



長榮國際儲運股份有限公司
EVERGREEN INTERNATIONAL STORAGE & TRANSPORT CORP.

2017

ANNUAL REPORT



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I . Letter to Shareholders

1.1 Performance in 2017

1. Business Fulfilment in 2017

The company's consolidated revenue in 2017 was NT\$7.554 billion, 97.75 % of target. The net income after tax was NT\$884 million, an increase of NT\$75 million or 9.30% over the same period the previous year. Earnings per share was NT\$0.83.

To sum up the year 2017, emerging economies saw a return to stability as they benefited from the recovery of global demand and raw-materials prices. Thanks to the increase in demand for intelligent technology and the expansion of high-tech industry output, the domestic economy showed export growth in the first three quarters. However, the US' implementation of protectionism and China's attempt to achieve economic balance by encouraging domestic consumption brings uncertainties to the global economic recovery. Therefore, the overall economic situation was still be strongly influenced by changes in global trade and the economy.

Looking back on the year 2017, we see that the company faced the double pressure from the harsh market climate and upstream industries' demands for price adjustments. Fortunately, the company took a professional attitude toward its operations, ascertained market changes, adjusted operational goals accordingly, and made efforts to expand its business and explore new opportunities. Moreover, to maintain high efficiency and provide clients with optimal service, the company continued rejuvenating its operational equipment.

Because of the company's appropriate adjustment of costs and enhanced computerization, which helped improve performance and efficiency, we have achieved our cost reduction target. An overview of the company's business areas follows:

(1) Inland Transportation Service

Continued diversification and active participation in government inbound and outbound transportation projects. Continued development of CY (full container load import and export) and CL (large-scale retailer logistic centers) haulage services.

(2) Container Depot Service

Strengthening the canvassing of empty/laden container handling business and repair and cleaning business from shipping companies. Strategic alliances with freight forwarders and customs brokers. Development of inbound and bonded cargo warehouse devanning services. Comprehensive examination and correction of outdated operational fees and warehouse rental rates and adjustment of the rates for new operational models in order to effectively enhance container depot performance.

(3) Coach Services

Incorporation of well-known web portals and public information systems and active expansion of tour coach operations for domestic tourism and airport pickup and drop-off services.

(4) International Marine Shipping Services

Continual investment in container leasing and ship leasing businesses according to market demand, in order to increase company revenues.

2. Business Targets and Performance Overview

The company's forecasted consolidated revenue for 2017 was NT\$7.728 billion; the actual revenue was NT\$7.554 billion. The achievement rate was 97.75%. The forecasted EBT was NT\$960 million. Actual EBT was NT\$1.082 billion. The achievement rate was 112.73%.

3. Financial Revenue and Profit Analysis

(1) Financial Revenue

The company's consolidated revenue for 2017 was NT\$7.554 billion, a year on year increase of 1.10%. The operating cost was NT\$6.438 billion, a year on year increase of 3.83%. Other net income was NT\$222 million, a year on year increase of NT\$225 million. EAT was NT\$884 million, a year on year increase of NT\$75 million.

(2) Profit Analysis

The year 2017's return on assets was 3.07%; return on equity was 4.06%; net profit margin was 11.71%; and earnings per share was NT\$0.83.

4. Research and Development

(1) Environmentally-Friendly Fleet

In the area of freight transport, the company continues the rejuvenation of its fleet by phasing out old tractors and purchasing new vehicles with Euro 5 rated engines to help improve air quality and save fuel. In terms of coach services, our buses are fitted with Euro 5 rated engines for environmental protection. We have also introduced wheelchair accessible buses for physically impaired passengers. We adjusted highway bus service routes and increased the frequency of shuttle buses in densely populated areas to improve the performance of national highway bus services while lowering CO₂ emissions.

(2) Equipment Rejuvenation

Replacing old, empty container handlers with new ones at Taoyuan Inland Depot serves to improve operational safety and efficiency.

(3) Upgrading the TOSPro System

Upgrading the TOSPro system at the Port of Taichung Container Depot helps to improve operational efficiency and reduce costs.

(4) Traffic Safety

To improve safety for passenger and cargo vehicles, forward collision warning systems have been installed in all vehicles. The device provides collision warning and analyzes driver's behavior to lower accident rates.

1.2 Operation Strategy for 2018

1. Operation Direction

As the global economy recovers, forecasts of domestic and international prospects have shown that the year 2018 will maintain the same level as 2017. However, US trade and economic policies, Brexit negotiations, the changes in monetary policies of major economies, and geopolitical risks add uncertainties to the global economy. The adjustment of economic structures in China, on which marine shipping heavily relies, restricts the growth of marine shipping for imports and exports.

To take market opportunities offered by economic recovery, the company will work to strengthen its share of the container freight station and logistics and transportation markets. At the same time, we will seek to build cross-industry alliances for the development of new business opportunities and actively raise the visibility of our tour coach services. Moreover, we will continue improving the company's cost structure and enhancing its performance. Details of operational directions are as follows:

(1) Business Diversification and Steady Growth

The company's business areas include container transportation, container freight station services, warehousing, container repair and cleaning, container leasing, ship leasing, container port stevedoring, national highway bus services, tour coach services, gas station services, vehicle maintenance and repair, and contracted vehicle inspections. Therefore, even in a bleak market climate, the company is able to maintain stable profit. In terms of business expansion, the company's freight transport business will adjust transportation fee structure reasonably in line with the increase in operational costs caused by the rise in fuel prices. At the same time, we will actively pursue CY business. In the area of passenger transportation business, the company will make timely modifications to its current highway bus services in response to the launch of the Taoyuan Airport MRT. We will set up an independent official website and a Line fan page, work with EVA Air for diversified marketing strategies, and actively expand our tour coach and shuttle bus services. In terms of the container yard business, due to the rejuvenation of container yard equipment and the renovation of the Shichih container yard warehouse, we will strengthen our efforts to canvass inbound and outbound empty and laden container and import bonded warehouse logistics business. Regarding the international marine business, the company will keep promoting its container leasing business, Kaohsiung Container Terminal 5 free trade zone warehousing business, and Port of Taichung berthing business to shipping companies involved in cross-strait trade.

(2) Reduce Costs and Improve Business Performance

The company values operational management and occupational safety. By gradually phasing out old machinery and introducing new equipment, we reduce the chance of abnormal occurrences and prevent occupational accidents. The integration of the computer systems of different departments improves internal document processing. Regular auditing helps to create a safe work environment for employees and high-quality services that assure the safety of goods.

(3) Increase Awareness of Environment Protection and Social Responsibility

The company has large tractor and coach fleets that fully comply with the government's environmental regulations. We purchase the latest Euro 5 rated environmentally-friendly vehicles, maintain carbon-reduction and energy-saving practices, improve air quality, actively improve wastewater treatment and reuse in an effort to reduce environmental impact, and fulfil our corporate social responsibility.

2. Forecast of Business Performance

In their forecasts, specialized institutions have continued to revise upward global trade and economic growth rates for the year 2018. The actual economic growth is expected to be 2.43%. International oil and raw materials prices are leveling off; tax reform of the US manufacturing sector has boosted the economy; Brexit negotiations are entering phase two; the European Central Bank is maintaining its current benchmark interest rate and its quantitative easing bond-buying program is to be extended until September 2018. The growth of the Euro zone economy is stabilizing. However, the rise of trade protectionism might have a negative impact on global supply chain integration and global trade and economic activities.

The free trade zone and multiple country consolidation business promoted by various Taiwanese ports in recent years are expected to increase Taiwan's export and import trade volumes, which will lead to the stable growth of land transportation and container yard business in terms of both quality and volume. We believe that as long as we make further improvement and innovation in our original business and continue improving service quality and lowering costs, we can achieve stable growth in profitability in the year 2018.

3. Key Marketing Policy

(1) Inland Transportation Business

In recent years, the company has consistently implemented the strategy of diversification in its container transportation business and continues investing in equipment renewal to improve efficiency. We also consistently canvass haulage business from big retailers and actively bid for major special inbound and outbound transportation projects by the government and non-governmental bodies. Moreover, the company allocates an annual budget for fleet rejuvenation in order to offer fast, timely, safe, and high-quality transportation services.

(2) Container Depot Business

In compliance with the precision requirements for outbound containers by International Maritime Organization's International Convention for the Safety of Life at Sea (IMO-SOLAS), we offer outbound clients reasonable weighing rates in accordance with the Container Weight Verification Requirement (VGM). Moreover, the renovation and operation of Shichih container yard warehouse will significantly increase the revenues from inbound, bonded cargo inspection operations. Moreover, the inauguration of the new rubber-tired gantry cranes (RTG) in Taoyuan and Shichih depots will effectively reduce maintenance costs and provide safe and efficient depot services, while increasing performance.

(3) Coach Business

In 2018, in response to the impact of the launch of Taoyuan Airport MRT, we are modifying our national highway bus schedule flexibly to reduce costs. We are providing an official Facebook page, a Line fan page, and mobile apps. We also offer domestic travel discount packages for Group staff members. The continual development of tour coach and shuttle bus services will improve the performance of our coach business. In addition, we offer mobile payment options at airport counters to cater to consumer demand.

(4) International Marine Business

The company has begun investing in the container rental market in recent years with growing profit performance. The company will increase investment in 2018 if there is an increase in market demand. In terms of Taichung Port container depot, the company will improve equipment and machinery, actively expand its free trade zone and multiple-country consolidation business, and seize opportunities to win more business from near-sea shipping companies.

(5) Petrol Station Business

We will develop self-service filling stations while pursuing plans to transform them into service stations through cross-industry alliances.

1.3 Future Development Strategies

In terms of our business, we will continue providing high-quality services. In addition to maintaining the existing client base, we will, through diversified marketing and the development of Dayuan Logistics Park, actively acquire new clients, in order to increase revenues. In terms of costs, as fuel costs increase, we will improve operational procedures, upgrade computer operating systems, implement risk control and management, and reduce abnormal operations, in order to lower operational costs. In the area of corporate social responsibility, we will strengthen talent training to improve the professional capabilities of our staff. The rejuvenation of our equipment and machinery will improve the safety and efficiency of the workplace and service quality. We also carry out environmental protection measures to restrict environmental impact.

Going forward, the company will improve its competitiveness, diversify its business, pursue flexible strategies, and maintain the balance between business performance and corporate social responsibility, with the goal of achieving sustainable development of the company.

1.4 Effects of External Competitive Environment, Laws and Macroenvironment

1. External Competitive Environment

- (1) As container port operators try actively to acquire customers and shipping companies develop the “blue way” business, inland container depot and container transportation businesses feel tremendous impact.
- (2) The growth in ship size caused an excess in the capacity of carriers, leading to pressure on ocean freight rates. However, downstream container depots and transportation businesses experience difficulty raising rates.
- (3) The inauguration of the Airport MRT line puts significant pressure on the company’s national highway bus services.
- (4) The gradual recovery of international oil prices has led to an increase in operational costs.

2. Laws

- (1) As the trend of economic globalization continues, countries around the world try to strengthen their competitiveness by speeding up the processes of trade liberalization and internationalization. The slow pace at which Taiwan proceeds with its Free Trade Agreement (FTA) will dampen Taiwanese companies’ ability to compete internationally in external trade.
- (2) With the new revision of the Labor Standards Act, businesses now have greater flexibility in their operations.
- (3) To provide people with physical disabilities a friendly transportation environment, national highway bus services are required to offer wheelchair accessible vehicles. Businesses receive subsidies for purchasing new vehicles, which encourages businesses to rejuvenate their fleets and reduce operational costs. Moreover, to improve transportation safety, coaches and trucks manufactured in 2018 or later are required to be installed with the driving vision assist system and backup and directional warning devices.
- (4) To protect the environment and improve air quality, the government is promoting electric vehicles and finding ways to reduce air pollution from vehicles.

3. Macroenvironment

- (1) Taiwan’s economic performance in 2018 is expected to be on the same level as the international economy of 2017. There are some differences between major economies. Prospects for the US and raw material-related emerging markets are good. Europe, Japan, and Mainland China will not perform as well as they did in 2017, which will affect global trade performance. According to maritime analyst institute Alphaliner, the transportation

capacity of container fleets in 2018 will grow by 5.6%. However, according to the World Bank's forecast, global economic growth will be only be 3.1%. Therefore, in the shipping market, supply is expected to exceed demand. The trend in shipping rates this year will depend on how transportation capacity is moderated according to operational agreements between shipping companies. The oversupply of shipping capacity and the rise in fuel prices are two trends to closely observe this year.

- (2) In 2017, there was a lot of geopolitical conflict in the Middle East and North Korea, and the US's relations with these two regions has gradually worsened. The Middle East is the major production area of oil globally, whereas East Asia is the location of the supply chain of the manufacturing industry. The former is a decisive factor for the prices of 30% of raw material-related products exported from Taiwan, while the latter is key to the stability of Asia's supply chain. If conflicts intensify in 2018, the global economy and finance will be seriously affected, which will in turn impact on Taiwan's performance.
- (3) US President Donald Trump is actively promoting tax reform, financial deregulation, and infrastructure growth. In the future, tax cuts and financial deregulation may lead to increased investment in the US and greater capital flow. Mainland China has recently stepped up its enforcement of environmental regulations, which might impact on the prices of petrochemical products and increase management costs for industries. Moreover, the world's major economies are adjusting their monetary policies, which has the unavoidable consequence of intensifying financial market fluctuations. Meanwhile, US President Trump has decided to impose tariffs on solar panels and washing machines. Since Mainland China and the US are both important trade partners for Taiwan, a possible trade war between the two countries will affect Taiwan.

Regarding prospects for the year 2018, all major research institutes have forecast that Taiwan will maintain the growth it achieved last year and the same goes for the world in general. Global economic performance is closely linked to the new US government's trade and economic policies, the depreciation of the US dollar, and the rise of international crude oil prices to a three-year high. Nevertheless, the company will make appropriate adjustments and responses according to economic recovery and market changes. We will pursue business growth by stable management while carrying out environmental and corporate social responsibility policies, in order to implement our business philosophy of sustainable operation.

II . Company Profile

2.1 Date of Incorporation

Registration Date of the Company : October 5, 1973

2.2 Company History

1. Evergreen International Storage and Transport Corporation

Incorporated in 1973, Evergreen International Storage and Transport Corporation (the“Company”) was initially operated under the name of “Everglory Transport Corporation”. In July 1986, the Company was renamed as “Evergreen Transport Corportaion”. Shares of the Company have been traded on the Taiwan Stock Exchange since 1990. In September 2001, the Company was renamed again and is currently known as the “Evergreen International Storage and Transport Corporation”.

