 10% of the residual amount as legal reserve. Dividends should be proposed by the Board of Directors and resolved by the stockholders. Bonuses paid to employees should be at least 1% of the total distributed amount and the remuneration paid to the directors and supervisors should not exceed 5% of the total distributed amount. The Company is currently at the stable growth stage. To facilitate future expansion plans, distribution to stockholders are in forms of both cash and stocks with proportions at 0%~50% and 100%~50%, respectively. To maintain the Company's earnings per share at a certain level and in consideration of the impact of stock dividends on the Company's financial performance, the proportions of cash and estimated earnings per share for the year in which the dividends are distributed decreased by more than 20%, compared to prior year. The Company also could adjust the cash and stock dividends with proportions at 100%~50% and 0%~50% based on the financial situation, respectively.

(2) The Company's board of stockholders resolved to amend the company's policy of dividends and distribution of earnings (effective from 2006) on June 23, 2006. The newly revised policies are set as follows:

According to Article 26 of the Company's Articles of Incorporation, if there is any profit for a fiscal year, the Company should first make provision for income tax, and make up the losses from prior years, then appropriate 10% of the residual amount as legal reserve. Dividends should be proposed by the Board of Directors and resolved by the stockholders. Bonuses paid to employees should be at least 0.5% of the total distributed amount and the remuneration paid to the directors and supervisors should not exceed 5% of the total distributed amount. The Company is currently at the stable growth stage. To factice future expansion plans, dividends distributed to stockholders are in the form of both cash and stock and the proportion of cash dividends shouldn't be below 10% of total dividends.

(3) Legal reserve

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

(4) Special reserve

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

(5) Appropriation of the 2005 and 2004 earnings as resolved by the stockholders on June 23, 2006 and June 23, 2005, respectively, is set forth below:

	Appropriated Earnings		Dividend Per Share (in dollars)	
	2005	2004	2005	2004
Cash dividends to common stockholders	$4,905,302	$4,922,772	$1.80	$2.00
Stock dividends to common stockholders	1,907,617	2,461,386	0.70	1.00
Cash bonus to employees	70,000	80,000		
Remuneration to directors and supervisors	60,400	43,800		

(6) Information relating to the appropriation of the Company's 2005 earnings as proposed by the Board of Directors and resolved by the stockholders in 2006 is published on the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

25. Operating revenues

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Marine freight income	$60,873,266	$59,683,623
Ship rental income	8,926,137	6,196,479
Agency service and Commission income	74,810	56,678
Container manufacturing income	819,165	1,177,944
Others	668,564	525,440
Total	$71,361,942	$67,640,164

26. Expenses relating to employment, depreciation , depletion, and amortization

Expenses relating to employment, depreciation , depletion and amortization for the six months ended June 30, 2006 and 2005 disclosed by function are as follows:

	Six Months Ended June 30, 2006		
	Operating Costs	Operating Expenses	Total
Employment			
Salaries and wages	$963,676	$622,906	$1,586,582
Labor and health insurance	26,545	31,632	58,177
Pension	70,887	51,206	122,093
Others	76,374	22,197	98,571
Total	$1,137,482	$727,941	$1,865,423
Depreciation	$1,558,489	$498,845	$2,057,334
Depletion	$-	$-	$-
Amortization	$103,218	$31,488	$134,706

	Six Months Ended June 30, 2005		
	Operating Costs	Operating Expenses	Total
Employment			
Salaries and wages	$871,088	$524,281	$1,395,369
Labor and health insurance	21,518	17,027	38,545
Pension	60,064	57,672	117,736
Others	67,194	24,624	91,818
Total	$1,019,864	$623,604	$1,643,468
Depreciation	$2,170,135	$560,755	$2,730,890
Depletion	$-	$-	$-
Amortization	$93,138	$31,269	$124,407

27. Income taxes

(1) The income taxes comprise the following:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Income tax expense – current period	$632,348	$1,013,556
Add: 10% tax on unappropriated retained earnings	405,820	343
Tax-exempt investment income	(72,789)	(12,130)
Separate income tax expense	-	224
Adjustments for changes in tax estimates	851	(480)
Net change in deferred income tax liabilities / assets	(954,529)	290,470
Income tax interest from cumulative effects of changes in accounting principle	50,937	-
Income tax effects under equities adjustment	(13,604)	-
Income tax expense	$49,034	$1,291,983

(2) Deferred income tax assets and liabilities

	June 30, 2006	June 30, 2005
a. Total deferred income tax liabilities	$(1,564,535)	$(1,989,633)
b. Total deferred income tax assets	$261,930	$170,703
c. Valuation allowance for deferred income tax Assets	$(1,107)	$(325)
d. Temporary differences resulting in deferred income tax assets or liabilities:		
Equity-accounted investment income	$(6,039,537)	$(7,459,827)
Foreign dividends	3,255	2,309
Unrealized foreign exchange gain	-	(219,964)
Unrealized foreign exchange loss	139,830	452,536
Unrealized investment loss	1,300	1,300
Unrealized expenses and losses	3,129	19,700
Unrealized gain on interest rate swaps	-	(3,872)
Pension expense	89,637	(6,365)
Loss carryforwards	52,693	172,469
Property, plant and equipment, and others	8,532	(230,488)
Loss on valuation of financial assets	22,917	-
Loss on valuation of financial liabilities	53,149	-
Gain on valuation of financial assets for hedging	(66,820)	-
Loss on valuation of financial liabilities for hedging	16,202	-
Deferred income on disposal of shipping equipment	648,958	-
e. Deferred income tax assets – current	$36,490	$2,868
Valuation allowance for deferred income tax assets – current	-	-
Deferred income tax assets – current, net	36,490	2,868
Deferred income tax liabilities – current	(16,705)	(55,959)
Net deferred income tax (liabilities) / assets – Current	$19,785	$(53,091)

	June 30, 2006	June 30, 2005
f. Deferred income tax assets - non-current	$225,440	$167,835
Valuation allowance for deferred income tax assets - non-current	(1,107)	(325)
Deferred income tax assets - non-current, net	224,333	167,510
Deferred income tax liabilities - non-current	(1,547,830)	(1,933,674)
Net deferred income tax liabilities - non-current	$(1,323,497)	$(1,766,164)

(3) As of the June 30, 2006, the above loss carryforwards derived from MBPI and MBT, the years in which the loss carryforwards will expire are as follows:

Expiry Year	Amount
2006	$52,693

(4) Except for the income tax return of 2001 and 2002, the Company's income tax returns through 2004 have been assessed by National Tax Administration (NTA).

(5) Imputation tax credit

	June 30, 2006	June 30, 2005
Balance of imputation tax credit account (ICA)	$1,907,546	$542,762

	2005	2004
Tax credit rate for individual stockholders	11.97%	4.14%

(6) Unappropriated retained earnings

	June 30, 2006	June 30, 2005
1997 and before	$5,570,595	$5,570,596
1998 and onwards	8,453,117	4,394,915
Total	$14,023,712	$9,965,511

The unappropriated retained earnings for the above years are the accumulated unappropriated retarded earnings accounted for in accordance with the Business Accounting Law. The consolidated net income for the six months ended June 30, 2006 and June 30, 2005, which have not yet been resolved for final account, were not included.

28. Earnings per share

(1) Basic earnings per share：

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Pre-tax	After-tax	Pre-tax	After-tax
Consolidated Net (Loss) Income after income tax from continuing operation	$(87,891)	$(136,925)	$7,654,810	$6,362,827
Cumulative Effect of changes in Accounting principle	(154,249)	(103,312)	-	-
Consolidated Net (Loss) Income	$(242,140)	$(240,237)	$7,654,810	$6,362,827
Consolidated Net Income Attributed to:				
Stockholders of the Company		$58,595		$6,163,019
Minority interest		(298,832)		199,808
Consolidated Net (Loss) Income		$(240,237)		$6,362,827

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Pre-tax	After-tax	Pre-tax	After-tax
(In thousand shares)				
Beginning balance of shares outstanding	2,707,525	2,707,525	2,425,942	2,425,942
Capitalization of retained earnings in 2006 (0.07 per share)	190,154	190,154	188,183	188,183
Capitalization of retained earnings in 2005 (0.10 per share)	-	-	244,394	244,394
Common stock converted from convertible bonds	8,968	8,968	17,999	17,999
Weighted-average number of shares Outstanding	2,906,647	2,906,647	2,876,518	2,876,518
Basic earnings per share (in dollars)				
Consolidated Net (Loss) Income for Continuing Operations	$(0.03)	$(0.05)	$2.66	$2.21
Cumulative Effect of Changes in Accounting Principle	(0.05)	(0.03)	-	-
Consolidated Net (Loss) Income	$(0.08)	$(0.08)	$2.66	$2.21
Consolidated basic earnings per share attributed to:				
Stockholders of the company		$0.02		$2.14
Minority interest		(0.10)		0.07
Consolidated Net (Loss) Income		$(0.08)		$2.21

(2) Diluted earnings per share:

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Pre-tax	After-tax	Pre-tax	After-tax
Consolidated Net (Loss) Income after income tax from continuing operation	$(87,891)	$(136,925)	$7,654,810	$6,362,827
Dilutive effect of potential common stock to be converted from unsecured domestic convertible bonds	1,937	1,859	2,023	1,982
Net (Loss) Income from continuing operations after dilutive effect	(85,954)	(135,066)	7,656,833	6,364,809
Cumulative Effect of changes in Accounting principle	(154,249)	(103,312)	-	-
Consolidated Net (Loss) Income after dilutive effect	$(240,203)	$(238,378)	$7,656,833	$6,364,809
Consolidated Net Income Attributed to:				
Stockholders of the Company		$60,454		$6,165,001
Minority interest		(298,832)		199,808
Consolidated Net (Loss) Income after dilutive effect		$(238,378)		$6,364,809

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Pre-tax	After-tax	Pre-tax	After-tax
(In thousand shares)				
Beginning balance of shares outstanding	2,707,525	2,707,525	2,425,942	2,425,942
Capitalization of retained earnings in 2006 (0.07 per share)	190,154	190,154	188,183	188,183
Capitalization of retained earnings in 2005 (0.10 per share)	-	-	244,394	244,394
Common stock converted from convertible bonds	8,968	8,968	17,999	17,999
Potential common stock to be converted from unsecured domestic convertible bonds	155,071	155,071	185,200	185,200
Weighted-average number of shares Outstanding	3,061,718	3,061,718	3,061,718	3,061,718
Diluted earnings per share (in dollars)				
Consolidated Net (Loss) Income from Continuing Operations	$(0.03)	$(0.05)	$2.50	$2.08
Cumulative Effect of Changes in Accounting Principle	(0.05)	(0.03)	-	-
Consolidated Net (Loss) Income	$(0.08)	$(0.08)	$2.50	$2.08
Consolidated diluted earnings per share attributed to:				
Stockholders of the Company		$0.02		$2.01
Minority interest		(0.10)		0.07
Consolidated Net (Loss) Income		$(0.08)		$2.08

E. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Evergreen International S.A. (EIS)	Major stockholder of the Company
Evergreen International Storage and Transport Corporation (EITC)	Investee accounted for by the equity method
EVA Airways Corporation (EVA)	Investee accounted for by the equity method
Evergreen Security Corporation (ESRC)	Investee accounted for by the equity method
Charng Yang Development Co., Ltd. (CYD)	Investee accounted for by the equity method
Evergreen International Corporation (EIC)	Investee of the Company's major stockholder
Evergreen State Transport Co., Ltd. (Evergreen State)	Investee of the Company's major stockholder
Evergreen Star Transport Co., Ltd. (Evergreen Star)	Investee of the Company's major stockholder
Evergreen Airline Service Corporation (EAS)	Investee of the Company's major stockholder
Tai Wha Checker Co., Ltd. (THC)	Indirect subsidiary of the Company (sold in March 2005)
Shanghai Jifa Logistics Co., Ltd. (SJL)	Investee of Peony
Ningbo Victory Container Co., Ltd. (NVC)	Investee of Peony

