

**EVERGREEN MARINE CORPORATION (TAIWAN)  
LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
SEPTEMBER 30, 2018 AND 2017**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Evergreen Marine Corporation (Taiwan) Ltd. and subsidiaries (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Basis for Qualified Conclusion***

As explained in Note 6(7), we did not review the financial statements of certain investments accounted for under the equity method, which statements reflect investments accounted for under the equity method

of NT\$2,361,434 thousand and NT\$2,226,231 thousand, constituting 1.08% and 1.15% of the consolidated total assets as of September 30, 2018 and 2017, respectively, and comprehensive income and loss under the equity method of NT\$52,830 thousand, NT\$30,400 thousand, NT\$154,723 thousand, and NT\$85,141 thousand, constituting 21.03%, 0.77%, (31.34%), and 1.58% of the consolidated total comprehensive income and loss for the three-month and nine-month periods then ended September 30, 2018 and 2017, respectively. These amounts and the related information disclosed in Note 13 were based on the unreviewed financial statements of such investee companies.

### ***Qualified Conclusion***

Based on our reviews and the reports of other independent accountants, except for the possible effects on the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain investments accounted for under the equity method and the related information disclosed in Note 13 been reviewed by independent accountants as explained in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

### ***Other Matter – Review Reports by Other Independent Accountants***

We did not review the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our report expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 13 was based solely on the review reports of other independent accountants. These consolidated subsidiaries

reflect total assets of NT\$55,742,426 thousand and NT\$55,188,581 thousand, constituting 25.51% and 28.54% of the consolidated total assets as at September 30, 2018 and 2017, and total operating revenues of NT\$12,848,294 thousand, NT\$15,779,812 thousand, NT\$37,711,865 thousand and NT\$42,185,380 thousand, constituting 28.61%, 38.00%, 31.42% and 37.31% of the consolidated total operating revenues for the three-month and nine-month periods then ended, respectively. The investments accounted for under the equity method amounted to NT\$16,424,746 thousand and NT\$15,707,693 thousand, constituting 7.52% and 8.12% of the consolidated total assets as at September 30, 2018 and 2017, and the comprehensive income and loss under equity method was NT\$253,723 thousand, NT\$1,191,683 thousand, NT\$461,906 thousand and NT\$1,659,451 thousand, constituting 100.99%, 30.33%, (93.56%) and 30.82% of the consolidated total comprehensive income and loss for the three-month and nine-month periods then ended, respectively.

Lee, Hsiu-Ling

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

November 11, 2018

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

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

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 36,027,373	17	\$ 38,108,263	19	\$ 38,268,225	20
1140	Current contract assets	6(21)	1,941,581	1	-	-	-	-
1150	Notes receivable, net	6(4)	61,798	-	66,410	-	37,626	-
1170	Accounts receivable, net	6(4)	13,587,947	6	12,976,049	7	14,245,049	7
1180	Accounts receivable, net - related parties	7	542,555	-	793,621	-	829,117	-
1200	Other receivables		945,204	1	396,179	-	478,205	-
1210	Other receivables - related parties	7	680,060	-	486,727	-	466,711	-
1220	Current income tax assets		124,089	-	159,893	-	31,375	-
130X	Inventories	6(5)	5,289,985	2	3,719,429	2	3,351,216	2
1410	Prepayments		1,437,184	1	1,579,564	1	1,406,145	1
1470	Other current assets	6(6) and 8	1,960,312	1	2,665,093	1	3,064,076	2
11XX	<b>Current assets</b>		<u>62,598,088</u>	<u>29</u>	<u>60,951,228</u>	<u>30</u>	<u>62,177,745</u>	<u>32</u>
<b>Non-current assets</b>								
1517	Total non-current financial assets at fair value through other comprehensive income	6(2)	1,644,565	1	-	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	2,282,619	1	2,715,593	1
1527	Held-to-maturity financial assets - non-current	12(4)	-	-	100,000	-	100,000	-
1535	Non-current financial assets at amortised cost, net	6(3)	100,000	-	-	-	-	-
1550	Investments accounted for using equity method	6(7)	28,009,421	13	26,783,026	14	26,767,290	14
1600	Property, plant and equipment, net	6(8), 8 and 9	114,262,096	52	97,687,454	49	92,345,444	48
1760	Investment property, net	6(9) and 8	4,882,954	2	4,969,272	3	1,922,809	1
1780	Intangible assets		157,606	-	159,667	-	95,586	-
1840	Deferred income tax assets	6(28)	883,201	-	708,266	-	640,642	-
1900	Other non-current assets	6(10)(15) and 8	5,953,432	3	6,438,365	3	6,619,135	4
15XX	<b>Non-current assets</b>		<u>155,893,275</u>	<u>71</u>	<u>139,128,669</u>	<u>70</u>	<u>131,206,499</u>	<u>68</u>
1XXX	<b>Total assets</b>		<u>\$ 218,491,363</u>	<u>100</u>	<u>\$ 200,079,897</u>	<u>100</u>	<u>\$ 193,384,244</u>	<u>100</u>

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**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>								
2130	Current contract liabilities	6(21)	\$ 1,084,824	-	\$ -	-	\$ -	-
2170	Accounts payable		19,975,912	9	15,358,651	8	15,073,040	8
2180	Accounts payable - related parties	7	246,086	-	203,868	-	366,906	-
2200	Other payables		3,790,670	2	3,111,155	2	1,647,697	1
2220	Other payables - related parties	7	1,160,754	1	1,002,731	1	944,601	-
2230	Current income tax liabilities		694,344	-	368,327	-	245,879	-
2300	Other current liabilities	6(11)	23,241,642	11	24,715,669	12	26,774,931	14
21XX	<b>Current liabilities</b>		<u>50,194,232</u>	<u>23</u>	<u>44,760,401</u>	<u>23</u>	<u>45,053,054</u>	<u>23</u>
<b>Non-current liabilities</b>								
2530	Corporate bonds payable	6(12)	10,000,000	5	8,000,000	4	8,000,000	4
2540	Long-term loans	6(13)	72,765,416	33	65,369,665	32	66,773,113	35
2570	Deferred income tax liabilities	6(28)	1,793,035	1	1,749,020	1	833,641	-
2600	Other non-current liabilities	6(14)(15)	17,112,746	8	13,512,021	7	13,699,337	7
25XX	<b>Non-current liabilities</b>		<u>101,671,197</u>	<u>47</u>	<u>88,630,706</u>	<u>44</u>	<u>89,306,091</u>	<u>46</u>
2XXX	<b>Total liabilities</b>		<u>151,865,429</u>	<u>70</u>	<u>133,391,107</u>	<u>67</u>	<u>134,359,145</u>	<u>69</u>
<b>Equity attributable to owners of the parent</b>								
<b>Capital</b>								
3110	Common stock	6(17)	42,129,738	19	40,123,560	20	35,123,560	18
<b>Capital surplus</b>								
3200	Capital surplus	6(18)	10,799,903	5	10,838,075	5	7,990,687	4
<b>Retained earnings</b>								
3310	Legal reserve	6(19)	5,685,548	3	4,985,031	3	4,985,031	3
3350	Unappropriated retained earnings		3,164,049	1	6,769,575	3	6,824,865	3
<b>Other equity interest</b>								
3400	Other equity interest	6(20)	975,395	-	682,313	1	1,595,328	1
31XX	<b>Equity attributable to owners of the parent</b>		<u>62,754,633</u>	<u>28</u>	<u>63,398,554</u>	<u>32</u>	<u>56,519,471</u>	<u>29</u>
36XX	<b>Non-controlling interest</b>		<u>3,871,301</u>	<u>2</u>	<u>3,290,236</u>	<u>1</u>	<u>2,505,628</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>66,625,934</u>	<u>30</u>	<u>66,688,790</u>	<u>33</u>	<u>59,025,099</u>	<u>31</u>
<b>Significant Contingent Liabilities And Unrecognized Contract Commitments</b>								
<b>Significant Events After The Balance</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 218,491,363</u>	<u>100</u>	<u>\$ 200,079,897</u>	<u>100</u>	<u>\$ 193,384,244</u>	<u>100</u>

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

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)  
(Reviewed, not audited)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30				
		2018		2017		2018		2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(21) and 7	\$ 44,907,211	100	\$ 41,525,337	100	\$ 120,035,250	100	\$ 113,068,270	100
5000	<b>Operating costs</b>	6(26)(27) and 7	( 41,618,733)	( 93)	( 37,012,178)	( 89)	( 115,724,056)	( 97)	( 103,209,822)	( 91)
5900	<b>Gross profit</b>		3,288,478	7	4,513,159	11	4,311,194	3	9,858,448	9
5910	Unrealized profit from sales		-	-	( 188)	-	( 8,131)	-	( 32,278)	-
5920	Realized profit on from sales		3,398	-	3,340	-	10,110	-	9,208	-
5950	<b>Gross profit</b>		3,291,876	7	4,516,311	11	4,313,173	3	9,835,378	9
	<b>Operating expenses</b>	6(26)(27) and 7								
6100	Selling expenses		( 263,074)	( 1)	( 361,520)	( 1)	( 1,159,433)	( 1)	( 1,045,674)	( 1)
6200	General and administrative expenses		( 2,040,993)	( 4)	( 1,130,130)	( 3)	( 5,262,894)	( 4)	( 3,347,007)	( 3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		( 950)	-	-	-	25,102	-	-	-
6000	<b>Operating expenses</b>		( 2,305,017)	( 5)	( 1,491,650)	( 4)	( 6,397,225)	( 5)	( 4,392,681)	( 4)
6500	<b>Other gains - net</b>	6(22)	12,222	-	( 3,194)	-	1,068,946	1	449,997	-
6900	<b>Operating profit (loss)</b>		999,081	2	3,021,467	7	( 1,015,106)	( 1)	5,892,694	5
7010	Other income	6(23)	280,853	1	182,627	-	1,157,270	1	582,265	1
7020	Other gains and losses	6(24)	32,662	-	203,489	1	( 145,878)	-	262,030	-
7050	Finance costs	6(25)	( 532,312)	( 1)	( 343,266)	( 1)	( 1,329,101)	( 1)	( 1,028,577)	( 1)
7060	Share of loss of associates and joint ventures accounted for using equity method		463,939	1	1,326,164	3	936,807	1	2,052,156	2
7000	<b>Total non-operating income and expenses</b>		245,142	1	1,369,014	3	619,098	1	1,867,874	2
7900	<b>Profit (loss) before income tax</b>		1,244,223	3	4,390,481	10	( 396,008)	-	7,760,568	7
7950	Income tax expense	6(28)	( 473,018)	( 1)	( 368,011)	( 1)	( 592,814)	( 1)	( 671,169)	( 1)
8200	<b>Profit (loss) for the period</b>		\$ 771,205	2	\$ 4,022,470	9	(\$ 988,822)	( 1)	\$ 7,089,399	6

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EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)  
(Reviewed, not audited)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30				
		2018		2017		2018		2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income (loss)</b>										
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>										
8316	Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(2)	(\$ 306,997)	( 1)	\$ -	-	(\$ 313,582)	-	\$ -	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 2,813)	-	-	-	38,094	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	10,517	-	-	-	21,041	-	-	-
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		( 299,293)	( 1)	-	-	( 254,447)	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>										
8361	Exchange differences on translating the financial statements of foreign operations		( 203,466)	-	( 58,119)	-	641,642	1	( 1,833,707)	( 1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets		-	-	( 65,813)	-	-	-	333,953	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		( 17,202)	-	36,162	-	107,153	-	( 192,222)	-
8399	Income tax relating to the components of other comprehensive income (loss)	6(28)	-	-	( 5,062)	-	750	-	( 12,498)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>		( 220,668)	-	( 92,832)	-	749,545	1	( 1,704,474)	( 1)
8300	<b>Other comprehensive (loss) income for the period, net of income tax</b>		(\$ 519,961)	( 1)	(\$ 92,832)	-	\$ 495,098	1	(\$ 1,704,474)	( 1)
8500	<b>Total comprehensive income (loss) for the period</b>		\$ 251,244	1	\$ 3,929,638	9	(\$ 493,724)	-	\$ 5,384,925	5
<b>Profit (loss), attributable to:</b>										
8610	Owners of the parent		\$ 708,433	2	\$ 3,738,532	9	(\$ 398,751)	( 1)	\$ 6,824,865	6
8620	Non-controlling interest		\$ 62,772	-	\$ 283,938	1	(\$ 590,071)	-	\$ 264,534	-
<b>Comprehensive income (loss) attributable to:</b>										
8710	Owners of the parent		\$ 232,687	1	\$ 3,659,877	9	\$ 203,775	1	\$ 5,530,305	5
8720	Non-controlling interest		\$ 18,557	-	\$ 269,761	1	(\$ 697,499)	( 1)	(\$ 145,380)	-
<b>Earnings (loss) per share (in dollars)</b>										
9750	<b>Basic earnings (loss) per share</b>	6(29)	\$ 0.17		\$ 1.01		(\$ 0.09)		\$ 1.85	
9850	<b>Diluted earnings (loss) per share</b>		\$ 0.17		\$ 1.01		(\$ 0.09)		\$ 1.85	

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



**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

Notes	Equity attributable to owners of the parent											Non-controlling interest	Total equity
	Retained Earnings					Other equity interest							
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Gains (losses) on hedging instruments	Total			
<b>Nine-month period ended September 30, 2017</b>													
	\$ 35,123,560	\$ 7,989,014	\$ 9,233,242	(\$ 4,248,211)	\$ 1,254,622	\$ -	\$ 1,703,161	(\$ 67,895)	\$ -	\$ 50,987,493	\$ 2,651,008	\$ 53,638,501	
	-	-	-	6,824,865	-	-	-	-	-	6,824,865	264,534	7,089,399	
	-	-	-	-	( 1,689,168)	-	369,069	25,539	-	( 1,294,560)	( 409,914)	( 1,704,474)	
	-	-	-	6,824,865	( 1,689,168)	-	369,069	25,539	-	5,530,305	( 145,380)	5,384,925	
	Distribution of 2016 earnings:												
6(19)	-	-	( 4,248,211)	4,248,211	-	-	-	-	-	-	-	-	
6(18)	-	1,673	-	-	-	-	-	-	-	1,673	-	1,673	
	\$ 35,123,560	\$ 7,990,687	\$ 4,985,031	\$ 6,824,865	(\$ 434,546)	\$ -	\$ 2,072,230	(\$ 42,356)	\$ -	\$ 56,519,471	\$ 2,505,628	\$ 59,025,099	
<b>Nine-month period ended September 31, 2018</b>													
	\$ 40,123,560	\$ 10,838,075	\$ 4,985,031	\$ 6,769,575	(\$ 1,135,114)	\$ -	\$ 1,833,339	(\$ 15,912)	\$ -	\$ 63,398,554	\$ 3,290,236	\$ 66,688,790	
3(1) and 12(4)	-	-	-	276,681	-	1,553,662	( 1,833,339)	15,912	( 15,912)	( 2,996)	( 1,231)	( 4,227)	
	40,123,560	10,838,075	4,985,031	7,046,256	( 1,135,114)	1,553,662	-	-	( 15,912)	63,395,558	3,289,005	66,684,563	
	-	-	-	( 398,751)	-	-	-	-	-	( 398,751)	( 590,071)	( 988,822)	
6(20)	-	-	-	16,329	867,599	( 271,900)	-	-	( 9,502)	602,526	( 107,428)	495,098	
	-	-	-	( 382,422)	867,599	( 271,900)	-	-	( 9,502)	203,775	( 697,499)	( 493,724)	
	Distribution of 2017 earnings:												
	-	-	700,517	( 700,517)	-	-	-	-	-	-	-	-	
	2,006,178	-	-	( 2,006,178)	-	-	-	-	-	-	-	-	
	-	-	-	( 802,471)	-	-	-	-	-	( 802,471)	-	( 802,471)	
6(18)	-	1,749	-	( 4,057)	-	-	-	-	-	( 2,308)	-	( 2,308)	
6(2)	-	-	-	13,438	-	( 13,438)	-	-	-	-	-	-	
6(18)(30)	-	( 39,921)	-	-	-	-	-	-	-	( 39,921)	1,279,795	1,239,874	
	\$ 42,129,738	\$ 10,799,903	\$ 5,685,548	\$ 3,164,049	(\$ 267,515)	\$ 1,268,324	\$ -	\$ -	(\$ 25,414)	\$ 62,754,633	\$ 3,871,301	\$ 66,625,934	

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

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		(\$ 396,008 )	\$ 7,760,568
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(8)(9)(24)(26)	6,431,361	5,740,449
Amortization	6(26)	36,034	28,605
Bad debts expense	12(2)(4)	( 25,102 )	8,185
Interest income	6(23)	( 398,883 )	( 308,597 )
Interest expense	6(25)	1,329,101	1,028,577
Dividend income	6(23)	( 86,778 )	( 87,538 )
Gain on disposal of available-for-sale financial assets		-	( 353,524 )
Share of (profit) loss of associates and joint ventures accounted for using equity method		( 936,807 )	( 2,052,156 )
Gain from bargain purchase	6(23)	( 128,692 )	-
Net gain on disposal of property, plant and equipment	6(22)	( 1,068,946 )	( 449,997 )
Loss on disposal of investments	6(24)	139,954	-
Realized income with affiliated companies		( 10,110 )	( 15,907 )
Unrealized income with affiliated companies		8,131	32,278
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Current contract assets		( 55,875 )	-
Notes receivable, net		6,513	( 9,421 )
Accounts receivable		( 2,056,747 )	( 3,247,707 )
Accounts receivable, net - related parties		252,583	168,625
Other receivables		( 542,759 )	298,683
Other receivables - related parties		( 185,042 )	( 167,961 )
Inventories		( 1,483,467 )	( 343,467 )
Prepayments		185,682	( 395,266 )
Other current assets		938,768	( 1,891,494 )
Other non-current assets		140,811	( 5,675 )
Net changes in liabilities relating to operating activities			
Current contract liabilities		( 1,438,276 )	-
Accounts payable		4,235,176	3,063,136
Accounts payable - related parties		51,180	( 31,933 )
Other payables		62,086	606
Other payables - related parties		( 802,572 )	6,738
Other current liabilities		443,826	1,380,839
Other non-current liabilities		( 167,568 )	( 10,661 )
Cash inflow generated from operations		4,477,574	10,145,985
Interest received		398,883	308,597
Interest paid		( 1,457,975 )	( 1,093,348 )
Income tax paid		( 378,937 )	( 133,265 )
Net cash flows from operating activities		<u>3,039,545</u>	<u>9,227,969</u>

(Continued)

**EVERGREEN MARINE CORPORATION (TAIWAN) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale financial assets		\$ -	\$ 609,150
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	342,661	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		924	-
Proceeds from disposal of held-to-maturity financial assets		-	170,000
Acquisition of held-to-maturity financial assets		-	( 50,000 )
Acquisition of investments accounted for using equity method	6(32)	( 561,927 )	-
Acquisition of property, plant and equipment	6(32)	( 13,380,243 )	( 1,455,424 )
Proceeds from disposal of property, plant and equipment		6,071,163	489,887
Acquisition of intangible assets	6(32)	( 24,151 )	( 55,083 )
Increase in guarantee deposits paid		( 5,808 )	-
Increase in other non-current assets	6(32)	( 11,562,095 )	( 3,282,220 )
Proceeds from disposal of subsidiaries		6	-
Effect of initial consolidation of subsidiaries	6(32)	140,277	-
Cash dividend received		680,287	670,354
Net cash flows used in investing activities		( 18,298,906 )	( 2,903,336 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans		-	400,000
Decrease in short-term loans		-	( 400,000 )
Increase in other payables	7	934,410	836,022
Increase in long-term loans	6(33)	26,315,616	6,061,936
Decrease in long-term loans	6(33)	( 19,964,188 )	( 12,100,022 )
Net change in non-controlling interest		1,239,874	-
Increase in corporate bonds payable		2,000,000	8,000,000
Decrease in corporate bonds payable		-	( 3,000,000 )
Decrease other non-current liabilities		3,352,738	( 1,207,679 )
Increase in guarantee deposits received		14	-
Cash dividends paid		( 802,471 )	-
Net cash flows from (used in) financing activities		13,075,993	( 1,409,743 )
Effect of exchange rate changes		102,478	( 1,060,114 )
Net (decrease) increase in cash and cash equivalents		( 2,080,890 )	3,854,776
Cash and cash equivalents at beginning of period		38,108,263	34,413,449
Cash and cash equivalents at end of period		<u>\$ 36,027,373</u>	<u>\$ 38,268,225</u>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised by the Board of Directors on November 13, 2018.