The Company merged with Evergreen Container Terminal Corporation (EGCT) and Uniglory Marine Corporation (UGMC) on March 31, 2002 and November 1, 2002, respectively, with the Company being the surviving entity. The mergers were conducted through exchange of 0.8 common share of EGCT and 1.15 common shares of UGMC for 1 common share of the Company. On March 3, 2003, the Company’s Board of Directors resolved to merge with Evervoyage Transportation Corporation (Evervoyage), a wholly-owned subsidiary of the Company, with Evervoyage being the dissolved company. The merger was conducted in accordance with Article 19 of the Business Mergers and Acquisitions Law and became effective on May 1, 2003.

The company is primarilly engaged in container trucking, operation of container distribution centers, ship chartering, operation of gasoline station and passenger transportation.

2. Gaining Enterprise S.A.

Incorporated in Panama on December 16, 1993 and is primarily engaged in ship trading, transportation and chartering, operation and investments of container yards, leases and investment of overseas container terminals and marine transportation related business.

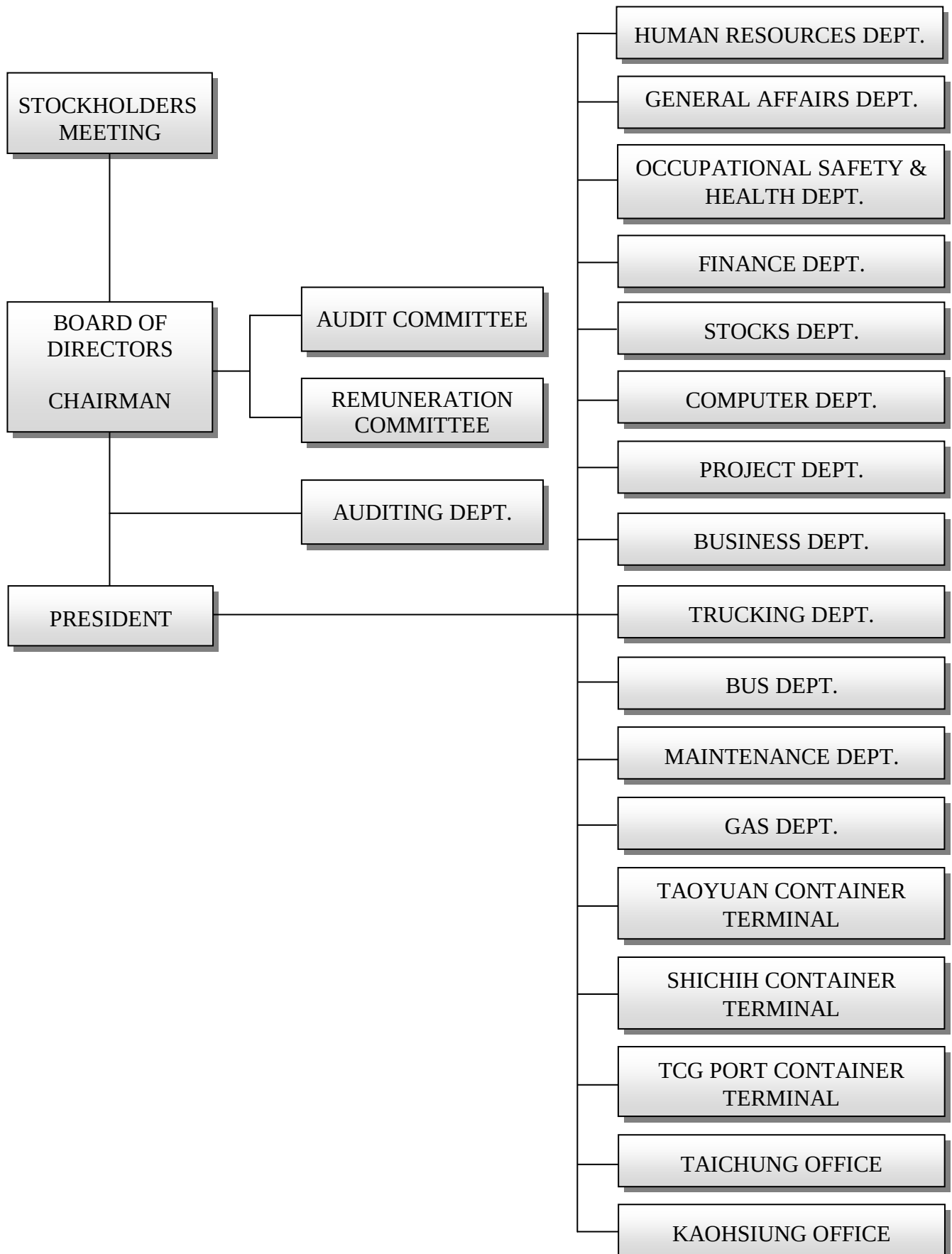
3. Shun An Enterprise Corporation

Incorporated on November 10, 2008, and is primarily engaged in management consulting and employment agency.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 28, 2018

Title	Nationality /Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	Evergreen Marine Corp. (Taiwan) Ltd.	-	2017.06.28	3 Years	1984.12.07	424,061,830	39.74	424,061,830	39.74	-		0	0
	R.O.C.	Representative : Chen, Yih-Jong	Male	2017.10.12	2.71 Years	2017.10.12	0	0	187	0	0	0	0	0
Director	R.O.C.	Evergreen Marine Corp. (Taiwan) Ltd.	-	2017.06.28	3 Years	1984.12.07	424,061,830	39.74	424,061,830	39.74	-		0	0
	R.O.C.	Representative : Chang, Kuo-Hua	Male	2017.06.28	3 Years	1980.10.07	0	0	19,390,231	1.82	11,012,833	1.03	0	0
Director	R.O.C.	Evergreen International Corp.	-	2017.06.28	3 Years	1993.02.13	90,220,968	8.45	90,220,968	8.45	-		0	0
	R.O.C.	Representative : Chang, Kuo-Cheng	Male	2017.06.28	3 Years	2001.04.12	0	0	29,913,692	2.80	0	0	0	0
	R.O.C.	Representative : Tai, Jiin-Chyuan	Male	2017.06.28	3 Years	2014.06.12	0	0	161,374	0.02	0	0	0	0
Director	R.O.C.	Chang Yung-Fa Charity Foundation	-	2017.06.28	3 Years	2011.06.15	100,000	0.01	100,000	0.01	-		0	0
	R.O.C.	Representative : Ko, Lee-Ching	Female	2017.06.28	3 Years	1990.06.15	0	0	17,740	0	0	0	0	0
	R.O.C.	Representative : Lin, Chao-Rong	Male	2018.01.01	2.48 Years	2018.01.01	0	0	63,336	0.01	6,062	0	0	0
Independent Director	R.O.C.	Chang, Ching-Ho	Male	2017.06.28	3 Years	2014.06.12	0	0	0	0	0	0	0	0
	R.O.C.	Szu, Wen-Chang	Male	2017.06.28	3 Years	2014.06.12	0	0	0	0	0	0	0	0

As of April 28, 2018

Title	Nationality /Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Independent Director	R.O.C.	Tseng, Yu-Chin	Male	2017.06.28	3 Years	2017.06.28	0	0	0	0	0	0	0	0

3.2.2 Remuneration of Directors , Supervisors, President, and Vice Presidents

Remuneration of Directors

December 31, 2017

Unit: NT\$ thousands

Unit: NT\$ thousands																						
Title	Name	Remuneration								Ratio of Total Remuneration (A+ B+C+D) to Net Income(%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation(A+ B+C+D+E+F+G) to Net Income(%)		Compensation paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Remuneration (C)		Allowances(D)				Salary, Bonuses, and Allowances(E)		Severance Pay(F)		Employee Compensation(G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	
Chairman	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Chen, Yih-Jong (1)	6,687	6,687	8	8	4,500	4,500	348	348	1.3071	1.3071	2,801	2,801	333	333	0	0	0	0	1.6619	1.6619	48
Chairman	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Hung, Ping-Kun																					
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Chang, Kuo-Hua																					
Director	Evergreen International Corp. Representative: Chang, Kuo-Cheng (Note : Appointed)																					
Director	Evergreen International Corp. Representative: Tai, Jiin-Chyuan																					
Director	Chang Yung-Fa Charity Foundation Representative: Ko, Lee-Ching																					
Director	Chang Yung-Fa Charity Foundation Representative: Wey, Maw-Jiunn																					
Independent Director	Chang, Ching-Ho																					
Independent Director	Szu, Wen-Chang																					
Independent Director	Tseng, Yu-Chin (Note : Appointed)																					
Independent Director	Yu, Fang-Lai (Note : Discharged)																					

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors : None.

Note(1) : Mr. Chen, Yih-Jong was appointed by Evergreen Marine Corp. (Taiwan) Ltd.on October 12, 2017.

Note(2) : The Shareholders' Meeting was re-elected on June 28, 2017.

Remuneration of Supervisors

December 31, 2017
Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of Total Remuneration(A+B+C) to Net Income(%)		Compensation paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisor	Evergreen International Corp. Representative: Wu, Kuang-Hui	0	0	683	683	24	24	0.0801	0.0801	None
Supervisor	Evergreen International Corp. Representative: Yeh, Jia-Chyuan									

Remuneration of the President and Vice Presidents

December 31, 2017

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay(B)		Bonuses and Allowances (C)		Employee Compensation(D)				Ratio of total compensation(A+B+C +D)to net income(%)		Compensation paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Wey, Maw-Jiunn	10,041	10,041	1,165	1,165	1,275	1,275	29	0	29	0	1.4166	1.4166	48
Executive Vice President	Hwang, Jim-I													
Executive Vice President	Chen, Cheng-Pang													
Executive Vice President	Hsu, Ta-Chung													

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

- 1.The Board of Directors were re-elected by the Shareholders' Meeting on Jun. 28, 2017.
- 2.Mr. Hung, Ping-Kun (Representative of Evergreen Marine Corp. (Taiwan) Ltd.) was discharged on Oct. 12, 2017, Mr. Wey, Maw-Jiunn (Representative of Chang Yung-Fa Charity Foundation) was discharged on Jan. 1, 2018.
- 3.Mr. Chen, Yih-Jong (Representative of Evergreen Marine Corp. (Taiwan) Ltd.) was appointed by Evergreen Marine Corp. (Taiwan) Ltd. on Oct. 12, 2017, Mr. Lin Chao-Rong was appointed by Chang Yung-Fa Charity Foundation on Jan. 1, 2018.
- 4.The Board Meetings were convened two (2) times (A) from Jan. 1, 2017 to Jun. 28, 2017 (the reelection date of Shareholders' Meeting); five (5) times (A) from Jun. 28, 2017 to Dec. 31, 2017. The attendance of directors and supervisors is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Directors elected by the Shareholders' Meeting on Jun. 28, 2017					
Chairman	Evergreen Marine Corp. (Taiwan) Ltd. Representative : Chen, Yih-Jong	3	0	100%	Appointed Should Attendance : 3
Chairman	Evergreen Marine Corp. (Taiwan) Ltd. Representative : Hung, Ping-Kun	2	0	100%	Discharged Should Attendance : 2
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative : Chang, Kuo-Hua	4	1	80%	Reappointed
Director	Evergreen International Corp. Representative : Chang, Kuo-Cheng	4	1	80%	Appointed
Director	Chang Yung-Fa Charity Foundation Representative : Ko, Lee-Ching	5	0	100%	Reappointed
Director	Evergreen International Corp. Representative : Tai, Jiin-Chyuan	4	1	80%	

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Director	Chang Yung-Fa Charity Foundation Representative：Lin, Chao-Rong	0	0	0%	Appointed Should Attendance：0
Director	Chang Yung-Fa Charity Foundation Representative：Wey, Maw-Jiunn	5	0	100%	Discharged Should Attendance：5
Independent Director	Chang, Ching-Ho	5	0	100%	Reappointed
Independent Director	Szu, Wen-Chang	5	0	100%	
Independent Director	Tseng, Yu-Chin	4	1	80%	Appointed

Former Director (Before the reelection at Shareholders' meeting on Jun. 28, 2017)

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Evergreen Marine Corp. (Taiwan) Ltd. Representative：Hung, Ping-Kun	2	0	100%	Should Attendance：2
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative：Chang, Kuo-Hua	2	0	100%	
Director	Chang Yung-Fa Charity Foundation Representative：Ko, Lee-Ching	2	0	100%	
Director	Evergreen Marine Corp. (Taiwan) Ltd Representative：Tai, Jiin-Chyuan	2	0	100%	
Director	Chang Yung-Fa Charity Foundation Representative：Wey, Maw-Jiunn	2	0	100%	

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Yu, Fang-Lai	2	0	100%	Discharged Should Attendance : 2
Independent Director	Chang, Ching-Ho	2	0	100%	Should Attendance : 2
Independent Director	Szu, Wen-Chang	2	0	100%	
Supervisor	Evergreen International Corp. Representative : Wu, Kuang-Hui	2	0	100%	Discharged Should Attendance : 2
Supervisor	Evergreen International Corp. Representative : Yeh, Jia-Chyuan	2	0	100%	

3.3.2 Audit Committee

The Company has established Audit Committee since Jun. 28, 2017. The Audit Committee were convened three (3) times (A) in 2017. The Independent directors attendance status are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Chang, Ching-Ho	3	0	100%	None
Independent Director	Szu, Wen-Chang	3	0	100%	None
Independent Director	Tseng, Yu-Chin	3	0	100%	None

3.3.3 Attendance of Supervisors at Board Meetings

The Board Meetings were convened two (2) times (A) from Jan. 1, 2017 to Jun. 28, 2017 (the reelection date of Shareholders' Meeting). The supervisors' attendance status are as follows:

Title	Name	Attendance in Person(B)	Attendance Rate (%) 【B/A】	Remarks
Supervisor	Evergreen International Corp. Representative : Wu, Kuang-Hui	2	100%	None
Supervisor	Evergreen International Corp. Representative : Yeh, Jia-Chyuan	2	100%	None

The Supervisors understand the finance and business status of the Company by communicating with the internal auditors and the independent accountants. The internal auditors have submitted the audit reports to the supervisors periodically, and the Company's independent accountants have presented the financial report and audit status to the supervisors periodically.

3.3.4 Attendance of Members at Remuneration Committee Meetings

(1) The Remuneration Committee was established in 2011 and consists of three (3) members.

(2) The duties of the Remuneration Committee are as follows:

A. Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managerial officers.