Related Party	Relationship with the Company
Qingdao Evergreen Container Storage and Transportation Co., Ltd. (QECT)	Investee of Peony
Taranto Container Terminal S.P.A. (TCT)	Investee of Peony
Italia Maritimes S.P.A (ITS)	Investee of Peony
Evergreen Container Terminal (Thailand) (ECTT)	Investee of Peony
Colon Container Terminal S.A. (CCT)	Investee of Peony
PT. Evergreen Marine Indonesia (EMI)	Investee of Peony
Evergreen Star (Thailand) Co., Ltd. (EGT)	Investee of Peony
Evergreen Shipping (S) Pte. Ltd. (EGS)	Investee of Peony
Evergreen Korea Corporation (EGK)	Investee of Peony
Evergreen India Pte. Ltd. (EGI)	Investee of Peony
Seaside Transportation Service LLC (STS)	Investee of EITC
Gaining Enterprise S.A. (GESA)	Investee of EITC

2. Significant transactions with related parties

(1) Operating revenues from related parties

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
EITC	$46,654	0.07	$49,963	0.07
EIC	1,099	-	-	-
ITS	1,033,580	1.45	157,945	0.23
EIS	202,991	0.28	213,487	0.32
GESA	10,676	0.01	4,583	0.01
STS	28,495	0.04	30,693	0.05
Total	$1,323,495	1.85	$456,671	0.68

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

(2) Expenditures on services rendered by related parties

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Amount	% of Total Operating Costs and Expenses	Amount	% of Total Operating Costs and Expenses
EITC	$479,691	0.67	$885,561	1.45
EIC	242,097	0.34	243,241	0.40
Evergreen State	-	-	21,528	0.04
Evergreen Star	-	-	20,356	0.03
ESRC	22,999	0.03	21,182	0.03
EAS	3,583	-	4,250	0.01
EVA	5,462	0.01	5,128	0.01
GESA	885,682	1.23	987,083	1.62

	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Amount	% of Total Operating Costs and Expenses	Amount	% of Total Operating Costs and Expenses
ITS	$98,052	0.14	$1,370	-
EIS	248,988	0.34	514,448	0.84
EMI	26,098	0.04	33,690	0.06
EGT	27,473	0.04	25,237	0.04
EGS	13,727	0.02	22,438	0.04
EGK	10,992	0.01	25,073	0.04
Total	$2,064,844	2.87	$2,810,585	4.61

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

(3) Asset transactions

a. Acquisitions of property, plant and equipment

	Items	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
EITC	Ships and equipments-CRWN	$409,986	$-
〃	Ships and equipments-CHRT	397,589	-
〃	Ships and equipments-CNCT	423,852	-
〃	Ships and equipments-CRNA	412,643	-
〃	Ships and equipments-CNCD	415,047	-
ESRC	Office equipment	620	-
EIC	Office equipment	-	19
Total		$2,059,737	$19

(a) For routing and ships adjustment, the Company's Board of Director also resolved to acquire the Uni-Crown, the Uni-Chart, the Uni-Concert, the Uni-Corona, the Uni-Concord from related party-EITC, the total amount of transaction was USD63,800 thousand. As of June 30, 2006, the transaction was completed, and the unpaid amount was 1,251,542 thousand under others payable.

(b) The EITC is accounted for under equity method. According to the regulation, unrealized gain from the above ships transaction should be eliminated in accordance of the proportion of ownership. As of June 30, 2006, the unrealized amount was 270,131 thousand, and recorded as the deduction of long term investment.

b. Sales of property, plant and equipment

		Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Items	Price	Gain on disposal	Price	Gain on disposal
ITS	Transportation equipment	$-	$-	$1,048	$971
EVA	Office equipment	-	-	2,645	97
Total		$-	$-	$3,693	$1,068

(4) Leases

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

		Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Lease Property	Amount	% of Total Rental Income	Amount	% of Total Rental Income
EIC	Office buildings	$30,169	95.97	$28,357	97.34
EVA	Parking lots	144	0.46	120	0.41
ESRC	Parking lots	144	0.46	40	0.14
Total		$30,457	96.89	$28,517	97.89

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

		Six month Ended June 30, 2006		Six month Ended June 30, 2005	
	Leasehold Property	Amount	% of Total Rental Expenses	Amount	% of Total Rental Expenses
EIC	Office buildings	$18,478	86.57	$18,453	89.26
EITC	Office building	677	3.17	641	3.10
EVA	Parking lots	685	3.21	564	2.73
Total		$19,840	92.95	$19,658	95.09

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

	Six months Ended June 30, 2006		Six months Ended June 30, 2005	
	Amount	% of Total Vessel Rental Expenses	Amount	% of Total Vessel Rental Expenses
ITS	$21,446	1.02	$1,370	0.06
EIS	248,993	11.87	514,028	25.45
GESA	890,756	42.45	992,111	49.13
EITC	390,632	18.62	406,959	20.15
Total	$1,551,827	73.96	$1,914,468	97.07

(5) Receivables from and payables to related parties

The receivables from and payables to related parties bear no interest, and are set forth as follow:

	June 30, 2006		June 30, 2005	
	Amount	% of Account Balance	Amount	% of Account Balance
Accounts receivable				
EIC	$92,278	0.65	$209,542	1.55
EITC	24,480	0.17	23,863	0.18
GESA	1,956	0.01	-	-
EIS	7,111	0.05	-	-
STS	12,572	0.09	17,831	0.13
ITS	212,614	1.50	108,725	0.81
Total	$351,011	2.47	$359,961	2.670
Other receivables				
EITC	$387,080	27.85	$296,901	16.62
EVA	150,206	10.81	336,353	18.83
EIC	164,575	11.84	7,481	0.42
CCT	2,102	0.15	1,879	0.11
EGI	8,095	0.58	7,902	0.44
Others	175	0.01	129	0.11
Total	$712,233	51.24	$650,645	36.43
Accounts payable				
EITC	$9,815	0.13	$83,008	2.31
EIC	1,940	0.03	20,310	0.57
ESRC	1,454	0.02	3,871	0.11
EVA	1,222	0.01	1,674	0.05
ITS	20,455	0.27	4,207	0.12
EIS	184,484	2.46	36,184	1.01
Others	540	0.01	513	0.01
Total	$219,910	2.93	$149,767	4.18
Accrued Expense				
EIC	$14,005	0.09	$19,028	0.12
Other payables				
EITC	$1,251,542	18.93	$-	-
EIC	197	-	386	0.01
Total	$1,251,739	18.93	$386	0.01

Above other payables to EITC was due to acquiring ships from EITC.

3. Financing activities with related parties

Due from related parties

	Six Months ended June 30, 2006			
	Highest Balance	Ended Balance	Interest Rate (%)	Interest Income
EGI	$8,095	$8,095	4.509~5.484	$203

	Six Months ended June 30, 2005			
	Highest Balance	Ended Balance	Interest Rate (%)	Interest Income
EGI	$7,902	$7,902	2.520~3.257	$115

4. Endorsements and guarantees for related parties

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

	June 30, 2006		June 30, 2005	
TCT	EUR	48,479	EUR	85,218
CCT	USD	16,518	USD	19,080

5. Significant contracts with related parties

(1) The Company has entered into an agreement with EIC for management, computer information, Shipping affairs, and consulting services. Except payments under behalf are charged on actual amounts, the remaining fees are charged on an hourly basis or by cost-added method. The contract came into effect on July 1, 1996 and continued to be in effect unless terminated.

(2) The Company has entered into an agency agreement with EIC. Under the agreement, EIC has been acting as the Company's agent for cargo forwarding and collection of freight since 2002. As of June 30, 2006 and 2005, the amount receivable under the agency agreement was $92,175 thousand and $209,542 thousand, respectively.

(3) The Company has entered into an agreement with ESRC. Under the agreement, ESRC should provide security service in the Taipei office, Kaohsiung office, and container yards. The service fees for Taipei office, Kaohsiung office and container yards were $940 thousand dollars and $1,614 thousand dollars, respectively. The fees are paid monthly. About long-term contracts, please refer to Note G.

(4) The Company has entered into agency agreements with its related parties to manage petty cash required by their vessels, and payments of crew salaries and insurance premiums in Taiwan. The transactions are recorded under "agency reciprocal accounts". As of June 30, 2006 and 2005, the debit balances of the accounts are as follows:

	June 30, 2006	June 30, 2005
EIS	$8,175	$8,723
GESA	3,945	4,332
Total	$12,102	$13,055

(5) The Company has entered into agency agreements with its related parties, under which the related parties act as the Company's overseas agents to deal with the port formalities related to foreign ports, such as arrival and departure of the Company's ships, cargo stevedoring and forwarding, collection of freight and payment of expenses incurred with foreign ports. The transactions are recorded under "agency accounts". As of June 30, 2006 and 2005, the balances of the accounts are as follows:

a. Debit balances of agency accounts

	June 30, 2006	June 30, 2005
EIC	$91,264	$129,935
GESA	-	90,248
ITS	1,305,157	162,223
EMI	38,257	100,599
EGT	49,618	-
EGS	1,312	-
Total	$1,485,608	$483,005

b. Credit balances of agency accounts

	June 30, 2006	June 30, 2005
EIS	$1,122,101	$1,523,261
GESA	31,790	-
EGT	-	16,239
EGI	42,863	55,484
Total	$1,196,754	$1,594,894

(6) The Company has been commissioned by its related parties to manage their vessels. The management fees are charged monthly and are recorded as operating revenues. Details of the management fees recognized for the years ended June 30, 2006 and 2005 are as follows:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
EITC	$46,654	$45,828
EIS	38,188	27,900
GESA	10,676	4,583
Total	$95,518	$78,311

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

F. PLEDGED ASSETS

1. Restricted assets - current

	June 30, 2006	June 30, 2005	Pledgee	Purpose
Time deposits	$132,000	$132,000	Kaohsiung Harbor Bureau	Performance guarantee
Time deposits	1,715	-	Central Trust of China	Performance guarantee
Time deposits	1,050	1,050	Military – Finance Department	Performance guarantee
Time deposits	600	600	Kaohsiung Customs Bureau	Performance guarantee
Time deposits	50	50	Directorate General of Customs	Performance guarantee
Total	$135,415	$133,700		

2. Long-term equity investments

	Carrying Value		
	June 30, 2006	June 30, 2005	Purpose
Classic Outlook Investment Ltd.	$3,314,479	$3,235,304	Other long-term loan
Everup Profits Ltd.	7	7	Other long-term loan
Total	$3,314,486	$3,235,311	

3. Property, plant and equipment

	Carrying Value		
	June 30, 2006	June 30, 2005	Purpose
Land	$1,800,093	$1,947,491	Long-term loans
Buildings	955,577	1,012,200	Long-term loans
Loading and discharging equipment	3,805,597	3,102,278	Long-term loans
Transportation equipment	258,731	2,054,573	Long-term loans
Ships and equipment	5,707,583	26,310,380	Long-term loans and corporate bonds
Total	$12,527,581	$34,426,922	

G. COMMITMENTS AND CONTINGENT LIABILITIES

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

Guarantor	June 30, 2006		June 30, 2005	
Taipei Fubon Bank	NTD	-	NTD	282,213
Bank of America	USD	5,000	USD	5,000

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

Companies receiving guarantees	June 30, 2006		June 30, 2005	
TCT	USD	48,479	USD	85,218
CCT	USD	16,518	USD	19,080

3. A former stockholder of the Company sold some of its shares through issuance of global depository receipts (GDRs). The issuance of GDRs was approved by the SEC on June 19, 1996 as per the Letter (85) Tai-Cai-Zheng (1) No. 35410. On August 2, 1996, the GDRs were approved by the UK governing authority to be listed on the London Stock Exchange and were issued in Asia, Europe and the US. The initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at NTD50.50 per share, and the number of supplementary units issued was 817,438. In total, the number of units issued was 6,267,030, representing 62,670,300 shares of the Company's common stock at NTD50.50 per share, and the GDRs issued amounted to USD115 million. Another 2,025,506 units, representing 20,255,111 shares of the Company's common stock, were issued during the period from 1997 to June 30, 2006. As of June 30, 2006, 7,898,014 units were redeemed and 394,522 units, representing 3,945,271 shares of the Company's common stock, were outstanding.