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of \$2,282,619 by increasing financial assets at fair value through other comprehensive income in the amount of \$2,282,619. Additionally, the Group increased retained earnings by \$281,074, decreased investments accounted for using equity method by \$1,397 and decreased other equity interest by \$279,677.

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

iii. In line with the regulations under IFRS 9 on provision for impairment, the Group increased deferred income tax assets by \$289, and decreased notes receivable, net by \$5, accounts receivable, net by \$5,324, accounts receivable, net - related parties by \$52, other current assets by \$502, investments accounted for using equity method by \$30, retained earnings by \$4,393 and non-controlling interest by \$1,231.

iv. Please refer to Note 12(4) for disclosure in relation to the first time application of IFRS 9.

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract(s).

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

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

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

- i. Under IFRS 15, contracts whereby services have been rendered but not yet billed are recognised as contract assets, but were previously presented as part of accounts receivable in the balance sheet. As of January 1, 2018, the balance amounted to \$1,881,693. (include contract assets and allowance for bad debts amounting to \$1,886,160 and \$4,467, respectively)
- ii. Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to \$2,523,101.
- iii. Please refer to Note 12(5) for other disclosures in relation to the first time application of IFRS 15.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

#### A. IFRS 16, 'Leases'

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

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

#### C. IFRIC 23, 'Uncertainty over income tax treatments'

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12, 'Income taxes' based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

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

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

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

##### (b) Amendments to IFRS 11, 'Joint arrangements'

The amendments clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

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

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

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

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



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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

A. Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'

The amendments clarify the definition of material that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

B. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognised either in full or partially depending on the nature of the assets sold or contributed:

- (a) If sales or contributions of assets constitute a 'business', the full gain or loss is recognized;
- (b) If sales or contributions of assets do not constitute a 'business', the partial gain or loss is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

## (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income /Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for nine-months period ended September 30, 2017 was not restated. The financial statements for nine-months period ended September 30, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

## (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	TTSC	Cargo loading and discharging	55.00	55.00	55.00	
The Company	Peony	Investments in transport-related business	100.00	100.00	100.00	
The Company	ETS	Terminal Services	94.43	100.00	100.00	(j)
The Company	EGH	Container shipping and agency services dealing with port formalities	79.00	79.00	-	(g)
Peony	GMS	Container shipping	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
Peony	Clove	Investments in container yards and port terminals	100.00	100.00	100.00	
Peony	EMU	Container shipping	51.00	51.00	51.00	
Peony	EHIC(M)	Manufacturing of dry steel containers and container parts	84.44	84.44	84.44	
Peony	Armand N.V.	Investments in container yards and port terminals	70.00	70.00	70.00	
Peony	KTIL	Loading, discharging, storage, repairs and cleaning of containers	20.00	20.00	20.00	(a)
Peony	MBPI	Containers storage and inspections of containers at the customs house	95.03	95.03	95.03	
Peony	MBT	Inland transportation, repairs and cleaning of containers	17.39	17.39	17.39	
Peony	EGS	Agency services dealing with port formalities	51.00	51.00	51.00	
Peony	EGK	Agency services dealing with port formalities	100.00	100.00	100.00	
Peony	EGT	Agency services dealing with port formalities	85.00	85.00	51.00	(j)
Peony	EGI	Agency services dealing with port formalities	99.99	99.99	99.99	
Peony	EMA	Agency services dealing with port formalities	67.50	67.50	67.50	

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
Peony	EIT	Agency services dealing with port formalities	55.00	55.00	55.00	
Peony	EES	Agency services dealing with port formalities	100.00	100.00	55.00	(i)
Peony	ERU	Agency services dealing with port formalities	51.00	51.00	51.00	
Peony	EEU	Agency services dealing with port formalities	100.00	100.00	100.00	(c)(d)(e)
Peony	EGD-WWX	Agency services dealing with port formalities	-	100.00	100.00	(c)
Peony	EGN	Agency services dealing with port formalities	-	-	100.00	(e)
Peony	ESA	Agency services dealing with port formalities	55.00	55.00	55.00	
Peony	EGB	Real estate leasing	95.00	95.00	95.00	
Peony	EGM	Agency services dealing with port formalities	100.00	100.00	-	(f)
Peony	EGH	Container shipping and agency services dealing with port formalities	1.00	1.00	-	(g)
Peony	EGV	Agency services dealing with port formalities	100.00	49.00	49.00	(k)
EGH	Ever shine (Shanghai)	Management consultancy and self-owned property leasing	100.00	100.00	-	(g)
EGH	Ever shine (Ningbo)	Management consultancy and self-owned property leasing	100.00	100.00	-	(g)

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
EGH	EKH	Agency services dealing with port formalities	100.00	100.00	-	(l)
EGH	EPE	Agency services dealing with port formalities	60.00	-	-	(m)
EGH	ECO	Agency services dealing with port formalities	100.00	-	-	(n)
ETS	Whitney	Investments and leases of operating machinery and equipment of port terminals	100.00	-	-	(j)
EMU	Island	Investments in operating machinery and equipment of port terminals	-	15.00	15.00	(j)
EMU	KTIL	Loading, discharging, storage, repairs and cleaning of containers	20.00	20.00	20.00	(a)
EMU	EGU	Agency services dealing with port formalities	-	100.00	100.00	(b)
EMU	EGUD	Agency services dealing with port formalities	-	100.00	100.00	(b)
EEU	EGDL	Agency services dealing with port formalities	-	100.00	100.00	(d)
Clove	Island	Investments in operating machinery and equipment of port terminals	-	36.00	36.00	(j)

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
Clove	ETS	Terminal Services	5.57	-	-	(j)
Armand N.V.	Armand B.V.	Investments in container yards and port terminals	100.00	100.00	100.00	
Island	Whitney	Investments and leases of operating machinery and equipment of port terminals	-	100.00	100.00	(j)
Island	Hemlock	Investments and leases of operating machinery and equipment of port terminals	-	100.00	100.00	(j)
MBPI	MBT	Inland transportation, repairs and cleaning of containers	72.95	72.95	72.95	

- (a) The Group shall present consolidated financial statements in which it consolidates its investments in KTIL since control is presumed to exist when the Group merely owns 40% interests of the entity and when there is power to cast the majority of votes at meetings of the Board of Directors.
- (b) On August 1, 2016, the Board of Directors has resolved that the subsidiary – Peony to sell 100% share ownership of EGUD to the indirect subsidiary – EMU. Since EMU obtained the wholly-owned ownership, the Board of Directors resolved a reorganization plan to transfer businesses from EGU and EGUD to EMU on August 1, 2016. The liquidation process of EGU and EGUD were completed by June 28, 2018 and May 27, 2018, respectively.
- (c) The proposal of reorganisation of the subsidiary, Peony, has been approved by the Board of Directors on May 12, 2017 to transfer EGDW’s business to the sub-subsidiary, EEU, beginning on August 1, 2017. The liquidation process of EGDW was completed by June 12, 2018.
- (d) The proposal of reorganisation of the sub-subsidiary, EEU, has been resolved at the shareholders’ meeting on May 18, 2017, to transfer its business to its subsidiary, EGDL, effective on August 1, 2017. The liquidation process of EGDL was completed by May 14, 2018.

- (e) On May 12, 2017, the Board of Directors adopted a resolution to approve the reorganization of subsidiary Peony Investment. On December 21, 2017, the EGN business was handed over to subsidiary EEU. Deregistration of EGN have been completed by December 21, 2017.
- (f) On November 30, 2017, the Board of Directors resolved to have subsidiary Peony Investment acquire the remaining 70% of the shares of EGM from the other shareholders. The acquisition date was December 27, 2017.
- (g) On August 11, 2017, the Board of Directors resolved to have the Company and subsidiary Peony Investment acquire 79% and 1%, respectively, of the shares of EGH and its 100% indirect investees, Ever shine (Shanghai) and Ever shine (Ningbo), from Evergreen International S.A. The transaction amount was US \$212,000. The applicable transactions were approved by the Investment Commission of the Ministry of Economic Affairs. The acquisition date was December 18, 2017.
- (h) On December 27, 2017, the Board of Directors resolved to have the subsidiary Peony Investment acquire 34% of the shares of EGT from the non-controlling interest. The effective date of ownership transfer was December 31, 2017.
- (i) On November 21, 2017, the Board of Directors resolved to have the subsidiary Peony Investment acquire 45% of the shares of EES from the non-controlling interest. The effective date of ownership transfer was December 31, 2017.
- (j) On December 20, 2017, shareholders of the subsidiary, ETS, during their meeting resolved to make an equity transaction. ETS acquired a 100% equity interest of Island from the joint ventures, Clove and EMU, of which the transaction made with Clove is through issuing new shares totaling 59 shares with par value of US\$100 per share in exchange for a 36% equity interest of Island with Clove. On January 1, 2018, shareholders of ETS during their meeting resolved to merge its subsidiary, Island, and its second-tier subsidiaries, Hemlock and Whitney, when the equity transaction made with Clove and EMU was completed. Under the merger, ETS and Whitney are the surviving companies, and Island and Hemlock will be dissolved.
- (k) On December 20, 2017, the Board of Directors resolved to have the subsidiary Peony Investment acquire 51% of the shares of EGV from the original shareholders of the joint venture. The effective date of ownership transfer was January 1, 2018.
- (l) On September 13, 2017, the Board of Directors of the subsidiary, EGH, resolved to establish a subsidiary, EKH, in Cambodia. The capital of establishment is KHR 1,200,000 (approx. USD 300), and the subsidiary is primary engaged in container shipping and agency services dealing with port formalities.
- (m) On July 31, 2018, the Board of Directors of the subsidiary, EGH, resolved to establish a subsidiary, EPE, in Peru. The capital of establishment is PEN 1,500 (approx. USD462), and the subsidiary is primary engaged in container shipping and agency services dealing with port formalities.



(n) On August 14, 2018, the Board of Directors of the subsidiary, EGH, resolved to establish a subsidiary, ECO, in Columbia. The capital of establishment is COP 80,000 (approx. USD27), and the subsidiary is primary engaged in container shipping and agency services dealing with port formalities.

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

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

E. Significant restrictions: None.

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the non-controlling interest amounted to \$ 3,871,301, \$3,290,236 and \$ 2,505,628, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		September 30, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership (%)	
EMU	U.K.	\$ 1,189,339	49%	\$ 598,392	49%	
EGH	Hong Kong	1,769,160	20%	1,591,869	20%	

Name of subsidiary	Principal place of business	Non-controlling interest		Description
		September 30, 2017		
		Amount	Ownership (%)	
EMU	U.K.	\$ 1,300,289	49%	

Summarised financial information of the subsidiaries:

Balance sheets

	EMU		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 8,495,482	\$ 9,113,834	\$ 8,573,771
Non-current assets	37,477,477	38,436,657	39,748,008
Current liabilities	( 19,667,339)	( 20,121,083)	( 19,574,949)
Non-current liabilities	( 23,878,398)	( 26,208,199)	( 26,093,180)
Total net assets	<u>\$ 2,427,222</u>	<u>\$ 1,221,209</u>	<u>\$ 2,653,650</u>

	EGH	
	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 8,088,393	\$ 3,119,694
Non-current assets	17,698,009	8,673,850
Current liabilities	( 6,299,949)	( 2,054,676)
Non-current liabilities	( 10,677,057)	( 1,779,522)
Total net assets	<u>\$ 8,809,396</u>	<u>\$ 7,959,346</u>

Statements of comprehensive income

	EMU	
	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Revenue	\$ 13,028,668	\$ 15,418,936
(Loss) profit before income tax	(\$ 139,281)	\$ 405,090
Income tax expense	( 6,288)	( 4,413)
(Loss) profit for the period from continuing operations	( 145,569)	400,677
Other comprehensive (loss) income, net of tax	( 3,452)	1,878
Total comprehensive (loss) income for the period	<u>(\$ 149,021)</u>	<u>\$ 402,555</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 73,020)</u>	<u>\$ 197,252</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Revenue	\$ 37,600,453	\$ 41,018,493
(Loss) profit before income tax	(\$ 1,824,170)	\$ 79,146
Income tax expense	( 16,026)	( 11,876)
(Loss) profit for the period from continuing operations	( 1,840,196)	67,270
Other comprehensive (loss) income, net of tax	( 3,556)	3,962
Total comprehensive (loss) income for the period	<u>(\$ 1,843,752)</u>	<u>\$ 71,232</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 903,438)</u>	<u>\$ 34,904</u>

	EGH	
	Three-month period ended September 30, 2018	Nine-month period ended September 30, 2018
Revenue	\$ 3,415,666	\$ 6,221,487
Profit before income tax	\$ 421,533	\$ 820,096
Income tax expense	( 82,443)	( 113,169)
Profit for the period		
from continuing operations	339,090	706,927
Other comprehensive loss (income), net of tax	-	-
Total comprehensive income for the period	<u>\$ 339,090</u>	<u>\$ 706,927</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 67,818</u>	<u>\$ 141,385</u>

Statements of cash flows

	EMU	
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Net cash (used in) provided by operating activities	(\$ 1,477,194)	\$ 4,244,861
Net cash provided by (used in) investing activities	1,148,209	( 222,917)
Net cash provided by (used in) financing activities	248,077	( 4,615,080)
Effect of exchange rates on cash and cash equivalents	47,475	( 109,576)
Decrease in cash and cash equivalents	( 33,433)	( 702,712)
Cash and cash equivalents, beginning of period	<u>1,840,693</u>	<u>1,890,638</u>
Cash and cash equivalents, end of period	<u>\$ 1,807,260</u>	<u>\$ 1,187,926</u>

	<u>EGH</u>	
	<u>Nine-month period ended</u>	
	<u>September 30, 2018</u>	
Net cash provided by operating activities	\$	2,098,555
Net cash used in investing activities	(	9,100,681)
Net cash provided by financing activities		9,566,362
Effect of exchange rates on cash and cash equivalents		82,206
Increase in cash and cash equivalents		<u>2,646,442</u>
Cash and cash equivalents, beginning of period		<u>1,003,634</u>
Cash and cash equivalents, end of period	<u>\$</u>	<u>3,650,076</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

**B. Translation of foreign operations**

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

**(5) Classification of current and non-current items**

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

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

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs.

The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(10) Notes, accounts and other receivables

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The Group initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

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

(13) Leases (lessor)

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

(14) Inventories

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

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

(15) Investments accounted for using equity method / associates

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



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

(16) Property, plant and equipment

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

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 ~ 135 years
Loading and unloading equipment	5 ~ 20 years
Ships	18 ~ 25 years
Transportation equipment	5 ~ 10 years
Lease assets	3 ~ 90 years
Other equipment	2 ~ 15 years

(17) Leased assets/ operating leases (lessee)

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

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

(18) Investment property

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

(19) Intangible assets

A. Computer software

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

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(20) Impairment of non-financial assets

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

(21) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

(22) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

B. The Group initially measures notes and accounts payable at fair value and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

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

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

(24) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

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

(27) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.
- B. The Group designates the hedging relationship as follows:
- Cash flow hedge:
- A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

### C. Cash flow hedges

- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
- i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and
  - ii. the cumulative change in fair value of the hedged item from inception of the hedge.
- (b) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.
- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:
- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
  - ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
  - iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- (d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

### (28) Employee benefits

#### A. Short-term employee benefits

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

#### B. Pensions

##### (a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(29) Income tax

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

- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

C. Rental revenue

The Group leases ships and shipping spaces under IAS 17, 'Leases'. Lease assets are classified as finance leases or operating leases based on the transferred proportion of the risks and rewards incidental to ownership of the leased asset, and recognised in revenue over the lease term.



(32) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Operating segments

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

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

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

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

None.

## (2)Critical accounting estimates and assumptions

### A. Revenue recognition

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

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

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

As of September 30, 2018, the Group had property, plant, equipment amounting to \$114,262,096.

### C. Impairment assessment of investments accounted for using equity method

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

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

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

As of September 30, 2018, the carrying amount of unlisted stocks without active market was \$ 739,489.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and petty cash	\$ 35,531	\$ 20,739	\$ 12,728
Checking accounts and demand deposits	8,631,822	6,300,219	7,768,188
Time deposits	27,360,020	31,787,305	30,487,309
	<u>\$ 36,027,373</u>	<u>\$ 38,108,263</u>	<u>\$ 38,268,225</u>

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

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

(2) Financial assets at fair value through other comprehensive income

Items	September 30, 2018
Non-current items:	
Listed (TSE and OTC) stocks	\$ 490,801
Unlisted stocks	210,698
	701,499
Valuation adjustment	943,066
	\$ 1,644,565

A. The Group has elected to classify these investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$ 1,644,565 at September 30, 2018.

