

2016

ANNUAL REPORT

SINCE 1965



WAN HAI LINES LTD.

WE CARRY, WE CARE.



ANNUAL REPORT 2016



Address & Telephone Numbers of its Head & Branch office

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Basic Information of ECB

None

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Service is
our Mission;

Stability is
our strength

Ten must-know core values of
Wan Hai branding for us &
our customers



萬海航運股份有限公司
WAN HAI LINES LTD.

Quality Service
Team Work
Growth

1

TOP THE GLOBAL LINER SCHEDULE RELIABILITY SURVEY 2016 FROM SEAINTEL

Real-time quality response with service commitments

2

FIVE-TIME WINNER OF [CONTAINER SHIPPING LINE OF THE YEAR-FAR EAST TRADE LANE] FROM MARITIME AND LOGISTIC AWARDS, INDIA

No occasional but trust-worthy is the key to win the laurel year after year

3

FOUR-TIME WINNER OF [CONTAINER SHIPPING LINE OF THE YEAR] FROM LLOYD'S LIST MARITIME ASIA AWARD

A well-deserved honor granted by readers of the power and prestigious maritime magazine

4

WINNER OF [BEST SHIPPING LINE-INTRA ASIA] IN 2015 AND [BEST GREEN SHIPPING LINE] IN 2016 FROM ASIA CARGO NEWS, AFLAS

Honored by both operational efficiency and environmentally friendly

5

TWO-TIME WINNER OF [MOST ADMIRER COMPANY] IN MARITIME SHIPPING CATEGORY FROM COMMONWEALTH MAGAZINE

All-round business performance recognized by local influential publication

6

FOUR-TIME WINNER OF [GREEN FLAG] FROM PORT OF LONG BEACH, CA

Sparing no effort to achieve environmental sustainability

7

YOUNGER AVERAGE CONTAINER AGE(5.9 YEARS) THAN THAT OF THE INDUSTRY (6.6 YEARS)

Our specialization is made by continuous improvements

8

WIDELY-RECOGNIZED WITH MOST COMPREHENSIVE SERVICE NETWORK IN INTRA-ASIA

Fast, convenient and far-reaching service

9

BALANCED FINANCIAL STRUCTURE AND STEADY OPERATING STATUS

Rest assured delivery

10

INTEGRITY AND PEOPLE-ORIENTED SERVICE

We fuse traditional principles with current practices as a way to achieve better developments





LETTER TO SHAREHOLDERS



To Our Shareholders,

As we are to convene the shareholders' meeting for 2017, I would like to report that our consolidated revenue for 2016 had reached TWD57.35 billion, a 10.19 percent decrease from 2015. Consolidated net profit after tax was TWD1.14 billion, TWD 2.80 billion less than in 2015. In terms of profitability, the return on equity for the year 2016 was 3.27%, while in the year 2015 it was 10.95 %. The profit rate was 2 %, while in the year 2015 it was 6.16 %. The earnings per share was TWD 0.51. During this downturn in the shipping industry, the company is still pressing forward and continuing to maintain profitability, as shown the Wan Hai Lines results from joint efforts. Thank you to both the Wan Hai Lines leadership team and employees, as well as our gratitude to the shareholders for their full support.

Looking back at 2016, the global economic recovery was not as expected, there was no significant growth in the overall market volume, and news related to shipping company mergers was not uncommon. In September, the world's seventh largest container transport company that was based in Korea, Hanjin Shipping, has filed for bankruptcy protection without warning, which shocked the entire shipping industry. In addition, the international crude oil prices had rebounded since the beginning of the year, and the problem caused by large-scale ship leading to an excess of capacity still exists. No matter whether internally or factors arising from the external environment, operations within the shipping industry are quite unfavorable. In such a difficult environment, the Company will endure the storm, and continue to penetrate the market through new opportunities and route integration to reduce operating costs, while strengthen market share. In 2016, due to the hard work of colleagues, the company's operating capacity reached a new peak in recent years of 3.63 million TEU. The Company was also awarded the "Gujarat Junction 2016 Conference & Awards - Container Shipping Line of The Year – Far East Trade Lane" and for the fifth time was awarded the MALA "Container Shipping Line of The Year India-Far East Trade Lane."

In 2017, the maritime industry continues to be affected by last year's wave of mergers, and the original four major shipping alliances were reorganized into three major shipping alliances in April of this year. Due to this reorganization, the expectation of an increased number of larger new ships is being recognized, and so competition for freight will also increase. Due to America's new economic and trade policy the impact on the international economic situation is confusing, and the global economic trend is difficult to predict. In the face of such a chaotic competitive environment, the Company will continue to maintained stable and steady operations, carefully assess the situation, see the market trends, and take action. This year, the Company will continue to develop its niche service base in the fast short-sea shipping and the medium length routes, and proceed to examine the possibility of expanding its ocean routes operations and optimize the overall route competitiveness.

Wan Hai Lines is run in with the enterprising spirit of "service, cooperation, and growth." Steadily the business is developed to maintain excellent business performance. We stress operational efficiency, and attention to customer service quality, while performing the role of corporate citizenship, and having good corporate social responsibility. We will to persist relentlessly, and give back to shareholders, partners, and team members our support and recognition.

Sincerely yours,



Chairman

Po-Ting Chen



April 28, 2017



COMPANY PROFILE



► Date of Establishment February 24, 1965

- ◆ Marine transportation

- ◆ Shipping agency



► Main Activities

- ◆ Purchasing & selling of vessels and containers

- ◆ Container Freight Station Business

- ◆ Leasing of vessels and containers

Founded on February 24, 1965, Wan Hai started as a log carrier servicing Taiwan, Japan, and Southeast Asia. Recognizing the coming trend of containerization, Wan Hai purchased its very first full container ship “M.V. MING CHUN” in July 1976 and began the container shipping service to Japan. The Company had since grown into a fully containerized shipping company.

As more international services are gradually opening in the Far East, Wan Hai provides the most comprehensive network of services in Asia region, and thus establishes itself in a leading position in near-sea shipping line. By opening up services throughout the Middle East and India, the scope of operations was expanded into farther regions. Subsequently launching up services from the Far East to the West Coast of United States and from the Far East to the West Coast of South America, Wan Hai became a global shipping company as it extended the territory it covered around the world.



► Major Event of Corporate History

With regards to container yards and wharfs, the first liaison office was established in Kaohsiung in 1979. Until today, it had been in operation as a business base and direct port for thirty-two countries. In 1987, at the Kaohsiung Port, the first wharf was leased, later to be followed by wharfs or container storage and transportation investment in Keelung Port, Taipei Port, Taichung Port, and overseas in Japan, Malaysia, China, and Vietnam; providing customers with consistent quality service.

In addition to its commitment in providing superior and comprehensive services, Wan Hai also dedicates itself to environmental protection and is recognized by the government, domestic and abroad, for its collaborative endeavor. In recent years, Wan Hai won the “Best Shipping Agent, Customer Service for Colombo - Intra Asia Sector” award from ICS; and the honor of “Best Green Shipping Line at the 2016 AFLAS”; and the “Container Shipping Line of The Year India-Far East Trade Lane” for the fifth year from 2016 MALA. As such, Wan Hai becomes a recognized corporate brand in shipping industry.

Driven by the corporate culture of “Quality Service, Team Work, and Growth” and the philosophy of “Customer First, Full Participation, Environmental Protection, and Corporate Sustainability,” Wan Hai continues to provide a dense and complete transportation network, and continues to enhance service quality and business performance to meet future customers’ delivery requirements. Adhering to stable and pragmatic business practices, and by building strong bonds and trust with vast numbers of manufacturers, Wan Hai operates with sustainable development in business road.

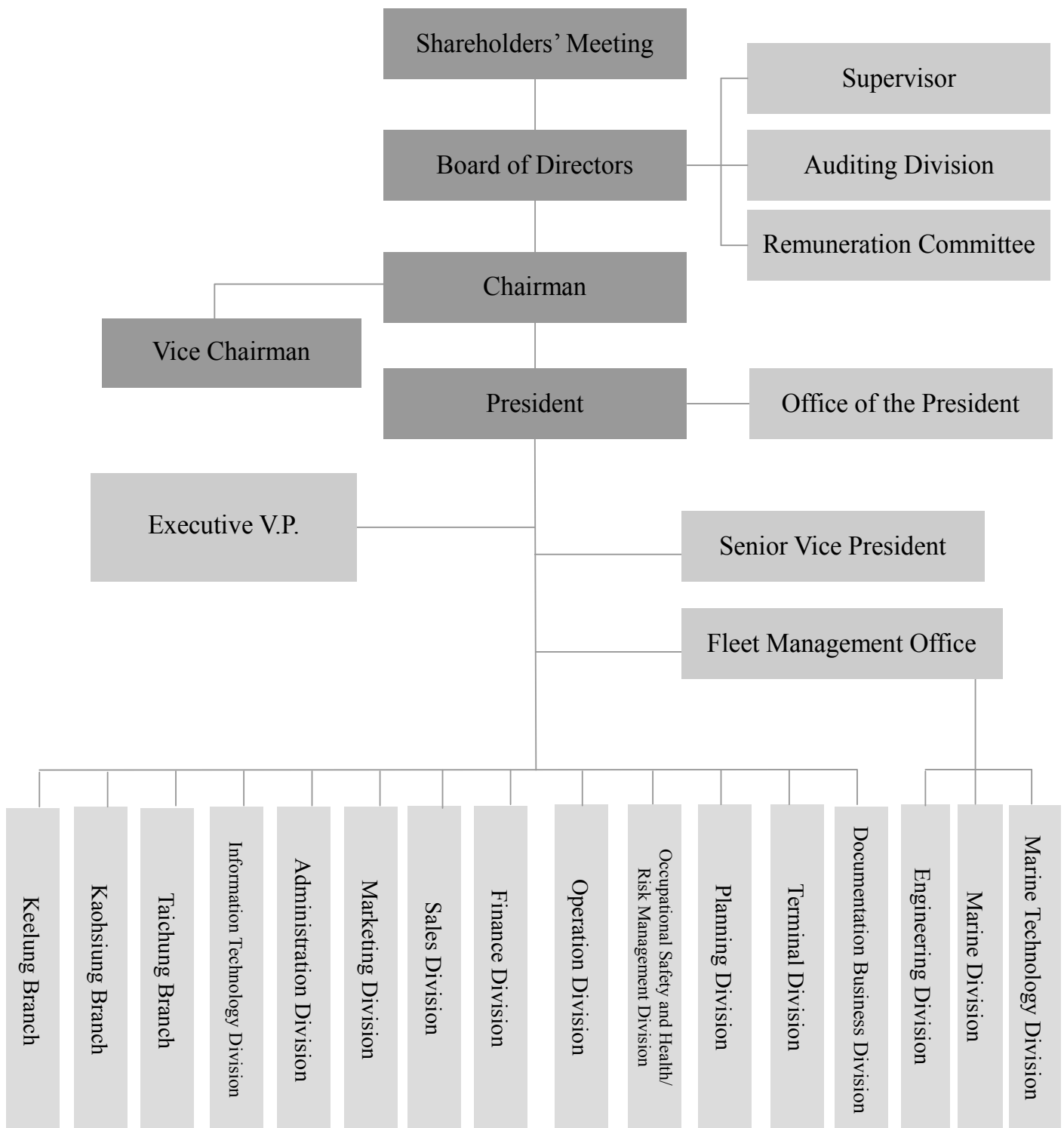


Corporate Governance



3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Description of each division's operation under the company