4. A lawsuit was filed against TTSC for an accident occurring at the container yard in 2002. The lawsuit has been referred to the lawyer. As of June 30, 2006, the maximum amount of compensation claimed was $29,949 thousand plus the statutory interest. As the lawsuit was pending the Court's ruling as of the date on which the financial statements were issued, no provision has been made for the possible loss.

5. In 1999, SGTC was indicted for a dispute arising from mishandling of imported goods. SGTC has referred the lawsuit to its lawyer. As of June 30, 2006, the maximum amount of compensation claimed was RMB10,527 thousand plus the associated interest. In 2000, the Civil Court in Shenzhen ruled in favor of SGTC. However, the plaintiff appealed to a higher court, and the court ruled against SGTC. As a result, certain transportation equipment of SGTC was bonded by the court. As of June 30, 2006, the book value of the bonded transportation equipment amounted to RMB9,805 thousand. SGTC did not agree with the court's ruling and filed an appeal. Since the appeal was pending the court's ruling as of the date on which the financial statements were issued, no provision has been made for the possible loss.

6. As of June 30, 2006, the medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Company's purchase of new containers and general working capital requirement were NTD 17,492,000 thousand and JPY 760,000 thousand, respectively, and the unutilized credits were NTD 13,300,000 thousand and JPY 760,000 thousand, respectively.

7. As of June 30, 2006, details of the loading and discharging equipment acquired to support the operations of the No. 4 and the No. 5 Container Terminal at Kaohsiung Harbor were as follows: (expressed in thousand dollars)

Item	Contract Amount		Amount Paid		Amount Accrued	
Rail mounted gantry cranes	USD	4,020	USD	3,015	USD	1,005
Rail mounted gantry cranes	NTD	207,000	NTD	155,250	NTD	51,750
Gantry cranes	USD	399	USD	359	USD	40
Freezer	USD	12,922	USD	6,419	USD	6,503

8. As of June 30, 2006 the machineries that Hemlock, Whitney, and EHIC(M) purchased are as follows: (expressed in thousand dollars)

Item	Contract Amount		Amount Paid		Amount Accrued	
Container outfitting line	NTD	80,000	NTD	44,000	NTD	36,000
Roller forming	RMB	9,899	RMB	8,414	RMB	1,485
Civil engineering	RM	3,740	RM	2,323	RM	1,417
Fork lifter for container and Rubber tyre gantry crane	USD	2,214	USD	751	USD	1,463
Cradle	EUR	218	EUR	-	EUR	218

9. As of June 30, 2006, the estimated amounts of rent payable in the following years under the long-term lease agreements entered into by the Company for the rental of ships and equipment are as follows:

Lessor	Amount (in thousand dollars)
EITC	USD 23,000
GESA	65,832
ITS	6,304
EIS	24,716
KSG	11,218
EPC	427
TDS	38,564
HFE	446
APOLL	6,086
CORSO	434
ELEPH	5,542
HCS	13,206
HERME	6,349
HKS	7,192
PANAG	5,873
POSEI	6,383
MCS	7,566
SAT	40,276
C19	140,616
TIGER	5,642
TDS	39,022
CONTI	148,211
FSL	147,655
Quaterieme Leasing International Co., Ltd.	50,521
HALIFAX	192,903
MSS	151,018
Total	USD 1,145,002

10. As of June 30, 2006, the estimated amounts of rent payable in the following years under the long-term lease agreements entered into by subsidiary- Island for the rental of machinery and equipment are USD43,172 thousand dollars.

11. As of June 30, 2006, the estimated amounts of security service in the following years under the long-term contract that the Company entered into with ESRC is $67,773 thousand.

12. As of June 30, 2006 and 2005, the promissory notes issued by the Company for loans borrowed amounted to $7,256,408 thousand and $10,365,521 thousand, respectively.

H. SIGNIFICANT DISASTER LOSSES

None.

I. SIGNIFICANT SUBSEQUENT EVENTS

None.

J. OTHERS

1. Fair-value information of financial instruments:

In thousand

Non-derivative financial instruments	June 30, 2006 Carrying value	June 30, 2006 Fair value	June 30, 2005 Carrying value	June 30, 2005 Fair value
Assets:				
Cash and cash equivalents	$12,172,776	$12,172,776	$17,026,035	$17,026,035
Notes and accounts receivable	15,481,816	15,481,816	15,230,507	15,230,507
Financial assets at fair value through profit or loss				
Bonds investments	3,575	3,575	52,690	52,690
Equity securities	79,446	79,446	276,059	276,059
Beneficiary certificate	3,203,227	3,203,227	10,691,545	10,691,545
Held-to-maturity financial assets-current	25,455	25,455	20,472	20,472
Other financial assets-current	2,814	2,814	-	-
Restricted assets-current	135,415	135,415	133,700	133,700
Available-for-sale financial assets-non current	586,680	586,680	569,520	694,893
Held-to-maturity financial assets-non current	-	-	20,472	20,472
Financial assets carried at cost-non current	5,674,280	5,674,280	5,613,597	5,613,597
Debt investments with no active market-non current	12,709	12,709	12,035	12,035
Long term receivable due within one year	378,090	378,090	446,524	446,524
Refundable deposit	911,951	911,951	163,699	163,699
Liabilities:				
Short loans	100,000	100,000	1,195,348	1,195,348
Notes and accounts payable	31,169,663	31,169,663	25,959,735	25,959,735
Corporate bonds payable (including current position)	8,624,162	8,624,162	10,503,497	10,503,497
Long-term loans (including current position)	23,033,825	23,033,825	33,895,320	33,895,320
Guarantee deposits received	4,015	4,015	3,453	3,453
Contract of derivative financial instrument				
Assets:				
Interest rate swap (IRS)	$39,453	$39,453	$-	$46,891
Oil swap	66,820	66,820	-	201,228
Structural and equity-linked financial instruments	823,368	823,368	1,201,470	1,201,470
Liabilities:				
Interest rate swap (IRS)	74,147	74,147	-	231,543
Cross currency swap (CCS)	24,073	24,073	-	70,684
Foreign exchange option (FX Option)	47,901	47,901	85,020	85,020
Oil swap	11	11	-	6,434
Convert right of stock	9,004	9,004	-	-

2. The following summarizes the methods and assumptions used in estimating the fair value of financial instruments:

   a. The fair values of short-term financial instruments are approximated using their carrying value. Since they are short-term in nature, it is reasonable for their fair value to be determined based on their carrying value. This method applies to cash and cash equivalents, notes and accounts receivable (payable), refundable deposits, other financial assets, restricted assets, short loan, and guarantee deposit received.

b. For financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets with quoted market price available in the active market, the fair value is determined using the quoted market price. When there is no quoted market price for reference, a substitute valuation technique used to measure the fair value is one which incorporates all factors that market participants would consider in making estimations and assumptions for setting a price.

c. For financial assets accounted for by the cost method composed of unlisted stocks or those not actively traded in the market, and does not has significant influence are measured at cost in compliance with the statement of financial accounting standard. In addition, when the market price is not available for debt investments with no active market, the carrying value is used for estimating the fair value.

d. Long-term accounts receivable are financial assets with interest rate that accounts for by floating rate, the face value is close to fair value.

e. Fair values of long-term loans are estimated based on the present values of future cash flows. The discount rate is based on the interest rate charged on a comparable long-term loan with similar terms and conditions.

f. Fair values of corporate bonds payable equal the quoted market prices, if available. If the quoted market prices are not available, fair values are estimated using financial information or other information.

g. Financial liabilities are those that equity-linked instrument without active market and public price, hard to measure the fair value, and settlement by the equity instrument. In accordance with the guideline of the "Guidelines for Preparation of Financial Reports by Securities Issuers", the fair value is cost.

h. The fair value of derivative financial instruments that the Company assumed to terminate the agreements is the estimated receivable or payable amount. The unrealized gain or loss of outstanding contract is generally included. Ask price of counterparties is available for the derivative financial.

3.The fair value of financial assets and liabilities either determined with the public quoted price in the active market or estimated using valuation methods are as follows:

	Quoted market price		Fair value based on estimates	
Non-derivative financial instruments	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Assets:				
Cash and cash equivalents	$-	$-	$12,172,776	$17,026,035
Notes and accounts receivable	-	-	15,481,816	15,230,507
Financial assets at fair value through profit or loss				
Bonds investments	3,575	52,690	-	-
Equity securities	79,446	276,059	-	-
Beneficiary certificate	3,203,227	10,691,545	-	-
Held-to-maturity financial assets-current	-	-	25,455	20,472
Other financial assets-current	-	-	2,814	-
Restricted assets-current	-	-	133,415	131,700
Available-for-sale financial assets-non current	586,680	694,893	-	-
Held-to-maturity financial assets-non current	-	-	-	20,472
Financial assets carried at cost-non current	-	-	5,674,280	5,613,597
Debt investments with no active market-non current	-	-	12,709	12,035
Long term receivable due within one year	-	-	378,090	446,524
Refundable deposit	-	-	911,951	163,699

Non-derivative financial instruments	Quoted market price		Fair value based on estimates	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Liabilities:				
Short loans	$-	$-	$100,000	$1,195,348
Notes and accounts payable	-	-	31,169,663	25,959,735
Corporate bonds payable (including current position)	-	-	8,624,162	10,503,497
Long-term loans (including current position)	-	-	23,033,825	33,859,320
Guarantee deposits received	-	-	4,015	3,453
Contract of derivative financial instrument				
Assets:				
Interest rate swap (IRS)	$-	$-	$39,453	$46,891
Oil swap	-	-	66,820	201,228
Structural and equity-linked financial instruments	-	-	823,368	1,201,470
Liabilities:				
Interest rate swap (IRS)	-	-	74,147	231,543
Cross currency swap (CCS)	-	-	24,073	70,684
Foreign exchange option (FX Option)	-	-	47,901	85,020
Oil swap	-	-	11	6,434
Conversion of stock	-	-	9,004	-

a. The unrealized profit that the Company recognized for the six months ended June 30, 2006 and 2005 due to changes in fair value were 117,558 thousand and 117,680 thousand, respectively.

b. The financial assets with potential fair value risk of interest change for the six months ended June 30, 2006 and 2005, were 9,343,047 thousand and 14,153,325 thousand, respectively, and the financial liabilities were 9,037,313 thousand and 10,990,015thousand. The financial assets with potential cash flow risk of interest change were 2,823,456 thousand and 2,796,583 thousand, respectively, and the financial liabilities were 20,194,732 thousand and 35,600,653 thousand.

4. Risk Policy and hedging strategy

The financial instruments held by the Company, other than derivative instruments, are composed of cash and cash equivalents, stocks, funds, bank loan, and corporate bonds. Those financial instruments are held for the operating capital necessary. The Company also held other accounts receivable and payable generated from operating activity.

The transactions associated with derivative instruments mainly includes interest rate swap and oil swap. The primary objective is to avoid the interest risk and fuel price variation arising from operating and financing activities.

The primary risks of financial instruments are cash flow risk, associated with interest fluctuations exchange rate risk, credit risk, and liquidity risk. The risk management policies are set forth below:

Cash flow risk associated with interest rate variations

The Company's major exposure to cash flow risk associated with interest rate variations comes primarily from long-term financing with floating interest. The Company adopts a combination of fixed interest and floating interest rates methods in issuance of loans to manage such interest rate risks. In addition, the Company also engages in interest rate swaps to minimize cost of borrowings.