B. For the consideration of operating, the Group sold shares of unlisted stocks and listed stocks with a fair value of \$34,055 and \$342,661, respectively, of which with a cumulative disposal gain of \$111 and \$13,332, respectively, in the third quarter of 2018.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three-month period ended <u>September 30, 2018</u>	Nine-month period ended <u>September 30, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 306,997)	(\$ 313,582)
Income tax recognised in other comprehensive income	\$ 10,518	\$ 9,179
Cumulative gains reclassified to retained earnings due to derecognition	\$ 13,332	\$ 13,443
Dividend income recognised in profit or loss		
Held at end of period	\$ 28,730	\$ 76,761

D. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$ 1,644,565.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and September 30, 2017 are provided in Note 12(4).

(3) Financial assets at amortised cost

Items	September 30, 2018
Non-current items:	
Financial bonds	\$ <u>100,000</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Three-month period ended <u>September 30, 2018</u>	Nine-month period ended <u>September 30, 2018</u>
Interest income	\$ 554	\$ 1,645

B. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$100,000.

C. The Group has no financial assets at amortised cost held by the Group pledged to others.

D. Information on held-to-maturity financial assets and investments in debt instruments without active market as of December 31, 2017 and September 30, 2017 are provided in Note 12(4).

(4) Notes and accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes receivable	\$ 61,803	\$ 66,410	\$ 37,626
Less: Allowance for bad debts	( 5)	-	-
	<u>\$ 61,798</u>	<u>\$ 66,410</u>	<u>\$ 37,626</u>
Accounts receivable	\$ 13,665,245	\$ 13,072,332	\$ 14,328,513
Less: Allowance for bad debts	( 77,298)	( 96,283)	( 83,464)
	<u>\$ 13,587,947</u>	<u>\$ 12,976,049</u>	<u>\$ 14,245,049</u>

A. The ageing analysis of accounts receivable and notes receivable are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not impaired	\$ 10,835,871	\$ 10,953,500	\$ 12,643,132
Up to 30 days	2,295,680	1,749,509	1,364,423
31 to 180 days	456,396	273,040	237,494
	<u>\$ 13,587,947</u>	<u>\$ 12,976,049</u>	<u>\$ 14,245,049</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
	<u>Notes receivable</u>	<u>Notes receivable</u>	<u>Notes receivable</u>
Not impaired	\$ 61,798	\$ 66,410	\$ 37,626
Up to 30 days	-	-	-
31 to 180 days	-	-	-
	<u>\$ 61,798</u>	<u>\$ 66,410</u>	<u>\$ 37,626</u>

The above ageing analysis was based on past due date.

B. The Group has no notes and accounts receivable held by the Group pledged to others.

C. As at September 30, 2018, December 31, 2017 and September 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$ 61,798, \$66,410 and \$ 37,626, respectively; and the amount that best represents the Group's accounts receivable were \$ 13,587,947, \$12,976,049 and \$ 14,245,049, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	<u>September 30, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Ship fuel	\$ 4,802,035	\$ -	\$ 4,802,035
Steel and others	487,950	-	487,950
	<u>\$ 5,289,985</u>	<u>\$ -</u>	<u>\$ 5,289,985</u>

  

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

	September 30, 2017		
	Cost	Allowance for valuation loss	Book value
Ship fuel	\$ 2,975,194	\$ -	\$ 2,975,194
Steel and others	376,022	-	376,022
	<u>\$ 3,351,216</u>	<u>\$ -</u>	<u>\$ 3,351,216</u>

(6) Other current assets

	September 30, 2018	December 31, 2017	September 30, 2017
Shipowner's accounts	\$ 385,695	\$ 1,207,851	\$ 1,708,864
Agency accounts	947,735	824,422	1,022,877
Temporary debits	353,761	308,312	152,159
Other financial assets	273,121	324,508	180,176
	<u>\$ 1,960,312</u>	<u>\$ 2,665,093</u>	<u>\$ 3,064,076</u>

A. Shipowner's accounts:

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

B. Agency accounts:

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

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

(7) Investments accounted for using equity method

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Evergreen International Storage and Transport Corporation	\$ 8,782,889	\$ 8,452,437	\$ 8,395,940
EVA Airways Corporation	10,319,851	9,462,402	9,431,346
Taipei Port Container Terminal Corporation	1,480,135	1,428,295	1,420,280
Charng Yang Development Co., Ltd.	526,623	537,532	520,612
Luantan Investment (Netherlands) N.V.	1,914,410	1,865,804	1,888,654
Balsam Investment (Netherlands) N.V.	669,319	1,282,862	1,229,302
Colon Container Terminal S.A.	3,230,807	2,532,187	2,537,405
Others	<u>1,085,387</u>	<u>1,221,507</u>	<u>1,343,751</u>
	<u>\$ 28,009,421</u>	<u>\$ 26,783,026</u>	<u>\$ 26,767,290</u>

B. Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Ownership(%)</u>			<u>Nature of relationship</u>	<u>Methods of measurement</u>
		<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>		
Evergreen International Storage and Transport Corporation	TW	40.36%	39.74%	39.74%	With a right over 20% to vote	Equity method
EVA Airways Corporation	TW	16.31%	16.31%	16.31%	Have a right to vote in the Board of Directors	Equity method

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

Balance sheet

	<u>Evergreen International Storage and Transport Corporation</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current assets	\$ 5,476,453	\$ 5,429,946	\$ 4,413,435
Non-current assets	27,520,466	27,662,565	28,000,942
Current liabilities	( 2,361,078)	( 2,369,781)	( 2,311,176)
Non-current liabilities	( 8,348,188)	( 9,031,865)	( 8,531,435)
Total net assets	<u>\$ 22,287,653</u>	<u>\$ 21,690,865</u>	<u>\$ 21,571,766</u>
Share in associate's net assets	\$ 8,884,888	\$ 8,558,554	\$ 8,511,002
Unrealized income with affiliated companies	( 101,999)	( 106,117)	( 115,062)
Carrying amount of the associate	<u>\$ 8,782,889</u>	<u>\$ 8,452,437</u>	<u>\$ 8,395,940</u>

	<u>EVA Airways Corporation</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current assets	\$ 74,314,608	\$ 69,002,340	\$ 63,303,882
Non-current assets	161,489,895	159,204,888	155,745,576
Current liabilities	( 60,214,758)	( 60,428,208)	( 60,153,544)
Non-current liabilities	( 105,803,774)	( 103,569,512)	( 94,784,071)
Total net assets	<u>\$ 69,785,971</u>	<u>\$ 64,209,508</u>	<u>\$ 64,111,843</u>
Share in associate's net assets	<u>\$ 10,319,851</u>	<u>\$ 9,462,402</u>	<u>\$ 9,431,346</u>

Statement of comprehensive income

	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Revenue	<u>\$ 1,962,353</u>	<u>\$ 1,877,757</u>
Profit for the period	\$ 314,413	\$ 221,422
Other comprehensive (loss) income, net of tax	( 35,600)	72,171
Total comprehensive income	<u>\$ 278,813</u>	<u>\$ 293,593</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>



	<u>Evergreen International Storage and Transport Corporation</u>	
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Revenue	\$ 5,775,156	\$ 5,628,286
Profit for the period	\$ 664,516	\$ 574,341
Other comprehensive income (loss), net of tax	314,970	( 456,333)
Total comprehensive (loss) income	\$ 979,486	\$ 118,008
Dividends received from associates	\$ 148,422	\$ 148,422

	<u>EVA Airways Corporation</u>	
	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Revenue	\$ 47,379,049	\$ 43,166,421
Profit for the period	\$ 2,818,513	\$ 4,671,870
Other comprehensive (loss) income, net of tax	( 67,230)	44,298
Total comprehensive income	\$ 2,751,283	\$ 4,716,168
Dividends received from associates	\$ -	\$ -

	<u>EVA Airways Corporation</u>	
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Revenue	\$ 134,812,121	\$ 121,431,700
Profit for the period	\$ 6,592,464	\$ 5,907,572
Other comprehensive income (loss), net of tax	87,437	( 69,503)
Total comprehensive income	\$ 6,679,901	\$ 5,838,069
Dividends received from associates	\$ 136,157	\$ 132,191

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$ 8,906,681, \$8,868,187 and \$ 8,940,004, respectively.

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
(Loss) gain for the period	(\$ 351,817)	\$ 2,123,734
Other comprehensive income, net of tax	1,468	-
Total comprehensive (loss) income	(\$ 350,349)	\$ 2,123,734

- C. Above stated certain investments accounted for using equity method are based on the financial statements of associates which were not reviewed by the independent accountants.
- D. Above stated certain investments accounted for using equity method are based on the financial statements of associates which were reviewed by the associates' independent accountants.
- E. The fair value of the Group's associates which have quoted market price was as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Evergreen International Storage and Transport Corporation	\$ 5,814,345	\$ 6,000,494	\$ 5,873,275
EVA Airways Corporation	<u>10,109,674</u>	<u>10,790,460</u>	<u>10,075,634</u>
	<u>\$ 15,924,019</u>	<u>\$ 16,790,954</u>	<u>\$ 15,948,909</u>

- F. On December 21, 2017, the Board of Directors of the subsidiary, Evergreen Marine (Hong Kong) Ltd., during their meeting resolved to acquire a 9% equity interest of Colon Container Terminal S.A. from its original shareholder, Marubeni Corporation, in the amount of USD 15,600, and the shareholding ratio will be increased to 49% when the transaction is completed.

(8) Property, plant and equipment, net

	Land	Buildings	Machinery equipment	Loading and unloading equipment	Computer and communication equipment	Transportation equipment	Ships	Office equipment	Lease assets	Leasehold improvements	Others	Total
At January 1, 2018												
Cost	\$ 829,745	\$ 7,194,260	\$ 611,447	\$ 9,600,294	\$ 1,120,713	\$ 16,325,955	\$ 107,532,947	\$ 533,874	\$ 19,524,906	\$ 574,438	\$ 85,891	\$ 163,934,470
Accumulated depreciation	-	( 1,111,749)	( 495,678)	( 5,878,445)	( 416,793)	( 7,596,520)	( 43,793,777)	( 423,613)	( 6,168,818)	( 358,270)	( 3,353)	( 66,247,016)
	<u>\$ 829,745</u>	<u>\$ 6,082,511</u>	<u>\$ 115,769</u>	<u>\$ 3,721,849</u>	<u>\$ 703,920</u>	<u>\$ 8,729,435</u>	<u>\$ 63,739,170</u>	<u>\$ 110,261</u>	<u>\$ 13,356,088</u>	<u>\$ 216,168</u>	<u>\$ 82,538</u>	<u>\$ 97,687,454</u>
2018												
Opening net book amount	\$ 829,745	\$ 6,082,511	\$ 115,769	\$ 3,721,849	\$ 703,920	\$ 8,729,435	\$ 63,739,170	\$ 110,261	\$ 13,356,088	\$ 216,168	\$ 82,538	\$ 97,687,454
Additions	-	40,403	261	60,268	71,037	7,680,103	233,332	25,286	5,527,866	6,020	56,244	13,700,820
Disposals	-	( 96,455)	-	( 462)	( 101)	( 4,818,552)	-	( 79)	( 2,675)	-	-	( 4,918,324)
Reclassifications	-	7,496	-	171,710	3,336	1,989	12,062,175	( 6,829)	( 121,014)	-	( 4,293)	12,114,570
Depreciation	-	( 108,992)	( 8,121)	( 387,702)	( 153,729)	( 1,097,569)	( 3,512,790)	( 29,822)	( 938,309)	( 94,220)	( 2,624)	( 6,333,878)
Acquired from business combinations	-	-	-	-	5	-	-	6,471	-	-	26,620	33,096
Net exchange differences	( 13,847)	108,104	1,005	45,547	17,224	168,825	1,185,068	( 1,050)	467,783	17	( 318)	1,978,358
Closing net book amount	<u>\$ 815,898</u>	<u>\$ 6,033,067</u>	<u>\$ 108,914</u>	<u>\$ 3,611,210</u>	<u>\$ 641,692</u>	<u>\$ 10,664,231</u>	<u>\$ 73,706,955</u>	<u>\$ 104,238</u>	<u>\$ 18,289,739</u>	<u>\$ 127,985</u>	<u>\$ 158,167</u>	<u>\$ 114,262,096</u>
At September 30, 2018												
Cost	\$ 815,898	\$ 7,252,260	\$ 616,431	\$ 10,788,317	\$ 1,212,624	\$ 18,235,168	\$ 122,195,099	\$ 522,740	\$ 24,707,420	\$ 580,715	\$ 164,144	\$ 187,090,816
Accumulated depreciation	-	( 1,219,193)	( 507,517)	( 7,177,107)	( 570,932)	( 7,570,937)	( 48,488,144)	( 418,502)	( 6,417,681)	( 452,730)	( 5,977)	( 72,828,720)
	<u>\$ 815,898</u>	<u>\$ 6,033,067</u>	<u>\$ 108,914</u>	<u>\$ 3,611,210</u>	<u>\$ 641,692</u>	<u>\$ 10,664,231</u>	<u>\$ 73,706,955</u>	<u>\$ 104,238</u>	<u>\$ 18,289,739</u>	<u>\$ 127,985</u>	<u>\$ 158,167</u>	<u>\$ 114,262,096</u>

	Land	Buildings	Machinery equipment	Loading and unloading equipment	Computer and communication equipment	Transportation equipment	Ships	Office equipment	Lease assets	Leasehold improvements	Others	Total
At January 1, 2017												
Cost	\$ 845,610	\$ 1,632,334	\$ 600,442	\$ 9,269,204	\$ 1,064,943	\$ 17,025,213	\$ 110,782,722	\$ 511,701	\$ 21,192,069	\$ 366,787	\$ 138,493	\$ 163,429,518
Accumulated depreciation	-	( 1,004,644)	( 479,520)	( 5,612,263)	( 248,689)	( 7,412,028)	( 42,981,997)	( 411,375)	( 5,565,381)	( 242,660)	( 531)	( 63,959,088)
	<u>\$ 845,610</u>	<u>\$ 627,690</u>	<u>\$ 120,922</u>	<u>\$ 3,656,941</u>	<u>\$ 816,254</u>	<u>\$ 9,613,185</u>	<u>\$ 67,800,725</u>	<u>\$ 100,326</u>	<u>\$ 15,626,688</u>	<u>\$ 124,127</u>	<u>\$ 137,962</u>	<u>\$ 99,470,430</u>
2017												
Opening net book amount	\$ 845,610	\$ 627,690	\$ 120,922	\$ 3,656,941	\$ 816,254	\$ 9,613,185	\$ 67,800,725	\$ 100,326	\$ 15,626,688	\$ 124,127	\$ 137,962	\$ 99,470,430
Additions	-	1,323	3,132	199,671	50,974	985,570	108,459	11,517	48,211	12,848	27,208	1,448,913
Disposals	-	( 1,064)	( 283)	( 2,441)	( 616)	( 21,940)	-	( 3,695)	( 4,618)	( 6,110)	-	( 40,767)
Reclassifications	-	( 178)	-	98,281	79,164	-	1,328,684	-	( 83,142)	204,088	( 81,012)	1,545,885
Depreciation	-	( 23,840)	( 7,407)	( 340,568)	( 143,429)	( 997,156)	( 3,299,721)	( 24,500)	( 801,397)	( 85,738)	( 2,112)	( 5,725,868)
Net exchange differences	( 10,827)	( 5,869)	( 337)	( 118,313)	( 46,807)	( 410,334)	( 2,827,375)	( 1,011)	( 927,440)	( 629)	( 4,207)	( 4,353,149)
Closing net book amount	<u>\$ 834,783</u>	<u>\$ 598,062</u>	<u>\$ 116,027</u>	<u>\$ 3,493,571</u>	<u>\$ 755,540</u>	<u>\$ 9,169,325</u>	<u>\$ 63,110,772</u>	<u>\$ 82,637</u>	<u>\$ 13,858,302</u>	<u>\$ 248,586</u>	<u>\$ 77,839</u>	<u>\$ 92,345,444</u>
At September 30, 2017												
Cost	\$ 834,783	\$ 1,636,815	\$ 599,715	\$ 9,288,758	\$ 1,128,687	\$ 16,558,470	\$ 107,022,341	\$ 499,358	\$ 19,884,972	\$ 571,984	\$ 80,482	\$ 158,106,365
Accumulated depreciation	-	( 1,038,753)	( 483,688)	( 5,795,187)	( 373,147)	( 7,389,145)	( 43,911,569)	( 416,721)	( 6,026,670)	( 323,398)	( 2,643)	( 65,760,921)
	<u>\$ 834,783</u>	<u>\$ 598,062</u>	<u>\$ 116,027</u>	<u>\$ 3,493,571</u>	<u>\$ 755,540</u>	<u>\$ 9,169,325</u>	<u>\$ 63,110,772</u>	<u>\$ 82,637</u>	<u>\$ 13,858,302</u>	<u>\$ 248,586</u>	<u>\$ 77,839</u>	<u>\$ 92,345,444</u>

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

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

(9) Investment property, net

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2018			
Cost	\$ 1,414,757	\$ 4,066,438	\$ 5,481,195
Accumulated depreciation	-	( 511,923)	( 511,923)
	<u>\$ 1,414,757</u>	<u>\$ 3,554,515</u>	<u>\$ 4,969,272</u>
<u>2018</u>			
Opening net book amount	\$ 1,414,757	\$ 3,554,515	\$ 4,969,272
Depreciation	-	( 97,483)	( 97,483)
Net exchange differences	21	11,144	11,165
Closing net book amount	<u>\$ 1,414,778</u>	<u>\$ 3,468,176</u>	<u>\$ 4,882,954</u>
At September 30, 2018			
Cost	\$ 1,414,778	\$ 4,057,917	\$ 5,472,695
Accumulated depreciation	-	( 589,741)	( 589,741)
	<u>\$ 1,414,778</u>	<u>\$ 3,468,176</u>	<u>\$ 4,882,954</u>
At January 1, 2017			
Cost	\$ 1,414,631	\$ 1,000,649	\$ 2,415,280
Accumulated depreciation	-	( 476,506)	( 476,506)
	<u>\$ 1,414,631</u>	<u>\$ 524,143</u>	<u>\$ 1,938,774</u>
<u>2017</u>			
Opening net book amount	\$ 1,414,631	\$ 524,143	\$ 1,938,774
Reclassifications	178	-	178
Depreciation	-	( 14,581)	( 14,581)
Net exchange differences	( 37)	( 1,525)	( 1,562)
Closing net book amount	<u>\$ 1,414,772</u>	<u>\$ 508,037</u>	<u>\$ 1,922,809</u>
At September 30, 2017			
Cost	\$ 1,414,772	\$ 1,002,435	\$ 2,417,207
Accumulated depreciation	-	( 494,398)	( 494,398)
	<u>\$ 1,414,772</u>	<u>\$ 508,037</u>	<u>\$ 1,922,809</u>

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

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Rental revenue from the lease of the investment property	\$ 70,222	\$ 27,792
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 33,186	\$ 5,351
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 173	\$ 180
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Rental revenue from the lease of the investment property	\$ 212,761	\$ 83,417
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 98,903	\$ 16,020
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 589	\$ 676

B. The fair value of the investment property held by the Group as at September 30, 2018, December 31, 2017 and September 30, 2017 was \$ 6,673,142, \$6,743,253 and \$3,699,205, respectively. The fair value measurements were based on the market prices of recently sold properties in the immediate vicinity of a certain property.