Division	Responsibilities
Auditing Division	Auditing the operational, financial, and accounting matters of every division of the company, as well as domestic and overseas branch offices and agents.
Office of the President	Transfer of investments, risk management, cost management, financial market analysis and recommendations; public relations; management of corporate identity; global customer strategy management and project research.
Fleet Management Office	In charge of safety control and efficiency evaluation of fleet management.
Marine Technology Division	In charge of maritime safety control measures and fleet navigation efficiency.
Marine Division	Supervision of crew, and the evaluation; purchase of fuel; other matters relevant to marine operation.
Engineering Division	Planning and supervision of new ship construction; routine and annual maintenance of vessel fleet.
Documentation Business Division	Issuance and payment of shipping documents; collections of shipping tariffs and service fees.
Terminal Division	Supervision and management of the operation of domestic and overseas terminals, container yards, and warehouses; evaluation of investment results of terminals; business solicitation and promotion; maintaining customer relations; establishing proposals and plans for terminal construction.
Planning Division	Research and construction of business strategies; planning of mid to long-term business operations.
Occupational Safety and Health/ Risk Management Division	Compliance with all relevant occupational safety and health laws and regulations; legal affairs.
Operation Division	Domestic and international allocation, deployment, and management of cargo containers; design, construction, and maintenance of cargo containers; management of loading and unloading cargo containers; planning and management of shipping schedules.
Finance Division	Planning and execution of domestic and overseas financial forecasts and budgets; record-keeping of accounting matters; review of billing documentation; allocation of capital; foreign exchange; stock services; and other matters pertaining to finance.
Sales Division	Solicitation of domestic cargo shipments; creation of relevant sales plans.
Marketing Division	Promotion and marketing of core services; management of overseas marketing.
Administration Division	Management of domestic and overseas human resources matters and general affairs.
Information Technology Division	Promotion of the wider use of technology company-wide; maintenance of the domestic and overseas information systems. Carries out operation of computers, programming and planning of computer systems; design of computer programs; management and use of computer-related resources.
Branch Office	Responsible for local shipping business; issuance of shipping documents; arrangement of vessels and containers.

3.2 Information of Directors, Supervisors, President, Executive Vice President, and the Chiefs of all the Company's divisions and branches

3.2.1 Director and Supervisors

1. The list of Directors and Supervisors

(1)The list of Directors and Supervisors The 19th Board of Directors (2014/6/18~)

Title		Chairman	Vice Chairman		Director		Director		Director	
Nationality		R.O.C.	R.O.C.	U.S.A.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Name		Po-Ting Chen	Taili Corporation	Representative: Randy Chen	Chen-Yung Foundation	Representative: Chih-Chao Chen	SHIH LIN PAPER CORP.	Representative: Fur-Lung Hsieh	Formosa Wonderworld Co., Ltd.	Representative: Cheng-Hsieh Lin
Gender		Male		Male		Male		Male		Male
Date elected		Jun 18, 2014	Jun 18, 2014		Jun 18, 2014		Jun 18, 2014		Jun 18, 2014	
Tenure		3 years	3 years		3 years		3 years		3 years	
Date first elected		May 6, 1999	June 24, 2011		June 24, 2011		Jun 18, 2014		June 24, 2011	
Shareholding on date elected	No. of shares	9,603,548	5,469,256 0		31,902,176 0		29,933,031 0		880,794 0	
	Holding Ratio	0.43%	0.25% 0.00%		1.44% 0.00%		1.35% 0.00%		0.04% 0.00%	
Current Shareholding	No. of shares	9,603,548	5,469,256 0		31,902,176 7,761,283		29,933,031 109,312		880,794 0	
	Holding Ratio	0.43%	0.25% 0.00%		1.44% 0.35%		1.35% 0.00%		0.04% 0.00%	
Current shareholding of Spouse and Minor Children	No. of shares	0	0		0		86,720		0	
	Holding Ratio	0%	0%		0%		0%		0%	
Shareholding under other names	No. of shares	0	0		0		0		0	
	Holding Ratio	0%	0%		0%		0%		0%	
Major Academic qualification and professional experience		Master of Business Administration, University of San Francisco	Master of Business Administration MIT SLOAN School of Management		City University of New York		Department of Shipping and Transportation Management, National Taiwan Ocean University		Southern Methodist University, L.L.M	
Positions held in the Company and other companies		FORMOSA WONDERWORLD Co., Ltd. Chairman SHIH LIN PAPER CORP. Representative Director for legal entity / Chairman SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/Vice Chairman ASIA PACIFIC LOGISTICS INTERNATIONAL Co., Ltd./ Consultant WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity k.k. WH Corporation Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (PHILS) INC. Representative Director for legal entity Chairman WAN HAI LINES KOREA LTD. Representative Director for legal entity Chairman WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE. LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity YI CHUN SHIPPING AGENCIES SDN.BHD. Representative Director for legal entity DAWIN LOGISTIC (INTERNATIONAL)LTD. Representative Director for legal entity Wan Hai Lines Peru S.A.C. Representative Director for legal entity WAN HAI LINES ECUADOR S.A. Representative Director for legal entity	EVERVALIANT CORP. Director WAN HAI LINES (PHILS) INC. Representative Director for legal entity/President WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES (AMERICA)LTD. Representative Director for legal entity SHIH LIN PAPER CORP. Representative Supervisor for legal entity Wan Hai Lines Peru S.A.C. Representative Director for legal entity WAN HAI LINES ECUADOR S.A. Representative Director for legal entity		YI CHAO CORP. Chairman WAN HAI LINES (AMERICA)LTD. Representative Director for legal entity WAN HAI LINES (H.K.)LTD. Representative Director for legal entity DAWIN LOGISTIC (INTERNATIONAL)LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY Co., Ltd. Representative Director for legal entity/Chairman WAN HANG TOURISM (SHANGHAI)Co., Ltd. Representative Director for legal entity		WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity WAN HANG TOURISM (SHANGHAI)Co., Ltd. Representative Supervisor for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity		Lin Global Consultants LTD Director	
officer, director, or supervisor held by spouse or relatives within two levels of blood relations	Title	-	-		Supervisor		-		-	
	Name	-	-		Chih-Hsiang Chen		-		-	
	Relation	-	-		Siblings		-		-	

Title		Independent Director	Independent Director	Supervisor		Supervisor	Supervisor
Nationality		R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Name		Ruei-Chuen Liu	Rung-Nian Lai	Yee Sing Co., Ltd	Representative: Chiu-Ling Wu	Yi Teh Optical Technology Co., Ltd	Representative: Chih-Hsiang Chen
Gender		Male	Male		Female		Male
Date elected		Jun 18, 2014	Jun 18, 2014	Jun 18, 2014		Jun 18, 2014	
Tenure		3 years	3 years	3 years		3 years	
Date first elected		Jun 18, 2014	Jun 19 2011	June 24, 2011		June 18, 2008	
Shareholding on date elected	No. of shares	525	0	1,470,000 0		7,698,024 0	
	Holding Ratio	0.00%	0.00%	0.07% 0.00%		0.35% 0.00%	
Current Shareholding	No. of shares	525	0	1,470,000 15,275,878		7,698,024 2,498,785	
	Holding Ratio	0.00%	0.00%	0.07% 0.69%		0.35% 0.11%	
Current shareholding of Spouse and Minor Children	No. of shares	0	1,000	0		0	
	Holding Ratio	0%	0%	0%		0%	
Shareholding under other names	No. of shares	0	0	0		0	
	Holding Ratio	0%	0%	0%		0%	
Major Academic qualification and professional experience		College of law, National Chung Hsing University	College of Medicine, National Taiwan University	DE LIN Institute of Technology		New Jersey College of Science and Engineering	
Positions held in the Company and other companies		Star travel Corp. Independent Director		SHIH LIN PAPER CORP. Representative Director for legal entity YEE SING CO., LTD. Chairman UNI COOPERATE INTERNATIONAL Co., Ltd. Director YEE TZAO ENTERPRISE CO., LTD. Chairman		SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity	
officer, director, or supervisor held by spouse or relatives within two levels of blood relations	Title	-	-	-		Director	
	Name	-	-	-		Chih-Chao Chen	
	Relation	-	-	-		Siblings	

2. Major shareholders of corporation stockholders

2017.04.24

Corporation shareholders			Major Shareholders and holdings %				
Formosa Wonderworld Co., Ltd.	Ta Hsing Investment Co.,Ltd 3.85%		Yuki Holdings Group Limited 17.86%		Sunpark Investment Group Limited 17.93%		Blue Moon Investment Co., Ltd. 3.70%
	Po-Ting Chen 14.38%		Bank of Taipei trust account (Yu-Min Kao) 14.63%		Bank of Taipei trust account (I-Ming Chiang) 3.01%		Evervaliant Corp. 1.23%
	Yin-Ru Chen 0.62%		Mei-Ru Chen 1.36%		Yeong Yi (Asia) Corp. Ltd. 1.23%		Huai-Ling Chen 20.22%
Tai Li Corp.	Unimode Investment Co., Ltd. 90.821%		Evervaliant Corp 9.116%		Ching-Chih Chen 0.034%		Randy Chen 0.021%
	Wen-Tsung Sue 0.002%		Te-Ming Lin 0.002%		Hsiu-Wen Wang 0.002%		An-Chou Lin 0.002%
Chen-Yung Foundation	None						
Yee Sing Co., Ltd.	I-Cheng, Lin 3.45%	Chiu-Ling, Wu 23.45%	Che-I, Lin 8.62%	Chia-Chin, Lin 3.45%	Yu-Syuan, Lin 8.62%	Chia-Ying, Lin 3.45%	Yee Tzao Enterprise Co., Ltd. 48.96%
Yi Teh Optical Technology Co., Ltd.	Chih-Yuan Chen 99.91%				Yeong Yi (Asia) Corp. Ltd. 0.09%		
Shih Lin Paper Corp.	Wan Hai Charity Foundation 6.98%		Tai Chuan Investments Co., Ltd. 6.92%		Shui-Cheng Tu 6.49%		Yeong Yi (Asia) Co., Ltd. 6.35%
	Ching-Chih Chen 3.89%		Zheng-Ti Cheng 3.47%		Liu He Investment, Inc. 3.38%		Pictet & Cie (Europe) S.A. 3.36%
							Evervaliant Corp. 4.87%
							Hwa-Mei LinYen 3.22%