The carrying value of the Company's financial instruments exposed to interest rate are summarized in the order of maturity as follows:

June 30, 2006:

a. Fixed interest rate

	Within 1 year	1~2years	2~3years	3~4years	4~5years	Over 5 years	Total
8% Bonds (Korea)	$25,455	$-	$-	$-	$-	$-	$25,455
2.6% Corporate bonds	(1,500,000)	-	-	-	-	-	(1,500,000)
1.47% Corporate bonds	-	(985,513)	-	-	-	-	(985,513)
3.9% Corporation bonds	(1,500,000)	-	-	-	-	-	(1,500,000)
3.4% Corporate bonds	(1,000,000)	-	-	-	-	-	(1,000,000)
2.18% Bank loan	-	(489,333)	-	-	-	-	(489,333)
1.42% Bonds with reverse repurchase	410,000	-	-	-	-	-	410,000
1.45% Bonds with reverse repurchase	400,000	-	-	-	-	-	400,000
1.47% Bonds with reverse repurchase	70,000	-	-	-	-	-	70,000
1.48% Bonds with reverse repurchase	4,000	-	-	-	-	-	4,000
1.4% Bonds with reverse repurchase	378,000	-	-	-	-	-	378,000
120,000 Bank loan	(120,000)	-	-	-	-	-	(120,000)

b. Floating rate

	Within 1 year	1~2years	2~3years	3~4years	4~5years	Over 5 years	Total
Cash and cash equivalent	$12,172,776	$-	$-	$-	$-	$-	$12,172,776
Corporate bonds	-	(500,000)	-	-	-	-	(500,000)
1,600,000 Bank loan	(533,333)	(533,333)	(533,334)	-	-	-	(1,600,000)
297,000 Bank loan	(198,000)	(99,000)	-	-	-	-	(297,000)
300,000 Bank loan	-	-	-	(300,000)	-	-	(300,000)
300,000 Bank loan	(300,000)	-	-	-	-	-	(300,000)
120,000 Bank loan	(80,000)	(40,000)	-	-	-	-	(120,000)
151,444 Bank loan	(151,444)	-	-	-	-	-	(151,444)
161,905 Bank loan	(161,905)	-	-	-	-	-	(161,905)
607,143 Bank loan	(242,858)	(242,858)	(121,427)	-	-	-	(607,143)
623,334 Bank loan	(623,334)	-	-	-	-	-	(623,334)
725,334 Bank loan	(725,334)	-	-	-	-	-	(725,334)
1,134,923 Bank loan	(587,683)	(547,240)	-	-	-	-	(1,134,923)
1,514,271 Bank loan	(232,088)	(225,384)	(218,867)	(212,576)	(179,849)	(445,507)	(1,514,271)
1,460,475 Bank loan	(86,119)	(91,363)	(96,928)	(102,830)	(109,093)	(974,142)	(1,460,475)
1,392,537 Bank loan	(91,323)	(97,120)	(103,285)	(109,841)	(116,814)	(874,154)	(1,392,537)
7,119,895 Bank loan	(493,417)	(443,587)	(443,587)	(443,587)	(443,587)	(4,852,130)	(7,119,895)
1,336,609 Bank loan	(193,245)	(193,245)	(193,245)	(193,245)	(193,245)	(370,384)	(1,336,609)
751,641 Bank loan	(143,153)	(143,153)	(353,100)	(112,235)	-	-	(751,641)

The interest of financial instruments associated with the floating interest rates is re-measured within 1 year period and the interest for financial instruments associated with the fixed interest rate, on the other hand, is fixed to maturity. The financial instruments not included in the above table are not subject to interest payments and thus, do not inherent interest rate risk. As a result, such instruments are not included in the table.

Exchange rate risk

Although the Company is exposed to exchange rate risk, the Company is entitled to stable cash inflows denominated in foreign currencies for meeting cash outflows denominated in foreign currency due to the fact that the Company operates in international transportation industry. In order to minimize exchange rate risk, the Company also engages in activities, such as borrowing of US dollar loans…etc.

Credit risk

The Company only deals with third parties with good credit standings. In compliance to the Company's policies, strict credit assessment is to be performed by the Company prior to proceed with credit trading with customers. The occurrence of bad debts is also minimized by the Company's practices in continuously assessment of collections on accounts and notes receivables and making adjustments to the credit terms granted for each customer based on the conclusion drawn from such assessment. Moreover, the Company is restricted to engage in credit trading with other business units operating under other functional currencies unless permission from the highest instruction unit has been received.

Other financial instruments held by the Company are subject to credit risk arising from the failure of counterparty to settle their contractual obligations as and when they fall due. Since the Company only deals with third parties with qualifying credit standings, no collateral is required by the Company which also represents that the maximum credit exposure amount equals to the relative carrying value. The maximum credit exposure amount for various financial assets held by the Company is analyzed below:

	June 30, 2006		June 30, 2005	
Financial instruments	Carrying value	Maximum credit exposure amount	Carrying value	Maximum credit exposure amount
Financial assets at fair value through profit or loss				
Bonds investments	$3,575	$3,575	$52,690	$52,690
Equity securities	79,446	79,446	276,059	276,059
Beneficiary certificates	3,203,227	3,203,227	10,691,545	10,691,545
Interest rate swap	39,453	39,453	-	-
Other	823,368	823,368	1,201,470	1,201,470
Held-to-maturity financial assets-current				
Bonds investments with reverse repurchase	25,455	25,455	20,472	20,472
Derivative financial assets for hedging-current				
Oil swap	66,820	66,820	-	-
Available-for-sale financial assets-non current				
Equity security	586,680	586,680	433,924	433,924
Linked financial instrument	-	-	135,596	135,596
Held-to-maturity financial assets-non current				
Corporate bonds	-	-	20,472	20,472
Financial assets carried at cost-non current				
Stocks	5,674,280	5,674,280	5,613,597	5,613,597
Debt investment s with no active market-non current				
Corporate bonds	12,709	12,709	12,035	12,035

Credit risk refers to the risk of counterparty's failure to settle contractual obligations as and when they fall due. The credit risk presented in the above table is the positive net amount of all contracts with positive fair values on the balance sheet date. In another word, the credit risk amount presented is the loss incurred by the Company in the case of counterparty's default. Since the counterparties of the Company are business enterprises or financial institutions with good credit rating, the potential credit risk event is remote. In addition, since the Company is not concentrated in transactions with one individual or counterparty, no concentration of credit risk is evident.

Liquity risk

The Company achieves the objectives of effective use of capital and stabilization of capital by adjusting capital through the use of cash and cash equivalents, financial instruments held for trading, bank borrowings, and corporate bonds…etc. The operating capital of the Company is sufficient in meeting capital on demand; therefore, no significant liquidity risk is expected to incur.

5. Hedging activity

Cash flow hedge

As of June 30, 2006, the Company holds five oil swap contracts in avoiding fuel fluctuations. The Company also engaged in oil hedging transactions to minimize oil cost arising from variation of oil price. The Company compared the oil price and settled the contracts by cash to offset the oil cost(a expected transaction) and to avoid the cash flow risk from oil price monthly. As of now, the total fair value of oil hedging transaction was 66,820 thousand, the effectiveness of hedging was within a range of 80% to 125%. In addition, the Company hold three interest rate swap contracts in avoiding the variation between floating and fix rate, the effective hedge accounts for 80% to 125%.

	Designated hedging instrument				
	Financial instrument designated as hedged	Fair value			Period of related gain or loss Expected to
Hedged items	instrument	June 30, 2006	June 30, 2005	Period of cash flow expected	be recognized
Floating interest debts	Interest rate swap	$(23,956)	$(20,242)	'02~'08	'02~'08
Expected oil transaction	Oil swap	66,820	201,228	'04~'08	'04~'08

Items	June 30, 2006	June 30, 2005
Adjustment amount in equity	$(30,801)	$-
Adjustment amount from equity to income statement	30,801	-
Adjustment amount from equity to non financial assets (liabilities)	-	-

6. Pursuant to the Letter (94) Chi-Mi-Tze No.016 issued by the Accounting Research and Development Foundation, the Company reclassified it financial instrument in accordance with the guideline of the SFAS No.34, please refer to Note C.2.

7. Significant transactions between the Company and its subsidiaries and significant inter-subsidiary transactions, please see Schedule 4.

K. SUPPLEMENTARY DISCLOSURES

1. Information on significant transactions

(1) Loans extended by the Company

None.

(2) Endorsements and guarantees provided by the Company

Please see Schedule 6.

(3) Marketable securities held by the Company as at June 30, 2006

Please see Schedule 7.

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

Please see Schedule 8.

(5) Acquisition of real estate properties with an amount exceeding NT$100 million or 20% of the Company's paid-in capital

None.

(6) Disposal of real estate properties with an amount exceeding NT$100 million or 20% of the Company's paid-in capital

None.

(7) Purchases from or sales to related parties exceeding NT$100 million or 20% of the Company's paid-in capital

Please see Schedule 9.

(8) Receivables from related parties exceeding NT$100 million or 20% of the Company's paid-in capital

Please see Schedule 10.

(9) Derivative financial instruments undertaken by the Company

Please see Note J.

2. Information on the investees

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

Please see Schedule 11.

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

a. Loans extended by the investees

Please see Schedule 5.

b.Endorsements and guarantees provided by the investees

None.

c. Marketable securities held by the investees as at June 30, 2006

Please see Schedule 7.

d. Acquisition or sale of one specific security with the accumulated amount exceeding NT$100 million or 20% of the respective investee's paid-in capital

None.

e. Acquisition of real estate properties with an amount exceeding of NT$100 million or 20% of the respective investee's paid-in capital

None.

f. Disposal of real estate properties with an amount exceeding NT$100 million or 20% of the respective investee's paid-in capital

None.

g. Purchases from or sales to related parties exceeding NT$100 million or 20% of the respective investee's paid-in capital

Please see Schedule 9.

h. Receivables from related parties exceeding NT$100 million or 20% of the respective investee's paid-in capital

Please see Schedule 10.

i. Derivative financial instruments undertaken by the investees

Please see Schedule 12.

3. Information on Mainland China investments

(1) Details of investments in Mainland China

Please see Schedule 13.

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

None.

L. SEGMENT INFORMATION

Not applicable to the interim financial reporting.

Schedule 1

Evergreen Marine Corporation

Summary of Terms on Corporate Bonds

June 30, 2006

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

Schedule 2

Evergreen Marine Corporation

Summary of Terms on Corporate Bonds

June 30, 2006

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

Evergreen Marine Corporation

Summary of Terms on Corporate Bonds

June 30, 2006

Type of Corporate Bonds	First Unsecured Corporate Bonds	Second Unsecured Corporate Bonds
Date of issuance	January 12, 2004	September 6, 2004
Face value	NT$100,000	NT$100,000
Place of issuance	Taiwan	Taiwan
Issue price	Face value	Face value
Principal amount	NT$4,000,000,000	NT$4,500,000,000
Interest rate	0.00%	0.00%
Period	5 years	5 years
Maturity	January 11, 2009	September 5, 2009
Guarantor	None	None
Trustee	Hua Nan Commercial Bank	SinoPac Commercial Bank
Underwriter	SinoPac Securities	President Securities
Lawyer	Chens Law and Patent Office	Law Office of S. S. Lai
Certified public accountant	Diwan, Ernst & Young	Diwan, Ernst & Young
Principal repayment	To be repaid in lump sum at maturity based on the face value.	To be repaid in lump sum at maturity based on the face value.
Principal outstanding	NT$1,634,400,000	NT$1,481,800,000
Clauses on redemption and early repayment	During the 30 days before the bonds are issued for 3 years, the bondholders may exercise their redemption option at a yield rate of 0.20% per annum. When the bonds mature on January 11, 2009, they are redeemed at face value.	During the 30 days before the bonds are issued for 3.5 years, the bondholders may exercise their redemption option at face value.
Restricted clauses	None	None