B. Periodically evaluate and establish the remuneration of directors and managerial officers.

(3) Due to the directors reelection at 2017 shareholders' meeting, the Board of Directors appointed the members of the 3rd Committee, whose term of office is from Jun. 28, 2017 to Jun. 27, 2020.

(4) A total of 3 (A) meetings of Current (3rd) Committee were held as of Dec. 31, 2017; A total of 1 (A) meeting of Former (2nd) Committee was held from Jan. 1, 2017 to Jun. 28, 2017. The members' attendance status are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Current (3 rd) Committee					
Convener	Szu, Wen-Chang	3	0	100%	None

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Member	Chang, Ching-Ho	3	0	100%	None
Member	Tseng, Yu-Chin	3	0	100%	None
Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Former (2 nd) Committee					
Convener	Szu, Wen-Chang	1	0	100%	None
Member	Yu, Fang-Lai	1	0	100%	None
Member	Chang, Ching-Ho	1	0	100%	None

3.3.5 Internal Control System Execution Status

Evergreen International Storage & Transport Corporation

Internal Control Statement

Date: Mar. 22, 2018

The Company states the following with regard to its internal control system during the period from 01 Jan. 2017 to 31 Dec. 2017, based on the findings of a self-assessment :

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

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

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 22 Mar. 2018, where zero of the nine attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Evergreen International Storage & Transport Corporation

Chairman: Chen, Yih-Jong

President: Lin, Chao-Rong

IV.Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

As of April 28, 2018

Month／Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital	
		Shares	Amount	Shares	Amount
03／2002	10	530,000,000	5,300,000,000	521,892,613	5,218,926,130
11／2002	10	1,100,000,000	11,000,000,000	1,067,141,094	10,671,410,940
2003～04／2018	-	1,100,000,000	11,000,000,000	1,067,141,094	10,671,410,940

4.1.2 Status of Shareholders

As of April 28, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	7	53	44,267	129	44,457
Shareholding (shares)	225	13,525,154	529,488,707	460,672,203	63,454,805	1,067,141,094
Percentage	0.00	1.27	49.61	43.17	5.95	100.00

4.1.3 Shareholding Distribution Status

As of April 28, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding(Shares)	Percentage
1-999	15,095	4,050,560	0.38
1,000-5,000	19,802	46,611,338	4.37
5,001-10,000	4,567	37,280,310	3.49
10,001-15,000	1,258	16,084,405	1.51
15,001-20,000	1,125	21,182,614	1.98
20,001-30,000	809	20,935,480	1.96
30,001-50,000	707	29,040,363	2.72
50,001-100,000	570	41,770,190	3.91
100,001-200,000	272	39,466,785	3.70
200,001-400,000	135	37,895,086	3.55
400,001-600,000	42	20,247,536	1.90
600,001-800,000	23	16,528,142	1.55
800,001-1,000,000	7	6,202,963	0.58
1,000,001 or over	45	729,845,322	68.40
Total	44,457	1,067,141,094	100.00

4.1.4 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item \ Year		2016	2017	2018 (As of April 28, 2018)	
Market Price per Share	Highest	14.20	16.05	14.50	
	Lowest	12.30	12.80	12.70	
	Average	13.15	14.40	13.69	
Net Worth per Share	Before Distribution	20.32	20.19	-	
	After Distribution	19.97	-	-	
Earnings per Share	Weighted Average Shares (thousand shares)	1,067,141	1,067,141	1,067,141	
	Earnings per Share	0.76	0.83	-	
Dividends per Share	Cash Dividends		0.35	0.35	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price/Earnings Ratio (Note 1)		17.17	16.90	-
	Price/Dividend Ratio (Note 2)		37.29	40.09	-
	Cash Dividend Yield Rate (Note 3)		2.68%	2.49%	-

Notes 1 : Price/Earnings Ratio = Average Market Price/Earnings per Share

Notes 2 : Price/Dividend Ratio = Average Market Price /Cash Dividend per Share

Notes 3 : Cash Dividend Yield Rate = Cash Dividend per Share/ Average Market Price

4.1.5 Dividend Policy and Implementation Status

1. Dividend Policy:

Any profit made by the Company for each fiscal year shall, after deduction of tax, be applied first towards making up any losses incurred by the Company in previous years, secondly 10% of the balance thereof shall be retained as the legal reserve, and set aside the special reserve in compliance with regulations, together with the accumulated unallocated profit of the previous period, shall be allocated pursuant to the proposal made by the Board of Directors and adopted by the Shareholders at their meeting.

Stockholders' dividends shall be distributed in cash dividends and stock dividends, with the cash dividend at least 10% of the total amount of distribution.

2. Dividend Distribution in Current Year:

The board adopted a proposal for 2017 dividend distribution at its meeting on March 22, 2018 that cash dividends will be distributed to shareholders for NT\$0.35/per share, total amount of distribution is about NT\$373.50 million.

3. The Description of Expected Dividend Policy will be Changed Significantly:None.

4.1.6 Compensation of Employees, Directors and Supervisors

1. Range or percentage of employee compensation 、 directors' and supervisors' remuneration :

In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.

The employees' compensation and directors' and supervisors' remuneration were estimated on the basis of the Company's Articles of Incorporation and consideration of legal reserve with distributable profit of current year for the year ended December 31, 2017. The employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the meeting of Board of Directors were \$15,000 thousand and \$5,183 thousand, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 financial statements.

2. The estimated employee compensation 、 directors' and supervisors' remuneration for 2017:

Unit: NT\$ thousands

Item	Estimated in 2017	Resolution of The Board of Directors' meeting (As of March 22, 2018)
Employee Compensation(Cash)	15,000	15,000
Remuneration of The Directors and Supervisors(Cash)	5,183	5,183

3. The actual employee compensation and directors' and supervisors' remuneration for 2016:

Unit: NT\$ thousands

Item	The amount of actual distribution	The amount of recognition	Difference	Difference Causes and Process
Employee Compensation(Cash)	15,000	15,000	-	None
Remuneration of The Directors and Supervisors(Cash)	6,000	6,000	-	None

4.1.7 Buyback of Treasury Stock : None.

V. Operational Highlights

5.1 Business Activities

1. The company is engaged in the following activities:

(1) Evergreen International Storage and Transport Corporation

- (a) Gasoline Stations
- (b) Highway Bus Transportation
- (c) Urban Automobile Transportation
- (d) Passenger Car Rental and Leasing
- (e) Sightseeing Bus Transportation
- (f) Automobile Container Transport
- (g) Ship Transportation
- (h) Shipping Agency Services
- (i) Container Distributing Center Business
- (j) Harbor Cargoes Forwarding Services
- (k) All business items that are not prohibited or restricted by law, except those that are subject to special approval

(2) Gaining Enterprise S.A.

- (a) Ship Trading, Transportation and Chartering
- (b) Operation and Investments of Container Yards
- (c) Leases and Investment of Overseas Container Terminals
- (d) Marine Transportation Related Business

(3) Shun An Enterprise Corporation

- (a) Management Consulting
- (b) Employment Agency

2. Revenue distribution:

Unit: NT\$ thousands

The Main Commodities	2017	The Proportion of Revenues(%)
Ship Chartering	1,784,458	23.62
Inland Transportation	1,445,553	19.14
Rental Containers	1,419,476	18.79
Container Yard Service	1,361,751	18.03
Gas Station Sale	552,016	7.31
Passenger Transportation	397,565	5.26
Others	593,190	7.85
Total	7,554,009	100.00

3. Plans to Develop New products (Services):

The Group operates in many different sectors, including ship chartering, container leasing, passenger transportation, inland transportation, wharf, container depot, warehouse, petrol station and vehicle inspection business. The Group will keep monitoring global economic growth, market trends and adjust business strategy and policy accordingly. The Group will keep taking into account corporate social responsibility, reduce the impact of the operation of the environment and actively into the social welfare. The Group has been committing to develop new businesses and revitalise land assets. The Group has been planning its Dayuan land asset, to develop a logistics industrial park for D.C. business, which will expand the group's business scope and further increase the group's revenue.

5.2 Human Resources

Year		2017	2016	2018 (As of April 28, 2018)
Number of Employees	Staff	293	290	289
	Labor	760	758	756
	Seafarer	306	309	303
	Total	1,359	1,357	1,348
Average Age		43.00	43.00	43.20
Average Years of Service		16.60	15.80	16.70
Education	Ph.D.	0%	0%	0%
	Masters	1.40%	1.55%	1.26%
	Bachelor's Degree	49.08%	47.68%	49.71%
	Senior High School	39.22%	40.53%	39.09%
	Below Senior High School	10.30%	10.24%	9.94%

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet — Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					2018 (As of Mar. 31, 2018)
		2013	2014	2015	2016	2017	
Current assets		5,569,837	5,204,483	4,831,723	4,883,682	5,429,946	5,018,430
Property, plant and equipment		15,197,647	23,465,908	25,936,258	25,425,140	24,476,292	24,213,226
Intangible assets		1,966	3,258	4,045	3,291	2,112	2,444
Other assets		3,268,280	3,428,868	3,310,075	3,488,629	3,184,161	3,488,543
Total assets		24,037,730	32,102,517	34,082,101	33,800,742	33,092,511	32,722,643
Current liabilities	Before distribution	565,367	1,176,034	1,911,824	2,380,308	2,369,781	2,455,159
	After distribution	890,176	1,555,425	2,286,028	2,754,501	-	-
Non-current liabilities		3,675,882	9,750,657	10,654,488	9,592,754	9,031,865	8,531,376
Total liabilities	Before distribution	4,241,249	10,926,691	12,566,312	11,973,062	11,401,646	10,986,535
	After distribution	4,566,058	11,306,082	12,940,516	12,347,255	-	-
Equity attributable to owners of the parent		19,625,769	21,000,419	21,372,025	21,686,191	21,549,075	21,592,964
Capital stock		10,671,411	10,671,411	10,671,411	10,671,411	10,671,411	10,671,411
Capital surplus		4,262,917	4,263,504	4,264,163	4,264,590	4,264,970	4,265,120
Retained earnings	Before distribution	4,304,802	4,720,339	5,161,954	5,655,600	6,207,985	6,430,170
	After distribution	3,984,660	4,346,840	4,788,455	5,282,101	-	-
Other equity interest		386,639	1,345,165	1,274,497	1,094,590	404,709	226,263
Non-controlling interest		170,712	175,407	143,764	141,489	141,790	143,144
Total equity	Before distribution	19,796,481	21,175,826	21,515,789	21,827,680	21,690,865	21,736,108
	After distribution	19,471,672	20,796,435	21,141,585	21,453,487	-	-

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

1.Consolidated Condensed Statement of Comprehensive Income — Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					2018 (As of Mar. 31, 2018)
	2013	2014	2015	2016	2017	
Operating revenue	6,113,325	6,730,457	7,348,665	7,472,097	7,554,009	1,871,529
Gross profit	789,031	966,901	1,243,691	1,270,952	1,115,126	282,850
Operating profit	517,407	686,563	961,434	1,016,017	860,017	222,011
Non-operating income and expenses	158,274	191,946	78,252	(3,378)	222,061	(21,294)
Profit before income tax	675,681	878,509	1,039,686	1,012,639	1,082,078	200,717
Profit for the year from continuing operations	581,298	674,798	843,287	809,015	884,258	174,641
Profit for the period	581,298	674,798	843,287	809,015	884,258	174,641
Other comprehensive income	105,809	1,025,968	(99,320)	(123,347)	(647,260)	(130,052)
Total comprehensive income for the year	687,107	1,700,766	743,967	685,668	236,998	44,589
Profit, attributable to owners of the parent	580,653	668,344	843,743	810,884	883,121	173,283
Profit, attributable to non-controlling interest	645	6,454	(456)	(1,869)	1,137	1,358
Comprehensive income attributable to owners of the parent	686,517	1,694,205	744,446	687,238	236,003	43,233
Comprehensive income attributable to non-controlling interest	590	6,561	(479)	(1,570)	995	1,356
Earnings per share (in dollars)	0.54	0.63	0.79	0.76	0.83	0.16

6.2 Five-Year Financial Analysis

1.Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for The Last Five Years					2018
		2013	2014	2015	2016	2017	(As of Mar. 31, 2018)
Financial structure (%)	Debt Ratio	17.64	34.04	36.87	35.42	34.45	33.57
	Ratio of long-term capital to property, plant and equipment	154.45	131.79	124.04	123.58	125.52	125.00
Solvency (%)	Current ratio	985.17	442.55	252.73	205.17	229.13	204.40
	Quick ratio	970.54	435.52	247.95	202.21	226.08	199.86
	Interest earned ratio(times)	689.07	27.90	9.46	7.33	7.25	4.97
Operating performance	Accounts receivable turnover(times)	13.33	13.13	11.01	8.38	7.44	1.82
	Average collection period	27	28	33	44	49	49
	Inventory turnover(times)	-	-	-	-	-	-
	Accounts payable turnover(times)	17.49	17.37	17.63	16.56	17.00	4.43
	Average days in sales	-	-	-	-	-	-
	Property, Plant and equipment turnover(times)	0.40	0.35	0.30	0.29	0.30	0.08
	Total assets turnover(times)	0.26	0.24	0.22	0.22	0.23	0.06
Profitability	Return on total assets(%)	2.46	2.50	2.86	2.77	3.07	0.65
	Return on stockholders' equity(%)	2.97	3.29	3.95	3.73	4.06	0.80
	Pre-tax income to paid-in capital(%)	6.33	8.23	9.74	9.49	10.14	1.88
	Profit ratio(%)	9.51	10.03	11.48	10.83	11.71	9.33
	Earnings per share(NT\$)	0.54	0.63	0.79	0.76	0.83	0.16
Cash flow	Cash flow ratio(%)	206.48	136.51	115.39	96.84	106.13	21.20
	Cash flow adequacy ratio(%)	157.08	37.34	42.26	51.58	54.01	-
	Cash reinvestment ratio(%)	2.51	3.01	3.99	4.15	4.58	1.12
Leverage	Operating leverage	2.38	2.60	2.73	2.80	3.20	3.20
	Financial leverage	1.00	1.05	1.15	1.19	1.25	1.30

6.3 Audit Committee's Review Report

To: 2018 Annual General Meeting

EVERGREEN INTERNATIONAL STORAGE & TRANSPORT CORPORATION (EITC)

The Board of Directors has prepared the Company's 2017 business report, financial report, and proposal for distribution of earnings. The CPA of PricewaterhouseCoopers, Taiwan has audited the financial report and issued the audit report. The above business report, financial report, and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of EITC. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Evergreen International Storage & Transport Corporation

Convener of the Audit Committee : Chang, Ching-Ho

Date : March 22, 2018

6.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Evergreen International Storage and Transport Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Evergreen International Storage and Transport Corporation and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Accuracy of transportation and container yard service revenue

Description

Please refer to Note 4(27) for accounting policies on operating revenue, and Note 6(16) for details of operating revenue.