3. Major shareholders of corporation shareholders who are as corporation shareholders

2017.04.24

Corporation shareholders	Major shareholders of corporation shareholders						
UNIMODE INVESTMENT CO., LTD	LY Investments Ltd. 100%						
Evervaliant Corp.	Taili Corporation 58.185%			Yi Chun (Liberia) Shipping Co., Ltd. 25.46%		R&D Investments, Inc 9.386%	
	Chen-Yung Foundation 4.845%			UNIMODE INVESTMENT CO., LTE 2.122%			
	Chao-Heng Chen 0.001%		Ying-Hua Lin 0.001%			Ching-Chih Chen 0.001%	
Yuki Holdings Group Ltd.	Woodwind Development Limited 100%						
Sunpark Investment Group Ltd.	Wonder View Investments Ltd. 100%						
Yeong Yi (Asia) Corp. Ltd.	Smithson Crowford Murraray Capital 32.165%、Hsin Feng Corp. 25.566%、Fon Tain Belon Co. Ltd. 24.517%、Skyway Industrial Limited 4.923%、Yichao Crop. 4.144%、Chen-Yung Foundation 3.436%、Chih-Chao Chen 1.947%、Sui shih sung Crop., 1.727%、Kang TuIndustrail Co., Ltd. 0.683%、Eyon Corp. 0.550%						
Ta Hsing Investment Co., Ltd.	Huai-Long Chen 11.67%		Hui-Ying Chen 10%		Po-Ting Chen 23.33%		Yin-Ru Chen 0.83%
	Mei-Ru Chen 0.83%		Dao Qi Ltd 4.91%		Formosa Wonderworld Co., Ltd. 5.93%		Sun Trader Holding Corp. 41.67%
Blue Moon Investment Co., Ltd.	Po-Ting Chen 72.4%		Ta Hsing Investment Co., Ltd. 2%		Dao Qi Ltd 2.3%		Hui-Ying Chen 3%
	Zhao-Di Chen 0.3%		Huai-Long Chen 8.7%		Yin-Ru Chen 3.8%		Formosa Wonderworld Co., Ltd. 3.8%
Yee Tzao Enterprise Co., Ltd.	Chiu-Ling, Wu 1.92%	I-Cheng, Lin 0.2%	Chia-Ying, Lin 0.2%	Chia-Chin, Lin 5.28%	Hwa-Mei LinYen 62%	Cheng-Hsiung, Lin 8%	Yueh-Hsia, Lin 22.4%
Wan Hai Charity Foundation	None						
Tai Chuan Investments Co., Ltd.	Hui-Long Cheng11.78%		Cheng-Zhi Cheng 10.1%		Zheng-Ti Cheng 9.85%		Chih-Yuan Chen 2.53%
	Evervaliant Corp. 23.99%		Yeong Yi (Asia) Co., Ltd. 21.72%		Tai Shih Trading Co., Ltd 8.8%		Hui-Rui Cheng 2.53%
Liu He Investment, Inc.	Mei-Ru Chen 0.02%		Yin-Ru Chen 0.02%		Hui-Ying Chen 0.8%		Zhao-Di Chen 0.02%
	Ta Hsin Investment Co., Ltd. 1.9%		Sun Trader Holding Corp. 80%		Huai-Lung Chen 0.94%		Po-Ting Chen 16.1%
					Dao Qi Ltd 0.2%		

4. Information of Directors and Supervisors

2017.04.24

Names	Conditions	Whether the directors and supervisors hold hands-on experience accumulated in the field for a minimum of five years and whether they meet the following professional qualification requirements:			Consistent in the independence (note 1)										Number of other public companies where they are concurrently serving
	Being an instructor or professor teaching Commerce, Law, Finance or other expertise required by the Company in public or private universities & colleges	As a judge, prosecutor, lawyer, Certified Public Accountant or other professional or engineer in the expertise required by the Company, having successfully passed the National Examinations and held licenses	Having accumulated hands-on experiences in Commerce, Law, Finance, Accounting or other expertise required by the Company	1	2	3	4	5	6	7	8	9	10		
The 19th Board of Directors(2014/6/18~)															
Po-Ting Chen			V			V				V		V	V	0	
Formosa Wonderworld Co., Ltd. Representative : Cheng-Hsien Lin		V	V	V	V	V	V			V	V			0	
Taili Corporation Representative : Randy Chen			V			V				V	V	V		0	
Shih Lin Paper Corp Representative : Fur-Lung Hsieh			V			V	V	V		V	V	V		0	
Chen-Yung Foundation Representative : Chih-Chao Chen			V			V		V		V	V	V		0	
Ruei-Chuen Liu		V	V	V	V	V	V	V	V	V	V	V	V	1	
Rung-Nian Lai	V		V	V	V	V	V	V	V	V	V	V	V	0	
Yee Sing Co., Ltd. Representative : Mei-Huei Wu			V	V		V	V	V	V	V	V	V		0	
Hwa-Mei LinYen			V	V		V	V		V	V	V	V	V	0	
Yi Teh Optical Technology Co., Ltd. Representative : Chih-Hsiang Chen			V	V		V		V		V		V		0	

Note1: Please tick with a "✓" mark under the box (es) as appropriate when the directors and supervisors meet the following qualification requirements in two years prior to appointment to the positions:

- (1) Not an employee of the Company or a director, supervisor or employee of an affiliated company.
- (2) Not a director or supervisor of the Company or its affiliate (except the case of an independent director of the Company or its parent company, subsidiary where the Company holds more than 50% of the voting power either directly or indirectly).
- (3) Not as a natural person (individual) shareholder of a company where he or she, his or her spouse, minor child or in another's name holds more than 1% of the total outstanding issued shares or a shareholder ranking among the top ten.
- (4) Not a person as the spouse, relative within the second degree of kinship or blood relative within the fifth degree of kinship of a person defined under the three preceding paragraphs.
- (5) Not as a director or supervisor or employee of a juristic (corporate) person shareholder who holds more than 5% of the total outstanding issued shares of the Company or a director or supervisor or employee of a juristic (corporate) person shareholder ranking among the top five in shareholding.
- (6) Not as a director (council member), supervisor(supervisory officer), managerial officer or a shareholding holding more than 5% in shareholding of a specific company or institution in financial or business transaction with the Company.
- (7) Not as a professional, proprietor of sole proprietorship, partnership, company, a partner, director (council member), supervisor(supervisory officer), managerial officer or spouse thereof of a company or institution that renders commercial, legal, financial, accounting or such professional services to the Company or its affiliates.
- (8) Not as the spouse or a relative within relative within the second degree of kinship with other director.
- (9) Not meeting any situations under Article 30 of the Company Law.
- (10) Not elected as a government, juristic (corporate) person or the representative thereof falling under Article 27 of the Company Law.

3.2.2 Information of President, Executive Vice Presidents, Vice Presidents and chiefs of all the company's divisions and branches

2017.04.24

Title	Nationality	Name	Gender	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
					Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
President	R.O.C.	Fur-Lung Hsieh	Male	Jun 22, 2015	109,312	0.00%	86,720	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Supervisor for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity	-	-	-
Executive Vice President	R.O.C.	Wen-Chau Yeh	Male	Nov 1, 2014	936	0.00%	22,332	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	DAWIN LOGISTIC (INTERNATIONAL) LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Director for legal entity TAIPEI PORT CONTAINER TERMINAL CORP. Representative Director for legal entity	-	-	-
Senior Vice President	R.O.C.	Jen-Yee Huang	Male	Aug 1, 2008	10,838	0.00%	4,353	0.00%	0	0.00%	Department of Business Administration, National Cheng Kung University	WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE.LTD Representative Director for legal entity	-	-	-
Senior Vice President	R.O.C.	Jeong-Shin Lin	Male	Sep 6, 2010	1,019	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity WAN HANG TOURISM (SHANGHAI)Co., Ltd. Representative Director for legal entity/Chairman TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity	-	-	-
Senior Vice President	R.O.C.	Li-Kuang Huang	Male	Mar 18, 2016	105,627	0.00%	11,536	0.00%	0	0.00%	Master of Business Administration, State University of New York at Buffalo	SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Ming-Shan Huang	Male	Apr 1, 2007	17,545	0.00%	6,856	0.00%	0	0.00%	Department of International Trade, Soochow University	BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Juang-Iyh Juang	Male	Apr 1, 2007	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, China Junior College of Technology	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Wei-Chien Chuang	Male	Apr 1, 2007	9,370	0.00%	454	0.00%	0	0.00%	Department of International Trade, National ChengChi University	BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity/Chairman TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor	-	-	-
Vice President	R.O.C.	Wei-Shin Sheu	Male	Apr 1, 2007	74,513	0.00%	395	0.00%	0	0.00%	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-
Vice President	R.O.C.	Jen-Kai Wu	Male	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Industrial and Information Management National Cheng Kung University	WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity WAN HAI LINES KOREA LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Chien-Cheng Hsiao	Male	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of International Trade Fu Jen Catholic University	Interasia Lines Ltd. Representative Director for legal entity	-	-	-
Project Vice President	R.O.C.	Kuo-Loong Kao	Male	Feb 1, 2017	92,195	0.00%	43,653	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity	-	-	-