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

(10) Other non-current assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Prepayments for equipment	\$ 5,740,284	\$ 6,080,908	\$ 6,460,151
Refundable deposits	213,148	197,413	158,672
Others	-	160,044	312
	<u>\$ 5,953,432</u>	<u>\$ 6,438,365</u>	<u>\$ 6,619,135</u>

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

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Amount capitalised	\$ 40,656	\$ 28,989
Interest rate	0.86%~3.85%	1.31%~2.93%
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Amount capitalised	\$ 117,399	\$ 80,323
Interest rate	0.86%~3.85%	1.31%~2.93%

(11) Other current liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Receipt in advance	\$ 26,702	\$ 12,367	\$ 20,195
Long-term liabilities - current portion	16,274,759	16,117,966	16,925,068
Shipowner's accounts	1,697,893	2,322,289	2,826,025
Agency accounts	2,706,927	4,838,099	5,585,563
Long-term leases payable - current	2,318,719	1,349,699	1,371,716
Others	216,642	75,249	46,364
	<u>\$ 23,241,642</u>	<u>\$ 24,715,669</u>	<u>\$ 26,774,931</u>

(12) Corporate bonds payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Domestic secured corporate bonds	\$ 10,000,000	\$ 8,000,000	\$ 8,000,000
Less: Current portion or exercise of put options	-	-	-
	<u>\$ 10,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>

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

- (a) Period: 5 years (April 25, 2017 to April 25, 2022)
- (b) Coupon rate: 1.05% fixed per annum

(c) Principal repayment and interest payment

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

(d) Collaterals

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

B. On June 27, 2018, the Company issued its fourteenth domestic secured corporate bonds (referred herein as the “Fourteenth Bonds”), totaling \$2,000,000 at face value. The major terms of the issuance are set forth below:

(a) Period: 5 years (June 27, 2018 to June 27, 2023)

(b) Coupon rate: 0.86% fixed per annum

(c) Principal repayment and interest payment

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

(d) Collaterals

The Fourteenth Bonds are secured and are guaranteed by First Commercial Bank.

(13) Long-term loans

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Secured bank loans	\$ 62,129,679	\$ 55,586,429	\$ 56,243,404
Unsecured bank loans	26,741,527	25,915,897	27,837,410
Add : Unrealised foreign exchange losses (gains)	191,540	10,339	( 356,580)
Less: Hosting fee credit	( 22,571)	( 25,034)	( 26,053)
	<u>89,040,175</u>	<u>81,487,631</u>	<u>83,698,181</u>
Less: Current portion	( 16,274,759)	( 16,117,966)	( 16,925,068)
	<u>\$ 72,765,416</u>	<u>\$ 65,369,665</u>	<u>\$ 66,773,113</u>
Borrowing period	107.10~117.05	107.02~116.06	106.12~116.06
Interest rate	0.89%~5.15%	1.18%~5.15%	1.18%~4.32%

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



(14) Other non-current liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Long-term leases payable - non-current	\$ 14,032,258	\$ 10,381,197	\$ 10,756,448
Accrued pension liabilities	2,926,634	3,053,342	2,878,533
Guarantee deposits received	38,356	37,608	21,720
Unrealised gain on sale and leaseback	115,498	39,874	42,636
	<u>\$ 17,112,746</u>	<u>\$ 13,512,021</u>	<u>\$ 13,699,337</u>

(15) Finance lease liabilities

The Group leases in loading and unloading equipment, ships and transportation equipment under finance lease, based on the terms of the lease contracts. Future minimum lease payments and their present values as at September 30, 2018, December 31, 2017 and September 30, 2017 are as follows:

	<u>September 30, 2018</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year	\$ 2,848,560	(\$ 529,841)	\$ 2,318,719
<u>Non-current</u>			
Later than one year but not later than five years	12,679,216	( 1,277,358)	11,401,858
Over five years	2,784,783	( 154,383)	2,630,400
	<u>15,463,999</u>	<u>( 1,431,741)</u>	<u>14,032,258</u>
	<u>\$ 18,312,559</u>	<u>(\$ 1,961,582)</u>	<u>\$ 16,350,977</u>
	<u>December 31, 2017</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year	\$ 1,761,272	(\$ 411,573)	\$ 1,349,699
<u>Non-current</u>			
Later than one year but not later than five years	11,124,634	( 1,092,641)	10,031,993
Over five years	356,716	( 7,512)	349,204
	<u>11,481,350</u>	<u>( 1,100,153)</u>	<u>10,381,197</u>
	<u>\$ 13,242,622</u>	<u>(\$ 1,511,726)</u>	<u>\$ 11,730,896</u>

September 30, 2017

	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 1,794,366	(\$ 422,650)	\$ 1,371,716
<u>Non-current</u>			
Later than one year but not later than five years	11,556,417	( 1,170,234)	10,386,183
Over five years	380,524	( 10,259)	370,265
	11,936,941	( 1,180,493)	10,756,448
	\$ 13,731,307	(\$ 1,603,143)	\$ 12,128,164

(16) Pension

- A.(a) In accordance with the Labor Pension Act (“the Act”), effective July 1, 2005, which adopted a defined contribution scheme, employees of the Company and its subsidiary-TTSC may choose to be subject to either the Act, maintaining their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standard Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its subsidiary-TTSC contribute monthly an amount equal to 15% of the employees’ monthly salaries and wages to the retirement fund deposited with the Trust Department of Bank of Taiwan under the name of the Labor Pension Fund Supervisory Committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- (b) The employees with R.O.C. nationality of the Group’s subsidiaries, Evergreen Marine (Hong Kong) Ltd., Greencompass Marine S. A. and Evergreen Marine (UK) Limited, adopted the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.
- (c) For the aforementioned pension plan, the Group recognised pension costs of \$78,206, \$55,553, \$189,400 and \$165,110 for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

(d) Expected contributions to the defined benefit pension plans of the Company and its subsidiary-TTSC for the nine-month period ended September 30, 2018 amounts to \$97,665.

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

(b) The pension costs under defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 were \$29,738, \$46,375, \$132,830 and \$133,678, respectively.

(17) Capital stock

A. As of September 30, 2018, the Company’s authorized capital was \$50,000,000, and the paid-in capital was \$ 42,129,738, consisting of 4,212,974 thousand shares of common stocks with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. On August 11, 2017, the Board of Directors of the Company resolved to increase capital of \$5,000,000 by issuing 500,000 thousand shares at a par value of NT\$10. Of which 50,000 thousand shares are reserved for employee stock purchase plan. The proposal of capital increase has been reported and become effective on December 5, 2017. The issue price is NT\$15.3 per share and amount of shares was \$7,711,222. All proceeds from share issuance was completed on December 27, 2017.

C. The stockholders at their annual stockholders meeting on June 21, 2018, resolved to issue 200,618 thousand shares through capitalization of unappropriated retained earnings of \$2,006,178. The proposal of the capitalisation of earnings was filed online with the Securities and Futures Bureau of the Financial Supervisory Commission and went into effect on July 31, 2018. The Company had filed registration of the capital increase through capitalisation of earnings with the Ministry of Economic Affairs on September 18, 2018.

(18) Capital surplus

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

	2018				
	Share premium	Employee stock options exercised	Adjustments to share of changes in equity of associates and joint ventures	Donated assets	Others
At January 1, 2018	\$ 8,606,393	\$ 76,280	\$ 2,148,243	\$ 446	\$ 6,713
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	( 38,172)	-	-
At September 30, 2018	<u>\$ 8,606,393</u>	<u>\$ 76,280</u>	<u>\$ 2,110,071</u>	<u>\$ 446</u>	<u>\$ 6,713</u>
	2017				
	Share premium	Share premium	Adjustments to share of changes in equity of associates and joint ventures	Donated assets	Others
At January 1, 2017	\$ 5,895,171	\$ 5,895,171	\$ 2,086,684	\$ 446	\$ 6,713
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	1,673	-	-
At September 30, 2017	<u>\$ 5,895,171</u>	<u>\$ 5,895,171</u>	<u>\$ 2,088,357</u>	<u>\$ 446</u>	<u>\$ 6,713</u>

(19) Retained earnings

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

B. Dividend policy

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

C. Legal reserve

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

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

in the distributable earnings.

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

(b) The appropriation of earnings of year 2017 as resolved by the Board of Directors on June 21, 2018 is as follows:

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

F. For information relating to employees', directors' and supervisors' remuneration, please refer to Note 6(27).

(20) Other equity items

	Unrealised gains (losses) on valuation	Hedging reserve	Currency translation	Total
At January 1, 2018	\$ 1,833,339	(\$ 15,912)	(\$ 1,135,114)	\$ 682,313
Effects of retrospective application	( 279,677)	-	-	( 279,677)
Balance at January 1 after retrospective adjustments	\$ 1,553,662	(\$ 15,912)	(\$ 1,135,114)	\$ 402,636
Revaluation – gross	( 313,582)	-	-	( 313,582)
Revaluation – tax	9,179	-	-	9,179
Revaluation – associates	29,536	-	-	29,536
Revaluation transferred to retained earnings – gross	( 13,438)	-	-	( 13,438)
Revaluation transferred to retained earnings – associates	2,967	-	-	2,967
Cash flow hedges:				
– Fair value loss in the period				
– Associates	-	( 9,502)	-	( 9,502)
Currency translation differences:				
– Group	-	-	749,743	749,743
– Group – tax	-	-	750	750
– Associates	-	-	117,106	117,106
At September 30, 2018	\$ 1,268,324	(\$ 25,414)	(\$ 267,515)	\$ 975,395

	Unrealised gains (losses) on valuation	Hedging reserve	Currency translation	Total
At January 1, 2017	\$ 1,703,161	(\$ 67,895)	\$ 1,254,622	\$ 2,889,888
Revaluation – gross	333,882	-	-	333,882
Revaluation – tax	( 14,705)	-	-	( 14,705)
Revaluation – associates	49,892	-	-	49,892
Cash flow hedges:				
– Fair value gain in the period				
– Associates	-	25,539	-	25,539
Currency translation differences:				
– Group	-	-	( 1,423,722)	( 1,423,722)
– Group – tax	-	-	2,207	2,207
– Associates	-	-	( 267,653)	( 267,653)
At September 30, 2017	<u>\$ 2,072,230</u>	<u>(\$ 42,356)</u>	<u>(\$ 434,546)</u>	<u>\$ 1,595,328</u>

(21) Operating revenue

	Three-month period ended September 30, 2018	Nine-month period ended September 30, 2018
Revenue from contracts with customers	\$ 44,510,164	\$ 118,926,498
Other - ship rental and slottage income	397,047	1,108,752
	<u>\$ 44,907,211</u>	<u>\$ 120,035,250</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following major businesses:

	Three-month period ended September 30, 2018				
	Ship-owners	Agent	Terminal	Other	Total
Total segment revenue	\$ 48,759,780	\$ 772,649	\$ 1,989,096	\$ 10,711	\$ 51,532,236
Inter-segment revenue	( 7,022,072)	-	-	-	( 7,022,072)
Revenue from external customer contracts	<u>\$ 41,737,708</u>	<u>\$ 772,649</u>	<u>\$ 1,989,096</u>	<u>\$ 10,711</u>	<u>\$ 44,510,164</u>

Nine-month period ended September 30, 2018	<u>Ship-owners</u>	<u>Agent</u>	<u>Terminal</u>	<u>Other</u>	<u>Total</u>
Total segment revenue	\$ 128,833,551	\$ 2,089,417	\$ 5,348,588	\$ 503,144	\$ 136,774,700
Inter-segment revenue	( 17,848,202)	-	-	-	( 17,848,202)
Revenue from external customer contracts	<u>\$ 110,985,349</u>	<u>\$ 2,089,417</u>	<u>\$ 5,348,588</u>	<u>\$ 503,144</u>	<u>\$ 118,926,498</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>September 30, 2018</u>
Contract assets:	
Contract assets relating to marine freight income	\$ <u>1,941,581</u>
Contract liabilities:	
Contract liabilities – unearned marine freight income	\$ <u>1,084,824</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	

	<u>Three-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2018</u>
Marine freight income	\$ -	\$ <u>2,523,101</u>

C. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(22) Other income and expenses, net

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Gains (loss) on disposal of property, plant and equipment	\$ <u>12,222</u>	(\$ <u>3,194</u> )
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Gains on disposal of property, plant and equipment	\$ <u>1,068,946</u>	\$ <u>449,997</u>

(23) Other income

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Interest income :		
Interest income from bank deposits	\$ 149,372	\$ 108,654
Interest income from financial assets measured at amortised cost	554	-
Interest income from financial assets other than financial assets at fair value through profit or loss	-	555
Rent income	72,382	28,245
Dividend income	28,730	3,115
Other income, others	29,815	42,058
	<u>\$ 280,853</u>	<u>\$ 182,627</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Interest income :		
Interest income from bank deposits	\$ 397,238	\$ 306,812
Interest income from financial assets measured at amortised cost	1,645	-
Interest income from financial assets other than financial assets at fair value through profit or loss	-	1,785
Rent income	220,273	84,773
Dividend income	86,778	87,539
Gain recognised in bargain purchase transaction	128,692	-
Other income, others	322,644	101,356
	<u>\$ 1,157,270</u>	<u>\$ 582,265</u>



(24) Other gains and losses

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
(Losses) gains on disposal of investments	(\$ 1,832)	\$ 184,780
Net currency exchange gains	105,354	40,662
Depreciation on investment property	( 32,674)	( 4,855)
Other non-operating expenses	( 38,186)	( 17,098)
	<u>\$ 32,662</u>	<u>\$ 203,489</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
(Losses) gains on disposal of investments	(\$ 139,954)	\$ 353,970
Net currency exchange gains (loss)	179,181	( 8,205)
Depreciation on investment property	( 97,483)	( 14,581)
Other non-operating expenses	( 87,622)	( 69,154)
	<u>(\$ 145,878)</u>	<u>\$ 262,030</u>

(25) Finance costs

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Interest expense:		
Bank loans	\$ 547,460	\$ 351,084
Corporate bonds	25,508	21,171
	<u>572,968</u>	<u>372,255</u>
Less: Capitalisation of qualifying assets	( 40,656)	( 28,989)
Finance costs	<u>\$ 532,312</u>	<u>\$ 343,266</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Interest expense:		
Bank loans	\$ 1,379,149	\$ 1,060,210
Corporate bonds	67,351	48,690
	<u>1,446,500</u>	<u>1,108,900</u>
Less: Capitalisation of qualifying assets	( 117,399)	( 80,323)
Finance costs	<u>\$ 1,329,101</u>	<u>\$ 1,028,577</u>

(26) Expenses by nature

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Employee benefit expense	\$ 1,933,858	\$ 1,619,924
Depreciation on property, plant and equipment	2,339,274	1,916,353
Amortisation on intangible assets	13,181	9,464
Other operating costs and expenses	39,637,437	34,958,087
	<u>\$ 43,923,750</u>	<u>\$ 38,503,828</u>

  

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Employee benefit expense	\$ 5,680,572	\$ 4,758,763
Depreciation charges on property, plant and equipment	6,333,878	5,725,868
Amortisation charges on intangible assets	36,034	28,605
Other operating costs and expenses	110,070,797	97,089,267
	<u>\$ 122,121,281</u>	<u>\$ 107,602,503</u>

(27) Employee benefit expense

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Wages and salaries	\$ 1,639,416	\$ 1,324,714
Labor and health insurance fees	87,000	105,051
Pension costs	107,944	101,928
Other personnel expenses	99,498	88,231
	<u>\$ 1,933,858</u>	<u>\$ 1,619,924</u>

  

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Wages and salaries	\$ 4,731,267	\$ 3,905,610
Labor and health insurance fees	349,112	319,656
Pension costs	322,230	298,788
Other personnel expenses	277,963	234,709
	<u>\$ 5,680,572</u>	<u>\$ 4,758,763</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for no less than 0.5% and pay remuneration to the directors and supervisors that account for no more than 2% of the total distributed amount.

B. (a) For the nine-month period ended September 30, 2018, the Company generated loss and thus did not accrue employees' and supervisors' remuneration.