Schedule 4

Evergreen Marine Corporation and Subsidiaries
Significant Inter-company Transactions
For the Six Months Ended June 30, 2006
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company Name	Counterparty	Relationship (Note 1)	Transaction			
			Financial Statement Account	Amount	Terms and Conditions	% of Consolidated Total Operating Revenues / Total Assets
Evergreen Marine Corporation	Taiwan Terminal Services Co., Ltd.	1	Accounts payable	$48,656	Note 2	0.04
	〃	1	Operating costs	333,839	〃	0.47
	〃	1	Other receivables	439	〃	-
	Greencompass Marine S.A.	1	Operating revenues	54,430	〃	0.08
	〃	1	Accounts receivable	10,392	〃	0.01
	〃	1	Agency reciprocal account	12,274	〃	0.01
	〃	1	Agency accounts - debits	492,546	〃	0.38
	〃	1	Operating costs	496,488	〃	0.70
	Hatsu Marine Ltd.	1	Agency reciprocal account	4,854	〃	-
	〃	1	Accounts receivable	87,722	〃	0.07
	〃	1	Operating revenues	405,491	〃	0.57
	〃	1	Agency accounts - credits	76,600	〃	0.06
	〃	1	Operating costs	445,900	〃	0.62
	〃	1	Accounts payable	767,872	〃	0.60
Armand Investment (Netherlands) N.V.	Armand Estate (Netherlands) B.V.	3	Interest receivable	206	〃	-
		3	Interest expense	101	〃	-
		3	Other receivables	87,134	〃	0.07
CLOVE HOLDING LTD.	Island Equipment LLC.	3	Other receivables	221,344	〃	0.17
	〃	3	Interest income	5,326	〃	0.01
Multi Bina Pura International	Multi Binatransport	3	Other receivables	337	〃	-
	〃	3	Accounts payable	302	〃	-
	〃	3	Operating costs	3,335	〃	-
	〃	3	Rentl Income	2,004	〃	-
	〃	3	Operating revenues	3,309	〃	-
	〃	3	Interest income	23	〃	-
SHENZHEN GREEN TRANS	Peony Investment S.A.	3	Other receivables	5,673	〃	-
TRANSPORTATION CO., LTD.		3	Accounts payable	4,607	〃	-
Peony Investment S.A.	Evergreen India Pte. Ltd.	3	Other receivables	8,095	〃	0.01
	〃	3	Interest receivable	122	〃	-
	〃	3	Interest income	203	〃	-
Hatsu Marine Limited	Island Equipment LLC	3	Interest income	3,287	〃	-
	〃	3	Other receivables	92,227	〃	0.07

Note 1: Relationship of the parties involved in the transactions
"1" denotes downstream transactions.
"2" denotes upstream transactions.
"3" denotes inter-subsidiary transactions.
Note 2: The terms and conditions are not materially different from those with non-related parties.

Schedule 4 (Continued)

Evergreen Marine Corporation and Subsidiaries
Significant Inter-company Transactions
For the Six Months Ended June 30, 2005
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company Name	Counterparty	Relationship (Note 1)	Transaction			
			Financial Statement Account	Amount	Terms and Conditions	Operating Revenues / Total Assets
Evergreen Marine Corporation	Taiwan Terminal Services Co., Ltd.	1	Accounts payable	$38,432	Note 2	0.03
	〃	1	Operating costs	308,046	〃	0.46
	〃	1	Other receivables	287	〃	-
	Greencompass Marine S.A.	1	Operating revenues	51,825	〃	0.08
	〃	1	Agency reciprocal account	10,232	〃	0.01
	〃	1	Agency accounts - credits	754,049	〃	0.56
	〃	1	Accounts payable	32	〃	-
	〃	1	Operating costs	448,912	〃	0.66
	Hatsu Marine Ltd.	1	Agency reciprocal account	1,293	〃	-
	〃	1	Operating revenues	53,848	〃	0.08
	〃	1	Agency accounts - debits	244,082	〃	0.18
	〃	1	Accounts receivable	36,661	〃	0.03
	〃	1	Operating costs	299,928	〃	0.44
Peony Investment S.A.	Greencompass Marine S.A.	3	Other payables	1,896,450 (USD 60,000)	SIBOR + 0.4%; interest payable monthly	1.41
	〃	3	Interest expense	16,988	〃	0.03

Note 1: Relationship of the parties involved in the transactions
"1" denotes downstream transactions.
"2" denotes upstream transactions.
"3" denotes inter-subsidiary transactions.
Note 2: The terms and conditions are not materially different from those with non-related parties.

Schedule 5

Evergreen Marine Corporation and Subsidiaries

Loans Extended

For the Six Months Ended June 30, 2006

(Expressed in Thousands of Dollars)

Lender	Borrower	Financial Statement Account	Highest Balance	Balance as at Dec 31, 2005	Interest Rate (%)	Nature of Loan (Note1)	Annual Amount of Transactions with the Borrower	Reason for Short-Term Financing	Allowance for Bad Debts	Collateral		Limit on Loans Extended to a Single Company (Note2)	Maximum Amount of Loans Allowed to be Extended by the Company or its Subsidiaries (Note2)
										Item	Value		
Peony Investment S.A.	Evergreen India Pte. Ltd.	Receivables from related parties	USD 250	USD 250	4.50875-5.484	2	USD-	Working capital requirement	USD-	-	USD-	USD 253,714	USD 507,428
Clove Holding Ltd.	Island Equipment LLC	〃	USD 14,085	USD 6,836	5.54438-6.00000	2	USD-	〃	USD-	-	USD-	NTD 12,429,182	NTD 24,858,363
PT. Multi Bina Pura International	PT Multi Bina Transport	〃	USD 150	-	1.50	2	USD-	〃	USD-	-	USD-	NTD 12,429,182	NTD 24,858,363
Armand International N.V.	Armand Estate B.V.	〃	USD 2,691	USD 2,691	4.23	2	USD-	〃	USD-	-	USD-	NTD 12,429,182	NTD 24,858,363
Hatsu Marine Limited	Island Equipment LLC.	〃	USD 6,035	USD 2,848	5.54438-6.00000	2	USD-	〃	USD-	-	USD-	NTD 12,429,182	NTD 24,858,363

Note 1: Nature of loans extended

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

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

Note 2: Limit on loans extended

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

   The Company: NTD$ 62,145,908 thousand * 20%= NTD$12,429,182 thousand

   Peony: US$1,268,570 thousand * 20% = US$253,714 thousand

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

   The Company: NTD$ 62,145,908 thousand * 40% = NTD$24,858,363 thousand

   Peony: US$1,268,570 thousand * 40% = US$507,428 thousand

Schedule6

Evergreen Marine Corporation and Subsidiaries
Endorsements and Guarantees Provided
For the Six Months Ended June 30, 2006
(Expressed in Thousands of Dollars)

Endorser/Guarantor	Counterparty	Nature of Relationship (Note 1)	Limit on Endorsements/Guarantees Provided to a Single Company	Highest Balance	Balance as at June 30, 2006	Amount of Endorsements/Guarantees Secured with Collaterals	Ratio of Accumulated Amount of Endorsements/Guarantees to Net Worth (%)	Maximum Amount of Endorsements/Guarantees Allowed to be Provided by the Company or its Subsidiaries (Note 2)
Evergreen Marine Corporation	Greencompass Marine S.A.	3	$124,291,816	$7,627,075 (USD240,177)	$6,700,665 (USD206,932)	$-	10.78	$186,437,724
Evergreen Marine Corporation	Hatsu Marine Limited	3	124,291,816	16,752,213 (USD517,347)	16,752,213 (USD517,347)	-	26.96	
Evergreen Marine Corporation	Taranto Container Terminal S.P.A.	1	31,072,954	1,686,928 (USD52,682)	1,569,798 USD48,479	-	2.53	
Evergreen Marine Corporation	Whitney Equipment LLC.	3	124,291,816	217,590 (USD8,492)	254,126 (USD7,848)	-	0.41	
Evergreen Marine Corporation	Hemlock Equipment LLC.	3	124,291,816	1,386,418 (USD42,770)	1,336,623 USD41,278	-	2.15	
Evergreen Marine Corporation	Colon Container Terminal S.A.	6	31,072,954	594,021 (USD18,353)	534,869 (USD16,518)	-	0.86	
Evergreen Marine Corporation	Italia Marittima S.P.A	1	124,291,816	149,097 (USD 4,695)	- (USD-)	-	-	

Note 1: Nature of the counterparty's relationship with the Company or its subsidiaries
"1" denotes the endorsements/guarantees provided to the companies which have transactions with the Company or its subsidiaries.
"2" denotes the endorsements/guarantees provided to the subsidiaries of which the Company holds more than 50% of the common stock.
"3" denotes the endorsements/guarantees provided to the investees of which the Company together with its subsidiaries hold more than 50% of the common stock.
"4" denotes the endorsements/guarantees provided to the companies which directly or indirectly hold more than 50% of the Company's common stock.
"5" denotes the endorsements/guarantees provided pursuant to construction contracts.
"6" denotes the endorsements/guarantees provided to joint venture companies based on the Company's or its subsidiaries' proportionate equity interest in the company.

Note 2: According to the Company's credit policy, the total amount of endorsements or guarantees provided by the Company or its subsidiaries should not exceed 300% of the net worth stated in the latest financial statements.
The calculation is as follows:
The Company: NT$62,145,908 thousand * 300% = NT$186,437,724 thousand

Evergreen Marine Corporation and Subsidiaries
Marketable Securities Held as at June 30, 2006
(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Marketable Securities	Relationship with the Company	Financial Statement Account	Balance as at June 30, 2006				Remark
				No. of Shares/Units	Carrying Value	Ownership (%)	Market Value / Net Worth	
Evergreen Marine Corporation	Stocks:							
	Peony Investment S.A.	Subsidiary of the Company	Long-term equity investments accounted for by the equity method	4,765	$40,115,161	100.00	$40,164,619	
	Taiwan Terminal Services Co., Ltd.	〃	〃	5,500	77,051	55.00	77,051	
	Charng Yang Development Co., Ltd.	Investee company accounted for under equity method	〃	32,000	415,336	40.00	415,336	
	Evergreen International Storage and Transport Corp.	〃	〃	424,062	7,271,653	39.74	7,378,684	
	Evergreen Security Corporation	〃	〃	3,438	46,240	31.25	46,240	
	EVA Airways Corporation	〃	〃	750,571	9,163,493	20.02	10,357,883	
	Taipei Port Container Terminal Corporation	〃	〃	16,000	151,870	20.00	151,870	
	Toplogis Technology Corp.	〃	〃	1,000	2,277	25.00	2,277	
	Power World Fund Inc.	None	Financial assets carried at cost - non current	2,727	27,272	5.68	-	Couldn't acquire net worth in time
	Fubon Securities Finance Co., Ltd.	〃	〃	19,717	190,322	4.93	-	
	Taiwan HSR Consortium	〃	〃	126,735	1,250,000	2.53	-	
	Linden Technologies Inc.	〃	〃	50	15,372	2.53	-	
	Taiwan Fixed Network Corp.	〃	〃	70,000	700,000	1.08	-	
	Central Reinsurance Corp.	〃	Available-for-sale financial assets - non current	42,232	490,801	8.45	506,783	
	Fubon Financial Holding Co., Ltd.	〃	〃	2,853	7,344	0.04	79,897	
	China Petrochemical Development Corporation	〃	Financial assets held for trading	1,200	9,372	-	9,372	
	Sun Race Sturmey-Archer INC	〃	〃	618	2,509	-	2,509	
	China Man-Made Fiber Corporation	〃	〃	22	158	-	158	
	CMC Magnetics Corporation	〃	〃	169	1,578	-	1,578	
	OPTO TECH Corporation	〃	〃	300	4,620	-	4,620	
	Enlight Corporation	〃	〃	300	2,940	-	2,940	
	Delpha Construction CO., LTD.	〃	〃	150	694	-	694	
	Taiwan Life Insurance., Ltd	〃	〃	60	2,586	-	2,586	
	Quanta Display Inc.	〃	〃	509	6,208	-	6,208	
	Edom Technology Co,. Ltd.	〃	〃	150	2,325	-	2,325	
	Powerchip Semiconductor Corp.	〃	〃	110	2,338	-	2,338	
	Promos Technologies Inc	〃	〃	800	9,400	-	9,400	
	Taiwan Semiconductor CO., LTD	〃	〃	450	7,425	-	7,425	
	Lanner Electronics Inc	〃	〃	85	2,635	-	2,635	
	BSX	〃	〃	45	24,658	-	24,658	
	Mutual Fund:							
	Capital Strategic Growth Fund	〃	〃	2,000	19,720	-	19,720	
	Fuh Hwa Asia Tacific Balanced Fund	〃	〃	1,500	14,790	-	14,790	
	Global Short Term Fixed Income Fund	〃	〃	2,000	20,044	-	20,044	
	TIIM Grand Value Fund	〃	〃	1,220	14,596	-	14,596	
	Allianz Global Investors Global Quantitative Balanced Fund	〃	〃	6,000	59,820	-	59,820	
	Sino Pac Global Balanced Portfolio Fund	〃	〃	2,000	20,040	-	20,040	
	Polaris Global ETFs Fund of Funds	〃	〃	9,402	100,034	-	100,034	
	Tlam Happy Go Go Fund	〃	〃	5,000	48,261	-	48,261	
	Cathay Global Balance Fund of Fund	〃	〃	4,000	39,840	-	39,840	
	ING chb tri-go defensive portfolio	〃	〃	3,000	29,330	-	29,330	
	HSBC New Japan Fund of Fund	〃	〃	1,000	9,550	-	9,550	
	Adam Global Bond Fund	〃	〃	7,412	77,038	-	77,038	
	Truswell Global Balanced Fund	〃	〃	2,902	29,211	-	29,211	
	JPMF(Taiwan) Global Balanced Fund	〃	〃	2,654	30,387	-	30,387	
	Polaris Global ABS Fund (A)	〃	〃	7,000	69,263		69,263	