The Group is primarily engaged in land container transport, cargo handling, ship and cargo container lease, operation of gasoline station, highway bus and tourist bus carrier. For the year ended December 31, 2017, the total revenue of container transport and container yard service was NT\$2,808,007 thousand, constituting 37.17% of operating revenue in 2017 and were the main source of income. Transportation and container yard service revenue were recognised in the accounting periods in which the services are rendered, the revenue recognition were based on the relevant information (cargo specification, numbers, transportation starting point and destination and cargo handling service types) that were recorded by front service employees and charged for different services by system.

Due to the high numbers of transactions, the services fees of transported or handled containers were different with specification, numbers and the distance between starting point and destination, and the trading amount were small. The information process, recording and maintenance of relevant business statement were done partly manually, and may lead to inaccurate calculation of transport and container yard service revenue. As a result, more audit staff were required to perform the procedures. Also, the amount of revenue was material to the financial statements, thus we consider the accuracy of transportation and container yard service revenue a key audit matter.

How our audit addressed the matter

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

- A. Based on our understanding of the Group's business and industry, we assessed the reasonableness of revenue recognition policies and procedures and confirmed that these were consistently applied in the financial statements;
- B. We obtained an understanding of the transportation process, and assessed and tested relevant internal controls, including the information of container specification, numbers and transportation starting point and destination in handover statement which was recorded by drivers, agreed with the information in the computer system and operating statement;

- C. We understood the process of container yard service, and assessed and tested relevant internal controls, including the information of container specification, numbers and cargo handling service types in the statement which was prepared by the Group personnel, were consistent with customers' shipping accounts; and
- D. We verified the accuracy of operating statement which was used in revenue recognition by management, including randomly checking the charge fees in the operating statement and work content against with charges of services types, daily transportation statement and cargo handling statement generated by the computer system, to recalculate the accuracy and ascertained that these were consistent with the carrying amount of revenue.

Valuation of property, plant and equipment impairment

Description

Please refer to Note 4(14) for accounting policies on property, plant and equipment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on property, plant and equipment impairment valuation, and Note 6(6) for details of property, plant and equipment.

As of December 31, 2017, the amount of ships and transportation equipment held by the Group for ship and container lease business was NT\$15,237,965 thousand and recognised as property, plant and equipment, constituting 46.05% of consolidated total assets. Management assessed whether the property, plant and equipment were impaired using the recoverable amount of the cash generating unit. The assumptions used in determining the recoverable amount estimate was subjected to management's judgement and involves a high degree of uncertainty, and included discount rate, expected growth rate of operating revenue, gross profit ratio, operating profit ratio, capital expenditure. As the assessed results of recoverable amount were material to the financial statements, thus we consider the valuation of property, plant and equipment impairment a key audit matter.

How our audit addressed the matter

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

- A. We understood and assessed policies, internal controls and processes that were related with asset impairment valuation;
- B. We interviewed management on the impairment valuation report, and assessed the discount rate and the reasonableness of operating revenue, gross profit ratio, operating profit ratio, growth rate and capital expenditure that were used in the estimation of future cash flow, including review of the basic information of such assumptions. Also, we ascertained that the documents had been approved by appropriate management, reviewed the actual execution of management's past operating plan, and compared with industry forecast to assess the intention and ability; and
- C. We checked the inputted value of valuation model, the setting of formulation, and recalculated the accuracy of valuation model calculation result.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Evergreen International Storage and Transport Corporation as at and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lai, Chung-Hsi

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2018

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 INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 3,195,928	10	\$ 2,885,889	8
Available-for-sale financial assets - current	6(2)	1,149,448	3	862,593	3
Notes receivable, net		15,005	-	17,241	-
Accounts receivable, net	6(4)	221,744	1	214,087	1
Accounts receivable, net - related parties	6(4) and 7	747,496	2	814,929	2
Other receivables		27,957	-	18,394	-
Inventories		36,011	-	33,712	-
Prepayments		27,524	-	28,023	-
Other current assets		8,833	-	8,814	-
Total Current Assets		5,429,946	16	4,883,682	14
Non-current assets					
Available-for-sale financial assets - non-current	6(2)	1,142,592	4	1,238,413	4
Financial assets carried at cost - non-current	6(3)	3,299	-	3,299	-
Investments accounted for using equity method	6(5)	1,029,170	3	1,020,304	3
Property, plant and equipment, net	6(6) and 7	24,476,292	74	25,425,140	75
Investment property, net	6(7)	716,869	2	720,048	2
Intangible assets		2,112	-	3,291	-
Deferred income tax assets	6(22)	168,595	1	179,842	1
Other non-current assets	8	123,636	-	326,723	1
Total Non-current Assets		27,662,565	84	28,917,060	86
TOTAL ASSETS		\$ 33,092,511	100	\$ 33,800,742	100

(Continued)

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Notes payable		\$ 5,750	-	\$ 12,650	-
Accounts payable		332,862	1	349,408	1
Accounts payable - related parties	7	28,703	-	28,151	-
Other payables	6(8)	280,447	1	195,448	1
Other payables - related parties	6(8) and 7	334,444	1	359,766	1
Current income tax liabilities	6(22)	59,805	-	78,064	-
Long-term liabilities, current portion	6(9)	1,253,688	4	1,296,155	4
Other current liabilities, others		74,082	-	60,666	-
Total Current Liabilities		<u>2,369,781</u>	<u>7</u>	<u>2,380,308</u>	<u>7</u>
Non-current liabilities					
Long-term borrowings	6(9)	5,537,678	17	6,016,587	18
Deferred income tax liabilities	6(22)	2,170,294	6	2,111,187	6
Other non-current liabilities	6(10)(11)	1,323,893	4	1,464,980	4
Total Non-current Liabilities		<u>9,031,865</u>	<u>27</u>	<u>9,592,754</u>	<u>28</u>
TOTAL LIABILITIES		<u>11,401,646</u>	<u>34</u>	<u>11,973,062</u>	<u>35</u>
Equity attributable to owners of the parent					
Capital stock	6(12)				
Common stock		10,671,411	32	10,671,411	31
Capital surplus	6(13)				
Capital surplus		4,264,970	13	4,264,590	13
Retained earnings	6(14)				
Legal reserve		2,032,926	6	1,951,837	6
Unappropriated retained earnings		4,175,059	13	3,703,763	11
Other equity interest	6(15)				
Other equity interest		404,709	1	1,094,590	3
Equity attributable to owners of the parent		<u>21,549,075</u>	<u>65</u>	<u>21,686,191</u>	<u>64</u>
Non-controlling interest		<u>141,790</u>	<u>1</u>	<u>141,489</u>	<u>1</u>
Total equity		<u>21,690,865</u>	<u>66</u>	<u>21,827,680</u>	<u>65</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
TOTAL LIABILITIES AND EQUITY		<u>\$ 33,092,511</u>	<u>100</u>	<u>\$ 33,800,742</u>	<u>100</u>

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

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Items	Notes	Years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(16) and 7	\$ 7,554,009	100	\$ 7,472,097	100
Operating costs	6(20) and 7	(6,438,883)	(85)	(6,201,145)	(83)
Gross profit		1,115,126	15	1,270,952	17
Operating expenses	6(20) and 7	(255,109)	(4)	(254,935)	(3)
Operating profit		860,017	11	1,016,017	14
Non-operating income and expenses					
Other income	6(17)	283,178	4	167,628	2
Other gains and losses	6(18)	63,709	1	40,478	-
Finance costs	6(19)	(173,201)	(2)	(160,011)	(2)
Share of profit of associates and joint ventures accounted for using equity method	6(5)	48,375	-	29,483	-
Total non-operating income and expenses		222,061	3	(3,378)	-
Profit before income tax		1,082,078	14	1,012,639	14
Income tax expense	6(22)	(197,820)	(2)	(203,624)	(3)
Profit for the year		\$ 884,258	12	\$ 809,015	11
Other comprehensive income, net	6(15)				
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plan		\$ 51,562	-	\$ 67,787	1
Share of other comprehensive loss of associates and joint ventures accounted for using equity method, items that will not be reclassified to profit or loss		(33)	-	(2)	-
Income tax relating to the components of other comprehensive profit	6(22)	(8,766)	-	(11,524)	-
Items that will be reclassified to profit or loss					
Exchange differences arising on translation of foreign operations		(847,377)	(11)	(190,801)	(3)
Unrealized gain on valuation of available-for-sale financial assets		136,216	2	15,546	-
Income tax relating to the components of other comprehensive profit	6(22)	21,138	-	(4,353)	-
Total other comprehensive loss for the year, net		(\$ 647,260)	(9)	(\$ 123,347)	(2)
Total comprehensive income for the year		\$ 236,998	3	\$ 685,668	9
Profit (loss) attributable to:					
Owners of the parent		\$ 883,121	12	\$ 810,884	11
Non-controlling interest		1,137	-	(1,869)	-
		\$ 884,258	12	\$ 809,015	11
Comprehensive income (loss) attributable to:					
Owners of the parent		\$ 236,003	3	\$ 687,238	9
Non-controlling interest		995	-	(1,570)	-
		\$ 236,998	3	\$ 685,668	9
Earnings per share	6(23)				
Basic earnings per share (in dollars)		\$ 0.83		\$ 0.76	
Diluted earnings per share (in dollars)		\$ 0.83		\$ 0.76	

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

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	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	Exchange differences arising on translation of foreign operations	Unrealised (loss) gain on valuation of available-for-sale financial assets		
<u>2016</u>									
Balance at January 1, 2016		\$ 10,671,411	\$ 4,264,163	\$ 1,867,463	\$ 3,294,491	\$ 789,057	\$ 485,440	\$ 21,372,025	\$ 21,515,789
Appropriation of 2015 earnings	6(14)								
Legal reserve		-	-	84,374	(84,374)	-	-	-	-
Cash dividends		-	-	-	(373,499)	-	-	(373,499)	(374,204)
Changes in equity of associates and joint ventures accounted for using equity method		-	427	-	-	-	-	427	427
Profit (loss) for the year		-	-	-	810,884	-	-	810,884	(1,869)
Other comprehensive income (loss) for the year	6(15)	-	-	-	56,261	(191,100)	11,193	(123,646)	299
Balance at December 31, 2016		<u>\$ 10,671,411</u>	<u>\$ 4,264,590</u>	<u>\$ 1,951,837</u>	<u>\$ 3,703,763</u>	<u>\$ 597,957</u>	<u>\$ 496,633</u>	<u>\$ 21,686,191</u>	<u>\$ 21,827,680</u>
<u>2017</u>									
Balance at January 1, 2017		\$ 10,671,411	\$ 4,264,590	\$ 1,951,837	\$ 3,703,763	\$ 597,957	\$ 496,633	\$ 21,686,191	\$ 21,827,680
Appropriation of 2016 earnings	6(14)								
Legal reserve		-	-	81,089	(81,089)	-	-	-	-
Cash dividends		-	-	-	(373,499)	-	-	(373,499)	(694)
Changes in equity of associates and joint ventures accounted for using equity method		-	380	-	-	-	-	380	380
Profit for the year		-	-	-	883,121	-	-	883,121	1,137
Other comprehensive income (loss) for the year	6(15)	-	-	-	42,763	(847,235)	157,354	(647,118)	(142)
Balance at December 31, 2017		<u>\$ 10,671,411</u>	<u>\$ 4,264,970</u>	<u>\$ 2,032,926</u>	<u>\$ 4,175,059</u>	<u>(\$ 249,278)</u>	<u>\$ 653,987</u>	<u>\$ 21,549,075</u>	<u>\$ 21,690,865</u>

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

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,082,078	\$ 1,012,639
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	1,892,223	1,827,674
Amortisation	6(20)	1,837	2,290
Bad debt expense	6(4)	-	22
Interest expense	6(19)	173,009	159,792
Interest income	6(17)	(36,226)	(25,908)
Dividend income	6(17)	(211,590)	(106,711)
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(48,375)	(29,483)
Loss on disposal of property, plant and equipment	6(18)	13,435	12,068
Gain on disposal of investments	6(18)	(116,303)	(600)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,236	(5,251)
Accounts receivable, net		(7,657)	(25,490)
Accounts receivable, net - related parties		67,433	(277,962)
Other receivables		(8,918)	13,155
Inventories		(2,299)	1,582
Prepayments		499	3,674
Other current assets		(19)	15,642
Changes in operating liabilities			
Notes payable		(6,900)	(12,668)
Accounts payable		(16,546)	43,591
Accounts payable - related parties		552	491
Other payables		78,111	40,370
Other payables - related parties		64	(8,578)
Other current liabilities, others		13,416	19,448
Other non-current liabilities		(89,364)	(106,963)
Cash inflow generated from operations		2,780,696	2,552,824
Interest received		35,581	24,490
Interest paid		(167,811)	(153,608)
Income tax paid		(133,431)	(118,734)
Net cash flows from operating activities		2,515,035	2,304,972

(Continued)

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		(\$ 355,980)	(\$ 1,100,000)
Proceeds from disposal of available-for-sale financial assets		465,696	1,158,600
Capital stock reduction of financial assets carried at cost	6(3)	-	375
Capital stock reduction of investment accounted for using equity method	6(5)	-	36,950
Acquisition of property, plant and equipment (including prepayments for equipment)	6(24)	(1,991,396)	(1,459,883)
Proceeds from disposal of property, plant and equipment		3,386	14,047
Increase in refundable deposits		-	(100)
Decrease in refundable deposits		50	-
Acquisition of intangible assets		(658)	(1,536)
Increase in other non-current assets - other financial assets		(13)	-
Decrease in other non-current assets - other financial assets		-	485
Dividends received		189,776	143,137
Net cash flows used in investing activities		(1,689,139)	(1,207,925)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in long-term borrowings		1,258,884	493,808
Repayment of long-term borrowings		(1,221,725)	(1,177,019)
Decrease in guarantee deposits received		(161)	(1,351)
Dividends paid	6(14)	(374,193)	(374,204)
Net cash flows used in financing activities		(337,195)	(1,058,766)
Effect of exchange rate changes		(178,662)	(45,101)
Net increase (decrease) in cash and cash equivalents		310,039	(6,820)
Cash and cash equivalents at beginning of year		2,885,889	2,892,709
Cash and cash equivalents at end of year		<u>\$ 3,195,928</u>	<u>\$ 2,885,889</u>

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

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. HISTORY AND ORGANISATION

(1) Incorporated in 1973, Evergreen International Storage and Transport Corporation (the “Company”) was initially operated under the name of “Everglory Transport Corporation”. In July 1986, the Company was renamed as “Evergreen Transport Corporation”. Shares of the Company have been traded on the Taiwan Stock Exchange since 1990. In September 2001, the Company was renamed again and is currently known as “Evergreen International Storage and Transport Corporation”. The Company is principally engaged in container trucking, operation of container distribution centers, ship chartering, operation of gasoline station and passenger transportation.