Title	Nationality	Name	Gender	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company			Spouse or relative acts as other managerial officer		
					Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio					Title	Name	Relation
Project Vice President	R.O.C.	Yen-Ru Chen	Male	Oct 24, 2011	65,951	0.00%	0	0.00%	0	0.00%	Department of Transportation and Navigation Science, National Taiwan Ocean University	-	-	-	-	-	-
Special Assistant to Executive Vice President	R.O.C.	Hung-Chuan Chien	Male	Jul 23, 2012	0	0.00%	0	0.00%	0	0.00%	Department of Transportation Technology & Management, Feng Chia University	-	-	-	-	-	-
Vice President	R.O.C.	Huey-Jang Chung	Male	Apr 1, 2007	176,297	0.01%	20,721	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-	-	-
Vice President	R.O.C.	Li-Mei Su	Female	Feb 16, 2009	1,212	0.00%	0	0.00%	0	0.00%	Department of International Trade, National ChengChi University	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-	-	-
Vice President	R.O.C.	Cheng-Hsien Huang	Male	Feb 16, 2009	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Sun Yat-sen University	SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity	-	-	-	-	-
Vice President	R.O.C.	Shen-Hsing Lo	Male	Mar 18, 2016	20,970	0.00%	10,000	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-	-	-
Vice President	R.O.C.	Chih-Hsien Chen	Male	Mar 18, 2016	86,219	0.00%	51,348	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University	WAN HAI LINES (VIETNAM) Ltd. Representative Supervisor for legal entity BLUE OCEAN LOGISTICS CO.,LTD. Representative Supervisor for legal entity	-	-	-	-	-
Vice President	R.O.C.	Chien-Feng Wu	Male	Mar 18, 2016	0	0.00%	5,324	0.00%	0	0.00%	Department of Marine Transportation, National Taiwan Ocean University	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-	-	-
Deputy Vice President	R.O.C.	Pei-Tai Kuo	Male	Jun 25, 2012	0	0.00%	0	0.00%	0	0.00%	Department of Economics Chinese Culture University	-	-	-	-	-	-
Deputy Vice President	R.O.C.	Tai-Feng Sun	Male	Oct 31, 2011	124	0.00%	420	0.00%	0	0.00%	Department of Merchant Marine, National Taiwan Ocean University	-	-	-	-	-	-
Deputy Vice President	R.O.C.	I- Feng Lin	Male	Sep 15, 2012	135	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, Tamkang University	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-	-	-
Deputy Vice President	R.O.C.	Shyue- Jih Ma	Male	Oct 1, 2015	0	0.00%	0	0.00%	0	0.00%	Department of Transportation and Communication Management Science, National Cheng Kung University	TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor BAO SHENG SHIPPING AGENCY CO., LTD. Supervisor Qingdao Port & Win International logistics Co., LTD. Representative Director for legal entity- Hai Phong International Container Terminal Ltd Representative Director for legal entity	-	-	-	-	-
Deputy Vice President	R.O.C.	Yann-Jan Doong	Male	Sep 1, 2016	0	0.00%	1,000	0.00%	0	0.00%	Department of Navigation, China Maritime College	-	-	-	-	-	-
Deputy Vice President	R.O.C.	Sheng-Chuan Chang	Male	Feb 1, 2017	2,000	0.00%	2,000	0.00%	0	0.00%	Department of Transportation Engineering and management, National ChiaoTung University	-	-	-	-	-	-
Deputy Vice President	R.O.C.	Meng-Chuan Chang	Female	Feb 1, 2017	150	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, National Taipei College of Business	-	-	-	-	-	-
Deputy Vice President	R.O.C.	Wen-Yuan Chiang	Male	Oct 1, 2015	0	0.00%	0	0.00%	0	0.00%	Department of Cooperative Economics, National Chung Hsing University	-	-	-	-	-	-
Assistant Vice President	R.O.C.	Szu-Tsung Chiao	Male	Jun 1, 2016	1,398	0.00%	0	0.00%	0	0.00%	Department of Political Science, Soochow University	-	-	-	-	-	-
Assistant Vice President	R.O.C.	Chia-Yi Hsiao	Female	Aug 13, 2007	1,363	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Chung Hsing University	-	-	-	-	-	-

3.2.3 Remuneration to directors, supervisors, president and executive vice presidents

1. Remuneration to directors

Title			Chairman	Director	Director	Director	Director	Independent Director	Independent Director	
Name			Po-Ting Chen	Chen-Yung Fundation Representative:Chih-C hao Chen	Taili Corporation Representative: Randy Chen	Shih Lin Paper CORP. Representative: Fur- Lung Hsieh	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	Ruei-Chuen Liu	Rung-Nian Lai	
Remuneration to directors	(A) Allowance	Unconsolidated	8,450,400							
		Consolidated	8,450,400							
	(B) Retirement pension	Unconsolidated	0							
		Consolidated	0							
	(C) Remuneration from retained earnings	Unconsolidated	9,294,550							
		Consolidated	9,294,550							
	(D) Transportation allowance	Unconsolidated	1,581,670							
		Consolidated	1,581,670							
Percentage of (A+B+C+D) in net income after tax		Unconsolidated	1.69%							
		Consolidated	1.69%							
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated	6,342,241							
		Consolidated	18,810,903							
	(F) Retirement pension	Unconsolidated	0							
		Consolidated	201,547							
	(G) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	34,544						
			Stock bonus	0						
		Consolidated	Cash bonus	34,544						
			Stock bonus	0						
Percentage of (A+B+C+D+E+F+G+H) in net income after tax		Unconsolidated	2.15%							
		Consolidated	3.26%							
Other income			291,937							

Levels of remuneration

Level of remuneration paid to directors	Name of directors			
	Total remuneration for (A+B+C+D)		Total remuneration for (A+B+C+D+E+F+G)	
	Unconsolidated	Consolidated	Unconsolidated	Consolidated
Lower than TWD 2,000,000	Taili Corporation Representative: Randy Chen Shih Lin Paper Corp Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Taili Corporation Representative: Randy Chen Shih Lin Paper Corp. Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai
From TWD 2,000,000 to 4,999,999	Chen-Yung Fundation Representative: Chih-Chao Chen	Chen-Yung Fundation Representative: Chih-Chao Chen		
From TWD 5,000,000 to 9,999,999	Po-Ting Chen	Po-Ting Chen	Po-Ting Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp Representative: Fur-Lung Hsieh	Po-Ting Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp Representative: Fur-Lung Hsieh
From TWD 10,000,000 to 14,999,999			Chen-Yung Fundation Representative: Chih-Chao Chen	Chen-Yung Fundation Representative: Chih-Chao Chen
From TWD 15,000,000 to 29,999,999				
From TWD 30,000,000 to 49,999,999				
From TWD 50,000,000 to 99,999,999				
TWD 100,000,000 and above				
Total	Po-Ting Chen Chen-Yung Fundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp. Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Po-Ting Chen Chen-Yung Fundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp. Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Po-Ting Chen Chen-Yung Fundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp. Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai	Po-Ting Chen Chen-Yung Fundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Shih Lin Paper Corp. Representative: Fur-Lung Hsieh Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin Ruei-Chuen Liu, Rung-Nian Lai

2. Remuneration to supervisors

Title			Supervisor	Supervisor	Supervisor
Name			Yee Sing Co., Ltd. Representative: Chiu-Ling Wu	Yi Teh Optical Technology Co., Ltd. Representative: Chih Hsiang Chen	Hwa-Mei LinYen
Remuneration to supervisors	(A) Allowance	Expense (c)	0		
		Unconsolidated	0		
	(B) Remuneration from retained earnings	Unconsolidated	5,576,727		
		Consolidated	5,576,727		
	Transportation allowance	Unconsolidated	420,000		
		Consolidated	420,000		
Percentage of (A+B+C+D) in net income after tax		Unconsolidated	0.53%		
		Consolidated	0.53%		
Other income			0		

Levels of remuneration

Level of remuneration paid to supervisors	Name of supervisors	
	Total remuneration for(A+B+C)	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000	Hwa-Mei LinYen Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen Yee Sing Co., Ltd. Representative: Chiu-Ling Wu	Hwa-Mei LinYen Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen Yee Sing Co., Ltd. Representative: Chiu-Ling Wu
From TWD 2,000,000 to 4,999,999		
From TWD 5,000,000 to 9,999,999		
From TWD 10,000,000 to 14,999,999		
From TWD 15,000,000 to 29,999,999		
From TWD 30,000,000 to 49,999,999		
From TWD 50,000,000 to 99,999,999		
TWD 100,000,000 and above		
Total	Hwa-Mei LinYen Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen Yee Sing Co., Ltd. Representative: Chiu-Ling Wu	Hwa-Mei LinYen Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen Yee Sing Co., Ltd. Representative: Chiu-Ling Wu

3. Remuneration to President and Vice presidents

Unit: TWD

Unit: TWD

Title			President	Executive Vice President	Executive Vice President
Name			Fur-Lung Hsieh	Huey-Jiuan Chen(Note 1)	Wen-Chau Yeh
(A) Salary	Unconsolidated		7,795,484		
	Consolidated		7,795,484		
(B) Retirement pension	Unconsolidated		15,058,500		
	Consolidated		15,058,500		
(C) Bonus and specific subsidy, etc.	Unconsolidated		3,302,003		
	Consolidated		3,302,003		
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	46,090		
		Stock bonus	0		
	Consolidated	Cash bonus	46,090		
		Stock bonus	0		
Percentage of (A+B+C+D) in net income after tax	Unconsolidated		2.30%		
	Consolidated		2.30%		
Other income			96,793		

Note 1 : Retired on 2016/8/31.

Levels of remuneration

Level of remuneration paid to the President and Vice presidents	Name of President and Vice presidents	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000		
From TWD 2,000,000 to 4,999,999	Fur-Lung Hsieh, Wen-Chau Yeh	Fur-Lung Hsieh, Wen-Chau Yeh
From TWD 5,000,000 to 9,999,999		
From TWD 10,000,000 to 14,999,999		
From TWD 15,000,000 to 29,999,999	Huey-Jiuan Chen	Huey-Jiuan Chen
From TWD 30,000,000 to 49,999,999		
From TWD 50,000,000 to 99,999,999		
TWD 100,000,000 and above		
Total	Fur-Lung Hsieh, Wen-Chau Yeh, Huey-Jiuan Chen	Fur-Lung Hsieh, Wen-Chau Yeh, Huey-Jiuan Chen,

4. Bonus to Executives

Unit: TWD

	Title	Name	Stock Bonus	Cash Bonus	Total	Percentage in Net Income after tax
Executives	Vice Chairman	Randy Chen	0	403,076	403,076	0.04%
	President	Fur-Lung Hsieh				
	Executive Vice President	Huey-Jiuan Chen (Note 1)				
	Executive Vice President	Wen-Chau Yeh				
	Senior Vice President	Jen-Yee Huang				
	Senior Vice President	Jiong-Xin Lin				
	Senior Vice President	Li-Kuang Huang				
	Vice President	Kuo-Loong Kao				
	Vice President	Ming-Shan Huang				
	Vice President	Juang-Jyh Juang				
	Vice President	Wei-Chien Chuang				
	Vice President	Wei-Hsin Hsu				
	Vice President	Hui-Chang Chung				
	Vice President	Chih-Heng Wan (Note 1)				
	Vice President	Li-Mei Su				
	Vice President	Jen-Kai Wu				
	Vice President	Chien-Cheng Hsiao				
	Vice President	Cheng-Hsien Huang				
	Vice President	Shen-Hsing Lo				
	Vice President	Chih-Hsien Chen				
	Vice President	Chien-Feng Wu				
	Project Vice President	Yen-Ju Chen				
	Special Assistant to Executive President	Hung-Chuan Chien				
	Assistant Vice President	Chia-Yi Hsiao				

Note 1 : Retired on 2016/8/31.