(Forward)

Evergreen Marine Corporation and Subsidiaries
Marketable Securities Held as at June 30, 2006
(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Marketable Securities	Relationship with the Company	Financial Statement Account	Balance as at June 30, 2006 No. of Shares / Units	Carrying Value	Ownership (%)	Market Value / Net Worth	Remark
Evergreen Marine Corporation	Mutual Funds:							
	FGIT Asia Pacific Growth Fund	None	Financial assets held for trading	4,000	$37,680	-	$37,680	
	Polaris Global Short-Duration Diversified Bond Fund	〃	〃	3,091	29,740	-	29,740	
	Paradigm Global Oil Resources High Yield Fund	〃	〃	2,947	30,088	-	30,088	
	TIIM Asian Real Estate Non-Dividend Fund	〃	〃	3,000	29,760	-	29,760	
	Capital Multi-Asset Allocation Fund	〃	〃	3,000	29,190	-	29,190	
	Sheng Hua 101 Global Mortgage Securitization Fund	〃	〃	2,000	20,083	-	20,083	
	Ta Chong North America Income Trust Fund	〃	〃	2,000	19,980	-	19,980	
	FGIT European Growth Fund	〃	〃	3,000	30,060	-	30,060	
	Trident Reit	〃	〃	2,000	20,060	-	20,060	
	Jih Sun Win-Tide Guaranteed Fund	〃	〃	3,000	29,670	-	29,670	
	Transcend Strategic Balanced Fund (series1)	〃	〃	3,000	31,543	-	31,543	
	Fubon Principal Protect Fund I	〃	〃	3,000	30,424	-	30,424	
	Fuhwa High Dividend TwII Private Fund	〃	〃	5,000	50,409	-	50,409	
	Transcend Strategic Growth(一) Fund	〃	〃	5,000	49,712	-	49,712	
	KGI Super Niche Fund	〃	〃	3,000	30,776	-	30,776	
	Transcend Strategic Balanced Fund (series2)	〃	〃	1,795	18,648	-	18,648	
	Transcend Strategic Balanced Fund (series5)	〃	〃	891	9,348	-	9,348	
	Cathay Wealthy One Fund	〃	〃	2,000	20,068	-	20,068	
	Sheng Hua Absolute Return Private Placement Fund	〃	〃	2,000	20,100	-	20,100	
	Fuh Hwa Unique Fund	〃	〃	2,100	21,021	-	21,021	
	Ta Chong Bond Fund	〃	〃	7,734	100,008	-	100,008	
	NITC Bound Fund	〃	〃	612	100,008	-	100,008	
	IIT Increment Fund	〃	〃	6,630	100,000	-	100,000	
	IIT Wan Pao	〃	〃	4,631	70,000	-	70,000	
	Paradigm Pion Fund	〃	〃	2,837	30,145	-	30,145	
	Jih sun bond fund	〃	〃	3,246	43,994	-	43,994	
	TLAM solomon bond fund	〃	〃	4,335	50,205	-	50,205	
	JF(Taiwan) Bond Fund	〃	〃	1,989	30,145	-	30,145	
	Fuhwa advantage bond fund	〃	〃	4,864	50,382	-	50,382	
	Prudential Financial Bond Fund	〃	〃	2,083	30,242	-	30,242	
	Fu Hwa Bond	〃	〃	4,551	60,245	-	60,245	
	Dresdner Bond DAM Fund	〃	〃	6,102	70,215	-	70,215	
	Mega Dimand Bon Fund	〃	〃	2,201	25,146	-	25,146	
	Kirin Bond Fund	〃	〃	9,100	100,000	-	100,000	
	Taiwan Bond Fund	〃	〃	63,346	80,370	-	80,370	
	Fubon Chi-Shiang Fund	〃	〃	12,337	160,445	-	160,445	
	Fubon Chi-Shiang Fund II	〃	〃	2,857	30,000	-	30,000	
	Capital Income Fund	〃	〃	1,360	20,095	-	20,095	
	Fubon Chi-Shiang Fund III	〃	〃	7,599	80,006	-	80,006	
	Fuh Hwa Albatross Fund	〃	〃	8,920	100,007	-	100,007	
	Franklin US Government Fund	〃	〃	113	32,512	-	32,512	
	MFS Meridian Emerg MKTS DEBT FD	〃	〃	145	82,010	-	82,010	
	MFS Inflation Adjusted Bond Fund	〃	〃	253	79,125	-	79,125	
	Forsyth Alternative Income Fund Class R (Jpy)	〃	〃	85	29,224	-	29,224	
	Skandia Global Bond Fund Class B	〃	〃	41	15,796	-	15,796	
	ABN AMRO HONG KONG EQUITY GUARANTEED FUND	〃	〃	10	29,347	-	29,347	
	Alexandra Global Inv. (Asia) B	〃	〃	39	18,545	-	18,545	
	Investec Global Energy Fund "C" Inc	〃	〃	1	15,104	-	15,104	
	ABN ASIA BOND FUND A	〃	〃	10	32,010	-	32,010	
	JULIUS BAER DIVERSIFIED FIXED INCOME HEDGE FUND	〃	〃	10	28,044	-	28,044	
	Fidelity Funds-Japan Fund	〃	〃	412	25,968	-	25,968	
	Nippon Small / Mid Cap Equity Fund A	〃	〃	67	23,067	-	23,067	
	Asian Strategic Balanced Return (A share)	〃	〃	99	32,823	-	32,823	

(Forward)

Evergreen Marine Corporation and Subsidiaries
Marketable Securities Held as at June 30, 2006
(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Marketable Securities	Relationship with the Company	Financial Statement Account	Balance as at June 30, 2006				Remark
				No. of Shares/Units	Carrying Value	Ownership (%)	Market Value / Net Worth	
Evergreen Marine Corporation	Mutual Fund:							
	Forsyth Commidity	None	Financial assets held for trading	76	$40,457	-	$40,457	
	PERMAL FUND	〃	〃	1	9,749	-	9,749	
	Jih Sun USD Denominated Oriental winner	〃	〃	50	15,834	-	15,834	
	TOPIX.BANK.ETF	〃	〃	232	29,229	-	29,229	
	Bond：							
	Korea Container Authority Bonds	〃	Held-to-maturity financial assets - non current	-	25,455	-	25,455	
	Corporate Bonds：							
	TUNTEX (THAILAND) PUBLIC COMPANY LIMITED	〃	Debt investments with no active market - non current	16	12,709	-	12,709	
	MERRILL LYNCH	〃	Financial assets held for trading	1	3,575	-	3,575	
Peony Investment S.A.	Greencompass Marine S.A.	Indirect subsidiary of the Company	Long-term equity investments accounted for by the equity method	3,535	USD 773,295	100.00	USD 773,295	
	Vigor Enterprise S.A.	Indirect subsidiary of the Company	〃	5	USD 541	100.00	USD 541	
	Clove Holding Ltd.	Indirect subsidiary of the Company	〃	10	USD 59,959	100.00	USD 59,959	
	Evergreen Heavy Industrial Corp. (M) Berhad	Indirect subsidiary of the Company	〃	42,120	USD 36,267	84.44	USD 36,267	
	PT. Multi Bina Pura International	Indirect subsidiary of the Company	〃	68	USD 10,480	95.30	USD 10,480	
	PT. Multi Bina Transport	Indirect subsidiary of the Company	〃	2	USD 227	17.39	USD 227	
	Armand Investment (Nether Lands) N.V.	Indirect subsidiary of the Company	〃	4	USD 1,697	70.00	USD 1,697	
	Shenzhen Greentrans Transportation Co., Ltd.	Indirect subsidiary of the Company	〃	-	USD 3,192	55.00	USD 3,192	
	Hatsu Marine Limited	Indirect subsidiary of the Company	〃	765	USD 102,252	51.00	USD 102,252	
	Luanta Investment (Netherlands) N.V.	Investee company of Peony accounted for under equity method	〃	-	USD 18,873	50.00	USD 18,873	
	Evergreen Container Terminal (Thailand) Ltd.	Investee company of Peony accounted for under equity method	〃	12,250	USD 21,609	48.18	USD 21,609	
	Shanghai Jifa Logistics Co., Ltd.	Investee company of Peony accounted for under equity method	〃	-	USD 7,899	21.06	USD 7,899	
	Ningbo Victory Container Co., Ltd.	Investee company of Peony accounted for under equity method	〃	-	USD 2,567	40.00	USD 2,567	
	Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Investee company of Peony accounted for under equity method	〃	-	USD 5,177	40.00	USD 5,177	
	Balsam Investment (Nether lands) N.V.	Investee company of Peony accounted for under equity method	〃	-	USD 177,912	49.00	USD 177,912	
	Evergreen Shipping Singapore Pte. Ltd.	Investee company of Peony accounted for under equity method	〃	383	USD 1,227	25.50	USD 1,227	
	Evergreen Korea Corporation	Investee company of Peony accounted for under equity method	〃	61	USD 2,270	50.00	USD 2,270	
	Evergreen Star (Thailand) Co., Ltd.	Investee company of Peony accounted for under equity method	〃	204	USD 1,271	25.50	USD 1,271	
	PT. Evergreen Marine Indonesia	Investee company of Peony accounted for under equity method	〃	-	USD 848	25.44	USD 848	
	Evergreen India Pte Ltd.	Investee company of Peony accounted for under equity method	〃	5	USD 86	49.98	USD 86	
	Evergreen Marine Australia Pty Ltd.	Investee company of Peony accounted for under equity method	〃	245	USD 165	25.50	USD 165	
	Hutchison Inland Container Depots Limited	None	Financial assets carried at cost -non current	-	USD 1,492	7.50	USD 1,492	
	South Asia Gateway Terminals	〃	〃	6,211	USD 2,412	5.00	USD 2,412	
	Dongbu Pusan Container Terminal Co., Ltd.	〃	〃	300	USD 1,556	15.00	USD 1,556	

(Forward)

Schedule 7 (Continued)