(b) For the nine-month period ended September 30, 2017, employees' compensation was accrued

at \$35,590. The aforementioned amounts was recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

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

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three-month period</u> <u>ended September 30, 2018</u>	<u>Three-month period</u> <u>ended September 30, 2017</u>
Current tax:		
Current tax on profits for the period	\$ 302,427	\$ 207,385
Tax on undistributed surplus earnings	141,852	-
Prior year income tax overestimation	<u>5,602</u>	<u>4,879</u>
Total current tax	<u>449,881</u>	<u>212,264</u>
Deferred tax:		
Origination and reversal of temporary differences	23,137	155,747
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>23,137</u>	<u>155,747</u>
Income tax expense	<u>\$ 473,018</u>	<u>\$ 368,011</u>
	<u>Nine-month period</u> <u>ended September 30, 2018</u>	<u>Nine-month period</u> <u>ended September 30, 2017</u>
Current tax:		
Current tax on profits for the period	\$ 594,867	\$ 457,674
Tax on undistributed surplus earnings	141,852	-
Prior year income tax overestimation	<u>(8,961)</u>	<u>4,765</u>
Total current tax	<u>727,758</u>	<u>462,439</u>
Deferred tax:		
Origination and reversal of temporary differences	(177,660)	208,730
Impact of change in tax rate	<u>42,716</u>	<u>-</u>
Total deferred tax	<u>(134,944)</u>	<u>208,730</u>
Income tax expense	<u>\$ 592,814</u>	<u>\$ 671,169</u>

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

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 10,517)	\$ -
Fair value gains/losses on available-for-sale financial assets	-	5,065
Exchange differences on translating the financial statements of foreign operations	-	( 3)
Impact of change in tax rate	-	-
	<u>(\$ 10,517)</u>	<u>\$ 5,062</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 15,434)	\$ -
Fair value gains/losses on available-for-sale financial assets	-	14,705
Exchange differences on translating the financial statements of foreign operations	29	( 2,207)
Impact of change in tax rate	( 6,386)	-
	<u>(\$ 21,791)</u>	<u>\$ 12,498</u>

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

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio	\$ 36	\$ 16
Impact of change in tax rate	-	-
	<u>\$ 36</u>	<u>\$ 16</u>

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Reduction in capital surplus caused by recognition of foreign investees based on the shareholding ratio	\$ 85	\$ 69
Impact of change in tax rate	( 95)	-
	<u>(\$ 10)</u>	<u>\$ 69</u>

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings (loss) per share

	<u>Three-month period ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic income per share</u>			
Net earnings attributable to ordinary shareholders of the parent	<u>\$ 708,433</u>	<u>4,212,974</u>	<u>\$ 0.17</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	<u>\$ 708,433</u>	<u>4,212,974</u>	<u>\$ 0.17</u>
	<u>Three-month period ended September 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	<u>\$ 3,738,532</u>	<u>3,687,974</u>	<u>\$ 1.01</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	<u>\$ 3,738,532</u>	<u>3,687,974</u>	<u>\$ 1.01</u>

<u>Nine-month period ended September 30, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 398,751)	4,212,974	(\$ 0.09)
<u>Diluted loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 398,751)	4,212,974	(\$ 0.09)
<u>Nine-month period ended September 30, 2017</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 6,824,865	3,687,974	\$ 1.85
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 6,824,865	3,687,974	\$ 1.85

(30) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

- (a) Subsidiary, Everport Terminal Service Inc., purchased 49% of outstanding shares of Island for cash of \$262,927 (approx. USD 8,853) on January 1, 2018. The carrying amount of non-controlling interest in Island was \$223,006 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$223,006 and a decrease in the equity attributable to owners of the parent by \$39,921.
- (b) Subsidiary, Peony Investment, purchased 34% of outstanding shares of subsidiary, EGT, for cash of \$22,845 (approx. USD 769) on December 31, 2017. The carrying amount of non-controlling interest in EGT was \$15,311 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$15,311 and a decrease in the equity attributable to owners of the parent by \$7,534.

- (c) Subsidiary, Peony Investment, purchased 45% of outstanding shares of subsidiary, EES, for cash of \$85,393 (approx. USD 2,875) on December 31, 2017. The carrying amount of non-controlling interest in EES was \$86,620 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$86,620 and an increase in the equity attributable to owners of the parent by \$1,227.
- B. The effect of changes in interests in ETS, EGT and EES on the equity attributable to owners of the parent for nine-month period ended September 30, 2018 and for the year ended December 31, 2017 are shown below:

	Nine-month period ended September 30, 2018	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	\$ 223,006	\$ 101,931
Consideration paid to non-controlling interest	( 262,927)	( 108,238)
Capital surplus		
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	(\$ 39,921)	(\$ 6,307)

(31) Business combinations

- A. On January 1, 2018, subsidiary, Peony Investment, acquired 51% of the shares of EGV for cash of \$10,603 (approx. USD 357). Peony Investment has a 49% equity interest before acquiring these 51% equity interests, therefore, Peony owns 100% of the shares of EGV after the acquisition and has control of EGV. The company primarily provides cargo and shipping agency services in Malaysia. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- B. On December 18, 2017, the Company and Peony Investment acquired 80% of the shares of EGH for cash of \$6,452,225 and obtained control of the company. The company primarily provides cargo services domestically and internationally and shipping agency services. As a result of the acquisition, the Group is expected to strengthen our foothold in the Greater China market and expand our shipping agency, liner transport, and other related businesses in the region.
- C. On December 27, 2017, Peony Investment acquired 70% of the shares of EGM for cash of \$280,668. Previously, on November 30, 2017, Peony Investment received 30% of the shares of EGM from its associate, Green Peninsula Agencies SDN. BHD., as a dividend payment. Therefore, Peony owns 100% of the shares of EGM after the acquisition and has control of EGM. The company primarily provides cargo and shipping agency services in Malaysia. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

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

	January 1, 2018	Year ended December 31, 2017
Purchase consideration		
Cash paid	\$ 10,603	\$ 6,732,893
Fair value of equity interest in EGM held before the business combination	10,187	120,287
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	-	1,613,445
	<u>20,790</u>	<u>8,466,625</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	150,880	1,626,514
Notes receivable	-	21,411
Accounts receivable	103,402	1,654,816
Prepayments	3,549	357,931
Other receivables	3,471	38,375
Inventories	-	50,253
Other current assets	89,482	1,415,204
Investments accounted for using equity method	-	4,195
Property, plant and equipment, net	33,096	5,764,793
Investment property, net	-	3,119,127
Intangible assets	-	75,928
Other non-current assets	4,841	148,991
Accounts payable	( 41,965)	( 2,006,696)
Other payables	( 223,234)	( 241,970)
Current income tax liabilities	( 7,267)	( 215,017)
Other current liabilities	( 102,077)	( 1,805,049)
Long-term loans	-	( 534,492)
Deferred income tax liabilities	-	( 947,618)
Other non-current liabilities	-	( 54,088)
Total identifiable net assets	<u>14,178</u>	<u>8,472,608</u>
Goodwill / Gain from bargain purchase	<u>\$ 6,612</u>	<u>(\$ 5,983)</u>

E. The Group originally held 49% of share ownership in EGV before the business combination. Loss on remeasurement of fair value amounted to \$119,908.

F. The fair value of the acquired identifiable intangible assets was estimated to be \$75,928

G. The Group originally held 30% of share ownership in EGM before the business combination.



Gain on remeasurement of fair value amounted to \$30,253.

H. The Company and subsidiary, Peony Investment, consolidated EGH as of December 18, 2017, and EGH contributed operating income and pre-tax loss of \$317,144 and \$28,251, respectively. Had EGH been consolidated from January 1, 2017, the consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2017 would show operating revenue and loss before income tax of \$299,119, \$1,742,425 and \$103,306, \$347,950 in the third quarter of 2017.

I. Peony Investment consolidated EGM as of December 27, 2017, and EGM contributed operating income and pre-tax loss of \$3,531 and \$331, respectively. Had EGM been consolidated from January 1, 2017, the consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2017 would show operating revenue and profit before income tax of \$100,980, \$259,501 and \$42,331, \$87,770 in the third quarter of 2017.

(32) Supplemental cash flow information

Investing activities with partial cash payments

(a). Property, plant and equipment

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Purchase of property, plant and equipment	\$ 13,700,820	\$ 1,448,913
Add: Opening balance of payable on equipment	58,347	15,693
Less: Ending balance of payable on equipment	( 378,924)	( 9,182)
Cash paid during the period	<u>\$ 13,380,243</u>	<u>\$ 1,455,424</u>

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

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Purchase of prepayments for equipment	\$ 11,692,189	\$ 3,242,531
Add: Opening balance of payable on prepayments for equipment	4,638	124,787
Less: Ending balance of payable on prepayments for equipment	( 17,333)	( 4,775)
Capitalisation of qualifying assets	( 117,399)	( 80,323)
Cash paid during the period	<u>\$ 11,562,095</u>	<u>\$ 3,282,220</u>

(c). Intangible assets

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Purchase of intangible assets	\$ 24,151	\$ 6,736
Add: Opening balance of payable on intangible assets	-	48,347
Less: Ending balance of payable on intangible assets	-	-
Cash paid during the period	<u>\$ 24,151</u>	<u>\$ 55,083</u>

(d). Investments accounted for using equity method

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Purchase of investments accounted for using equity method	\$ 585,093	\$ -
Add: Opening balance of payable on capital stock	( 23,166)	-
Less: Ending balance of payable on capital stock	-	-
Cash paid during the period	<u>\$ 561,927</u>	<u>\$ -</u>

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

	January 1, 2018
Cash and cash equivalents	\$ 150,880
Accounts receivable	103,402
Prepayments	3,549
Other receivables	3,471
Other current assets	89,482
Property, plant and equipment, net	33,096
Other non-current assets	4,841
Accounts payable	( 41,965)
Other payables	( 223,234)
Current income tax liabilities	( 7,267)
Other current liabilities	( 102,077)
Goodwill	6,612
	<u>\$ 20,790</u>
Cash paid for the acquisition	\$ 10,603
Cash and cash equivalents	( 150,880)
Net cash paid for the acquisition	<u>(\$ 140,277)</u>

(33) Changes in liabilities from financing activities

	<u>Long-term borrowings</u>
At January 1, 2018	\$ 81,487,631
Changes in cash flow from financing activities	6,351,428
Impact of changes in foreign exchange rate	1,201,116
At September 30, 2018	<u>\$ 89,040,175</u>

7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Evergreen International Storage and Transport Corp.	Associate
Eva Airways Corp.	Associate
Evergreen Security Corp.	Associate
Charng Yang Development Co., Ltd.	Associate
Taipei Port Container Terminal Corp.	Associate
Ningbo Victory Container Co. Ltd.	Associate
Qingdao Evergreen Container Storage & Transportation Co. Ltd.	Associate
Evergreen Marine (Latin America) S.A.	Associate
Green Peninsula Agencies SDN.BHD	Associate
Luanta Investment (Netherlands) N.V.	Associate
Balsam Investment (Netherlands) N.V.	Associate
Italia Marittima S.p.A.	Associate
Colon Container Terminal S.A.	Associate
PT. Evergreen Shipping Agency Indonesia	Associate
Evergreen Shipping Agency (Vietnam) Corp.	Other related party (A subsidiary since January 1, 2018)
Evergreen Shipping Agency Co. (U.A.E) LLC	Associate
Evergreen International Corp.	Other related party
Evergreen Airline Service Corp.	Other related party
Chang Yung-Fa Charity Foundation	Other related party
Chang Yung-Fa Foundation	Other related party
Eever Accord Construction Corporation	Other related party
Evergreen International S.A.	Other related party
Evergreen Marine (Singapore) Pte. Ltd.	Other related party
Gaining Enterprise S.A.	Other related party
Eevergreen Insurance Company Limited	Other related party
Evergreen Shipping Agency (America) Corporation	Other related party
Evergreen Shipping Agency (Japan) Corporation	Other related party
Evergreen Shipping Agency (Philippines) Corporation	Other related party
Evergreen International Myanmar Co., Ltd.	Other related party
Evergreen Marine (Hong Kong) Ltd.	Other related party (A subsidiary since December 18, 2017)

(2) Significant related party transactions and balances

A. Operating revenue:

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Sales of services:		
Associates	\$ 824,499	\$ 756,029
Other related parties	<u>2,824,960</u>	<u>2,622,097</u>
	<u>\$ 3,649,459</u>	<u>\$ 3,378,126</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Sales of services:		
Associates	\$ 2,283,879	\$ 2,476,955
Other related parties	<u>7,353,284</u>	<u>8,250,209</u>
	<u>\$ 9,637,163</u>	<u>\$ 10,727,164</u>

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

B. Purchases:

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Purchases of services:		
Associates	\$ 703,827	\$ 1,093,073
Other related parties	<u>1,913,097</u>	<u>2,092,795</u>
	<u>\$ 2,616,924</u>	<u>\$ 3,185,868</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Purchases of services:		
Associates	\$ 2,448,237	\$ 2,806,506
Other related parties	<u>5,304,225</u>	<u>5,789,179</u>
	<u>\$ 7,752,462</u>	<u>\$ 8,595,685</u>

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

C. Receivables from related parties :

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable:			
Associates	\$ 161,622	\$ 162,609	\$ 152,190
Other related parties	<u>380,933</u>	<u>631,012</u>	<u>676,927</u>
Subtotal	<u>\$ 542,555</u>	<u>\$ 793,621</u>	<u>\$ 829,117</u>
Other receivables:			
Associates			
-Other	\$ 148,777	\$ 3,038	\$ 2,518
Other related parties			
-EIC	-	162,433	152,286
-Other	<u>128,181</u>	<u>48,789</u>	<u>36,027</u>
Subtotal	<u>\$ 276,958</u>	<u>\$ 214,260</u>	<u>\$ 190,831</u>
Total	<u>\$ 819,513</u>	<u>\$ 1,007,881</u>	<u>\$ 1,019,948</u>

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

D. Payables to related parties:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable:			
Associates	\$ 108,826	\$ 57,279	\$ 84,822
Other related parties	<u>137,260</u>	<u>146,589</u>	<u>282,084</u>
Subtotal	<u>\$ 246,086</u>	<u>\$ 203,868</u>	<u>\$ 366,906</u>
Other payables:			
Associates	\$ 22,134	\$ 11,752	\$ 9,176
Other related parties	<u>140,948</u>	<u>113,616</u>	<u>36,142</u>
Subtotal	<u>\$ 163,082</u>	<u>\$ 125,368</u>	<u>\$ 45,318</u>
Total	<u>\$ 409,168</u>	<u>\$ 329,236</u>	<u>\$ 412,224</u>

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

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Associates	\$ -	\$ 4,350
Other related parties	-	61
	<u>\$ -</u>	<u>\$ 4,411</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Associates	\$ -	\$ 4,350
Other related parties	-	61
	<u>\$ -</u>	<u>\$ 4,411</u>

(b) Disposal of property, plant and equipment:

	<u>Three-month period ended September 30, 2018</u>		<u>Three-month period ended September 30, 2017</u>	
	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>
Other related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,890</u>	<u>\$ 746</u>
	<u>Nine-month period ended September 30, 2018</u>		<u>Nine-month period ended September 30, 2017</u>	
	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>
Other related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,890</u>	<u>\$ 746</u>

F. Agency accounts:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Credit balance of agency accounts:			
Associates	(\$ 152,204)	(\$ 196,045)	(\$ 150,055)
Other related parties			
-EIC	( 326,764)	( 515,617)	( 621,428)
-EGA	( 348,057)	( 865,521)	( 420,817)
-EGJ	( 309,477)	( 364,482)	( 377,237)
-Other	( 26,264)	( 28,815)	( 37,269)
	<u>(\$ 1,162,766)</u>	<u>(\$ 1,970,480)</u>	<u>(\$ 1,606,806)</u>

G. Shipowner's accounts:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Debit balance of shipowner's accounts:			
Other related parties			
-EIS	\$ -	\$ 696,616	\$ 1,352,718
-GESA	<u>19,018</u>	<u>25,028</u>	<u>27,712</u>
	<u>\$ 19,018</u>	<u>\$ 721,644</u>	<u>\$ 1,380,430</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Credit balance of shipowner's accounts:			
Associates			
-ITS	(\$ 142,262)	(\$ 889,198)	(\$ 9,403)
Other related parties			
-EIS	( 122,161)	-	-
-EMS	( 739,378)	( 525,647)	( 241,855)
-EGH	<u>-</u>	<u>-</u>	<u>( 841,753)</u>
	<u>(\$ 1,003,801)</u>	<u>(\$ 1,414,845)</u>	<u>(\$ 1,093,011)</u>

H. Loans to/from related parties:

(a) Loans to related parties:

i. Outstanding balance:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Associates	<u>\$ 403,102</u>	<u>\$ 272,467</u>	<u>\$ 275,880</u>

ii. Interest income

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Associates	<u>\$ 3,007</u>	<u>\$ 492</u>

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Associates	<u>\$ 6,817</u>	<u>\$ 1,250</u>

The loans to associates carry interest at floating rates for the three-month and nine-month periods ended September 30, 2018 and 2017.

(b)Loans from related parties:

i.Outstanding balance:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Associates	\$ -	\$ -	\$ 356
Other related parties	<u>997,672</u>	<u>877,363</u>	<u>898,927</u>
	<u>\$ 997,672</u>	<u>\$ 877,363</u>	<u>\$ 899,283</u>

ii.Interest expense:

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Associates	\$ -	\$ 228
Other related parties	<u>9,699</u>	<u>6,722</u>
	<u>\$ 9,699</u>	<u>\$ 6,950</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Associates	\$ -	\$ 762
Other related parties	<u>29,751</u>	<u>8,573</u>
	<u>\$ 29,751</u>	<u>\$ 9,335</u>

The loans from associates carry interest at floating rates for the three-month and nine-month periods ended September 30, 2018 and 2017.

I. Endorsements and guarantees provided to related parties:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Associates	<u>\$ 3,623,094</u>	<u>\$ 3,035,391</u>	<u>\$ 2,223,213</u>

J. On August 11, 2017, the Board of Directors resolved to have the Company and Peony Investment acquire 79% and 1%, respectively, of the shares of EGH from other related party Evergreen International S.A. The acquisition date was December 18, 2017, and the transaction amount was \$6,452,225 (approx. USD \$212,000).

K. On November 30, 2017, the Board of Directors resolved to have Peony Investment acquire 19% of the shares (95,000 shares) of EGM for \$76,181 (approx. USD 2,545) from other related party GESA. The acquisition date was December 27, 2017.

L. On December 20, 2017, the Board of Directors resolved to have subsidiary ETS acquire 15% of the shares of Island for \$80,488 (approx. USD 2,710) from associate ITS. The acquisition date was January 1, 2018.

M. On June 7, 2018, the Board of Directors resolved to have the subsidiary Peony Investment acquire 11.1074% of the shares of ICS Depot Services Sdn Bhd for \$21,568 (approx. USD 706) from associate GESA. The acquisition date was June 30, 2018.



(3) Key management compensation

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Salaries and other short-term employee benefits	\$ 24,798	\$ 35,634
Post-employment benefits	<u>160</u>	<u>955</u>
	<u>\$ 24,958</u>	<u>\$ 36,589</u>

  

	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Salaries and other short-term employee benefits	\$ 98,915	\$ 109,679
Post-employment benefits	<u>2,305</u>	<u>2,953</u>
	<u>\$ 101,220</u>	<u>\$ 112,632</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	
Other financial assets				Performance guarantee
- Pledged time deposits	\$ 273,121	\$ 324,508	\$ 180,176	
Refundable deposits				
- Pledged time deposits	2,000	2,000	2,000	"
Property, plant and equipment				
-Land	514,312	514,312	514,312	Long-term loan
-Buildings	5,611,947	2,081,017	190,204	"
-Loading and unloading equipment	2,000,072	1,968,231	2,091,544	"
-Ships	68,527,581	56,643,395	56,922,643	"
-Transportation equipment	264,704	603,463	645,721	"
-Computer and communication equipment	543,825	659,279	716,754	"
Investment property				
-Land	1,285,781	1,285,781	1,285,781	Long-term loan
-Buildings	<u>3,441,875</u>	<u>3,523,332</u>	<u>475,510</u>	"
	<u>\$ 82,465,218</u>	<u>\$ 67,605,318</u>	<u>\$ 63,024,645</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of September 30, 2018, the Company had delegated Crédit Agricole Corporate and Investment Bank to issue Standby Letter of Credit amounting to USD 5,000.