The Company merged with Evergreen Container Terminal Corporation and Uniglory Marine Corporation on March 31, 2002 and November 1, 2002, respectively. On May 1, 2003, the Company merged with Evervoyage Transportation Corporation, a subsidiary of the Company, which was conducted in accordance with the Business Mergers and Acquisitions Law.

(2) Gaining Enterprise S.A. (GESA) was incorporated in Panama on December 16, 1993 and is primarily engaged in ship trading, transportation and chartering, operation and investments of container yards, leases and investments of overseas container terminals and marine transportation related business.

(3) Shun An Enterprise Corporation (SAEC) was initially incorporated on November 10, 2008, and is primarily engaged in management consulting and employment agency.

(4) The Company and its subsidiaries are collectively referred herein as the “Group”.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 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 as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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.

A. IFRS 9, 'Financial instruments'

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

receivables that do not contain a significant financing component.

When adopting International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretation as endorsed by the FSC (collectively referred herein as the “IFRSs”) effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

Balance sheet <u>Affected items</u>	2017 version <u>IFRSs amount</u>	Effect of adoption of <u>new standards</u>	2018 version <u>IFRSs amount</u>	<u>Remark</u>
<u>January 1, 2018</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 125,233	\$ 125,233	B
Available-for-sale financial assets	2,292,040	(2,292,040)	-	A, B
Financial assets at fair value through other comprehensive income	-	2,170,633	2,170,633	A
Financial assets at cost	3,299	(3,299)	-	A
Accounts receivable	969,240	(865)	968,375	C
Total affected assets		<u>(\$ 338)</u>		
Retained earnings	6,207,985	36,278	6,244,263	A, B, C
Other equity interest	404,709	(36,616)	368,093	A, B
Total affected equity		<u>(\$ 338)</u>		

Explanation:

- A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$2,166,807 and \$3,299, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, increasing retained earnings and decreasing other equity interest in the amounts of \$2,170,633, \$36,910 and \$36,383, respectively.
- B. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amounts of \$125,233 by increasing financial assets at fair value through profit or loss, increasing retained earnings and decreasing other equity interest in the amounts of \$125,233, \$233 and \$233, respectively.

C. In line with the regulations of IFRS 9 on provision for impairment, accounts receivable will have to be reduced by \$865 and retained earnings decreased by \$865.

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

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

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

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

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.

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

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Available-for-sale financial assets measured at fair value.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

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

Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2017	December 31, 2016
The Company	SAEC	Management consulting and employment agency	80.00	80.00
The Company	GESA	Ship trading, transportation and chartering, operation and investments of container yards, leases and investments of overseas container terminals and marine transportation related business	100.00	100.00
GESA	Hazel Investment (Netherlands) N.V.(HINV)	Investments	70.00	70.00
HINV	Hazel Estate B.V.	Investments	100.00	100.00

C. Subsidiaries 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: None.

(4) Foreign currency translations

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.
- (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 foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

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

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

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

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits 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) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting; beneficiary securities are recognised and derecognised using settlement date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(8) 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.

(9) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

- (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flow 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 of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Operating leases (lessor)

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

(12) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the moving 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 is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(13) 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 % 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 constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interest in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains 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 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.

(14) 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 financial year-end. 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:

Asset	Useful Life
Land improvements	3 - 25 years
Buildings	15 - 55 years
Machinery	3 - 15 years
Loading/unloading equipment	5 - 15 years
Transportation equipment	4 - 10 years
Ships	23 - 29 years
Office equipment	3 - 6 years
Leasehold improvements	2 - 10 years
Other equipment	2 - 50 years

The significant components of buildings include hydroelectric facilities and buildings, which are depreciated over 15 to 55 years.

(15) Operating leases (lessee)

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.

(16) Investment property

A. 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 3~55 years.

B. The significant components of investment property include land and buildings. Buildings are depreciated over its useful life of 55 years.

(17) Intangible assets

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

(18) 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 recognising 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.

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) 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.

(22) 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.

(23) 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. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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.

(24) 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 Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to

situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. 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.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) 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.

(27) Revenue recognition

A. Sales of goods

The Group sells oil. 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

The Group provides passenger transportation, container transportation and container yard 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. Leases service

The Group follows the guidance of IAS 17 "Leases" to recognise revenue from the leasing of ships and containers. Leases are required to be classified as either finance lease or operating lease according to the extent of transition of risks and rewards of ownership. Revenue is recognised through the period of leases.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who 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; the information is addressed below:

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

A. Financial assets—impairment of equity investments

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

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

B. Financial assets carried at cost

The equity based financial instruments for unlisted stocks held by the Group that are not traded in an active market are classified as financial asset carried at cost due to lack of information to determine the fair value.

(2) Critical accounting estimates and assumptions

A. 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 fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2017, the carrying amount of unlisted stocks was \$288,785.

B. Impairment assessment of tangible and intangible assets

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 utilised 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 2,822	\$ 2,334
Checking accounts and demand deposits	39,600	39,005
Time deposits	3,153,506	2,844,550
	<u>\$ 3,195,928</u>	<u>\$ 2,885,889</u>

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

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

(2) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items:		
Listed stocks	\$ 824,257	\$ 723,276
Beneficiary certificates	125,000	100,000
Subtotal	949,257	823,276
Adjustments	200,191	39,317
Total	<u>\$ 1,149,448</u>	<u>\$ 862,593</u>
Non-current items:		
Listed stocks	\$ 513,610	\$ 513,610
Unlisted stocks	211,589	275,394
Subtotal	725,199	789,004
Adjustments	453,796	485,812
Accumulated impairment	(36,403)	(36,403)
Total	<u>\$ 1,142,592</u>	<u>\$ 1,238,413</u>

The Group recognised \$157,354 and \$11,193 in other comprehensive profit or loss for fair value change and reclassified (\$116,303) and (\$600) from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.

(3) Financial assets carried at cost

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current items:		
Universal Venture Fund Inc.	\$ 3,806	\$ 3,806
Accumulated impairment	(507)	(507)
	<u>\$ 3,299</u>	<u>\$ 3,299</u>

- A. Based on the Group's intention, its investment should be classified as available-for-sale financial assets. However, as they are not traded in an active market, and no sufficient industry information of companies similar to the investee companies can be obtained, the fair value of the investment cannot be measured reliably. The Group classified those stocks as 'financial assets carried at cost'.
- B. The stockholders of Universal Venture Fund Inc. approved to decrease its capital to offset deficits and return proceeds from capital reduction in cash on June 14, 2016 and set effective date as August 15, 2016. The Group received returned capital amounting to \$375 and proportionately derecognised \$1,551 from initial cost and \$1,176 from accumulated impairment proportionate to the capital reduction.
- C. As of December 31, 2017 and 2016, no financial assets carried at cost held by the Group were pledged to others.

(4) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 222,290	\$ 214,633
Accounts receivable - related parties	747,496	814,929
Less: Allowance for bad debts	(546)	(546)
	<u>\$ 969,240</u>	<u>\$ 1,029,016</u>

- A. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
- B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 3 months	\$ 88,345	\$ 114,272
Over 3 months	159	142
	<u>\$ 88,504</u>	<u>\$ 114,414</u>

The above ageing analysis was based on past due date.

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

(a) There was no impairment on accounts receivable as of December 31, 2017 and 2016.

(b) Movement of the provision for impairment of accounts receivable are as follows:

2017			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 546	\$ 546
Provision for impairment	-	-	-
Write-offs during the year	-	-	-
At December 31	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 546</u>

2016			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 546	\$ 546
Provision for impairment	22	-	22
Write-offs during the year	(22)	-	(22)
At December 31	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 546</u>

D. The Group holds \$21,281 of collateral as security for accounts receivable.

(5) Investments accounted for using equity method

	2017	2016
At January 1	\$ 1,020,304	\$ 1,074,774
Capital stock reduction of investment accounted for using equity method	-	(36,950)
Share of profit or loss of investments accounted for using equity method	48,375	29,483
Earnings distribution of investments accounted for using equity method	(37,785)	(36,426)
Changes in capital surplus	458	514
Changes in other equity items	(2,182)	(11,091)
At December 31	<u>\$ 1,029,170</u>	<u>\$ 1,020,304</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates :		
United Stevedoring Corp.	\$ 31,614	\$ 30,758
Ever Reward Logistics Corp.	23,662	26,137
Taipei Port Container Terminal Corp.	903,972	895,357
Qingdao Evergreen Container Storage and Transportation Corp.	69,922	68,052
	<u>\$ 1,029,170</u>	<u>\$ 1,020,304</u>

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

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$1,029,170 and \$1,020,304, respectively.

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
Profit for the year from continuing operations	\$ 274,183	\$ 167,667
Other comprehensive loss - net of tax	(111)	(7)
Total comprehensive income	<u>\$ 274,072</u>	<u>\$ 167,660</u>

B. Taipei Port Container Terminal Corporation (Taipei Port) is accounted for using equity method despite the percentage of combined holding in Taipei Port is less than 20%. The reason is the issuing entity had to reserve issue rights for its employees, and the Group could not exercise rights with original percentage of ownership, which caused the percentage of ownership to decrease from 20% to 19.49%. After the assessment of the decrease in the percentage of ownership, the Group still has significant influence over Taipei Port.

C. The Group holds 15% shareholding ratio of Qingdao Evergreen Container Storage and Transportation Corp. (QECT) and uses the equity method despite having less than 20% shareholding ratio because the Group has a significant number of directors and significant influence over QECT.

D. QECT deducted capital stock by returning cash to stockholders (The ratio of capital reduction is 54.0541%). The Group repaid \$36,950 of its shares on June 15, 2016.

(6) Property, plant and equipment

	Land	Land improvements	Buildings	Machinery	Loading/ unloading equipment	Transportation equipment	Ships	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>At January 1, 2017</u>												
Cost	\$ 8,525,807	\$ 26,427	\$ 966,663	\$ 17,923	\$ 1,464,740	\$ 14,649,334	\$ 15,186,176	\$ 16,585	\$ 68,374	\$ 496,912	\$ -	\$ 41,418,941
Accumulated depreciation	- (9,060)	(842,268)	(16,592)	(1,291,783)	(3,158,642)	(10,210,626)	(15,043)	(28,190)	(421,597)	- (15,993,801)		
	<u>\$ 8,525,807</u>	<u>\$ 17,367</u>	<u>\$ 124,395</u>	<u>\$ 1,331</u>	<u>\$ 172,957</u>	<u>\$ 11,490,692</u>	<u>\$ 4,975,550</u>	<u>\$ 1,542</u>	<u>\$ 40,184</u>	<u>\$ 75,315</u>	<u>\$ -</u>	<u>\$ 25,425,140</u>
<u>2017</u>												
Opening net book amount	\$ 8,525,807	\$ 17,367	\$ 124,395	\$ 1,331	\$ 172,957	\$ 11,490,692	\$ 4,975,550	\$ 1,542	\$ 40,184	\$ 75,315	\$ -	\$ 25,425,140
Additions	-	4,347	7,000	1,366	11,524	1,669,449	94,112	-	476	25,761	-	1,814,035
Disposals	-	-	-	-	- (16,622)	-	-	-	- (198)	-	- (16,820)	
Reclassifications	-	37,145	-	-	260,604	22,905	1,104	-	-	39,735	-	361,493
Depreciation charge	- (9,057)	(13,324)	(390)	(48,007)	(1,149,237)	(631,476)	(355)	(7,624)	(29,574)	- (1,889,044)		
Effect of exchange rate changes	-	-	-	-	- (865,619)	(352,893)	-	-	-	-	- (1,218,512)	
Closing net book amount	<u>\$ 8,525,807</u>	<u>\$ 49,802</u>	<u>\$ 118,071</u>	<u>\$ 2,307</u>	<u>\$ 397,078</u>	<u>\$ 11,151,568</u>	<u>\$ 4,086,397</u>	<u>\$ 1,187</u>	<u>\$ 33,036</u>	<u>\$ 111,039</u>	<u>\$ -</u>	<u>\$ 24,476,292</u>
<u>At December 31, 2017</u>												
Cost	\$ 8,525,807	\$ 67,919	\$ 973,664	\$ 18,321	\$ 1,694,801	\$ 15,237,482	\$ 14,198,833	\$ 15,899	\$ 68,850	\$ 556,364	\$ -	\$ 41,357,940
Accumulated depreciation	- (18,117)	(855,593)	(16,014)	(1,297,723)	(4,085,914)	(10,112,436)	(14,712)	(35,814)	(445,325)	- (16,881,648)		
	<u>\$ 8,525,807</u>	<u>\$ 49,802</u>	<u>\$ 118,071</u>	<u>\$ 2,307</u>	<u>\$ 397,078</u>	<u>\$ 11,151,568</u>	<u>\$ 4,086,397</u>	<u>\$ 1,187</u>	<u>\$ 33,036</u>	<u>\$ 111,039</u>	<u>\$ -</u>	<u>\$ 24,476,292</u>

1. The Group has provided a negative pledge to the loan granting banks for the credits used to purchase the above transportation equipment.

2. As the land with book value of \$20,009 in Jhuwei area in Dayuan District, Taoyuan City is farming and pasturable land, the ownership is registered to a natural person. The Group has set the pledge of land ownership to itself in order to protect its rights.