3.2.4. Analysis regarding the percentage of total remuneration paid to the directors, supervisors, presidents, and executive vice presidents in net income after tax for the past two years. Description regarding the remuneration policy, standard, procedure, and the relationship with operating performance.

	Percentage of total remuneration in net come after tax in 2016		Percentage of total remuneration in net come after tax in 2015		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	2.15%	3.26%	1.29%	1.60%	Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation.
Supervisors	0.53%	0.53%	0.56%	0.56%	
President and Executive vice president	2.30%	2.30%	0.30%	0.30%	

3.3 Implementation of Corporate Governance

3.3.1 Information of Performance by the Board of Directors:

In recent year(s), the Board of Directors convened a total of 7th board of directors meetings. The directors and supervisors show the following facts of attendance:

2016.12.31

Position	Name	Number of actual participations (or as an observer)	Number of actual participations through a proxy	Rate of actual participations (or as an observer) (%)	Remarks
The 19th Board of Directors					
Chairman	Po-Ting Chen	7	0	100%	
Director	Taili Corporation Representative : Randy Chen	6	1	86%	
Director	Shih Lin Paper Corp Representative : Fur-Lung Hsieh	7	0	100%	
Director	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	7	0	100%	
Director	Chen-Yung Foundation Representative : Chih-Chao Chen	7	0	100%	
Director	Ruei-Chuen Liu	7	0	100%	
Director	Rung-Nian Lai	3	4	43%	
Supervisor	Yee Sing Co., Ltd. Representative : Chiu-Ling Wu	7	0	100%	
Supervisor	Hwa-Mei LinYen	7	0	100%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative : Chih-Hsiang Chen	1	0	14%	
Other noteworthy items:					
- Article 14-3 of the Securities and Exchange Act states that when an independent director has a dissenting opinion or holds reservations, it shall be recorded, along with the date and term of the meeting, content of proposal, the opinion of all independent directors and how the opinion is dealt with by the Company. At each of the Board of Directors meetings this year, there were no objections or reservations with regards to the motions from the independent directors. - In the event of a recusal by one of the directors due to shared interests, a record of the name of the director, content of the proposal, cause of the recusal, and the resolution of the issue by participants shall be made. - The proposal for releasing the managerial officer (Director Randy Chen) from non-competition restrictions. - Director : Randy Chen - Motion Content : 13th Directors Meeting of the 19th term (June 29, 2016). The proposal for releasing the Company's managerial officer, Director Randy Chen, from non-competition restrictions on serving concurrently as the director of the investee company Wan Hai Lines Ecuador S.A. - Recusals Due to Conflicts of Interest: In order to release the managerial officer from non-competition restrictions. - Votes cast by directors: Because the Director Randy Chen was such company's director (the principal engaging in business competition), he recused himself from voting. The remaining directors voted on the proposal separately and the proposal was adopted without dissent. - To provide assistance and care to the Formosa Fun Coast Colored Powder Explosion victims, the Company made a donation assigned to New Taipei City fund account for the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund." - Director: Po-Ting Chen and Cheng-Hsien Lin. - Motion Content: 14th Directors Meeting of the 19th term (August 10, 2016) with the aim of social assistance and humanitarian care, it is proposed that an amount of NTD 50 million (including the reasons for the request), donated to the New Taipei City government to be used for the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund." The Company expects that the New Taipei City government properly allocates this donation to enable practical and effective use of resources and care for the victims of this unfortunate accident. - Recusals Due to Conflicts of Interest: Foundation directors. - Resolution: Chairman Po-Ting Chen and Director Cheng-Hsien Lin recused themselves from the meeting. The motion was passed unanimously by the remaining directors. - The proposal of the change of personnel, re-appointment of juristic-person director and releasing the managerial officer (President Fur-Lung Hsieh) from non-competition restrictions. - Director: Fur-Lung Hsieh - Motion Content : 14th Directors Meeting of the 19th term (August 10, 2016). In response to business needs, the proposal was to appoint President Fur-Lung Hsieh to supervise the Administration Department in addition to his normal duties. Moreover, the Company also appointed such President to act as the director of Wan Hai Lines (America) Ltd., and the investee company Wan Hai International Pte. Ltd. appointed such President to act as the director of WAN HAI LINES (U.A.E.) L.L.C. For the aforementioned position as the director of WAN HAI LINES (U.A.E.) L.L.C. concurrently, a proposal was submitted to the board of directors in order to release such President from non-competition restrictions. - Recusals Due to Conflicts of Interest: The principal involved in the change of job duties and business competition. Votes cast by directors: The Director Fur-Lung Hsieh recused himself from voting. The remaining directors voted on the proposal separately and the proposal was adopted without dissent. - Evaluation on the objective and performance of enhancement on the functions of Board of Directors in the current year and the most recent year: The Company plans to amend the Articles of Memorandum of Association, and will elect independent directors upon expiration of the current directors' term of office, and will have election of independent directors after the expiry of the 19th board of directors, in order to comply with the requirements defined by the competent authority.					

3.3.2 Performance of the Audit Committee: * The Company's 20th term of the board of directors elected in 2017 will create an Audit Committee pursuant to the laws.

3.3.3 Performance by supervisors while participating in the board of directors:

In recent year(s), the Board of Directors convened a total of 7th board of directors meetings. The facts of attendance as an observer:

Position	Name	Number of actual participations (or as an observer)	Rate of actual participations (or as an observer) (%)	Remarks
The 19th Board of Directors Meeting				
Supervisor	Yee Sing Co., Ltd. Representative : Chiu-Ling Wu	7	100%	
Supervisor	Hwa-Mei LinYen	7	100%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative : Chih-Hsiang Chen	1	14%	

Other remarks required:

1. The organization of Supervisors and their duties and responsibilities:

- (1) Communications between the supervisors and the Company's employees and shareholders (e.g., the channels, methods of communications) In excellent channels of communications. The Supervisors duly audit the Company's business operation and financial standing to exercise the supervisory powers independently.
- (2) Communications between the supervisors and the Company's Chief Auditor and Certified Public Accountant (e.g., regarding the Company's financial standing, business operation, the methods and results):
 - A. On all occasions of the board of directors meeting, the Chief Auditor reported the performance and results of auditing and discussed with directors and supervisors about extensive issues.
 - B. The Internal Audit Report completed by the Audit Department as required under the Annual Operating Plan has been submitted to and reviewed by the Chairman and Supervisors.

2. Where the supervisors participated in the board of directors meeting to voice their opinions, the date, term of the board of directors meeting, contents of the agenda, results of the resolutions in the board of directors meeting should be expressly stated, and the acts taken by the Company in response to the opinions of the supervisors: None °

3.3.4 Distinction between the Company's corporate governance and such of the companies listed on the Taiwan Stock Exchange Corporation ("TSEC") and the GreTai Securities Market (or together as "TSEC/GTSM listed companies")

Item	Description of the operation		Distinction from the operation and governance of those TSEC/GTSM listed companies
	Yes	No	
1. Does the Company follow the "Corporate Governance Best Practice Principles" to establish and disclose its corporate governance principles?		V	The Company has not yet established its own principles relating to the operation of the Company's corporate governance, please refer to "III. Corporate Governance" in the annual report for further information. Although the Company has not yet established its own corporate governance principles, it has established the relevant regulations for "Procedures for the Election of Directors and Supervisors", "Procedures for Board of Directors Meetings", "Internal Audit Organization and Operation", and the "Remuneration Committee Organization and Memorandum of Association". The Company has published this information on the Wan Hai website to facilitate inquiry by interested parties/individuals, and also established the "Internal Management Control for the Prevention of Insider Trading" to strengthen corporate governance.
2. Company's shares structure and shareholders right			
(1) Company's dealings with shareholders suggestions and disputes	V		No Difference
(2) The status of the roster of company's controlling shareholders and major shareholders	V		
(3) Establishment of risk control mechanism and firewall between company and its affiliates	V		
(4) Has the Company established internal standards in order to prohibit insider undisclosed information trading of securities on the market?	V		
3. The Board of Directors' composition and responsibilities			
(1) Can the Board of Directors' members develop and implement diversified policies?	V		(1) No Difference
(2) In addition to being in accordance with the law for establishing a Remuneration Committee and an Audit Committee, is there any voluntary establishment of other functional committees?	V		(2) In accordance with the law an Audit committee will be established by 2017.
(3) Has the Company defined its Board of Directors' evaluation performance appraisals, and are there regular annual performance appraisals?	V		(3) Although the Company has no written regulations to assess the Board of Directors' performance, each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments. The Board of Directors actively participates in training courses studying with competent authorities for relevant academic skills, and they engage with relevant think tanks on a regular basis. The Board of Directors occasionally engages in activities of outcome macro review.
(4) Does the Company regularly use an independent certified accountant for assessment?	V		(4) No Difference
4. Has the TWSE/TPEX listed company set up a full or part-time corporate governance unit or designated personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meetings)?		✓	The Company hasn't set up a full or part-time corporate governance unit now. For details of the Company's corporate governance operations, please refer to "III. Corporate Governance" in the Annual Report. The Company hasn't set up a full or part-time corporate governance unit now, related departments are in charge of corporate governance affairs.