B. A former stockholder of the Company sold some of its shares through issuance of global depository receipts (GDRs). The issuance of GDRs was approved by the SEC on June 19, 1996 as per Letter (85) Tai-Cai-Zheng (1) No. 35410. On August 2, 1996, the GDRs were approved by the UK governing authority to be listed on the London Stock Exchange and were issued in Asia, Europe and the US. The total amount of the issuance of GDRs was USD 115,000. The initial number of units issued was 5,449,592, representing 54,495,920 shares of the Company's common stock at \$50.50 (in dollars) per share, and the number of supplementary units issued was 817,438. In total, the number of units issued was 6,267,030, representing 62,670,300 shares of the Company's common stock at \$50.50 (in dollars) per share, and the GDRs issued amounted to USD 115,000. Another 2,116,352 units, representing 21,163,604 shares of the Company's common stock, were issued during the period from 1997 to September 30, 2018. As of September, 2018, 7,810,260 units were redeemed and 573,122 units were outstanding, representing 5,731,304 shares of the Company's common stock.

C. As of September 30, 2018, the long-term and medium-term loan facilities granted by the financial institutions with the resolution from the Board of Directors to finance the Group's purchase of new ships and general working capital requirement amounted to \$10,422,321 and the unutilized credit was \$14,107,463.

D. Operating lease

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

	<u>September 30, 2018</u>
Within 1 year	USD 635,414
1~5 years	2,178,507
Over 5 years	1,880,764
	<u>USD 4,694,685</u>

E. As of September 30, 2018, the amount of guaranteed notes issued by the Company for loans borrowed was \$76,761,744.

F. To meet its operational needs, the Company signed the shipbuilding contracts with Taiwan Shipbuilding Co., Ltd., Imabari Shipbuilding Co., Ltd. and Samsung Heavy Industries. As of September 30, 2018, the total price of the contracts, wherein the vessels have not yet been delivered, amounted to USD 1,027,000, USD 875,336 of which remain unpaid.

G. To meet its operational needs, the Company signed the transportation equipment purchase contracts. As of September 30, 2018, the total price of the contracts, wherein the equipment have not yet been delivered, amounted to USD 13,207, USD 11,998 of which remain unpaid.

H. In response to international regulations on sulfur content in shipping fuel, the Group entered into sulfur emission abatement equipment purchase contracts with Wartsila Finland Oy and Alfa Laval Nijmegen B.V.. The total contract prices are USD 61,220 and EUR 20,952, respectively, and USD 54,661 and EUR 9,092 remain unpaid. The Group signed following installation contracts with Huarun Dadong Dockyard Co., Ltd.. As of September 30, 2018, the total price of the contracts amounted to USD 88,380, USD 86,612 of which remain unpaid.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On August 13, 2018, the Board of Directors of the Company resolved to increase capital of \$3,000,000 by issuing 300,000 thousand shares at a par value of NT\$10. Of which 30,000 thousand shares are reserved for employee stock purchase plan. The proposal of capital increase has been reported and become effective on November 6, 2017, with the permit of Jin-Guan-Zheng-Fa-Zi Letter No. 1070336402 issued by the Financial Supervisory Commission dated October 12, 2017. The issue price is NT\$10.7 per share. All proceeds from share issuance is expected to be collected by November 21, 2017.

B. For operational purposes, on November 13, 2018, the Board of Directors of the subsidiary, EGH, resolved to enter a shipbuilding contract with Jiangnan Shipyard, which for 4 full container ships with 2,500 TEU at each price from USD 31,000 to USD 35,000.

#### 12. OTHERS

##### (1) Capital management

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

## (2) Financial instruments

### A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,644,565	\$ -	\$ -
Available-for-sale financial assets	-	2,282,619	2,715,593
Held-to-maturity financial assets	-	100,000	100,000
Financial assets at amortised cost			
Cash and cash equivalents	36,027,373	38,108,263	38,268,225
Notes receivables	61,798	66,410	37,626
Accounts receivable	14,130,502	13,769,670	15,074,166
Other accounts receivable	1,625,264	882,906	944,916
Financial assets at amortised cost	100,000	-	-
Guarantee deposits paid	213,148	197,413	158,672
Other financial assets	273,121	324,508	180,176
	<u>\$ 54,075,771</u>	<u>\$ 55,731,789</u>	<u>\$ 57,479,374</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Accounts payable	\$ 20,221,998	\$ 15,562,519	\$ 15,439,946
Other accounts payable	4,951,424	4,113,886	2,592,298
Bonds payable (including current portion)	10,000,000	8,000,000	8,000,000
Long-term borrowings (including current portion)	89,040,175	81,487,631	83,698,181
Guarantee deposits received	38,356	37,608	21,720
	<u>\$ 124,251,953</u>	<u>\$ 109,201,644</u>	<u>\$ 109,752,145</u>

### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by the Group's Finance Department under policies approved by the Board of Directors. The Group's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's Operating Department. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	September 30, 2018		
	Foreign currency amount		Book value
	(In Thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1,003,798	30.5540	\$ 30,670,044
EUR:USD	2,999	1.1575	106,063
GBP:USD	2,619	1.3079	104,659
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	869,520	30.5540	\$ 26,567,314
HKD:USD	76,232	0.1279	297,904
GBP:USD	4,771	1.3079	190,657
RMB:USD	168,499	0.1452	747,536
EUR:USD	2,889	1.1575	102,173

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

September 30, 2017			
	Foreign currency amount		Book value
	(In Thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1,091,134	30.2890	\$ 33,049,358
EUR:USD	4,459	1.1806	159,450
GBP:USD	2,884	1.3398	117,036
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	854,696	30.2890	\$ 25,887,887
EUR:USD	2,996	1.1806	107,135
GBP:USD	4,682	1.3398	190,001

- iv. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 amounted to \$105,354, \$40,662, \$179,181 and (\$8,205), respectively.

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

<u>Nine-month period ended September 30, 2018</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 306,700	\$ -
EUR:USD	1%	1,061	-
GBP:USD	1%	1,047	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 265,673	\$ -
HKD:USD	1%	2,979	-
GBP:USD	1%	1,907	-
RMB:USD	1%	7,475	-
EUR:USD	1%	1,022	-

<u>Nine-month period ended September 30, 2017</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 330,494	\$ -
EUR:USD	1%	1,595	-
GBP:USD	1%	1,170	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 258,879	\$ -
EUR:USD	1%	1,071	-
GBP:USD	1%	1,900	-

### Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity would have increased/decreased by \$16,046 and \$26,600 for the nine-month periods ended September 30, 2018 and 2017, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the nine-month periods ended September 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, USD and GBP.
  - ii. At September 30, 2018 and 2017, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2018 and 2017 would have been \$763,708 and \$717,410 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
  - ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
  - iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a



significant increase in credit risk on that instrument since initial recognition.

- iv. If the default rate of an investment target exceeds 0.03%, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with the nature of segments. The Group applies the simplified approach using probability of default to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On September 30, 2018, the Group has no written-off financial assets that are still under recourse procedures.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On September 30, 2018, the loss rate methodology is as follows:

	<u>Individual</u>	<u>Group</u>	<u>Total</u>
<u>At September 30, 2018</u>			
Expected loss rate	100%	0.03%	
Total book value	\$ 72,901	\$ 15,596,312	\$ 15,669,213
Loss allowance	<u>\$ 72,901</u>	<u>\$ 4,985</u>	<u>\$ 77,886</u>

- viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	<u>2018</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Contract assets</u>
At January 1_IAS 39	\$ -	(\$ 96,283)	\$ -
Adjustments under new standards	( 5)	( 857)	( 4,467)
At January 1_IFRS 9	( 5)	( 97,140)	( 4,467)
Provision for impairment	-	( 1,221)	-
Reversal of impairment loss	-	22,311	4,012
Write-offs	-	382	-
Effect of foreign exchange	-	( 1,630)	( 128)
At September 30	<u>(\$ 5)</u>	<u>(\$ 77,298)</u>	<u>(\$ 583)</u>

- ix. Credit risk information of 2017 is provided in Note 12(4).

(c)Liquidity risk

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

Non-derivative financial liabilities:

September 30, 2018	Between 3					Total
	Less than 3 months	months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Accounts payable	\$ 19,966,215	\$ 9,690	\$ 7	\$ -	\$ -	\$ 19,975,912
Accounts payable - related parties	246,086	-	-	-	-	246,086
Other payables	3,521,621	267,091	3	-	1,955	3,790,670
Other payables - related parties	62,493	1,087,946	-	-	10,315	1,160,754
Bonds payable	-	101,200	101,200	10,177,600	-	10,380,000
Long-term loans (including current portion)	5,830,400	12,600,829	20,392,005	39,585,776	17,716,753	96,125,763
Long-term leases (including current portion)	312,583	2,006,136	1,694,771	9,707,087	2,630,400	16,350,977

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

September 30, 2017	Between 3					Total
	Less than 3 months	months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Accounts payable	\$ 15,062,284	\$ 10,740	\$ 16	\$ -	\$ -	\$15,073,040
Accounts payable - related parties	362,760	4,146	-	-	-	366,906
Other payables	1,360,100	286,040	-	-	1,557	1,647,697
Other payables - related parties	48,571	896,030	-	-	-	944,601
Bonds payable	-	84,000	84,000	8,210,000	-	8,378,000
Long-term loans (including current portion)	5,014,770	13,435,868	17,809,319	34,521,894	18,173,063	88,954,914
Long-term leases (including current portion)	164,827	1,206,889	1,732,337	8,653,846	370,265	12,128,164

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

(3) Fair value estimation

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks, beneficiary certificates and derivative instruments with quoted market prices is included in Level

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, accounts payable and other payables are approximate to their fair values.

	September 30, 2018	
	Book value	Fair value Level 3
Financial liabilities:		
Bonds payable	\$ 10,000,000	\$ 10,130,340
Long-term loans (including current portion)	89,040,175	95,813,678
	<u>\$ 99,040,175</u>	<u>\$ 105,944,018</u>
	December 31, 2017	
	Book value	Fair value Level 3
Financial liabilities:		
Bonds payable	\$ 8,000,000	\$ 8,177,927
Long-term loans (including current portion)	81,487,631	85,935,082
	<u>\$ 89,487,631</u>	<u>\$ 94,113,009</u>
	September 30, 2017	
	Book value	Fair value Level 3
Financial liabilities:		
Bonds payable (including current portion)	\$ 8,000,000	\$ 8,132,602
Long-term loans (including current portion)	83,698,180	87,916,930
	<u>\$ 91,698,180</u>	<u>\$ 96,049,532</u>

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

September 30, 2018	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 905,076</u>	<u>\$ -</u>	<u>\$ 739,489</u>	<u>\$ 1,644,565</u>
December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 1,144,974</u>	<u>\$ -</u>	<u>\$ 1,137,645</u>	<u>\$ 2,282,619</u>

September 30, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 1,359,972</u>	<u>\$ -</u>	<u>\$ 1,355,621</u>	<u>\$ 2,715,593</u>

(b)The methods and assumptions the Group used to measure fair value are as follows:

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

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

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used

during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the nine-month periods ended September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2018 and 2017:

	2018	2017
At January 1	\$ 1,137,645	\$ 1,056,802
Issued in the period	32,920	-
Sold in the period	( 34,055)	-
Gains and losses recognised in other comprehensive income (Note 1)	( 397,021)	298,819
At September 30	\$ 739,489	\$ 1,355,621

Note 1: Recorded as unrealised gain or losses on valuation of available-for-sale financial assets, unrealised gains or losses on valuation of investments in equity instruments measured at fair value through other comprehensive income and exchange differences on translating the financial statements of foreign operations.

G. For the nine-month periods ended September 30, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

	Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 732,716	Market comparable companies	Price to earnings ratio multiple	7.12~78.44	The higher the multiple and control premium, the higher the fair value
			Price to book ratio multiple	0.45~2.90	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	20%~30%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
Venture capital shares Private equity fund investment	6,773	Net asset value	Net asset value		The higher the net asset value, the higher the fair value
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,129,949	Market comparable companies	Price to earnings ratio multiple	15.33~31.89	The higher the multiple and control premium, the higher the fair value
			Price to book ratio multiple	0.48~1.71	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	20%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
Venture capital shares Private equity fund investment	7,696	Net asset value	Net asset value		The higher the net asset value, the higher the fair value

	Fair value at September 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)
Non-derivative equity instrument:				
Unlisted shares	\$ 1,347,925	Market comparable companies	Price to earnings ratio multiple	15.82~33.09
			Price to book ratio multiple	0.48~1.98
			Discount for lack of marketability	20%
Venture capital shares Private equity fund investment	7,696	Net asset value	Net asset value	

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

	Input	Change	September 30, 2018		
			Recognised in profit or loss	Recognis comprehen	
			Favourable change	Unfavourable change	Favourable change
Financial assets					
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability	±1%	\$ -	\$ -	\$ 7,327
	Net asset value	±1%	-	-	68
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,395</u>



		December 31, 2017					
			Recognised in profit or loss		Recognised in other comprehensive income		
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability		±1%	\$ -	\$ -	\$ 11,299	\$ 11,299
	Net asset value		±1%	-	-	77	77
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,376</u>	<u>\$ 11,376</u>
		September 30, 2017					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to earnings ratio/ price to book ratio/ discount for lack of marketability		±1%	\$ -	\$ -	\$ 13,479	\$ 13,479
	Net asset value		±1%	-	-	77	77
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,556</u>	<u>\$ 13,556</u>

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summaries of adopting significant accounting policies in 2017 and the third quarter of 2017:

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

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

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

- (iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
  - ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
  - iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.
- (b) Available for sale financial assets
  - i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
  - ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
  - iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.
- (c) Held-to-maturity financial assets
  - i. They are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.
  - ii. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using trade date accounting.
  - iii. They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.
- (d) Notes, accounts and other receivables

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

(e) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (i) Significant financial difficulty of the issuer or debtor;
  - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (v) The disappearance of an active market for that financial asset because of financial difficulties;
  - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
  - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
  - (i) Financial assets measured at cost

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

Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

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

(f) Derivative financial instruments and hedging activities

- i. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.
- ii. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).
- iii. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- iv. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- v. Cash flow hedge
  - (i) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains and losses'.

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

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Measured at fair value through other comprehensive income-equity	Available-for- sale financial assets	Held-to- maturity financial assets	Financial assets at amortised cost	Total	Effects	
						Retained earnings	Others equity
<b>IAS 39</b>	\$ -	\$ 2,282,619	\$ 100,000	\$ -	\$ 2,382,619	\$ -	\$ -
Transferred into and measured at fair value through other comprehensive income-equity	2,282,619	( 2,282,619)	-	-	-	-	-
Transferred into and measured at amortised cost	-	-	( 100,000)	100,000	2,382,619	-	-
Impairment loss adjustment	-	-	-	-	-	192,156	( 192,156)
<b>IFRS 9</b>	<u>\$ 2,282,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 4,765,238</u>	<u>\$ 192,156</u>	<u>(\$ 192,156)</u>

- (a) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets, amounting to \$2,282,619, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$2,282,619, increased retained earnings and decreased other equity interest in the amounts of \$192,156 and \$192,156 on initial application of IFRS 9.

- (b) Under IAS 39, because the equity instruments, which were classified as: held-to-maturity financial assets, amounting to \$100,000, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at amortised cost" amounting to \$100,000 on initial application of IFRS 9.
- C. The significant accounts as of September 30, 2017 and for the year ended December 31, 2017, are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017	September 30, 2017
Non-current items:		
Listed (TSE and OTC) stocks	\$ 631,039	\$ 768,809
Unlisted stocks	205,227	254,667
Subtotal	836,266	1,023,476
Valuation adjustment	1,446,353	1,692,117
	\$ 2,282,619	\$ 2,715,593

- i. The Group recognised (\$69,445) and \$287,158 in other comprehensive income (including unrealised gain or losses on valuation of available-for-sale financial assets and exchange differences on translating the financial statements of foreign operations.) for fair value change for the three-month and nine-month periods ended September 30, 2017.
- ii. The Company originally owned the emerging stock of Taiwan High Speed Rail Corporation which was first publicly traded on October 27, 2016. However, for the year ended December 31, 2015, the Company assessed that there had been objective evidence of impairment given that the market price of the shares declined continuously fell. As of December 31, 2017, the Company has recognized \$189,091 as impairment loss.
- iii. The Company recognised impairment loss of \$3,065 on unlisted stocks.
- iv. The Group has no available-for-sale assets pledged to others.
- (b) Held-to-maturity financial assets

Items	December 31, 2017	September 30, 2017
Current items:		
Financial bonds	\$ -	\$ -
Non-current items:		
Financial bonds	\$ 100,000	\$ 100,000

- i. The Group recognised interest income of \$555 and \$1,785 for amortised cost in profit or loss for the three-month and nine-month periods ended September 30, 2017.
- ii. The counterparties of the Group's investments have good credit quality.
- iii. The Group has no held-to-maturity financial assets held by the Group pledged to others.

D. Credit risk information for the year ended December 2017 and for the nine-month period ended September 30, 2017 are as follows :

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the year ended December 31, 2017 and for the nine-month period ended September 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy.

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Group 1	\$ 1,438,533	\$ 1,715,085
Group 2	<u>9,514,967</u>	<u>10,928,047</u>
	<u>\$ 10,953,500</u>	<u>\$ 12,643,132</u>

Note:

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

Group 2: General risk.

- (d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Up to 30 days	\$ 1,749,509	\$ 1,364,423
31 to 180 days	<u>273,040</u>	<u>237,494</u>
	<u>\$ 2,022,549</u>	<u>\$ 1,601,917</u>

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

	2017		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	(\$ 99,075)	\$ -	(\$ 99,075)
Provision for impairment	( 8,185)	-	( 8,185)
Reversal of impairment	19,260	-	19,260
Write-offs during the period	69	-	69
Net exchange differences	<u>4,467</u>	<u>-</u>	<u>4,467</u>
At September 30	<u>(\$ 83,464)</u>	<u>\$ -</u>	<u>(\$ 83,464)</u>

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the nine-month period ended September 30, 2017 are set out below.