	Land	Land improvements	Buildings	Machinery	Loading/unloading equipment	Transportation equipment	Ships	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>At January 1, 2016</u>												
Cost	\$ 8,525,807	\$ 12,731	\$ 949,475	\$ 19,069	\$ 1,449,182	\$ 13,641,732	\$ 15,289,409	\$ 16,549	\$ 68,374	\$ 468,354	\$ -	\$ 40,440,682
Accumulated depreciation	- (4,636)	(830,224)	(17,645)	(1,306,576)	(2,196,770)	(9,707,135)	(15,327)	(20,686)	(405,425)	- (14,504,424)		
	<u>\$ 8,525,807</u>	<u>\$ 8,095</u>	<u>\$ 119,251</u>	<u>\$ 1,424</u>	<u>\$ 142,606</u>	<u>\$ 11,444,962</u>	<u>\$ 5,582,274</u>	<u>\$ 1,222</u>	<u>\$ 47,688</u>	<u>\$ 62,929</u>	<u>\$ -</u>	<u>\$ 25,936,258</u>
<u>2016</u>												
Opening net book amount	\$ 8,525,807	\$ 8,095	\$ 119,251	\$ 1,424	\$ 142,606	\$ 11,444,962	\$ 5,582,274	\$ 1,222	\$ 47,688	\$ 62,929	\$ -	\$ 25,936,258
Additions	-	-	1,080	280	2,851	1,276,548	115,420	623	-	24,273	-	1,421,075
Disposals	-	-	-	-	- (41,502)	-	-	-	- (13)	-	- (41,515)	
Reclassifications	-	13,696	16,108	-	56,347	94,065	22,907	-	-	10,065	-	213,188
Depreciation charge	- (4,424)	(12,044)	(373)	(28,847)	(1,094,432)	(654,620)	(303)	(7,504)	(21,939)	- (1,824,486)		
Effect of exchange rate changes	-	-	-	-	- (188,949)	(90,431)	-	-	-	-	- (279,380)	
Closing net book amount	<u>\$ 8,525,807</u>	<u>\$ 17,367</u>	<u>\$ 124,395</u>	<u>\$ 1,331</u>	<u>\$ 172,957</u>	<u>\$ 11,490,692</u>	<u>\$ 4,975,550</u>	<u>\$ 1,542</u>	<u>\$ 40,184</u>	<u>\$ 75,315</u>	<u>\$ -</u>	<u>\$ 25,425,140</u>
<u>At December 31, 2016</u>												
Cost	\$ 8,525,807	\$ 26,427	\$ 966,663	\$ 17,923	\$ 1,464,740	\$ 14,649,334	\$ 15,186,176	\$ 16,585	\$ 68,374	\$ 496,912	\$ -	\$ 41,418,941
Accumulated depreciation	- (9,060)	(842,268)	(16,592)	(1,291,783)	(3,158,642)	(10,210,626)	(15,043)	(28,190)	(421,597)	- (15,993,801)		
	<u>\$ 8,525,807</u>	<u>\$ 17,367</u>	<u>\$ 124,395</u>	<u>\$ 1,331</u>	<u>\$ 172,957</u>	<u>\$ 11,490,692</u>	<u>\$ 4,975,550</u>	<u>\$ 1,542</u>	<u>\$ 40,184</u>	<u>\$ 75,315</u>	<u>\$ -</u>	<u>\$ 25,425,140</u>

1. The Group has provided a negative pledge to the loan granting banks for the credits used to purchase the above transportation equipment.

2. As the land with book value of \$20,009 in Jhuwei area in Dayuan District, Taoyuan City is farming and pasturable land, the ownership is registered to a natural person. The Group has set the pledge of land ownership to itself in order to protect its rights.

(7) Investment property

A. Changes in investment property:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2017</u>			
Cost	\$ 639,583	\$ 168,768	\$ 808,351
Accumulated depreciation	-	(88,303)	(88,303)
	<u>\$ 639,583</u>	<u>\$ 80,465</u>	<u>\$ 720,048</u>
<u>2017</u>			
Opening net book amount	\$ 639,583	\$ 80,465	\$ 720,048
Depreciation charge	-	(3,179)	(3,179)
Closing net book amount	<u>\$ 639,583</u>	<u>\$ 77,286</u>	<u>\$ 716,869</u>
<u>At December 31, 2017</u>			
Cost	\$ 639,583	\$ 168,768	\$ 808,351
Accumulated depreciation	-	(91,482)	(91,482)
	<u>\$ 639,583</u>	<u>\$ 77,286</u>	<u>\$ 716,869</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 639,583	\$ 168,768	\$ 808,351
Accumulated depreciation	-	(85,115)	(85,115)
	<u>\$ 639,583</u>	<u>\$ 83,653</u>	<u>\$ 723,236</u>
<u>2016</u>			
Opening net book amount	\$ 639,583	\$ 83,653	\$ 723,236
Depreciation charge	-	(3,188)	(3,188)
Closing net book amount	<u>\$ 639,583</u>	<u>\$ 80,465</u>	<u>\$ 720,048</u>
<u>At December 31, 2016</u>			
Cost	\$ 639,583	\$ 168,768	\$ 808,351
Accumulated depreciation	-	(88,303)	(88,303)
	<u>\$ 639,583</u>	<u>\$ 80,465</u>	<u>\$ 720,048</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
Rental income from investment property	\$ 52,072	\$ 50,875
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 7,039	\$ 7,553

C. The fair value of the investment property held by the Group as at December 31, 2017 and 2016 was \$2,461,583 and \$ 2,433,272, respectively, which was valued by the Group. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2017	December 31, 2016
Gross margin	86.938%	85.994%
Discount rate	1.845%	1.845%

(8) Other payables (including related parties)

	December 31, 2017	December 31, 2016
Payable on equipment	\$ 340,246	\$ 359,163
Others	274,645	196,051
	<u>\$ 614,891</u>	<u>\$ 555,214</u>

(9) Long-term borrowings

Type of borrowings	Interest rate range	Expiry year	December 31, 2017
Unsecured bank borrowings	1.1710%~3.1100%	2020~2024	\$ 6,807,468
Less: Arrangement fees			(16,102)
			6,791,366
Less: Current portion			(1,253,688)
			<u>\$ 5,537,678</u>
Type of borrowings	Interest rate range	Expiry year	December 31, 2016
Unsecured bank borrowings	1.7420%~2.7500%	2022	\$ 7,335,294
Less: Arrangement fees			(22,552)
			7,312,742
Less: Current portion			(1,296,155)
			<u>\$ 6,016,587</u>

(10) Other non-current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accrued pension obligations	\$ 1,304,662	\$ 1,445,588
Guarantee deposits received	<u>19,231</u>	<u>19,392</u>
	<u>\$ 1,323,893</u>	<u>\$ 1,464,980</u>

(11) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The foreign subsidiary paid the pension directly to the retired employees when they have their own defined benefit pension plan.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 2,364,143	\$ 2,485,670
Fair value of plan assets	(<u>1,059,481</u>)	(<u>1,040,082</u>)
Net defined benefit liabilities	<u>\$ 1,304,662</u>	<u>\$ 1,445,588</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2017			
Balance at January 1	\$ 2,485,670	(\$ 1,040,082)	\$ 1,445,588
Current service cost	69,015	-	69,015
Interest expense (income)	29,887	(12,481)	17,406
	<u>2,584,572</u>	<u>(1,052,563)</u>	<u>1,532,009</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	1,700	1,700
Change in demographic assumptions	(218)	-	(218)
Change in financial assumptions	(11,182)	-	(11,182)
Experience adjustments	(41,862)	-	(41,862)
	<u>(53,262)</u>	<u>1,700</u>	<u>(51,562)</u>
Pension fund contribution	-	(175,785)	(175,785)
Paid pension	<u>(167,167)</u>	<u>167,167</u>	<u>-</u>
Balance at December 31	<u>\$ 2,364,143</u>	<u>(\$ 1,059,481)</u>	<u>\$ 1,304,662</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2016			
Balance at January 1	\$ 2,622,689	(\$ 1,002,351)	\$ 1,620,338
Current service cost	78,308	-	78,308
Interest expense (income)	32,537	(12,529)	20,008
	<u>2,733,534</u>	<u>(1,014,880)</u>	<u>1,718,654</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	3,218	3,218
Change in demographic assumptions	(773)	-	(773)
Change in financial assumptions	(45,210)	-	(45,210)
Experience adjustments	(25,023)	-	(25,023)
	<u>(71,006)</u>	<u>3,218</u>	<u>(67,788)</u>
Pension fund contribution	-	(205,278)	(205,278)
Paid pension	(176,858)	176,858	-
Balance at December 31	<u>\$ 2,485,670</u>	<u>(\$ 1,040,082)</u>	<u>\$ 1,445,588</u>

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

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

	2017	2016
Discount rate	1.00%~1.07%	1.20%~1.25%
Future salary increase rate	1.50%~2.00%	1.75%~2.00%

The assumption of future death rate depends on the Taiwan Standard Ordinary Experience Mortality Table (2004-2008) for 2017 and 2016.

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

	Discount rate		Future salary increase rate	
	Increase 0.25~0.5%	Decrease 0.25~0.5%	Increase 0.25~0.5%	Decrease 0.25~0.5%
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligations	(\$ 79,686)	\$ 111,712	\$ 110,574	(\$ 79,664)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligations	(\$ 92,668)	\$ 127,916	\$ 126,539	(\$ 92,586)

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

(f) Expected contributions and paid to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2018 amount to \$89,938.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 8~9 years.

- B. Effective July 1, 2005, the Company and its domestic subsidiaries 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 subsidiaries contribute monthly an amount based on not less than 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.
- C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$115,780 and \$126,365, respectively.

(12) Capital stock

- A. As of December 31, 2017, the Company's authorised capital was \$11,000,000, consisting of 1,100,000 thousand shares of ordinary stock, and the paid-in capital was \$10,671,411 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. The Company has the same weighted average number of ordinary shares outstanding at the beginning and ending of the years 2017 and 2016.

(13) Capital surplus

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

(14) Retained earnings

	2017	2016
At January 1	\$ 3,703,763	\$ 3,294,491
Profit for the year	883,121	810,884
Appropriation, release and distribution of earnings	(454,588)	(457,873)
Remeasurement on post employment benefit obligations, net of tax	42,763	56,261
At December 31	<u>\$ 4,175,059</u>	<u>\$ 3,703,763</u>

- A. Under the Company's Articles of Incorporation, any profit made by the Company for each fiscal year shall, after deduction of tax, be applied first towards making up any losses incurred by the Company in previous years, then 10% of the balance thereof shall be retained as the legal reserve, and set aside the special reserve in compliance with regulations, together with the accumulated unallocated profit of the previous period, shall be allocated pursuant to the proposal made by the Board of Directors and adopted by the shareholders at their meeting.
- B. The Company's dividend policy is summarised below:
- Stockholders' dividends shall be distributed in cash dividends and stock dividends, with the cash dividend comprising at least 10% of the total amount of distribution.
- C. 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. (a) 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.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Sheng-Fa-Si Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The appropriation of earnings and distribution of capital reserve of years 2016 and 2015 had been resolved at the stockholders' meeting on June 28, 2017 and June 15, 2016, respectively. Details are summarised below:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 81,089		\$ 84,374	
Cash dividends	373,499	\$ 0.35	373,499	\$ 0.35
	<u>\$ 454,588</u>		<u>\$ 457,873</u>	

The information about the appropriation of earnings resolved by the stockholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. The Company declared the earnings distribution for 2017 at the Board of Directors' meeting on March 22, 2018. The information is summarised below:

	2017	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 88,312	
Cash dividends	373,499	\$ 0.35
	<u>\$ 461,811</u>	

The information about the earnings distribution in 2017 presented above has not been resolved at the stockholders' meeting up until March 22, 2018.

- G. For information relating to employees' compensation and directors' remuneration, please refer to Note 6(21).

(15) Other equity items

	2017		
	Available-for-sale investments	Currency translation	Total
At January 1	\$ 496,633	\$ 597,957	\$ 1,094,590
Available-for-sale investments:			
-Revaluation – gross	252,519	-	252,519
-Revaluation – tax	21,138	-	21,138
-Revaluation – transfer	(116,303)	-	(116,303)
Currency translation:			
-Group	-	(847,235)	(847,235)
At December 31	<u>\$ 653,987</u>	<u>(\$ 249,278)</u>	<u>\$ 404,709</u>
	2016		
	Available-for-sale investments	Currency translation	Total
At January 1	\$ 485,440	\$ 789,057	\$ 1,274,497
Available-for-sale investments:			
-Revaluation – gross	16,146	-	16,146
-Revaluation – tax	(4,353)	-	(4,353)
-Revaluation – transfer	(600)	-	(600)
Currency translation:			
-Group	-	(191,100)	(191,100)
At December 31	<u>\$ 496,633</u>	<u>\$ 597,957</u>	<u>\$ 1,094,590</u>

(16) Operating revenue

	Year ended December 31, 2017	Year ended December 31, 2016
Sales revenue	\$ 552,164	\$ 481,249
Service revenue		
Container transport revenue	1,446,060	1,443,230
Container yard revenue	1,361,947	1,281,420
Other service revenue	898,788	906,817
Lease revenue	<u>3,296,059</u>	<u>3,360,557</u>
	7,555,018	7,473,273
Less: Sales returns and allowances	(1,009)	(1,176)
	<u>\$ 7,554,009</u>	<u>\$ 7,472,097</u>

(17) Other income

	Year ended December 31, 2017	Year ended December 31, 2016
Dividend income	\$ 211,590	\$ 106,711
Interest income:		
Bank deposits	36,226	25,908
Imputed rate of interest for deposits	11	13
Other income	35,351	34,996
	<u>\$ 283,178</u>	<u>\$ 167,628</u>

(18) Other gains and losses

	Year ended December 31, 2017	Year ended December 31, 2016
Net currency exchange losses	(\$ 38,856)	(\$ 9,199)
Losses on disposal of property, plant and equipment	(13,435)	(12,068)
Gains on disposal of investments	116,303	600
Other losses	(303)	(19,811)
	<u>\$ 63,709</u>	<u>(\$ 40,478)</u>

(19) Finance costs

	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense:		
Bank borrowings	\$ 173,009	\$ 159,792
Imputed rate of interest for deposits	192	219
	<u>\$ 173,201</u>	<u>\$ 160,011</u>

(20) Expenses by nature

	Year ended December 31, 2017	Year ended December 31, 2016
Cost of sales and related fees	\$ 1,924,015	\$ 1,782,359
Employee benefit expense	1,604,532	1,568,604
Depreciation	1,892,223	1,827,674
Amortisation	1,837	2,290
Transportation expense	719,701	700,423
Vessels operation expense	448,653	459,293
Other expenses	103,031	115,437
Operating costs and operating expenses	<u>\$ 6,693,992</u>	<u>\$ 6,456,080</u>

(21) Employee benefit expense

	Year ended December 31, 2017	Year ended December 31, 2016
Wages and salaries	\$ 1,284,092	\$ 1,245,015
Labor and health insurance fees	82,956	78,234
Pension cost	115,780	126,365
Other personnel expenses	121,704	118,990
	<u>\$ 1,604,532</u>	<u>\$ 1,568,604</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2017 and 2016, employees' compensation was both accrued at \$15,000; while directors' and supervisors' remuneration was accrued at \$5,183 and \$6,000, respectively.