Item	Description of the operation		Distinction from the operation and governance of those TSEC/GTSM listed companies
	Yes	No	
5. Has the Company established a communication channel with interested parties/individuals, and an area for them on the Company's website, in order to respond appropriately to questions concerning the Company's corporate social responsibility?	V		No Difference
6. Has the company appointed a professional shareholder Services agency for shareholders affairs?	V		No Difference
7. Disclosure of Information (1) Has the company established a website disclosing financial operations and corporate governance information?	V		No Difference
(2) Does the Company disclose information in other ways (such as an English website, a designated person responsible for the Company's collection and disclosure of information, a company spokesman system, or will the legal process descriptions be placed on the Company's website)?	V		
8. Any other information that is beneficial to and may enhance the understanding of corporate governance (for example, employees right, employees welfare, investor relation, supplier relation, right of interested parties/individuals, continuing education for corporate directors and supervisors, risk management policy and risk assessment criteria and their execution, execution of customer policy, and purchase of liability insurance for company directors and supervisors, etc.	V		No Difference

Item	Description of the operation		Distinction from the operation and governance of those TSEC/GTSM listed companies
	Yes	No	
			(12)We keep going on the steps taken on the environmental protection even the office or vessels along with maintaining the certificated management system of ISO14001. (13)We put emphasis on the on-site safety towards human beings and property with the framework such as occupational safety and hygiene management system, CNS15506 & OHSAS 18001. (14)We take care of all employees' health, including the friendly workplace set up for the female or pregnant ones, like health center and baby caring room. Also, we keep closed eyes on the physical exercising, fitness or hold the mental growth oriented workshop.
9. Please provide information on the status of the improvements regarding the results of a corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies your company established as priorities for improvement. (Leave blank if your company was not evaluated.)	✓		The Company conducted the corporate governance self-assessment in response to the promotion of the corporate governance evaluation and prepared a report. The Corporate Governance Center publicized the results of the evaluation, according to which, the Company was able to comply with the major aspects of the standards. Results of the corporate governance evaluation: Ranked top 6% to 20% amid all TWSE listed companies from 2014 to 2016. Key points of the improvements include: 1. Establish and disclose policies with respect to energy savings, reduction of carbon and greenhouse gas emissions, water savings and other waste management. 2. Create sections such as "Corporate Social Responsibility Section" and "Stakeholders' Opinion Section" on the company's website, allowing investors and stakeholders to browse information. Improvements not yet implemented: Disclose information on the implementation subsequent to resolutions reached at regular shareholders' meetings; set up the Ethical Corporate Management Best Practice Principles; disclose the Corporate Governance Best Practice Principles, etc. Earnestly reinforce the efficacy of corporate governance in the future with the goal of providing transparent information for investors and stakeholders. No Difference

3.3.5 Continuing education and training related to business administration attended by the Company's officers

*Continuing education and training for the Directors, Supervisors, officers, and managers:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Fur-Lung Hsieh	Director	Aug 2,2016	Securities & Futures Institute	Analysis and Decision - making Application of Enterprise Financial Information	3
		Oct 13,2016	Wbcds global network partner	The low carbon development trend after the Paris agreement	3
		Oct 20,2016	Financial Supervisory Commission R.O.C.(Taiwan)	The 11 th Taipei Corporate Governance Forum	3
		Nov 24,2016	Taiwan Corporate Governance association	The practical operation of Independent directors and functional committees	3
		Dec 23,2016	Taiwan Corporate Governance association	Investigation skill of financial statements fraud	3
Chiu-Ling Wu	Supervisor	Dec 1,2016	Securities & Futures Institute	An Analysis of the Practical Cases of Directors and Supervisors' Breach of Trust and Offenses of Breach of Trust	3
		Dec 15,2016	Securities & Futures Institute	An Analysis of Enterprise Financial Crisis and Its Type	3
Rung-Nian Lai	Independent Director	Jan 6,2016	Securities & Futures Institute	Discussion on Employee 's Reward Strategy and Tool Application	3
		Jul 19,2016	Securities & Futures Institute	Discussion into the Legal Issues Related to the Insider trading	3
Ruei-Chuen Liu	Independent Director	Sep 12,2016	Taiwan Corporate Governance association	Big Data and Economic Crime Prevention and Control	6

3.3.6 Matters relating to obtaining license or qualification for purpose of financial transparency as required by the competent authority:

*Taiwan CPA Association: Two individuals (Financial Division)

*Taiwan CIA Association: One individual (Financial Division)

* Continuing Education for Auditing Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Pei-tai Kuo	Audit Supervisor	Apr 11,2016	The Institute of Internal Auditors-Chinese Taiwan	Excellent internal audit supervisor key skills and fat cat audit practice	6
		Sep 1,2016	Accounting Research and Development Foundation	Discussion of Enterprise Legal Operation of Audit Management and Case	6

*Continuing Education/Training for the Financial Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	Sep 22,2016	Accounting Research and Development Foundation	Financial instruments tax mitigation included capital taxation and Integrated housing and land taxation	3
		Oct 28,2016	Accounting Research and Development Foundation	Case study of Insider Trading and Money Laundering Control	3
		Dec 13,2016	Accounting Research and Development Foundation	Taxation of Enterprise Merger	3
		Dec 16,2016	Accounting Research and Development Foundation	Differences in IFRSs Standards, 2013-2016	3
Chih-Hsien Chen	Financial Supervisor	Oct 13,2016	Accounting Research and Development Foundation	Operating Risk and Seasonal Financial Report	3
		Oct 28,2016	Accounting Research and Development Foundation	Case study of Insider Trading and Money Laundering Control	3
		Nov 2,2016	Accounting Research and Development Foundation	Discussion on the Functions and Responsibilities of "Supervision and Auditing" of Directors, Supervisors and Senior Executives of Public Issuing	3
		Nov 29,2016	Accounting Research and Development Foundation	Case study of offshore company and tax avoidance and money laundering	3

3.3.7. A description of the Company's Corporation Social Responsibility situation:

The Company's environmental protection, community participation, social contribution, social services, social public welfare, consumer rights, human rights, social services, security, health, and other social responsibility activities systems and measures adoption status are as follows:

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
1. Policies implemented and promoted by the Company:				
(1) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness.	V		(1) In 2015 the Company completed the preparation of its Corporate Social Responsibility code, which was implemented through the Board of Directors. The code covers the Company and all operational activities of the Company's subsidiary businesses. Contents include: implementation of corporate governance, sustainable development and the environment, social welfare maintenance, a focus on employee care, improved customer services, strengthening supplier management, and corporate social responsibility information disclosure. The Company's annual Corporate Social Responsibility report is issued in June, with the aspiration of reconciling the expectations of interested parties/individuals. The report is issued to interested parties/individuals to communicate the Company's implementation of corporate social responsibility, and the possible contact or impact of interested parties/individuals should be identified in understanding the needs and expectations of the Company in the pursuit of sustainable development and profitability at the same time; the Company pays attention to environmental factors, social and corporate governance factors, in terms of their integration into the Company's management policy and business activities.	No difference
(2) The status of full and part-time work units established by the Company for promotion of corporate responsibility	V		(2) The Company's implementation of corporate social responsibility is through the organization of regular social responsibility education and training. In 2016 the implementation was as follows: 20160225 – Shore Crew Members Health Seminars 20160317 – Physical Education Seminar 20160503-Travel Health- Travel Safe. Travel smart. 20160505 – Create equality and friendly work environment 20160524-Avoid damage from climate change 20160531 – Promote Labor Relations - Labor Conference 20160617-ISO14001 : Environmental Education Movies- 「Fly, Kite Fly」 20160701 – The first half of the year fire drill 20160715-CPR+AED(Automated External Defibrillator) Training 20161011-Health benefits of walking 20161018 – Emergency Service Personnel Education and Training 20161104 – Personal Fitness Evaluation 20161221 – The second half of the year fire drill A 3-hour health advisory session with a doctor once every month	
(3) Does the company set up a unit to promote corporate social responsibility and authorized by the Board of Directors and report to the Board?	V		(3) In order to integrate resources to promote CSR, the Company established a permanent Corporate Social Responsibility unit that is responsible for business operations in accordance with corporate social responsibility. This includes the approval of the annual target areas, implementation of the scope of the program, execution and review of tracking performance of the program, and the production of the Board of Directors report and Corporate Social Responsibility report. The Chairperson serves in the Corporate Social Responsibility unit as a joint steering committee member. The unit covers corporate governance, employee care, customer care, economic/environmental care, and social/welfare groups.	
(4) Does the company set a reasonable salary policies and employee performance appraisal system combined with corporate social responsibility, and establish clear and effective system of reward and punishment?	V		(4) According to the company's employee guide book: salary, performance appraisal, and incentives regulations chapters.	
2. Developing a sustainable environment				
(1) The status of the Company devotion to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact	V		(1) WHL has devoted itself to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact in the following ways: A. Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment B. Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life C. Current ships have been outfitted with a new type of oily water separator, purifying the discharge of waste water on ship, and avoiding any possible ocean pollution D. Starting in 2010, newly-built ships will be fitted with a water ballast treatment system, protecting the ocean ecology and avoiding the foreign organisms from being released via the water ballast, as well as environmental pollution E. Damaged or worn machines or fitting on vessels, if able to be repaired, are arranged to be reused by the manufacturer F. Instruction of manufacturers working on the ship to recycle and dispose of trash on shore	No difference
(2) Whether the status of the establishment of an environmental management system suited to the special characteristics of our industry?	V		(2) Current environmental management system employed by the company as related to the shipping industry is as follows: A. Both newly built and current vessels have been fitted with sewage and bilge water treatment system, B. Engines and generators on ships built after 2000 are all up to Tier 1 emissions standards, C. Waste oil from engine rooms discharged to the shore is recycled by a qualified company D. Bilge water from the engine room passes through a 15 PPM bilge water separator before being released, thus decreasing ocean pollution E. On-board bilge water passes through a bilge water separator where organic matter is filtered out before being released F. All engine room internal combustion engines, boilers, and incinerators comply with emissions laws and regulations G. Our vessels use low-sulfur fuel in the ECA (Emission Control Area) and carry out the changeover procedure in order to comply with the regulations of MARPOL Annex VI, EU Directive and special port states.	