(a) Sales of goods

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

(b) Sales of services

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



B. The revenue of the Group recognised by using above accounting policies for the three-month and nine-month periods ended September 30, 2017 are as follows:

	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Marine freight income	\$ 37,572,405	\$ 101,696,494
Ship rental and slottage income	301,583	1,324,235
Container manufacturing income	447,999	1,173,002
Commission income and agency service income	273,221	1,003,699
Container income and others	2,930,129	7,870,840
	<u>\$ 41,525,337</u>	<u>\$ 113,068,270</u>

C. Under IFRS 15, liabilities are recognised as contract liabilities, but were previously presented as other current liabilities-others in the balance sheet, the effects and description of current balance sheet items if the Group continues adopting above accounting policies for the nine-month period ended September 30, 2018 are as follows:

Balance sheet items	September 30, 2018		
	Balance by using		
	Balance by using IFRS 15	previous accounting policies	Effects from changes in accounting policy
Contract assets - current	\$ 1,941,581	\$ -	\$ 1,941,581
Accounts receivable, net	13,587,947	15,529,528	( 1,941,581)
Contract liabilities- current	( 1,084,824)	-	( 1,084,824)
Other current liabilities	( 23,241,642)	( 24,326,466)	1,084,824

There is no impact to the current comprehensive income.

- (a) Contracts with customers where services were rendered but not yet billed, were previously presented as accounts receivable on the balance sheet, and are recognised as contract assets in accordance with IFRS 15 'Revenue from contracts with customers'.
- (b) Contracts with customers in relation to advance service receipt in the previous period are reclassified as contract liabilities in accordance with IFRS 15.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

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

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

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

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

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

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

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

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

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

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

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

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

A. Basic information: Please refer to table 8.

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

### 14. SEGMENT INFORMATION

#### (1) General information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(2) Segment information

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

	Nine-month period ended September 30, 2018			
	Transportation Department	Other Departments	Adjustments and written-off	Total
Revenue from external customers	\$ 119,532,106	\$ 503,144	\$ -	\$ 120,035,250
Revenue from internal customers	<u>17,848,202</u>	<u>-</u>	<u>(17,848,202)</u>	<u>-</u>
Segment revenue	137,380,308	503,144	( 17,848,202)	120,035,250
Interest income	379,174	19,709	-	398,883
Interest expense	( 1,324,297)	( 4,804)	-	( 1,329,101)
Depreciation and amortisation	( 6,310,610)	( 156,785)	-	( 6,467,395)
Share of income (loss) of associates and joint ventures accounted for using equity method	1,381,232	( 444,425)	-	936,807
Other items	( 113,438,456)	( 531,996)	-	( 113,970,452)
Segment profit (loss)	<u>\$ 18,067,351</u>	<u>(\$ 615,157)</u>	<u>(\$ 17,848,202)</u>	<u>(\$ 396,008)</u>
Recognizable assets	\$ 183,066,836	\$ 7,415,106	\$ -	\$ 190,481,942
Investments accounted for using equity method	<u>21,616,409</u>	<u>6,393,012</u>	<u>-</u>	<u>28,009,421</u>
Segment assets	<u>\$ 204,683,245</u>	<u>\$ 13,808,118</u>	<u>\$ -</u>	<u>\$ 218,491,363</u>
Segment liabilities	<u>\$ 150,906,729</u>	<u>\$ 958,700</u>	<u>\$ -</u>	<u>\$ 151,865,429</u>

Nine-month period ended September 30, 2017

	Transportation Department	Other Departments	Adjustments and written-off	Total
Revenue from external customers	\$ 111,730,083	\$ 1,338,187	\$ -	\$ 113,068,270
Revenue from internal customers	<u>12,744,699</u>	<u>-</u>	<u>( 12,744,699)</u>	<u>-</u>
Segment revenue	124,474,782	1,338,187	( 12,744,699)	113,068,270
Interest income	297,630	10,967	-	308,597
Interest expense	( 996,933)	( 31,644)	-	( 1,028,577)
Depreciation and amortisation	( 5,528,693)	( 240,361)	-	( 5,769,054)
Share of income (loss) of associates and joint ventures accounted for using equity method	1,189,032	863,124	-	2,052,156
Other items	<u>( 99,677,580)</u>	<u>( 1,193,244)</u>	<u>-</u>	<u>( 100,870,824)</u>
Segment profit (loss)	<u>\$ 19,758,238</u>	<u>\$ 747,029</u>	<u>(\$ 12,744,699)</u>	<u>\$ 7,760,568</u>
Recognizable assets	\$ 161,499,789	\$ 5,117,165	\$ -	\$ 166,616,954
Investments accounted for using equity method	<u>19,613,330</u>	<u>7,153,960</u>	<u>-</u>	<u>26,767,290</u>
Segment assets	<u>\$ 181,113,119</u>	<u>\$ 12,271,125</u>	<u>\$ -</u>	<u>\$ 193,384,244</u>
Segment liabilities	<u>\$ 132,885,505</u>	<u>\$ 1,473,640</u>	<u>\$ -</u>	<u>\$ 134,359,145</u>

(3) Reconciliation for segment income (loss)

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Loans to others  
For the nine-month period ended September 30, 2018

Table 1

Expressed in thousands of NTD

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2018 (Note 3)	Balance at September 30, 2018 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
1	Peony Investment S.A.	Luanta Investment (Netherlands) N.V.	Receivables from related parties	Yes	\$ 76,426	\$ 42,776	\$ 42,776	3.1648- 3.3182	2	\$ -	Working capital requirement	\$ -	None	\$ -	\$ 5,746,633	\$ 14,366,582	
1	Peony Investment S.A.	Clove Holding Ltd.	Receivables from related parties	Yes	706,664	702,742	614,135	3.1670- 3.3122	2	-	Working capital requirement	-	None	-	11,493,266	14,366,582	(Note 9)
2	Clove Holding Ltd.	Whitney Equipment LLC.	Receivables from related parties	Yes	92,174	91,662	91,662	3.3118	2	-	Working capital requirement	-	None	-	1,085,560	1,356,950	(Note 9)
2	Clove Holding Ltd.	Colon Container Terminal S.A.	Receivables from related parties	Yes	368,694	366,648	293,318	3.3158	2	-	Working capital requirement	-	None	-	542,780	1,356,950	
3	Evergreen Marine (Hong Kong) Ltd.	Colon Container Terminal S.A.	Receivables from related parties	Yes	82,956	82,496	65,997	3.1694- 3.2824	2	-	Working capital requirement	-	None	-	862,550	1,725,100	

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended September 30, 2018

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

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

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

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

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

PEONY : USD 940,406\*30.554\*20%=5,746,633

Clove Holding Ltd. : USD 88,823\*30.554\*20%=542,780

Evergreen Marine (Hong Kong) Ltd. : USD 141,152\*30.554\*20%=862,550

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

PEONY : USD 940,406\*30.554\*40%=11,493,266

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

Clove Holding Ltd. : USD 88,823\*30.554\*40%=1,085,560

Evergreen Marine (Hong Kong) Ltd. : USD 141,152\*30.554\*40%=1,725,100

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

PEONY : USD 940,406\*30.554\*50%=14,366,582

Clove Holding Ltd. : USD 88,823\*30.554\*50%=1,356,950

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

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Provision of endorsements and guarantees to others  
For the nine-month period ended September 30, 2018

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Evergreen Marine Corporation	Greencompass Marine S.A.	3	\$ 125,509,268	\$ 43,579,940	\$ 43,338,102	\$ 23,784,249	\$ -	69.06%	\$ 156,886,584	Y	N	N	
0	Evergreen Marine Corporation	Peony Investment S.A.	2	125,509,268	153,623	152,770	-	-	0.24%	156,886,584	Y	N	N	
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	3	125,509,268	34,566,907	34,375,084	28,969,386	-	54.78%	156,886,584	Y	N	N	
0	Evergreen Marine Corporation	Whitney Equipment LLC.	3	125,509,268	237,641	205,393	161,768	-	0.33%	156,886,584	Y	N	N	
0	Evergreen Marine Corporation	Colon Container Terminal S.A.	6	31,377,317	2,236,744	2,224,331	2,224,331	-	3.54%	156,886,584	N	N	N	
0	Evergreen Marine Corporation	Balsam Investment (Netherlands) N.V.	6	31,377,317	903,300	898,288	883,316	-	1.43%	156,886,584	N	N	N	
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	2	125,509,268	1,731,735	1,722,125	1,471,239	-	2.74%	156,886,584	Y	N	N	
0	Evergreen Marine Corporation	Evergreen Marine (Hong Kong) Ltd.	3	125,509,268	20,227,126	20,114,879	8,035,103	-	32.05%	\$ 156,886,584	Y	N	N	

Evergreen Marine Corporation (Taiwan) Ltd.  
Provision of endorsements and guarantees to others  
For the nine-month period ended September 30, 2018

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
1	Evergreen Marine (Hong Kong) Ltd.	Ever Shine (Shanghai) Enterprise Management Consulting Co., Ltd	2	\$ 8,625,501	\$ 134,910	\$ 70,977	\$ 42,855	-	1.65%	10,781,876	N	N	Y	
1	Evergreen Marine (Hong Kong) Ltd.	Colon Container Terminal S. A.	6	2,156,375	503,267	500,475	500,475		11.60%	10,781,876	N	N	N	

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

The calculation is as follows:

The Company:  $62,754,634 * 250\% = 156,886,584$

Limit on endorsement or guarantees provided by the Company for a single entity is \$31,377,317 (Amounting to 50% of its net worth).

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$125,509,268.

According to the credit policy of Evergreen Marine (Hong Kong) Ltd., the calculation for total amount of endorsements/guarantees is as follows:

Ceiling on total amount of endorsements/guarantees:  $USD 141,152 * 30.554 * 250\% = 10,781,876$

Limit on endorsements or guarantees provided for a single entity :  $USD 141,152 * 30.554 * 50\% = 2,156,375$

When the Company owns more than 50% voting shares of the endorsed/guaranteed company, the limit on endorsement or guarantee provided by the Company should not exceed 200% of its net worth, which equals to \$8,625,501.

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

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors.

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

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

Evergreen Marine Corporation (Taiwan) Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the nine-month period ended September 30, 2018

Table 3

Expressed in thousands of shares/thousands

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Evergreen Marine Corporation	Stock:							
	Power World Fund Inc.		Financial asset measured at fair value through other comprehensive income - non-current	677	\$ 6,772	5.68%	\$ 6,772	
	Linden Technologies, Inc.		"	50	36,194	1.44%	36,194	
	TopLogis, Inc.		"	2,464	21,279	17.48%	21,279	
	Ever Accord Construction Corp.	Other related party	"	9,317	106,686	17.50%	106,686	
	Central Reinsurance Corp.		"	49,866	905,076	8.45%	905,076	
	Financial bonds:							
	Sunny Bank 2nd Subordinate Financial Debentures-B Issue in 2015		Financial asset measured at amortised cost - non-current	-	50,000	-	50,000	
	Sunny Bank 3rd Subordinate Financial Debentures-B Issue in 2017		"	-	50,000	-	50,000	
Peony Investment S.A.	Hutchison Inland Container Depots Ltd.		Financial asset measured at fair value through other comprehensive income - non-current	0.75	USD 234	7.50	USD 234	
	South Asia Gateway Terminals (Private) Ltd.		"	18,942	USD 18,363	5.00	USD 18,363	
Evergreen Shipping Agency (Europe) GmbH	Zoll Pool Hafen Hamburg AG		"	10	EUR 10	2.86	EUR 10	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9, 'Financial instruments: recognition and measurement'.

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

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

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



Evergreen Marine Corporation (Taiwan) Ltd.

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

For the nine-month period ended September 30, 2018

Table 4

Expressed in thousands of shares/thousands of NTD

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at September 30, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Evergreen Marine Corporation	Stock:													
	Taiwan HSR Consortium	Financial asset measured at fair value through other comprehensive income - non- current			13,356	\$ 329,329	-	-	13,356	\$ 342,661	\$ 329,329	\$ 13,332	-	\$ -

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

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

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

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

Evergreen Marine Corporation (Taiwan) Ltd.

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

For the nine-month period ended September 30, 2018

Table 5

Expressed in thousands

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Evergreen Marine Corporation	Everport Terminal Services Inc.	Subsidiary	Purchases	\$ 1,093,577	4%	30~60 days	\$ -	-	(\$ 62,327)	1%	(Note)
	Greencompass Marine S.A.	Indirect subsidiary of the Company	Purchases	1,082,953	4%	30~60 days	-	-	( 450)	-	(Note)
			Sales	1,030,416	4%	30~60 days	-	-	8,173	-	(Note)
	Taiwan Terminal Services Co., Ltd.	Subsidiary	Purchases	668,274	3%	30~60 days	-	-	( 82,115)	2%	(Note)
	Italia Marittima S.p.A.	Associates	Purchases	321,218	1%	30~60 days	-	-	( 149)	-	
			Sales	338,347	1%	30~60 days	-	-	7,886	-	
	Evergreen International Storage and Transport Corp.	Associates	Purchases	303,154	1%	30~60 days	-	-	( 16,428)	-	
	Gaining Enterprise S.A.	Other related parties	Purchases	1,015,745	4%	30~60 days	-	-	-	-	
	Evergreen International Corp.	Other related parties	Purchases	334,244	1%	30~60 days	-	-	( 2,909)	-	
			Sales	1,285,496	5%	30~60 days	-	-	33,528	1%	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Company	Purchases	164,396	1%	30~60 days	-	-	( 218)	-	(Note)
			Sales	550,032	2%	30~60 days	-	-	9,951	-	(Note)
	Evergreen Marine (Singapore) Pte. Ltd.	Other related parties	Purchases	109,626	0%	30~60 days	-	-	( 470)	-	
Sales			792,236	3%	30~60 days	-	-	11,944	-		
Evergreen Marine (Hong Kong) Ltd.	Subsidiary	Purchases	386,010	2%	30~60 days	-	-	-	-	(Note)	
Evergreen Shipping Agency (America) Corporation	Other related parties	Purchases	250,514	1%	30~60 days	-	-	-	-		

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Terminal Services Co.,Ltd.	Evergreen Marine Corp.	The parent	Sales	668,274	100%	30~60 days	-	-	82,115	99%	(Note)
Everport Terminal Services Inc.	Evergreen Marine Corp.	The parent	Sales	USD 36,536	11%	30~60 days	\$ -	-	\$ 2,040	6%	(Note)
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 47,930	15%	30 days	-	-	USD 6,075	17%	
	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 19,833	6%	30 days	-	-	USD 2,183	6%	(Note)
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 102,237	31%	30 days	-	-	6,640	18%	(Note)
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 15,103	5%	30 days	-	-	USD 2,718	7%	
	Evergreen Marine (Hong Kong) Ltd.	Subsidiary of the Parent Company	Sales	USD 3,946	1%	30 days	-	-	USD 142	0%	(Note)
	Evergreen Shipping Agency (America)	Investee of the Parent Company's major shareholder	Purchases	USD 5,981	2%	30 days	-	-	-	-	
Evergreen Marine (Hong Kong) Ltd.	Evergreen Marine Corp.	The parent	Sales	USD 12,897	6%	30~60 days	-	-	-	-	(Note)
	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 23,151	11%	30~60 days	-	-	-	-	(Note)
			Purchases	USD 4,676	3%	30~60 days	-	-	-	-	(Note)
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 4,238	2%	30~60 days	-	-	-	-	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Purchases	USD 7,055	4%	30~60 days	-	-	-	-	
	Everport Terminal Services Inc.	Subsidiary	Purchases	USD 3,946	2%	30 days	-	-	( 142)	-	(Note)
	Evergreen International Corp.	Investee of the Parent Company's major shareholder	Sales	USD 7,761	4%	30~60 days	-	-	872	1%	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Purchases	USD 16,741	9%	30~60 days	-	-	(USD 1,508)	0%	(Note)
Greencompass Marine S.A.	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	USD 39,938	2%	30~60 days	-	-	USD 887	-	(Note)
			Purchases	USD 22,540	1%	30~60 days	-	-	(USD 231)	-	(Note)

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Greencompass Marine S.A.	Evergreen Marine Corp.	The parent	Sales	USD 36,182	2%	30~60 days	-	-	USD 15	-	(Note)
			Purchases	USD 34,426	2%	30~60 days	-	-	(USD 267)	-	(Note)
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 59,918	3%	30~60 days	-	-	USD 540	-	
			Purchases	USD 15,980	1%	30~60 days	-	-	(USD 4)	-	
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 23,302	1%	30~60 days	-	-	-	-	
			Purchases	USD 35,937	2%	30~60 days	-	-	(USD 759)	-	
	Evergreen Marine (Hong Kong) Ltd.	Subsidiary of the Parent Company	Sales	USD 4,676	0%	30~60 days	-	-	-	-	(Note)
			Purchases	USD 23,151	1%	30~60 days	-	-	-	-	(Note)
	Everport Terminal Services Inc.	Subsidiary of the Parent Company	Purchases	USD 19,833	1%	30 days	-	-	(USD 2,183)	-	(Note)
	Evergreen Shipping Agency (America) Corporation	Investee of the Parent Company's major shareholder	Purchases	USD 12,985	1%	30~60 days	-	-	-	-	
	Evergreen International Corp.	Investee of the Parent Company's major shareholder	Purchases	USD 9,284	1%	30~60 days	-	-	( 1,006)	-	
	Evergreen Insurance Company Limited	Investee of the Parent Company's major shareholder	Purchases	USD 3,665	0%	30~60 days	-	-	( 969)	-	
	Evergreen Shipping Agency (Europe) GmbH	Indirect subsidiary of the Parent Company	Purchases	USD 11,005	1%	30~60 days	-	-	-	-	(Note)
	Evergreen Marine Co. (Malaysia) SDN.BHD.	Indirect subsidiary of the Parent Company	Purchases	USD 3,944	0%	30~60 days	-	-	-	-	(Note)
Evergreen Shipping Agency (Japan)	Investee of the Parent Company's major shareholder	Purchases	USD 4,778	0%	30~60 days	-	-	-	-		
Evergreen Marine (UK) Limited	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	USD 22,540	2%	30~60 days	-	-	USD 231	-	(Note)
			Purchases	USD 39,938	3%	30~60 days	-	-	(USD 887)	-	(Note)
	Evergreen Marine Corp.	The Parent	Sales	USD 5,492	-	30~60 days	-	-	USD 7	-	(Note)
			Purchases	USD 18,377	1%	30~60 days	-	-	(USD 326)	-	(Note)