Evergreen Marine Corporation and Subsidiaries

Marketable Securities Held as at June 30, 2006

(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Marketable Securities	Relationship with the Company	Financial Statement Account	Balance as at June 30, 2006				Remark
				No. of Shares/Units	Carrying Value	Ownership (%)	Market Value / Net Worth	
PT. Multi Bina Pura International	PT. Multi Bina Transport	Indirect subsidiary of Peony	Long-term equity investments accounted for by the equity method	8	USD934	72.95	USD934	
Clove Holding Ltd.	Ample Holding LTD.	Indirect subsidiary of Peony	〃	9	USD21,237	90.00	USD21,237	
	Classic Outlook Investment Ltd.	Investee company of Clove accounted for under cost method	Financial assets carried at cost	-	USD102,359	2.25	USD102,359	
	Everup profits ltd.	Investee company of Clove accounted for under cost method	〃	-	-	2.25	-	
	Island Equipment LLC	Indirect subsidiary of Peony	Long-term equity investments accounted for by the equity method	-	USD602	36.00	USD602	
Ample Holding Ltd.	Colon Container Terminal S.A.	Investee company of Ample accounted for under equity method	〃	22,860	USD55,101	40.00	USD55,101	
Island Equipment LLC	Whitney Equipment LLC	Investee company of Island accounted for under equity method	〃	-	USD723	100.00	USD723	
	Hemlock Equipment LLC	Investee company of Island accounted for under equity method	〃	-	USD770	100.00	USD770	
Hatsu Marine Limited	Island Equipment LLC	Indirect subsidiary of Peony	〃	-	USD175	15.00	USD175	
Armand Investment (Netherlands) N.V.	Armand Estate (Netherlands) B.V.	Indirect subsidiary of Peony	〃	40	(USD282)	100.00	(USD282)	
Armand Estated (Netherlands)B.V.	Taipei Port Container Terminal	Investee company of Armand Estate B.V. accounted for under equity method	〃	80,000	USD2,350	10.00	USD2,350	
Greencompass Marines S.A.	UG. Hidden Dragon Balance Fund B	None	Financial assets at fair value through profit or loss	103	USD1,313	-	USD1,313	
	Portus Banc Notes Series X	〃	〃	98	USD200	-	USD200	
	UBS Forward Arbitrage Strategy Fast Notes	〃	〃	50	USD4,563	-	USD4,653	
	ABN AMRO Global Emerging Bonds Capital Protected Notes	〃	〃	17	USD4,630	-	USD4,630	
	Quanta display CLN	〃	〃	1	USD1,011	-	USD1,011	
	Hannstar CLN	〃	〃	1	USD1,000	-	USD1,000	

Schedule 8

Evergreen Marine Corporation and Subsidiaries

Summary of Significant Transactions on One Specific Security

Exceeding NT$100 Million or 20 Percent of the Paid-in Capital

For the Six Months Ended June 30, 2006

(Expressed in Thousands of Dollars / Thousand Shares)

					January 1, 2006		Buy		Sell				June 30, 2006	
Buyer / Seller	Marketable Securities	Financial Statement Account	Counterparty	Related Party	No. of Shares / Units	Amount (Note)	No. of Shares / Units	Amount	No. of Shares / Units	Selling Price	Carrying Value	Gain (Loss) on Disposal	No. of Shares / Units	Amount
Evergreen	Mutual Funds:													
Marine	Grand Cathy Bond Fund	Financial assets held for trading	Open market transaction	No	7,823	$100,000	-	$-	7,823	$100,047	$100,000	$47	-	$-
Corporation	Paradigm pion fund	〃	〃	〃	9,475	100,000	2,837	30,000	9,475	100,047	100,000	47	2,837	30,000
	Jih sun bond fund	〃	〃	〃	30,292	403,200	-	-	27,046	364,882	360,000	4,882	3,246	43,200
	TLAM solomon bond fund	〃	〃	〃	8,696	100,000	4,335	50,000	8,696	100,054	100,000	54	4,335	50,000
	JF(Taiwan) Bond Fund	〃	〃	〃	6,644	100,000	1,989	30,000	6,644	100,050	100,000	50	1,989	30,000
	Fuhwa advantage bond fund	〃	〃	〃	19,450	200,000	-	-	14,586	150,182	150,000	182	4,864	50,000
	TIIM Bond Fund	〃	〃	〃	7,156	100,000	-	-	7,156	100,041	100,000	41	-	-
	Cathay Fund	〃	〃	〃	8,786	100,000	2,633	30,000	11,419	130,176	130,000	176	-	-
	President Home Run	〃	〃	〃	7,222	100,000	2,884	40,000	10,106	140,195	140,000	195	-	-
	Fubon Chi-Shiang Fund	〃	〃	〃	6,958	100,000	6,255	90,000	13,212	190,092	190,000	92	-	-
	Transcend strategic bond fund	〃	〃	〃	8,330	100,000	-	-	8,330	100,047	100,000	47	-	-
	Dresdner Bond DAM Fund	〃	〃	〃	8,751	100,000	6,102	70,000	8,751	100,053	100,000	53	6,102	70,000
	New Light Taiwan Bond Fund	〃	〃	〃	9,887	100,000	-	-	9,887	100,051	100,000	51	-	-
	Taishin Lucky Fund	〃	〃	〃	11,365	115,000	2,959	30,000	14,324	145,115	145,000	115	-	-
	IIT Increment Fund	〃	〃	〃	6,630	100,000	-	-	-	-	-	-	6,630	100,000
	Fubon Chi-Shiang Fund	〃	〃	〃	-	-	12,337	160,000	-	-	-	-	12,337	160,000
	Fubon Chi-Shiang Fund III	〃	〃	〃	-	-	14,271	150,000	6,672	70,118	70,000	118	7,599	80,000
	Polaris De Bao Fund	〃	〃	〃	9,146	100,000	1,826	20,000	10,972	120,155	120,000	155	-	-
	NITC Bond Fund	〃	〃	〃	-	-	612	100,000	-	-	-	-	612	100,000
	Kirin Bond Fund	〃	〃	〃	-	-	11,843	130,000	2,743	30,035	30,000	35	9,100	100,000
	Fuh Hwa Albatross Fund	〃	〃	〃	-	-	14,283	160,000	5,363	60,081	60,000	81	8,920	100,000
	Ta Chong Bond Fund	〃	〃	〃	-	-	7,734	100,000	-	-	-	-	7,734	100,000

Note: Initial amount prior to valuation.

Schedule 9

Evergreen Marine Corporation and Subsidiaries
Purchases from and Sales to Related Parties
For the Six Months Ended June 30, 2006
(Expressed in Thousands of Dollars)

Purchaser / Seller	Counterparty	Nature of Relationship	Transaction: Purchases / Sales	Transaction: Amount	Transaction: % of the Total Purchases / Sales	Transaction: Credit Term	Reason for Difference in the Terms on Related Party Transactions: Unit Price	Reason for Difference in the Terms on Related Party Transactions: Credit Term	Notes / Accounts Receivable (Payable): Balance	Notes / Accounts Receivable (Payable): % of Total Notes / Accounts Receivable (Payable)	Remark
Evergreen Marine Corporation	Evergreen International Storage & Transport Corp. (EITC)	Investee accounted for by equity method	Purchases	$479,691	2.94	30~60 days	$-	-	$(9,815)	0.27	
							-	-			
	Evergreen International Corp.	Investee of the Company's major stockholder	Purchases	240,861	1.48	30~60 days	-	-	(1,940)	0.05	
	Taiwan Terminal Services Co., Ltd.	Subsidiary of the Company	Purchases	333,839	2.05	30~60 days	-	-	(48,656)	1.34	
	Hatsu Marine Limited	Indirect subsidiary of the Company	Purchases	445,900	2.73	30~60 days	-	-	(767,872)	21.13	
			Sales	405,491	2.28	30~60 days	-	-	87,722	4.42	
	Greencompass Marine S.A.	Indirect subsidiary of the Company	Purchases	496,488	3.04	30~60 days	-	-	-	-	
	Gaining Enterprise S.A.	Subsidiary of EITC accounted for by equity method	Purchases	885,682	5.43	30~60 days	-	-	-	-	
	Italia Marittmas S.P.A	Investee of the Company's subsidiary with significant influence	Sales	974,752	5.49	30~60 days	-	-	212,229	10.69	
Taiwan Teminal Service Co., Ltd.	Evergreen Marine Corporation	Parent company	Sales	337,973	99.68	30~60 days	-	-	72,788	99.86	
Hatsu Marine Limited	Evergreen Marine Corporation	Parent company	Sales	GBP 6,390	2.26	30~60 days	-	-	GBP 2,319	5.97	
			Purchase	GBP 538	0.19	30~60 days	-	-	GBP -	-	
Greencompass Marine S.A.	Evergreen Marine Corporation	Parent company	Sales	USD 2,117	0.18	30~60 days	-	-	USD 337	0.40	
			Purchase	USD 15,541	1.34	30~60 days	-	-	USD 468	0.21	

Evergreen Marine Corporation and Subsidiaries
Receivables from Related Parties
Exceeding NT$100 Million or 20 Percent of the Paid-in Capital
June 30, 2006
(Expressed in Thousands of Dollars)

Creditor	Counterparty	Nature of Relationship	Balance as at June 30, 2006		Turnover Rate (No. of Times)	Overdue Receivables		Amount Received Subsequent to the Balance Sheet Date	Allowance for Bad Debts
						Amount	Action Taken		
Evergreen Marine Corporation	Italia Marittima S.P.A	Subsidiary of Peony	Accounts receivable	$212,229		$-	-	$212,229	$-
	Evergreen International Storage & Transport Corp. (EITC)	Investee accounted for by equity method	Other receivable	387,080		-	-	-	-
	EVA Airways Corp.	Investee accounted for by equity method	Other receivable	150,206		-	-	-	-
	Evergreen International Corp.	Investee of the Company's major stockholder	Other receivable	164,575		-	-	144,574	-
Hatsu Marine Limited	Island Equipment LLC.	Indirect subsidiary of Peony	Accounts receivable - related party	USD$2,848		USD -	-	USD -	USD -
Clove Holding Ltd.	Island Equipment LLC.	Indirect subsidiary of Peony	Accounts receivable - related party	USD$6,836		USD -	-	USD -	USD -

Schedule 11

Evergreen Marine Corporation and Subsidiaries

Information on Investee Companies

For the Six Months Ended June 30, 2006

(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Investee	Address	Main Business	Initial Investment Amount		Shares Held as at June 30, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Remark
				Balance as at June 30, 2006	Balance as at January 1, 2006	No. of Shares	Ownership (%)	Carrying Value			
Evergreen Marine Corporation	Peony Investment S.A.	53Rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama	Investment activities	USD 476,500	USD 476,500	4,765	100.00	$40,115,161	$(1,675,505)	$(1,661,330)	Subsidiary of the Company
	Taiwan Terminal Services Co., Ltd.	2F, No.177, Ssu Wei 4th Rd., Lingya District, Kaohsiung, Taiwan	Loading and discharging operations of container yards	55,000	55,000	5,500	55.00	77,051	13,570	7,086	Subsidiary of the Company
	Charng Yang Development Co., Ltd.	2F, No.369, Jingguo Rd., Taoyuan City, Taoyuan County, Taiwan	Development, rental and sale of residential and commercial buildings	320,000	320,000	32,000	40.00	415,336	33,349	13,340	Investee accounted for by equity method
	Evergreen International Storage and Transport Corporation	No.899, Jingguo Rd., Taoyuan City, Taoyuan County, Taiwan	Container transportation and gas stations	4,753,514	4,753,514	424,062	39.74	7,271,653	862,456	57,881	Investee accounted for by equity method
	Evergreen Security Corporation	4&5F, No. 111, Sungjiang Rd., Taipei, Taiwan	General security guards services	25,000	25,000	3,438	31.25	46,240	22,319	5,412	Investee accounted for by equity method
	EVA Airways Corporation	11F, No.376, Hsinnan Rd., Section 1, Lu Chu Hsiang, Taoyuan County, Taiwan	International passenger and cargo transportation	9,267,879	8,569,973	750,571	20.02	9,163,493	(845,015)	(180,909)	Investee accounted for by equity method
	Taipei Port Container Terminal Corporation	6F-1, No.220, Songjiang Rd., Taipei, Taiwan	Container distribution and cargo stevedoring	160,000	160,000	16,000	20.00	151,870	(6,745)	(1,349)	Investee accounted for by equity method
	Toplogis Technology Corporation	3F-3, No.185, Kewang Rd., Gaoyuan Village, Longtan Shiang, Taoyuan County	IT services and design and wholesale of software	10,000	10,000	1,000	25.00	2,277	(7,144)	(1,786)	Investee accounted for by equity method