The employees' compensation was estimated on the basis of the Company's Articles of Incorporation and consideration of legal reserve with distributable profit of current year for the year ended December 31, 2017.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 financial statements.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2017	Year ended December 31, 2016
Current tax:		
Current tax on profits for the year	\$ 93,440	\$ 83,653
Tax on undistributed earnings	41,256	35,724
Adjustment in respect of prior years	-	30
Investment tax credits	(19,524)	-
Deferred tax:		
Origination and reversal of temporary differences	82,648	84,217
Income tax expense	<u>\$ 197,820</u>	<u>\$ 203,624</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
Fair value gains/losses on available-for-sale financial assets	\$ 21,138	(\$ 4,353)
Remeasurement of defined benefit obligations	(8,766)	(11,524)
	<u>\$ 12,372</u>	<u>(\$ 15,877)</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
Capital surplus - changes in equity of associates and joint ventures accounted for using equity method	<u>(\$ 78)</u>	<u>(\$ 87)</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2017	Year ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	\$ 184,424	\$ 173,122
Expenses disallowed by tax regulation	1,175	4,305
Tax exempt income by tax regulation	(9,511)	(9,557)
Tax on undistributed earnings	41,256	35,724
Adjustment in respect of prior years	-	30
Effect from investment tax credits	(19,524)	-
Income tax expense	<u>\$ 197,820</u>	<u>\$ 203,624</u>

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

	2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
-Deferred tax assets:					
Unrealised exchange loss	\$ -	\$ 458	\$ -	\$ -	\$ 458
Unrealised compensation loss	489	(338)	-	-	151
Unrealised impairment loss	476	-	-	-	476
Unrealised land value tax	-	10,561	-	-	10,561
Net defined benefit liabilities	170,733	(10,609)	(11,173)	-	148,951
Unpaid annual leave	8,144	(146)	-	-	7,998
Subtotal	179,842	(74)	(11,173)	-	168,595
-Deferred tax liabilities:					
Unrealised exchange gain	(195)	195	-	-	-
Investments income (overseas)	(990,601)	(89,437)	16,192	(78)	(1,063,924)
Difference between depreciation for financial reporting and tax purposes	(49,847)	6,668	-	-	(43,179)
Unrealised gain or loss on available-for-sale financial assets (overseas)	(7,353)	-	7,353	-	-
Reserve for land revaluation increment tax	(1,063,191)	-	-	-	(1,063,191)
Subtotal	(2,111,187)	(82,574)	23,545	(78)	(2,170,294)
Total	(\$1,931,345)	(\$ 82,648)	\$ 12,372	(\$ 78)	(\$ 2,001,699)

	2016				
	Recognised in				December 31
	January 1	Recognised in profit or loss	other comprehensive income	Recognised in equity	
Temporary differences:					
-Deferred tax assets:					
Unrealised sales discounts and allowances	\$ 850	(\$ 850)	\$ -	\$ -	\$ -
Unrealised compensation loss	521	(32)	-	-	489
Unrealised impairment loss	676	(200)	-	-	476
Net defined benefit liabilities	194,432	(14,268)	(9,431)	-	170,733
Unpaid annual leave	4,684	3,460	-	-	8,144
Subtotal	<u>201,163</u>	<u>(11,890)</u>	<u>(9,431)</u>	<u>-</u>	<u>179,842</u>
-Deferred tax liabilities:					
Unrealised exchange gain	(47)	(148)	-	-	(195)
Investments income (overseas)	(910,648)	(77,534)	(2,332)	(87)	(990,601)
Difference between depreciation for financial reporting and tax purposes	(55,202)	5,355	-	-	(49,847)
Unrealised gain or loss on available-for-sale financial assets (overseas)	(3,239)	-	(4,114)	-	(7,353)
Reserve for land revaluation increment tax	(1,063,191)	-	-	-	(1,063,191)
Subtotal	<u>(2,032,327)</u>	<u>(72,327)</u>	<u>(6,446)</u>	<u>(87)</u>	<u>(2,111,187)</u>
Total	<u>(\$1,831,164)</u>	<u>(\$ 84,217)</u>	<u>(\$ 15,877)</u>	<u>(\$ 87)</u>	<u>(\$ 1,931,345)</u>

- D. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.
- E. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	<u>December 31, 2016</u>
Earnings generated in and before 1997	\$ 1,216,233
Earnings generated in and after 1998	<u>2,487,530</u>
	<u>\$ 3,703,763</u>

F. As of December 31, 2016, the balance of the imputation tax credit account was \$381,784. The creditable tax rate was 18.95% for the year ended December 31, 2016.

(23) Earnings per share

	<u>Year ended December 31, 2017</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(share in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 883,121</u>	<u>1,067,141</u>	<u>\$ 0.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	883,121	1,067,141	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,302</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 883,121</u>	<u>1,068,443</u>	<u>\$ 0.83</u>

	Year ended December 31, 2016		
		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 810,884	1,067,141	\$ 0.76
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	810,884	1,067,141	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,749	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 810,884	1,068,890	\$ 0.76

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31, 2017	Year ended December 31, 2016
Acquisition of property, plant and equipment (including prepayments for equipment)	\$ 1,972,479	\$ 1,720,013
Add : Opening balance of payable on equipment	359,163	99,033
Less : Ending balance of payable on equipment	(340,246)	(359,163)
Cash paid during the year	\$ 1,991,396	\$ 1,459,883

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Evergreen Marine Corp.	The entities which have significant influence to the Group
Ever Reward Logistics Corp.	Associate
Taipei Port Container Terminal Corp.	Associate
United Stevedoring Corp.	Associate
Evergreen International Corp.	Other related parties
Taiwan Terminal Services Co., Ltd.	Other related parties
EVA Airways Corp.	Other related parties
Evergreen Security Corp.	Other related parties
Evergreen Steel Corp.	Other related parties
UNI Airways Corp.	Other related parties
Ever Accord Construction Corp.	Other related parties
Evergreen Airline Service Corp.	Other related parties
Evergreen Aviation Technologies Corp.	Other related parties
Evergreen Sky Catering Corp.	Other related parties
Evergreen Air Cargo Services Corp.	Other related parties
Evergreen Aviation Precision Corp.	Other related parties
Chang Yung-Fa Foundation	Other related parties
Chang Yung-Fa Charity Foundation	Other related parties
Evergreen International S.A.	Other related parties
Evergreen Heavy Industrial Corp. (Malaysia) BERHAD	Other related parties
Peony Investment S.A.	Other related parties
All directors, general manager and vice presidents	Key management of the Group

(2) Significant related party transactions and balances

A. Operating revenue

	Year ended December 31, 2017	Year ended December 31, 2016
The entities which have significant influence to the Group		
Evergreen Marine Corp.	\$ 1,843,750	\$ 2,058,725
Associates	211,394	203,505
Other related parties		
Evergreen International Corp.	1,564,493	1,587,265
Evergreen International S.A.	1,419,476	1,359,498
Others	334,291	302,892
	<u>\$ 5,373,404</u>	<u>\$ 5,511,885</u>

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

B. Purchases of goods

	Year ended December 31, 2017	Year ended December 31, 2016
The entities which have significant influence to the Group	\$ 125,862	\$ 130,950
Associates	6,978	5,968
Other related parties	79,656	74,243
	<u>\$ 212,496</u>	<u>\$ 211,161</u>

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

C. Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable:		
The entities which have significant influence to the Group	\$ 31,173	\$ 23,372
Associates	20,489	19,202
Other related parties		
Evergreen International Corp.	165,686	276,165
Evergreen International S.A.	483,029	468,303
Others	47,119	27,887
	<u>\$ 747,496</u>	<u>\$ 814,929</u>

D. Payables to related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable:		
The entities which have significant influence to the Group	\$ 28,283	\$ 27,296
Associates	308	347
Other related parties	112	508
Subtotal	<u>28,703</u>	<u>28,151</u>
Other payables:		
The entities which have significant influence to the Group	1,409	104
Associates	34	-
Other related parties		
Evergreen Heavy Industrial Corp. (Malaysia) BERHAD	322,191	334,973
Other	10,810	24,689
Subtotal	<u>334,444</u>	<u>359,766</u>
Total	<u>\$ 363,147</u>	<u>\$ 387,917</u>

E. Property transactions

(a) Acquisition of property, plant and equipment (including prepayments for equipment)

	Year ended December 31, 2017	Year ended December 31, 2016
The entities which have significant influence to the Group	\$ 860	\$ 204
Other related parties		
Evergreen Heavy Industrial Corp. (Malaysia) BERHAD	1,666,719	1,275,952
Others	10,497	50,971
	<u>\$ 1,678,076</u>	<u>\$ 1,327,127</u>

(b) Disposal of financial assets:

			Year ended December 31, 2017	
	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Proceeds</u> <u>Gain/(loss)</u>
Other related parties				
Peony Investment S.A.	Available-for-sale financial assets - non-current	95,000	Evergreen Marine Corp. (Malaysia) Sdn Bhd	<u>\$ 76,426</u> <u>\$ 23,176</u>

For the year ended December 31, 2016: None.

The prices on the above transactions are in accordance with market prices and the results of agreements.

F. Due to contributions to society for charity activities, the Group donated \$442 and \$20,476 to Chang Yung-Fa Foundation and Chang Yung-Fa Charity Foundation in 2017 and 2016, respectively.

(3) Key management compensation

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term employee benefits	\$ 23,586	\$ 23,146
Post-employment benefits	1,174	1,209
	<u>\$ 24,760</u>	<u>\$ 24,355</u>

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2017	December 31, 2016	
Other non-current assets - pledged time deposits			To purchase supplies and materials and execute contracts etc.
	\$ 121,209	\$ 121,196	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

To meet operational needs, the Group signed container building contracts amounting to USD 16,368 thousand with a container manufacturer on October 31, 2017. Capital expenditure contracted for as of December 31, 2017 but not yet incurred amounted to USD 10,848 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Company declared the earnings distribution for 2017 at the Board of Directors' meeting on March 22, 2018. The details of earnings distribution is referred to in Note 6(14).
- (2) To meet operational needs, the Group signed loading/unloading equipment contracts amounting to USD 14,400 thousand on February 5, 2018.
- (3) To meet operational needs, the Group signed container building contracts amounting to USD 16,643 thousand with a container manufacturer on February 13, 2018.
- (4) Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$29,752 and \$7,620, respectively, which will be adjusted in the first quarter of 2018.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, other financial assets, notes payable, accounts payable, other payables and guarantee deposits) are approximate to their fair values. The interest rate of long-term borrowings is approximate to the market interest rate, thus, the carrying amount can be considered reasonable as the basis for fair value estimation. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

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 minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by the Group under policies approved by the Board of Directors.

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. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Each subsidiary is required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a 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 subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2017			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,003	29.7005	\$ 207,980
<u>Financial liabilities</u>			
None			
December 31, 2016			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,508	32.2500	\$ 48,639
<u>Non-monetary items</u>			
KRW:NTD	3,071,060	0.0271	83,226
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	2,596	0.2756	716

- iv. Total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group in 2017 and 2016, amounted to \$38,856 and \$9,199, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2017			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,080	\$ -
<u>Financial liabilities</u>			
None			

Year ended December 31, 2016			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 486	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	1%	7	-

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 as available-for-sale financial assets.
- ii. The Group's investments in equity securities comprise beneficiary certificates, 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 10% with all other variables held constant, for the years ended

December 31, 2017 and 2016, other components of equity would have increased/decreased by \$229,204 and \$210,101, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are at variable rates. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rates were denominated in the NTD and USD.
- ii. At December 31, 2017 and 2016, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been \$65,385 and \$78,275 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b)Credit risk

- i. The Group's transactions are conducted only with counterparties with good credit conditions. The Group's strategy also requires that before completing transactions, the Group should perform credit confirmation procedures, consider the nature of transactions in requesting the counterparties to provide the pledged notes or guarantees, and regularly assess the collectability of notes and accounts receivable. Therefore, the Group expects no significant bad debts.

The credit risk of other financial assets (including cash and cash equivalents) mainly results from the risk of failing to meet the contract requirements by the counterparty. The maximum credit risk is equal to the book value.

- ii. The banks and financial institutions that the Group has bank deposits and other financial instrument contracts have solid reputation and low non-performance risk. Hence, the Group has no significant credit risk.
- iii. The ageing analysis of financial assets that were past due but not impaired is shown in Note 6(4).
- iv. The individual analysis of financial assets that have been impaired is provided in the statement for each type of financial asset in Note 6.

(c)Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group's treasury department. The Group's treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The Group invested in interest bearing deposits, time deposits and securities with residual capital. Those instruments have appropriate maturity dates and sufficient liquidity to provide sufficient capital movement. The Group has no significant liquidity risk because the Group's holding capital at the balance sheet date is higher than accrued liability for the coming year.
- iii. The Group has the following undrawn borrowing facilities expiring beyond one year:

	December 31, 2017	December 31, 2016
Floating rate	\$ 683,112	\$ -

- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. As of December 31, 2017 and 2016, notes payable, accounts payable and other payables would expire within one year. As of December 31, 2017 and 2016, long-term borrowings are analysed based on the remaining period. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities :

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2017					
Long-term borrowings (including current portion)	\$ 1,426,849	\$ 1,609,952	\$ 3,909,732	\$ 327,113	\$ 7,273,646

Non-derivative financial liabilities :

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2016					
Long-term borrowings (including current portion)	\$ 1,452,307	\$ 1,423,594	\$ 4,726,128	\$ 192,551	\$ 7,794,580

- v. 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 information

A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(7).

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates are included in Level 1.

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: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

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

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Available-for-sale financial assets				
Equity securities	\$ 1,878,022	\$ -	\$ 288,785	\$ 2,166,807
Beneficiary certificates	<u>125,233</u>	<u>-</u>	<u>-</u>	<u>125,233</u>
	<u>\$ 2,003,255</u>	<u>\$ -</u>	<u>\$ 288,785</u>	<u>\$ 2,292,040</u>
December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Available-for-sale financial assets				
Equity securities	\$ 1,487,076	\$ -	\$ 513,897	\$ 2,000,973
Beneficiary certificates	<u>100,033</u>	<u>-</u>	<u>-</u>	<u>100,033</u>
	<u>\$ 1,587,109</u>	<u>\$ -</u>	<u>\$ 513,897</u>	<u>\$ 2,101,006</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (b) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)9.
- (c) 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.
- (d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

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

	Equity securities	
	Year ended December 31, 2017	Year ended December 31, 2016
Opening net book amount	\$ 513,897	\$ 341,354
Acquired during the year	59,599	-
Sold during the year	(119,394)	-
Gains and losses recognised in net income (Note 1)	(116,093)	-
Gains and losses recognised in other comprehensive income (Note 2)	(37,857)	174,813
Effect of exchange rate changes	(11,367)	(2,270)
Closing net book amount	<u>\$ 288,785</u>	<u>\$ 513,897</u>

Note 1: Recorded as non-operating income and expense.