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
(3) The status of the Company's awareness of climate change's effect on operation activities, and policies for reducing carbon emissions			H. Our vessels use low-sulfur fuel in the Hong Kong, west coast of the United States and China control area. (3) WHL's policies for achieving goals of carbon emission and greenhouse gas reduction are as follows: A. Reducing engine cylinder, speed shipping and setup PBCF to reduce fuel expenditure. B. Set up ES-BOW. C. Purchases low sulfur fuel to comply with the limit as required by MARPOL. D. Our vessels use low-sulfur fuel in the ECA (Emission Control Area), and EU to carry out the changeover procedure. E. In accordance with environmental policy, the resource reserving units are set up and make some strategies.	
3. Upholding Public Good (1) The status of the Company's observance of relevant labor laws and international labor standards, protecting the legal rights of employees and against the employment discrimination, creation of appropriate methods and processes for a management system comply with it. (2) Are the company's employee complaint mechanisms and channels fit for purpose? (3) The status of the Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees.	V		3. Upholding Public Good (1) The company conducts itself according to the relevant labor laws and regulations, and protects the legal rights of its employees, and has set up an appropriate management process. (2) In compliance with the provisions of the Labor Inspection Act, the Company has drawn up a "Labor Complaints Form." Colleagues have statutory rights of appeal in relevant work areas or with Company Supervisors according to specified procedures. With regards to sexual harassment prevention, in addition to the company's normal complaints process, in order to protect of the rights and privacy of the parties involved, the company has developed an e-mail channel that sends sexual harassment complaints directly to a sexual harassment committee. (3) The Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees is implemented as follows: A. Worker health and safety education: apart from obtaining legally required certification and retraining, the Company also provides regular health and safety guidance, carries out fire and emergency drills, etc... At the same time, we also provide a yearly health inspection, health education counseling, health and safety class information, and other assistance. This provides employees with proper health and safety management. B. We check concentration of CO2 and illumination for caring about employees' healthy behavior regularly. C. Standard on-site pier working safety: Aimed at the vendor management of pier, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies. D. Health Improvement : The Company has set health center and suckle room to promote the health for employees and motherhood. Besides to provide health information, the company also held health courses irregularly. We check concentration of CO2 and illumination for caring about employees' healthy behavior regularly.	No difference
(4) Should the Company establish a regular communication mechanism with its employees, and in a reasonable manner inform employees that are likely to cause significant change that has an impact on work operations?	V		(4) The company has established the Employee Benefits Committee which looks into matters of welfare concerns of the staff in terms of the implementation of proposed schemes. Recommendations for the Company can be raised by employees at any time during a formal meeting, as well as during the biannual performance appraisals, where the proposal will be sent to the relevant department for reference and response. The Company respectfully seeks the opinions of its employees as changes in work operations may result in a significant positive impact. Labor laws protect workers within the scope of the implantation of this policy.	
(5) Should the Company establish an effective career training program for its employees?	V		(5) The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. The training plan includes : A. Newcomers Orientation B. Professional training for general staff C. Professional training for management associate D. Professional training for supervisors E. Courses sponsored by the Employee Benefits Committee F. External training courses	
(6) The status of the Company's cooperation with suppliers to strive for and promote corporate responsibility.	V		(6) A. The Company has instituted policies for the protections consumers' rights and interests, and are recorded amongst the provisions on the back of the bill of lading. B. The Company has established a website, http://www.wanhai.com (includes relevant announcement of business information and inquiry service), and has created a customer service email and a customer service hot line, providing an outlet for an expression of opinions and inquiries on the part of the customer.	
(7) The status of the Company's use of business activities, material contributions, corporate volunteers service, or other free service, to participate in community development and philanthropic organizations.	V		(7) In regards to the Company's goods and services – in order to protect the interests of customers, ships operating on fixed tariff routes exporting and importing into Taiwan all follow and gain approval from the shipping administration for "Regulations for Adminstrating Shipping Carriers," one month prior to shipping. The company and its related businesses are subject to US Federal Maritime Commission (FMC) for common carriers regulatory specifications, where tariff rates are shown online, and with the timely submission of customer transport service contracts to the FMC.	
(8) Should the Company assess its suppliers' past record of impacts on the environment and society?	V		(8) In order to protect the environment and the health of our employees, the Company uses products conforming to environmental standards and green products and materials that are provided by suppliers. We also strive to use recyclable materials. Waste material that is able to be recycled is given priority, and the remainder is sent to an incinerator or legal waste burial group, thus reducing environmental harm.	
(9) Should company contracts with its main suppliers contain a clause so that when suppliers violate corporate social responsibility policies, and have significant impact on the environment and society, the Company may at any time terminate the contract?	V		(9) A. To ensure that the suppliers do not have a negative impact on the environment and society, only qualified licensed or chartered suppliers and products suppliers are selected, where products, materials, and manufacturing are all in compliance with regulatory standards. B. Contractors shall comply with related occupational health and laws and regulations, and have third-party liability insurance and employers' accident liability insurance. Any waste disposal should comply with regulations to maintain safety and the environment.	
4. Strengthening Provision of Information (1) Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS?	V		4. Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS. (1) The Company has already published a report detailing the implementation and results of corporate responsibility (2) The report on corporate responsibility has also been made public on the company's website	
5. The Company has complied with the rules and regulations for corporate responsibility as laid out in "Practice and Regulations for Corporate Responsibility for Listed, OTC Companies." Please describe anything else that differs from the regulations described: No Difference.				
6. Any other important which may aid in the understanding of the actions taken to further promote corporate responsibility (such as the Company's policy and actions taken regarding the environment, participation in society, contributions to society, service to society, public good, consumers' rights, human rights, health and safety, and any other relevant activities):				

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
(1)Corporate Governance				
Wan Hai insists on operational transparency and places great emphasis on shareholder rights and interests coupled with a firm belief in a sound and efficient Board of Directors as the main foundation for excellent corporate governance. The Board of Directors is comprised of the directors, supervisors, and independent directors. A Remuneration Committee has been formed to ensure a sound compensation system for directors, supervisors, and managers. The Company has also established an Auditing Division with the goal of providing the Board of Directors and managers with assistance in inspections and examinations of deficiencies of the internal control system and measurement of operational performance and timely suggestions for improvement to ensure a continued and effective implementation of the internal control system. We dedicated units and personnel in charge of promoting corporate social responsibility will be assigned to assist the Board of Directors in the provision of educational training on corporate social responsibility from 2015. An Audit Committee will be established in the future to assist the Board of Directors in the execution of its supervisory duties. In addition, dedicated units and personnel in charge of promoting ethical corporate management will formulate Ethical Corporate Management Best Practice Principles to express the dedication and determination of the Company in the field of corporate governance and CSR.				
(2) Environmental Management				
A. Compliance with relevant articles of the International Safety Management Code, international conventions and regulations, and any other environmental protection requirements signed and issued by the Company.				
B. Monitoring and modifying the extent of pollution and minimizing impact on the environment.				
C. Full implementation of the ISO 14001 Environmental Management System (EMS), and establishment of an ISO Committee for periodic review of environmental protection performance.				
D. Integrating environmental protection and awareness concepts into the Company's everyday operations.				
E. Advocacy of resource recycling and energy saving to reduce waste.				
F. Requesting contractors and business partners to enhance environmental protection awareness. Joint observation of environmental protection regulations.				
G. Improving safety management skills of personnel onshore and aboard ships, including emergency preparations related to safety and environmental protection.				
(3) Concern for Employees				
Human talent represents the most valuable asset of the company. We therefore provide highly competitive salaries and a comprehensive benefit system. A working environment characterized by safety and equality is created with concern for employees and employee care as the starting point. We fully comply with norms set forth in relevant labor terms and conditions to safeguard the labor rights and interests of our employees.				
(4) Social Engagement				
The Company embraces a spirit of giving back to society and has therefore made a long-term commitment to social welfare. The Wan Hai Charity Foundation (hereinafter referred to as the “Foundation”) was established in August 2003 to ensure a long-term promotion of charity activities and welfare services through a dedicated organization. The main objective of the Foundation is to provide services for disadvantaged groups in our society including seniors, children, persons with physical or mental disabilities, or financially challenged families as the main beneficiaries. The Foundation strives to provide unlimited services, listen to the voices of disadvantaged members of society, and fulfill the needs of various groups.				
(5) Customer satisfaction				
This Company warrants the quality of its services in compliance with shipping related laws and regulations and international principles. No acts involving fraud, deception, breach of customer trust, or impairment of customer rights and interests are committed in the marketing and labeling of services. Risks such as the impact of unstable international conditions or natural disasters are assessed and managed. Various effects are constantly assessed and ports of call of shipping routes are adjusted in a timely manner to minimize impacts on customers and society. The company provides premium shipping services for its customers and constantly increases the speed of terminal operations. Dedicated units in charge of control and management of container status have been established. The goal of these measures is to provide customers with safe and danger-free shipping containers as well as smooth and highly efficient container loading and unloading procedures.				
(6) Green Supply Chain				
This Company focuses on local procurement and selects cooperating suppliers based on the principles of fairness and objectivity. We also require that products and services provided by suppliers conform to environmental regulations, international laws, and health and safety principles. We will pay continued attention to and raise the awareness of suppliers in the field of CSR. In addition, human right concepts will be incorporated into the supply chain to allow the joint promotion of CSR in cooperation with suppliers.				
7. Description of accreditation given by relevant accrediting organizations the Company's products or corporate responsibility report may have received:None.				

3.3.8 Methods of disclosure and inquiries of corporate governance principles and related regulations:

Although the Company has not yet established its own corporate governance principles, it has established the relevant regulations for "Procedures for the Election of Directors and Supervisors", "Procedures for Board of Directors Meetings", "Internal Audit Organization and Operation", and the "Compensation Committee Organization and Memorandum of Association". The Company has published this information on the Wan Hai website to facilitate inquiry by interested parties/individuals, and also established the "Internal Management Control for the Prevention of Insider Trading" to strengthen corporate governance.

Investors can visit the Company website <http://www.wanhai.com.tw>, and also <http://mops.twse.com.tw>, to check for important information company governance regulations; other important financial information is announced on the Company's website in the "Investor info." area.

3.3.9 Other important information to promote better understanding of the company's corporate governance practices, as disclosed:

1. The Company's important financial information is announced on the Company's website in the "Investor info." area, which also has an "Investor relations".
2. The company has established a comprehensive internal control system and internal audit system, and has established an annual audit plan, following the regulations passed by the Board of Directors in accordance with the provisions of the Financial Supervisory Committee. Each department conducts an inspection of their results and audit reports with internal auditing are issued with declaration of agreement from the Board of Directors to the Financial Supervisory Committee.
3. The company is in accordance with legal (amended) important financial regulations which are passed by the Board of Directors and shareholders, such the "Procedures for Endorsements and Guarantees", "Procedures for Lending Funds to Other Parties", "Procedures for Acquisition or Disposal of Assets", and the "Procedures for Acquisition or Disposal of Derivative Products".
4. The company has established the "Internal Management Control for the Prevention of Insider Trading," and has already informed all directors, managers and staff, in order to avoid violations of insider trading. The Company also has annual educational training for all employees and managers to prevent insider trading.

3.3.10 Internal Control System Execution Status

1. The Declaration of Internal Control

WAN HAI LINES LTD. The Declaration of Internal Control

March 16, 2017

Based on the self-assessment of Company's internal control system for year ended of 2016, we declare that:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and their compliance with applicable laws, regulations, and by laws.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (called the "Regulations" below). The "Regulations" divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent contains several criteria. Please refer to the "Regulations" for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of assessment, the Company believes on Dec 31, 2016 that the design and implementation of its internal control system (including supervision and management of subsidiaries), consisting of understanding the effectiveness and efficiency of business operations, reliability, timeliness, transparency, and regulatory compliance of reporting and their compliance with applicable laws, regulations, and bylaws, are effective and reasonably assure the achievement of the aforementioned goals.
6. This Statement shall become a major part of the annual report of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the R.O.C. Securities & Exchange Law.
7. This Statement has been unanimously approved by 7 directors and objected by 0 directors of the Company present at the meeting held on Mar 16, 2017.

WAN HAI LINES LTD.