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Evergreen Marine (UK) Limited	Everport Terminal Services Inc.	Subsidiary of the Parent Company	Purchases	USD 102,237	8%	30~60 days	-	-	(USD 6,640)	3%	(Note)
	Italia Marittima S.p.A.	Investee of Balsam	Sales	USD 9,051	1%	30~60 days	-	-	USD 122	-	
			Purchases	USD 14,707	1%	30~60 days	-	-	(USD 353)	-	
	Evergreen Shipping Agency (America) Corporation	Investee of the Parent Company's major shareholder	Purchases	USD 21,429	2%	30~60 days	-	-	-	-	
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	USD 19,543	2%	30~60 days	-	-	USD 576	-	
			Purchases	USD 6,843	1%	30~60 days	-	-	(USD 647)	-	
	Evergreen Marine (Hong Kong) Ltd.	Subsidiary of the Parent Company	Sales	USD 16,471	1%	30~60 days	-	-	USD 1,508	1%	(Note)
	Evergreen International Corp.	Investee of the Parent Company's major shareholder	Purchases	USD 6,588	0%	30~60 days	-	-	(USD 233)	-	
Evergreen Shipping Agency (Europe) GmbH	Indirect subsidiary of the Parent Company	Purchases	USD 5,690	0%	30~60 days	-	-	-	-	(Note)	
Evergreen Heavy Industrial Corp.(Malaysia) Berhad	Gaining Enterprise S.A.	Investee of EITC	Sales	MYR 64,925	28%	45 days	-	-	-	-	
	Evergreen Marine (Hong Kong) Ltd.	Subsidiary of the Parent Company	Sales	MYR 164,575	72%	45 days	-	-	MYR 53,376	100%	(Note)
Evergreen Shipping Agency (Europe) GmbH	Greencompass Marine S.A.	Indirect subsidiary of the Parent Company	Sales	EUR 9,216	33%	30~60 days	-	-	-	-	(Note)
	Italia Marittima S.p.A.	Investee of Balsam	Sales	EUR 3,676	13%	30~60 days	-	-	EUR 417	1%	
	Evergreen Marine (UK) Limited	Indirect subsidiary of the Parent Company	Sales	EUR 4,765	17%	30~60 days	-	-	-	-	(Note)
	Evergreen Marine (Singapore) Pte. Ltd.	Investee of the Parent Company's major shareholder	Sales	EUR 7,507	27%	30~60 days	-	-	EUR 848	2%	

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

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

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

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
September 30, 2018

Table 6

Expressed in thousands

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
					Amount	Action taken			
Evergreen Marine Corp.	Evergreen International Corporation	Investee of the Company's major shareholder	\$ 155,051	-	\$ -	-	\$ 10,086	-	
Evergreen Marine Corp.	EVA Airways Corporation	Investee accounted for using equity method	136,424	-	\$ -	-	-	-	
Peony Investment S.A.	Clove Holding Ltd. (Note)	Subsidiary	USD 20,350	-	-	-	-	-	Note
Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Evergreen Marine (Hong Kong) Ltd.	Investee of the Parent Company's major shareholder	MYR 53,376	-	-	-	MYR 25,315	-	Note
Clove Holding Ltd.	Colon Container Terminal, S.A.	Investee of Clove Holding Ltd. accounted for using equity method	USD 9,605	-	-	-	-	-	

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

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

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

Evergreen Marine Corporation (Taiwan) Ltd.  
Significant inter-company transactions during the reporting periods  
For the nine-month period ended September 30, 2018

Table 7

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Evergreen Marine Corporation	Taiwan Terminal Services Co.,Ltd.	1	Operating cost	\$ 668,274	Note 4	0.56
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Shipowner's account - credit	728,624	"	0.33
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating revenue	1,030,416	"	0.86
0	Evergreen Marine Corporation	Greencompass Marine S.A.	1	Operating cost	1,082,953	"	0.90
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Shipowner's account - debit	217,769	"	0.10
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating revenue	550,032	"	0.46
0	Evergreen Marine Corporation	Evergreen Marine (UK) Limited	1	Operating cost	164,396	"	0.14
0	Evergreen Marine Corporation	Evergreen Marine (Hong Kong) Ltd.	1	Shipowner's account - credit	300,139	"	0.14
0	Evergreen Marine Corporation	Evergreen Marine (Hong Kong) Ltd.	1	Operating cost	386,010	"	0.32
0	Evergreen Marine Corporation	Everport Terminal Services Inc.	1	Operating cost	1,093,577	"	0.91
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating revenue	1,229,169	"	1.02
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Operating cost	685,900	"	0.57
1	Greencompass Marine S.A.	Evergreen Marine (UK) Limited	3	Shipowner's account - debit	202,651	"	0.09
1	Greencompass Marine S.A.	Evergreen Marine (Hong Kong) Ltd.	3	Shipowner's account - credit	467,266	"	0.21
1	Greencompass Marine S.A.	Evergreen Marine (Hong Kong) Ltd.	3	Operating revenue	142,717	"	0.12
1	Greencompass Marine S.A.	Evergreen Marine (Hong Kong) Ltd.	3	Operating cost	689,559	"	0.57
1	Greencompass Marine S.A.	Everport Terminal Services Inc.	3	Operating cost	593,631	"	0.49
1	Greencompass Marine S.A.	Evergreen Shipping Agency (Europe) GmbH	3	Operating cost	329,390	"	0.27
1	Greencompass Marine S.A.	Evergreen Marine Corp. (Malaysia) SDN BHD	3	Operating cost	118,053	"	0.10
2	Evergreen Marine (UK) Limited	Everport Terminal Services Inc.	3	Operating cost	3,060,070	"	2.55
2	Evergreen Marine (UK) Limited	Everport Terminal Services Inc.	3	Account payable	202,883	"	0.09
2	Evergreen Marine (UK) Limited	Evergreen Marine (Hong Kong) Ltd.	3	Operating revenue	493,001	"	0.41
2	Evergreen Marine (UK) Limited	Evergreen Marine (Hong Kong) Ltd.	3	Shipowner's account - credit	469,591	"	0.21
2	Evergreen Marine (UK) Limited	Evergreen Shipping Agency (Europe) GmbH	3	Operating cost	172,275	"	0.14

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
3	Evergreen Heavy Industrial Co., (Malaysia) Berhad	Evergreen Marine (Hong Kong) Ltd.	3	Operating revenue	\$ 1,233,948	Note 4	1.03
3	Evergreen Heavy Industrial Co., (Malaysia) Berhad	Evergreen Marine (Hong Kong) Ltd.	3	Account receivables	393,690	"	0.18
4	Evergreen Marine (Hong Kong) Ltd. (EGH)	Everport Terminal Services Inc.	3	Operating cost	118,106	"	0.10
4	Peony Investment S.A.	Clove Holding Ltd.	3	Other receivables	621,760	"	0.28
5	Evergreen Shipping Agency (Europe) GmbH	Greencompass Marine S.A.	3	Shipowner's account - credit	262,527	"	0.12

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Note 5: The Company may decide whether or not to disclose transaction details in this table based on the Materiality Principle.



Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investees (not including investee company of Mainland China)  
For the nine-month period ended September 30, 2018

Table 8

Expressed in thousands of shares/thousands of NTD

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2018			Net profit (loss) of the investee For the nine-month period ended September 30, 2018 (Note 2(2))	Investment income (loss) recognised by the Company For the nine-month period ended September 30, 2018 (Note 2(3))	Footnote
				Balance as of September 30, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value			
Evergreen Marine Corp.	Peony Investment S.A.	Republic of Panama	Investment activities	\$ 14,558,981	\$ 14,558,981	4,765	100.00	\$ 28,546,788	(\$ 1,791,550)	(\$ 1,825,971)	Subsidiary of the Company (Note)
	Taiwan Terminal Services Co., Ltd.	Taiwan	Loading and discharging operations of container yards	55,000	55,000	5,500	55.00	51,175	18,982	10,440	"
	Everport Terminal Services Inc.	U.S.A	Terminal services	3,055	3,055	1	94.43	763,460	263,480	248,801	"
	Evergreen Marine (Hong Kong) Ltd.	Hong Kong	Marine transportation	6,396,480	6,396,480	6,320	79.00	6,952,233	706,926	558,472	"
	Chang Yang Development Co.,Ltd.	Taiwan	Development, rental, sale of residential and commercial buildings	320,000	320,000	58,542	40.00	526,623	128,026	51,210	Investee accounted for using equity method
	Evergreen International Storage and Transport Corporation	Taiwan	Container transportation and gas stations	4,840,408	4,753,514	430,692	40.36	8,782,889	659,855	265,134	"
	Evergreen Security Corporation	Taiwan	General security guards services	25,000	25,000	6,336	31.25	113,409	50,595	15,811	"
	EVA Airways Corporation	Taiwan	International passengers and cargo transportation	10,767,879	10,767,879	680,786	16.31	10,319,851	5,981,288	975,687	"
	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	1,094,073	1,094,073	109,378	21.03	1,012,493	168,618	35,467	"
	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,208	3,208	105	17.50	3,390	1,016	177	"
VIP Greenport Joint Stock Company	Vietnam	Terminal services	178,750	178,750	13,750	21.74	241,267	162,702	35,370	"	
Peony Investment S.A.	Clove Holding Ltd.	British Virgin Islands	Investment holding company	1,605,590	1,605,590	10	100.00	2,713,901	21,729	21,729	Indirect subsidiary of the Company (Note)
	Evergreen Shipping Agency (Europe) GmbH	Germany	Shipping agency	254,087	254,087	-	100.00	291,406	19,302	19,302	" (Note)
	Evergreen Shipping Agency (Korea) Corporation	South Korea	Shipping agency	74,124	74,124	121	100.00	51,333	9,765	9,765	" (Note)
	Evergreen Shipping Agency (Poland) SP. ZO. O	Poland	Shipping agency	-	20,227	2	100.00	-	-	-	" (Note)
	Greencompass Marine S.A.	Republic of Panama	Marine transportation	10,800,839	10,800,839	3,535	100.00	16,391,408	( 1,085,302)	( 1,085,302)	" (Note)
	Evergreen Shipping Agency (India) Pvt. Ltd.	India	Shipping agency	35,953	35,953	100	99.99	128,239	37,134	37,134	" (Note)
	Evergreen Argentina S.A.	Argentina	Leasing	4,278	4,278	150	95.00	( 5,128)	( 9,017)	( 8,566)	" (Note)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2018			Net profit (loss) of the investee For the nine-month period ended September 30, 2018 (Note 2(2))	Investment income (loss) recognised by the Company For the nine-month period ended September 30, 2018 (Note 2(3))	Footnote
				Balance as of September 30, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value			
Peony Investment S.A.	PT. Multi Bina Pura International	Indonesia	Loading and discharging operations of container yards and inland transportation	239,572	239,572	17	95.03	457,599	87,674	83,316	" (Note)
	PT. Multi Bina Transport	Indonesia	Container repair, cleaning and inland transportation	24,574	24,574	2	17.39	13,581	7,483	1,301	Indirect subsidiary of the Company (Note)
	Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Malaysia	Container manufacturing	833,967	833,967	42,120	84.44	1,016,229	73,604	62,151	" (Note)
	Armand Investment (Netherlands) N.V.	Curacao	Investment holding company	351,754	351,754	4	70.00	319,758	14,547	10,183	" (Note)
	Evergreen Shipping (Spain) S.L.	Spain	Shipping agency	206,096	206,096	6	100.00	194,878	108,707	108,707	" (Note)
	Evergreen Shipping Agency (Italy) S.p.A.	Italy	Shipping agency	71,863	71,863	0.55	55.00	82,662	53,048	29,176	" (Note)
	Evergreen Marine (UK) Limited	U.K	Marine transportation	4,097,372	2,539,118	765	51.00	1,237,883	( 1,852,511)	( 944,781)	" (Note)
	Evergreen Shipping Agency (Australia) Pty. Ltd.	Australia	Shipping agency	7,549	7,549	0.675	67.50	60,554	87,625	59,147	" (Note)
	Evergreen Shipping Agency (Russia) Ltd.	Russia	Shipping agency	25,910	25,910	-	51.00	12,582	58,816	29,996	" (Note)
	Evergreen Shipping Agency (Singapore) Pte. Ltd.	Singapore	Shipping agency	65,905	65,905	765	51.00	34,143	( 4,588)	( 2,340)	" (Note)
	Evergreen Shipping Agency (Thailand) Co., Ltd.	Thailand	Shipping agency	60,802	60,802	650	85.00	88,392	56,593	48,104	" (Note)
	Evergreen Agency (South Africa) (Pty) Ltd.	South Africa	Shipping agency	17,752	17,752	5,500	55.00	116,017	108,227	59,525	" (Note)
	Evergreen Shipping Agency (Vietnam) Corp.	Vietnam	Shipping agency	37,612	13,872	-	100.00	123,734	96,818	96,818	" (Note)
	PT. Evergreen Shipping Agency Indonesia	Indonesia	Shipping agency	29,729	29,729	0.441	49.00	104,557	70,432	34,512	Investee company of Peony accounted for using equity method
	Luanta Investment (Netherlands) N.V.	Curaçao	Investment holding company	1,444,517	1,444,517	460	50.00	1,914,410	( 9,819)	( 4,910)	"
	Balsam Investment (Netherlands) N.V.	Curaçao	Investment holding company	11,564,274	11,564,274	0.451	49.00	669,319	( 1,247,438)	( 611,245)	"
	Green Peninsula Agencies SDN. BHD.	Malaysia	Investment holding company	221,669	221,669	1,500	30.00	12,678	( 379)	( 114)	"
	Evergreen Shipping Agency Co. (U.A.E.) LLC	United Arab Emirates	Shipping agency	63,613	63,613	-	49.00	64,383	51,556	25,263	"
	Greenpen Properties Sdn. Bhd.	Malaysia	Renting estate and storehouse company	13,017	13,017	1,500	30.00	40,380	10,686	3,206	"
	Evergreen Marine Corp. (Malaysia) Sdn Bhd	Malaysia	Shipping agency	287,641	3,763	500	100.00	524,107	182,698	182,698	Indirect subsidiary of the Company (Note)
Evergreen Marine (Hong Kong) Ltd.	Hong Kong	Marine transportation	80,968	80,968	80	1.00	88,003	706,925	7,069	Investee company of Peony accounted for using equity method (Note)	

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2018			Net profit (loss) of the investee For the nine-month period ended September 30, 2018 (Note 2(2))	Investment income (loss) recognised by the Company For the nine-month period ended September 30, 2018 (Note 2(3))	Footnote
				Balance as of September 30, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value			
Peony Investment S.A.	Ics Depot Services Snd. Bhd.	Malaysia	Depot services	34,037	-	286	28.65	58,579	41,944	4,358	// (Note)
Armand Investment (Netherlands ) N.V.	Armand Estate B.V.	Netherlands	Investment holding company	\$ 517,460	\$ 517,460	-	100.00	\$ 460,484	\$ 15,092	\$ 15,092	Indirect subsidiary of the Company (Note)
Armand Estate B.V.	Taipei Port Container Terminal Corporation	Taiwan	Container distribution and cargo stevedoring	50,602	50,602	50,602	9.73	467,642	168,618	16,406	Investee company of Armand Estate B.V. accounted for using equity method
Clove Holding Ltd.	Colon Container Terminal, S.A.	Republic of Panama	Inland container storage and loading	698,464	698,464	22,860	40.00	2,620,712	32,199	12,880	Investee company of Clove Holding Ltd. accounted for using equity method
	Everport Terminal Services Inc.	U.S.A	Terminal services	198,722	-	0.059	5.57	204,705	263,480	14,679	Investee company of Clove Holding Ltd. accounted for using equity method (Note)
Evergreen Marine (UK) Limited	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,025	3,025	99	16.50	3,196	1,016	168	Investee company of Evergreen Marine (UK) Limited accounted for using equity method
Everport Terminal Services Inc.	Whitney Equipment LLC.	U.S.A	Equipment Leasing Company	6,111	-	-	100.00	185,734	17,692	17,692	Investee company of Everport Terminal Services Inc. accounted for using equity method (Note)
PT. Multi Bina Pura International	PT. Multi Bina Transport	Indonesia	Container repair cleaning and inland transportation	100,871	100,871	8	72.95	56,972	7,483	5,459	Indirect subsidiary of the Company (Note)
Evergreen Marine (Hong Kong) Limited	Colon Container Terminal S.A.	Republic of Panama	Inland container storage and loading	476,642	-	5,143.5	9.00	610,095	32,199	2,040	Investee company of Evergreen Marine (Hong Kong) Limited accounted for using equity method
	Evergreen Marine (Latin America), S.A.	Republic of Panama	Management consultancy	3,025	3,025	99	16.50	3,196	1,016	168	//
	Evergreen Shipping Service (Cambodia) Co., Ltd.	Cambodia	Shipping agency	6,111	3,972	200	100.00	9,714	3,530	3,530	Indirect subsidiary of the Company (Note)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2018			Net profit (loss) of the investee For the nine-month period ended September 30, 2018 (Note 2(2))	Investment income (loss) recognised by the Company For the nine-month period ended September 30, 2018 (Note 2(3))	Footnote
				Balance as of September 30, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value			
Evergreen Marine (Hong Kong) Limited	Evergreen Shipping Agency (PERU) S.A.C.	Peru	Shipping agency	8,482	-	900	60.00	13,651	8,641	5,185	" (Note)
	Evergreen Shipping Agency (Colombia) S.A.S	Colombia	Shipping agency	10,725	0	80	100.00	10,725	-	-	" (Note)

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

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee For the nine-month period ended September 30, 2018' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company For the nine-month period ended September 30, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Evergreen Marine Corporation (Taiwan) Ltd.  
Information on investments in Mainland China  
For the nine-month period ended September 30, 2018

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income (loss) of the investee for the nine-month period ended September 30, 2018	Ownership held by the Company (direct or indirect) (%)	Investment income (loss) recognised by the Company. For the nine-month period ended September 30, 2018 (Note 2(2)B)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ningbo Victory Container Co., Ltd.	Inland container transportation, container storage, loading, discharging, repair and related activities	\$ 554,397	(2)	\$ 218,812	\$ -	\$ -	\$ 218,812	\$ 15,609	40.00	\$ 6,244	\$ 270,345	\$ -	
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	188,534	(2)	43,292	-	-	43,292	172,436	40.00	68,974	170,007	-	
Kingtrans Intl. Logistics (Tianjin) Co., Ltd.	Inland container transportation, storage, loading, discharging, repair, cleaning and related activities	345,702	(2)	122,216	-	-	122,216	27,463	40.00	10,985	192,049	-	(Note)
Ever Shine (Shanghai) Enterprise Management Consulting Co., Ltd.	Management consultancy, self-owned property leasing	1,927,381	(2)	2,488,940	-	-	2,488,940	(66,234)	80.00	(52,987)	3,708,314	-	(Note)
Ever Shine (Ningbo) Enterprise Management Consulting Co., Ltd.	Management consultancy, self-owned property leasing	190,752	(2)	275,349	-	-	275,349	(927)	80.00	(741)	150,660	-	(Note)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Evergreen Marine Corp.	\$ 3,148,609	\$ 3,712,061	\$ 37,652,780

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

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company, Peony Investment S.A. and Evergreen Marine (Hong Kong) Ltd., in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.