Note 2: Recorded as unrealised valuation gain or loss of available-for-sale financial assets.

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

H. Financial segment 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. Investment property is valued regularly by the Group's financial segment based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.

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

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument: Unlisted shares	\$ 288,785	Market comparable companies	Price to earnings ratio multiple Price to book ratio multiple Discount for lack of marketability	9.77 1.23~1.36 30%	The higher the multiple, the higher the fair value. The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument: Unlisted shares	\$ 513,897	Market comparable companies	Price to earnings ratio multiple Price to book ratio multiple Discount for lack of marketability	8.09 1.12~1.81 30%	The higher the multiple, the higher the fair value. The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.

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

		December 31, 2017			
		Recognised in 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 multiple, price to book ratio multiple, discount for lack of marketability	±1%	\$ -	\$ -	\$ 2,888	\$ 2,888

			December 31, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
	Input	Change	change	change	change	change
Financial assets						
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, discount for lack of marketability	±1%	\$ -	\$ -	\$ 5,139	\$ 5,139

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of the Company's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of the Company's paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
- I. Derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: The Group has no significant inter-company transaction.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas. : None.

14. SEGMENT INFORMATION

(1) General information

The Group has included several operating segments with similar economic characteristics and meeting the requirements as reportable segments and have included other operating segments that do not meet the quantitative thresholds as other segments. Products for sale and types of services of every reportable segment are summarised as follows:

- (a) Inland transportation is the business of carrying cargo and passengers.
- (b) Container terminals are the business of container and cargo loading.
- (c) International marine transportation is the business of container terminals and leased ships and containers.
- (d) Gasoline station is the business of different kinds of petroleum products sold.
- (e) Other businesses are those not classified from (a) to (d).

(2) Measurement of segment information

- (a) Segment profit (loss), the basis of assessing performance, is measured at operating profit (loss).
- (b) Segment assets are measured at the basis of identifiable assets, including property, plant and equipment, investment property, intangible assets, prepayments for equipment and prepayments for lands.
- (c) Management measurement of the performance of segments do not include information on liabilities. Therefore, the information on the segments' liabilities are not disclosed.

(3) Information about segment profit or loss, assets and liabilities

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

Year ended December 31, 2017						
	Inland Transportation	Container Terminals	International Marine Transportation	Gasoline Station	Others	Adjustments and Write- off Total
Revenue from outside the Company	\$ 1,896,049	\$ 594,589	\$ 4,458,006	\$ 552,164	\$ 53,201	\$ - \$ 7,554,009
Operating profit	\$ 100,849	\$ 14,297	\$ 683,167	\$ 17,738	\$ 43,966	\$ - \$ 860,017
Identifiable assets	\$ 1,538,822	\$ 8,055,238	\$ 14,979,307	\$ 65,765	\$ 557,088	\$ - \$ 25,196,220
Depreciation and amortisation	\$ 120,545	\$ 48,960	\$ 1,718,016	\$ 2,378	\$ 4,161	\$ - \$ 1,894,060

Year ended September 30, 2016						
	Inland Transportation	Container Terminals	International Marine Transportation	Gasoline Station	Others	Adjustments and Write- off Total
Revenue from outside the Company	\$ 1,900,893	\$ 574,580	\$ 4,464,519	\$ 478,032	\$ 54,073	\$ - \$ 7,472,097
Operating profit	\$ 151,692	\$ 84,786	\$ 718,355	\$ 16,603	\$ 44,581	\$ - \$ 1,016,017
Identifiable assets	\$ 1,630,316	\$ 7,979,617	\$ 16,125,046	\$ 61,293	\$ 556,204	\$ - \$ 26,352,476
Depreciation and amortisation	\$ 118,644	\$ 25,444	\$ 1,680,198	\$ 1,749	\$ 3,929	\$ - \$ 1,829,964

(4) Reconciliation for segment income (loss)

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for years ended December 31, 2017 and 2016 is provided as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Reportable segments operating profit and loss	\$ 816,051	\$ 971,436
Other segments operating profit and loss	43,966	44,581
Total segments	860,017	1,016,017
Total non-operating income and expenses	222,061	(3,378)
Profit before tax	<u>\$ 1,082,078</u>	<u>\$ 1,012,639</u>

(5) Information on products and services

Please refer to Note 6 (16) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 5,931,643	\$ 10,800,859	\$ 6,044,982	\$ 10,889,911
America	1,419,476	14,396,841	1,359,498	15,464,095
Others	202,890	-	67,617	-
	<u>\$ 7,554,009</u>	<u>\$ 25,197,700</u>	<u>\$ 7,472,097</u>	<u>\$ 26,354,006</u>

The non-current assets do not include financial instruments and pledged time deposits and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
Evergreen Marine Corp.	\$ 1,843,750	International marine transportation, inland transportation, gasoline station and container terminals	\$ 2,058,725	International marine transportation, inland transportation, gasoline station and container terminals
Evergreen International Corp.	1,564,493	Inland transportation, international marine transportation, container terminals, gasoline station and others	1,587,265	Inland transportation, international marine transportation, container terminals, gasoline station and others
Evergreen International S.A.	1,419,476	International marine transportation	1,359,498	International marine transportation

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2017

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

Table 1

Number (Note 1)	Endorser / guarantor	Party being endorsed / guaranteed		Ceiling on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the year ended December 31, 2017	Outstanding endorsement/ guarantee amount at December 31, 2017	Actual amount drawn down	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	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Evergreen International Storage and Transport Corporation	Gaining Enterprise S.A.	2	\$ 32,323,613	\$ 8,715,641	\$ 7,517,286	\$ 6,507,469	\$ -	34.88	\$ 32,323,613	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Group 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:

(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: Under the Company's "Procedures for Provision of Endorsements and Guarantees" No.13, the Company's total guarantees and endorsements to others should not exceed 150% of the Company's net asset value, and total guarantees and endorsements provided for a single party should not exceed 30% of the Company's net asset value. The Company's endorsements and guarantees provided toward its subsidiaries are not restricted by the above, but should not exceed 150% of the Company's net asset value. The calculation is shown below:

The net assets based on latest financial report 21,549,075 thousand dollars $\times$ 150% = 32,323,613 thousand dollars

The net assets based on latest financial report 21,549,075 thousand dollars $\times$ 30% = 6,464,723 thousand dollars

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 2, Page 1

Securities held by	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				Footnote
				Number of shares or units	Book value	Ownership (%)	Fair value or net asset value	
Evergreen International Storage and Transport Corporation	Beneficiary certificate							
	Yuanta De- Bao Money Market Fund	None	Available-for-sale financial assets - current	4,618,988.60	\$ 55,197	-	\$ 55,197	
	FSITC Taiwan Money Market Fund	None	Available-for-sale financial assets - current	4,605,497.20	70,036	-	70,036	
	Equity securities							
	Evergreen Marine Corp.	Major institutional stockholder of the Company	Available-for-sale financial assets - current	22,755,240	372,048	0.57	372,048	
	EVA Airways Corp.	Investee of the Company's major institutional stockholder	Available-for-sale financial assets - current	41,146,146	652,167	0.99	652,167	
	Central Reinsurance Corp.	Investee of the Company's major institutional stockholder	Available-for-sale financial assets - non-current	48,788,966	853,807	8.68	853,807	
	Evergreen International Engineering Corp.	Investee of the Company's major institutional stockholder	Available-for-sale financial assets - non-current	715,713	-	11.93	-	
	Ever Accord Construction Corp.	Investee of the Company's major institutional stockholder	Available-for-sale financial assets - non-current	8,130,882	91,183	15.27	91,183	
	UNI Airways Corp.	Investee of the Company's major institutional stockholder	Available-for-sale financial assets - non-current	13,819,673	176,551	4.17	176,551	
	Taiwan Terminal Services Co., Ltd.	Subsidiary of the Company's major institutional stockholder	Available-for-sale financial assets - non-current	1,200,000	4,557	12.00	4,557	
	Universal Venture Fund Inc.	None	Financial assets carried at cost - non-current	379,252	3,299	2.98	3,299	Note

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 2, Page 2

Securities held by	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				Footnote
				Number of shares or units	Book value	Ownership (%)	Fair value or net asset value	
Gaining Enterprise S.A.	Green Peninsula Agencies Sdn. Bhd.	None	Available-for-sale financial assets - non-current	950,000	\$ 8,035	19.00	\$ 8,035	
	Greenpen Properties Sdn. Bhd.	None	Available-for-sale financial assets - non-current	950,000	8,459	19.00	8,459	

Note : Financial assets carried at cost - non-current consisted of stocks with no quoted market price and value cannot be measured reliably, and wherein the Company also does not possess significant influence. In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, these financial assets are carried at cost.

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more
Year ended December 31, 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

Purchaser / seller	Counterparty	Relationship with the Counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases/ Sales	Amount	Percentage of total purchases / sales (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)(%)	
Evergreen International Storage and Transport Corporation	Evergreen International Corp.	Major institutional stockholder of the Company	Operating revenues	\$ 1,564,493	34.42	30~60 Days	\$ -	-	Accounts Receivable \$ 165,686	33.06	
	Evergreen Marine Corp.	Major institutional stockholder of the Company	Operating revenues	454,535	10.00	30~60 Days	-	-	Accounts Receivable 31,173	6.22	
	United Stevedoring Corp.	Investee of the Company's subsidiary accounted for using equity method	Operating revenues	208,073	4.58	15~60 Days	-	-	Accounts Receivable 19,917	3.97	
	Eva Airways Corp.	Investee of the Company's major institutional stockholder	Operating revenues	189,685	4.17	20~60 Days	-	-	Accounts Receivable 33,154	6.61	
Gaining Enterprise S.A.	Evergreen Marine Corp.	Major institutional stockholder of the Company	Operating revenues	1,389,215	46.18	30 Days	-	-	-	-	
	Evergreen International S.A.	The main stockholder of the major institutional stockholder of the Company	Operating revenues	1,419,476	47.18	120 Days	-	-	Accounts Receivable 483,029	100.00	

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more

December 31, 2017

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

Table 4

Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2017	Turnover rate (times)	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Evergreen International Storage and Transport Corporation	Evergreen International Corp.	Major institutional stockholder of the Company	\$ 165,686	7.08	\$ -	-	\$ 161,200	\$ -
Gaining Enterprise S.A.	Evergreen International S.A.	The main stockholder of the major institutional stockholder of the Company	483,029	2.98	-	-	238,819	-

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

Year ended December 31, 2017

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

Table 5, Page 1

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2017			Net income (loss) of the investee during the year ended December 31, 2017	Investment income (loss) recognized by the Company during the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number. of shares	Ownership (%)	Book value			
Evergreen International Storage and Transport Corporation	Gaining Enterprise S.A.	Republic of Panama	1.Ship trading, transportation and chartering 2.Operation and investments of container yards 3.Leases and investments of overseas container terminals 4.Marine transportation related business	\$ 4,977,435	\$ 4,977,435	1,570,000	100.00	\$ 10,503,106	\$ 526,098	\$ 526,098	Subsidiary of the Company (Note 2)
"	Shun An Enterprise Corp.	Taiwan	Management consulting and employment agency	20,000	20,000	2,000,000	80.00	25,398	3,905	3,124	Subsidiary of the Company (Note 2)
"	Ever Reward Logistics Corp.	Taiwan	International trading, packing, forwarding agency, storage and warehousing, information administration	22,777	22,777	740,000	30.00	23,662	16,399	4,919	Investee of the Company accounted for using equity method
"	Taipei Port Container Terminal Corp.	Taiwan	Container distribution and cargo stevedoring	507,619	507,619	50,761,905	9.76	452,726	45,517	4,443	Investee of the Company accounted for using equity method
Gaining Enterprise S.A.	Hazel Investment (Netherlands) N.V.	Curacao	Investment Business	348,165	348,165	4,200	70.00	316,027	1,185	829	Indirect subsidiary of the Company (Note 1) (Note 2)
Hazel Investment (Netherlands) N.V.	Hazel Estate B.V.	Netherlands	Investment Business	491,529	491,529	40	100.00	451,579	2,050	2,050	Indirect subsidiary of the Company (Note 1) (Note 2)

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

Year ended December 31, 2017

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

Table 5, Page 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2017			Net income (loss) of the investee during the year ended December 31, 2017	Investment income (loss) recognized by the Company during the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number. of shares	Ownership (%)	Book value			
Hazel Estate B.V.	Taipei Port Container Terminal Corp.	Taiwan	Container distribution and cargo stevedoring	\$ 506,019	\$ 506,019	50,601,940	9.73	\$ 451,246	\$ 45,517	\$ 4,429	Investee of the Company's indirect subsidiary accounted for using equity method
Shun An Enterprise Corporation	United Stevedoring Corp.	Taiwan	Cargo and labor service stevedoring	25,000	25,000	2,500,000	50.00	31,614	7,850	3,925	Investee of the Company's subsidiary accounted for using equity method

Note 1 : Initial investments amount was denominated in foreign currency, and converted to NTD based on spot rate on balance sheet date.

Note 2 : The investment is a consolidated entity. The transaction was eliminated when the consolidated financial statements were prepared.

EVERGREEN INTERNATIONAL STORAGE AND TRANSPORT CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China- basic information

Year ended December 31, 2017

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

Table 6

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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan during the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income (loss) of the investee during the year ended December 31, 2017	Ownership held by the Company (direct or indirect) (%)	Investment income (loss) recognised by the Company during the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qingdao Evergreen Container Storage & Transportation Co.,Ltd.	1. Main businesses: Inland container transportation, storage, loading, discharging, repair, cleaning and related activities. 2. Impact on operations of the Company: Increase investment income.	\$ 193,358	2	\$ -	\$ -	\$ -	\$ -	\$ 204,417	15.00	\$ 30,659	\$ 69,922	\$ -	Investment Income (loss) Note 2 (2) B

Name of the company	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	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 International Storage and Transport Corporation	\$ -	\$ 103,952	\$ 13,014,519

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. : Gaining Enterprise S.A.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

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



長 榮 國 際 儲 運 股 份 有 限 公 司
EVERGREEN INTERNATIONAL STORAGE & TRANSPORT CORP.