(Forward)

Evergreen Marine Corporation and Subsidiaries
Information on Investee Companies
For the Six Months Ended June 30, 2006
(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Investee	Address	Main Business	Initial Investment Amount		Shares Held as at June 30, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Remark
				Balance as at June 30, 2006	Balance as at January 1, 2006	No. of Shares	Ownership (%)	Carrying Value			
Peony Investment S.A.	Greencompass Marine S.A.	53rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama, Republic of Panama	Marine transportation	USD 353,500	USD 353,500	3,535	100.00	USD 773,295	(USD 25,611)	(USD 25,611)	Indirect subsidiary of the Company
	Vigor Enterprise S.A.	53rd Street, Urbanizacion Obarrio Torre Swiss Bank, 2nd Floor, Panama, Republic of Panama	Investment holding company	USD 500	USD 8,000	5	100.00	USD 541	USD 41	USD 41	Indirect subsidiary of the Company
	Clove Holding Ltd.	Craigmuir Chambers, P. O. Box71, Road Town, Tortola, B. V. I.	Investment holding company	USD 10	USD 10	10	100.00	USD 59,959	(USD 9)	(USD 9)	Indirect subsidiary of the Company
	Hatsu Marine Limited	160 Euston Road, London NW 12 DX, U.K.	Marine transportation	USD 1,503	USD 1,503	765	51.00	USD 102,252	(USD 20,308)	(USD 10,357)	Indirect subsidiary of the Company
	Evergreen Heavy Industrial Co. (Malaysia) Berhad	Lot 139, Jalan, Cecair, Phase 2 Free Trade Zone Johor Port Authority, B1700 Pasir Gudang, Johor, Johore Bahru, Malaysia	Container manufacturing	USD 27,295	USD 27,295	42,120	84.44	USD 36,267	(USD 1,354)	(USD 1,143)	Indirect subsidiary of the Company
	PT. Multi Bina Pura International	JL Raya Cakung Cilincing, RT, 002-05, Desa Rorotan P.O. Box 6043 Jakarta 14260. Indonesia Lot 139, Jalan	Loading and discharging operations of container yards and inland transportation	USD 20,204	USD 20,204	68	95.30	USD 10,480	USD 538	USD 512	Indirect subsidiary of the Company
	PT. Multi Bina Transport	JL Raya Cakung Cilincing, RT, 002-05, Desa Rorotan P.O. Box 6043 Jakarta 14260. Indonesia Lot 139, Jalan	Loading and discharging operations of container yards and inland transportation	Rp 1,800,000	Rp 1,800,000	2	17.39	USD 227	USD 179	USD 31	Indirect subsidiary of the Company
	PT. Evergreen Marine Indonesia	Gedung Price waterhouse Coopers 9-10th Floors Jl. H.R. Rasuna said kav. C-03 Jakarta 12920, Indonesia	Shipping agency	USD 258	USD 258	-	25.44	USD 848	USD 167	USD 42	Investee company of Peony accounted for under equity method
	Luanta Investment (Netherlands) N.V.	21-A Van Engelenweg, Curacao, Netherlands, Antilles	Investment holding company	USD 21,973	USD 21,973	-	50.00	USD 18,873	(USD 1,100)	(USD 555)	Investee company of Peony accounted for under equity method
	Balsam Investment (Netherlands) N.V.	21-A Van Englenweg, Curacao, Netherlands, Antilles	Investment holding company	USD 50,715	USD 50,715	-	49.00	USD 177,912	(USD 39,005)	(USD 19,112)	Investee company of Peony accounted for under equity method
	Shanghai Jifa Logistics Co., Ltd.	12F, Jifa Building, No.4049C, Jungong Rd., Shanghai City	Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities	USD 6,635	USD 6,635	-	21.06	USD 7,899	USD 842	USD 117	Investee company of Peony accounted for under equity method
	Shenzhen Greentrans Transportation Co., Ltd.	San Jiao Long Warehouse & Storage Zone, Fu Kang Road, Hengang Town, Shenzhen, China	Loading, discharging, storage, repair, cleaning and transportation of containers	USD 3,134	USD 3,134	-	55.00	USD 3,192	USD 117	USD 64	Indirect subsidiary of the Company
	Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Unit 403, 3F, Eastern Garden, No.138 A-Li Mountain Rd., Huangdao Development Dist. Qingdao City	Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities	USD 4,447	USD 4,447	-	40.00	USD 5,177	USD 739	USD 296	Investee company of Peony accounted for under equity method
	Ningbo Victory Container Co., Ltd.	No.201 Area, Beilnn Xiaoshan Industrial Estate, Ningbo Economic and Technical Development Zone, China	Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities	USD 1,199	USD 1,199	-	40.00	USD 2,567	USD 1,169	USD 468	Investee company of Peony accounted for under equity method

(Forward)

Evergreen Marine Corporation and Subsidiaries

Information on Investee Companies

For the Six Months Ended June 30, 2006

(Expressed in Thousands of Dollars / Thousand Shares)

Investor	Investee	Address	Main Business	Initial Investment Amount		Shares Held as at June 30, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Remark
				Balance as at June 30, 2006	Balance as at January 1, 2006	No. of Shares	Ownership (%)	Carrying Value			
Peony Investment S.A.	Evergreen Container Terminal (Thailand) Ltd.	33/4 Moo 1, Chaokhun Tahan Road, Sun District Klong 3, Lat Krabang District, Bangkok 10520	Loading and discharging of containers	USD 28,636	USD 28,636	12,250	48.18	USD 21,609	USD 3,810	USD 1,836	Investee company of Peony accounted for under equity method
	Evergreen Shipping (S) Pte. Ltd.	333 Jalan Besar, Singapore 209018	Shipping agency	USD 219	USD 219	383	25.50	USD 1,227	USD 541	USD 138	Investee company of Peony accounted for under equity method
	Evergreen Star (Thailand) Co. Ltd.	Green Tower, 24-25th Floors 3656/81 Rama IV Road Klongton Klongtoey Bangkok 10110	Shipping agency	USD 238	USD 238	204	25.50	USD 1,271	USD 1,751	USD 446	Investee company of Peony accounted for under equity method
	Evergreen Korea Corporation	15th Fl., Korea Express Center, 83-5, 4-Ka, Jung-Ang Dong Jung-Ku, Pusan, Republic of Korea	Shipping agency	USD 238	USD 238	61	50.00	USD 2,270	USD 166	USD 83	Investee company of Peony accounted for under equity method
	Armand Investment (Netherlands) N.V.	Van Engelenweg 21A Curacao Netherlands Antilles	Investment holding company	USD 1,750	USD 1,750	4	70.00	USD 1,696	(USD 44)	(USD 31)	Indirect subsidiary of the Company
	Evergreen India Pte. Ltd.	J.N. Heredia Marg Ballard Estate Mumbai 400 038, India	Shipping agency	USD 12	USD 12	5	49.98	USD 86	USD 118	USD 59	Investee company of Peony accounted for under equity method
	Evergreen Marine Australia Pty Ltd.	Level 13,181 Miller Street, North Sydney NSW 2060 Australia	Shipping agency	USD-	USD-	-	25.50	USD 165	USD 447	USD 114	Investee company of Peony accounted for under equity method

Evergreen Marine Corporation and Subsidiaries－Greencompass Marine S. A.
Derivative financial instrument undertaken by the Company and its investee
June 30, 2006

1. Derivative financial instruments:

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

	June 30, 2006				June 30, 2005			
Financial Instruments	Notional Principal (Contract Amount)		Credit Risk		Notional Principal (Contract Amount		Credit Risk	
Interest rate swaps (IRS)	USD	113,419	USD	270	USD	-	USD	-
Foreign exchange option	EUR	5,000	USD	-	USD	-	USD	-

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

(2) Market risk

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

(3) Liquidity risk, cash flow risk and the amount, timing and uncertainty of demand for future cash flow.

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

(4) The types, objectives and strategies of holding derivative financial instruments

The derivative financial instruments undertaken by the Company are held for trading and non-trading purposes. The primary objectives of derivative financial instruments held for non-trading purposes are to mitigate risk of debt obligations and commitments arising from fluctuations in interest rates and exchange rate. The hedging strategy of the Company focuses on mitigating market price risks. On the other hand, the primary objective of the derivative financial instruments held for trading purposes is to profit from exchange rate and price differentials.

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

1) Interest rate swaps:

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

2) Foreign Exchange Option:

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

2. Fair values of financial instruments

Derivative financial instruments	June 30, 2006 Carrying Value		June 30, 2006 Fair Value		June 30, 2005 Carrying Value		June 30, 2005 Fair Value	
Interest rate swaps	USD	(69)	USD	(69)	USD	-	USD	-
Foreign exchange options	USD	(94)	USD	(94)	USD	-	USD	-

Evergreen Marine Corporation
Investments in Mainland China
For the Six Months Ended June 30, 2006
(Expressed in Thousands of Dollars)

Investee in Mainland China	Main Business	Paid-in Capital	Way of Investing in Mainland China (Note 1)	Balance of Investments in Mainland China as at January 1, 2006	Investment Amount Remitted to Mainland China from Taiwan during 2006	Amount Remitted Back to Taiwan from Mainland China during 2006	Balance of Investments in Mainland China as at June 30, 2006	The Company's Direct / Indirect Ownership in the Investee (%)	Investment Income (Loss) for 2006 (Note 2)	Carrying Value of Investments as at June 30, 2006	Accumulated Amount of Investment Income Remitted Back to Taiwan as at June 30, 2006
Shanghai Jifa Logistics Co., Ltd.	Inland container transportation , container storage, loading, discharging, leasing, repair, cleaning and related activities	RMB271,565	(2)	$194,286 (USD 6,000)	$-	$-	$194,286 (USD 6,000)	21.06	$5,697 (USD 177)	$255,778 (USD 7,899)	$-
Ningbo Victory Container Co., Ltd.	Inland container transportation, container storage, loading and discharging	RMB24,119	(2)	$32,964 (USD 1,018)	-	-	32,964 (USD 1,018)	40.00	15,063 (USD 468)	83,122 (USD 2,567)	-
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Inland container transportation, container storage, loading, discharging, leasing, repair, cleaning and related activities	RMB92,500	(2)	$143,998 (USD 4,447)	-	-	143,998 (USD 4,447)	40.00	9,527 (USD 296)	167,636 (USD 5,177)	-
Shenzhen Greentrans Transportation Co., Ltd.	Inland container loading, discharging, storage, repair, cleaning and related activities	RMB44,960	(2)	$101,482 (USD 3,134)	-	-	101,482 (USD 3,134)	55.00	2,060 (USD 64)	103,360 (USD 3,192)	-
Shenzhen Hutchison Inland Container Depots Co., Ltd.	Inland container yard	HKD92,000	(2)	26,281 (HKD 6,304)	-	-	26,281 (HKD 6,304)	6.85	-	26,281 (HKD 6,304)	-

Balance of Investments in Mainland China as at June 30, 2006	Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Quota of Investments in Mainland China Imposed by the Investment Commission of MOEA	
$499,012 (USD 14,599) (HKD 6,304)	$1,084,278 (USD 33,485)	Net worth under $5,000,000,000 (40%)	$2,000,000
		Net worth between $5,000,000,000 and $10,000,000,000 (30%)	1,500,000
		Net worth over $10,000,000,000 (20%)	9,290,933
			$12,790,933

(Net worth of the Company: NT$56,454,665)

Note 1: Investments in Mainland China can be conducted by the following ways:
(1) Remitting the funds to Mainland China via a thirty country
(2) Via a new investee to be set up in a third country
(3) Via an existing investee set up in a third country
(4) Investing directly in Mainland China
(5) Others

Note 2: Investment income (loss) for the year
"(1)" denotes that the investee is still in the start-up stage.
"(2)" denotes the basis on which the investment income (loss) is recognized.
(a) Based on the investee's financial statements audited by an international accounting firm other than the Company's auditor
(b) Based on the investee's financial statements audited by the Company's auditor
(c) Others