Chairman: Po-Ting Chen
President: Fur-Lung Hsieh

2. For those internal control system conducted by accountant with special project should disclose the accountant audit report: not applicable

3.3.11 For the past year and current year up to the annual report's date of publication, sanctions imposed in accordance to the law on the company, or penalization of the company's personnel, or significant discrepancies and the status of measures for improvement: None.

3.3.12 Major Resolutions by the General Shareholders Meeting and Board of Directors in the past year and current year up to the publishing date of the annual report

*** Major Resolutions of the General Shareholders Meeting**

Date	Resolutions
2016 General Shareholder's Meeting (Jun 29, 2016)	Discussion issues: 1st Motion: Agenda: Discuss amending the WAN HAI LINES LTD. Company's Memorandum of Association. Resolution: This motion was passed according to the e-voting and live voting results. Ratification issues: 1st Motion: Agenda: Ratification of the 2015 financial statements and business reports. Resolution: This motion was passed according to the e-voting and live voting results. 2nd Motion: Agenda: Ratification of the 20145 earnings appropriation Resolution: This motion was passed according to the e-voting and live voting results.

*** Major resolutions of the Board of Directors, 19th Committee**

Date	Resolutions
11th Directors Meeting of the 19th term (March 18, 2016)	Motion: A proposal the removal of non-compete clause for company managers was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
11th Directors Meeting of the 19th term (March 18, 2016)	Motion: Allocation of 2015 annual Supervisors and employee remuneration (including Managers). Resolution: All directors present at the meeting passed the motion unanimously.
11th Directors Meeting of the 19th term (March 18, 2016)	Motion: Setting the Company's 2016 Shareholders Meeting was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
11th Directors Meeting of the 19th term (March 18, 2016)	Motion: The 2015 earnings appropriation was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
12th Directors Meeting of the 19th term (May 11, 2016)	Motion: The Company intends to repay its loan to strengthen the financial structure, along with the proposal to issue domestic unsecured ordinary corporate bonds. Resolution: All directors present at the meeting passed the motion unanimously.
12th Directors Meeting of the 19th term (May 11, 2016)	Motion: To enable the Wan Hai Charity Foundation to provide long-term effective care for the needs of the public, and to contribute to community emergency relief funds, a donation of NTD 7 million is requested for Japan's Kumamoto earthquake disaster relief fund. Resolution: All directors present at the meeting passed the motion unanimously.
12th Directors Meeting of the 19th term (May 11, 2016)	Motion: Setting the Company's 2016 Shareholders Meeting was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
13th Directors Meeting of the 19th term (June 29, 2016)	Motion: A proposal the removal of non-compete clause for company managers was submitted for discussion. Resolution: Director Randy Chen Lin recused himself from the meeting. The motion was passed unanimously by the remaining directors.
13th Directors Meeting of the 19th term (June 29, 2016)	Motion: Preparation of the final version of the company's 2015 earnings appropriation ex-dividend date and cash dividend payment date was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
14th Directors Meeting of the 19th term (August 10, 2016)	Motion: A proposal the removal of non-compete clause for company managers was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
14th Directors Meeting of the 19th term (August 10, 2016)	Motion: The allocation of Company's financial subsidiary Wan Hai Lines Singapore Ltd. upper credit limit agreement was submitted for discussion. Resolution: All directors present at the meeting passed the motion

Date	Resolutions
14th Directors Meeting of the 19th term (August 10, 2016)	Motion: A proposal for Company subsidiary, Wan Hai Lines Singapore, to purchase eight new vessels and apply for the Company to be the shipbuilding contract guarantor, was submitted for discussion. Resolution: All directors present at the meeting passed the motion.
14th Directors Meeting of the 19th term (August 10, 2016)	Motion: In order to provide assistance and care to the Formosa Fun Coast Colored Powder Explosion victims, the Company discussed making a donation assigned to New Taipei City fund account for the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund." Resolution: Chairman Po-Ting Chen and Director Cheng-Hsien Lin recused themselves from the meeting. The remaining directors passed the motion, and on July 1 st , 2015 at 2:27pm the Company donated an amount of NTD 50 million to the New Taipei City Social Welfare Department account at the Landbank of Taiwan, Changan branch. On July 2, the New Taipei City Social Welfare Department were notified by telephone. However, this donation was returned to the Company. In the spirit of humanitarian assistance, this NTD 50 million donation is proposed to be returned to the New Taipei City Government to be used for the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund." The Company hopes that the New Taipei City Government properly allocates this donation to enable medical and life care for the unfortunate victims.
15th Directors Meeting of the 19th term (November 10, 2016)	Motion: The first half of 2017 business requirement for the purchase of new shipping containers was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
17th Directors Meeting of the 19th term (March 16, 2017)	Motion: Personnel changes were submitted for discussion. Resolution: All directors present at the meeting passed the motion.
17th Directors Meeting of the 19th term (March 16, 2017)	Motion: Setting the company's 2017 shareholders convening of meetings was submitted for discussion. Resolution: All directors present at the meeting passed the motion.
17th Directors Meeting of the 19th term (March 16, 2017)	Motion: The allocation of Company's financial subsidiary Wan Hai Lines Singapore Ltd. upper credit limit was submitted for discussion. Resolution: All directors present at the meeting passed the motion.
18th Directors Meeting of the 19th term (April 27, 2017)	Motion: Issuing of ordinary domestic unsecured corporate bonds to repay loans and to strengthen financial structure is submitted for discussion. Resolution: All directors present at the meeting passed the motion.
18th Directors Meeting of the 19th term (April 27, 2017)	Motion: Amending the company's 2017 shareholders convening of meetings was submitted for discussion. Resolution: All directors present at the meeting passed the motion.
18th Directors Meeting of the 19th term (April 27, 2017)	Motion: The 2016 earnings appropriation was submitted for discussion. Resolution: All directors present at the meeting passed the motion.

3.3.13 For the past year and current year up to the annual report's publication date, dissenting opinions that have been recorded as a written declaration from directors or supervisors with regards to a major resolution passed by the board of directors: None

3.3.14 Summary of resignations and dismissals during the past year and up to the annual report publishing date that connected with the company's financial report : None.

3.3.15 Procedure for dealing with important internal information

During its 17th meeting, the board of directors adopted an internal control procedure for the prevention of insider trading, the relevant rules for the observation of this operating procedure are as follows:

1. The Company will provide guidelines for the prevention of insider trading to newly appointed directors, current directors, auditors, managers, and high-ranking employees in a timely manner.
2. Appropriate safeguards or encryption, including cautionary reminder of confidentiality and insider information, must be used when transmitting important information in writing, by email, or other electronic means. This includes information that can influence stock prices, trade secrets, and important business and financial information.
3. Internal information regarding the Company shall be handled by the Company spokesperson or acting spokesperson appointed by the Company, unless as otherwise required by law or regulatory order.
4. The Company's spokesperson and acting spokesperson may only release information within the limits authorized by the Company. No company employee may disclose internal information to the public, except for the Chairman, spokesperson, acting spokesperson, or those specifically given the power to do so.

3.3.16 Discussion about execution of the resolutions made in the shareholders' meeting 2016

1. Discussion issues:

- (1) Agenda: Discuss amending the WAN HAI LINES LTD. Company's Memorandum of Association: Was approved by the Ministry of Economic Affairs on July 27, 2016 and posted on the Company's website.

2. Ratification issues:

- (1) Ratification of the 2015 accounting documentation: according to company law and other relevant laws the related accounting documentation has been sent to the authorities for reference and declaration.
- (2) Ratification of the 2015 earnings appropriation: Cash dividends per share NT\$ 1.2, as assigned on July 24th, 2016, with allocation on August 10th, 2016.

3.3.17 Company Remuneration Committee

1. Remuneration Committee Member Information

Position (Note 1)	Name	Meet the following professional qualification requirements listed below, with at least five years of work experience			Conforms with independent status (Note 2)								Number of other public companies concurrently serving on as a Remuneration Committee member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or another academic department related to the business needs of the Company in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or another professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Director	Ruei-Chuen Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Director	Rung-Nian Lai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Ming-Zhu Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: For position please fill in director, independent director, or other.

Note 2: For each member during the two years before being elected and during the term of office, meets with any of the conditions listed, please put a tick ("✓") in the corresponding box.

- Not employed by the Company or any of its affiliates.
- Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship.
- Not a director, supervisor, or employee Company shareholder that directly holds 5% or more of the total number of issued shares of the company or ranks as one of its top five shareholders.
- Not a director, supervisor, officer, or shareholder that holds 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- Not being a person of any conditions defined in Article 30 of the Company Law.

2. Remuneration Committee operation

- (1) The Remuneration Committee consists of three members.
- (2) Terms of office: August 12, 2014 ~ June 17, 2017. The committee convened meeting three times this year (A), with details of the meeting as follows:

Position	Name	Number of actual participations (B)	Number of actual participations through a proxy	Rate of actual participations (%) (B / A)(Note)	Remarks
Convener	Ruei-Chuen Liu	3	0	100%	
Member	Rung-Nian Lai	2	1	67%	
Member	Ming-Zhu Chen	1	2	33%	

Other information:

- The Board of Directors shall record the date and session of board meetings, contents of motions, resolutions, and measures taken concerning the recommendation of the Remuneration Committee, if it does not adopt or decide to revise the recommendation (For example, if the compensation passed by the Board of Directors is higher than the recommendation proposed by the Remuneration Committee, the Board shall record the differences and reasons): none
- Resolutions approved by the Remuneration Committee where members have expressed opposition or opinions that have been noted in the record or declared in writing, the meeting minutes shall record the date and session of the Remuneration Committee, content of the resolution, and all members responses regarding the opinions: none.

Note :

- By the end of the year, the dates of any Remuneration Committee member resignations and their actual Remuneration Committee member's attendance rate percentage should be noted.
- By the end of the year, when there is a re-election of the Remuneration Committee members the new and old Remuneration Committee members starting or re-election dates, respectively, will be recorded in the remarks column. The actual Remuneration Committee member's attendance rate percentage should be noted.

3.3.18 Corporate Conduct and Ethics Implementation

Assessment Item	Implementation Status		Summary	Discrepancy with industry standards and reasons
	Yes	No		
1. Establishment of corporate conduct and ethics policy and implementation measures (1) Does the Company have regulations and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team? (2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, and complaint procedures in such policies? (3) Does the Company establish appropriate compliance measures for the business activities as prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(1) Although the corporate conduct and ethics policy has not yet been fully developed, the Company's documents are publicly available. The ideals of placing the customer first, full staff participation, environmental protection, and the sustainable business philosophy are being actively implemented by the Board of Directors and the management team. The development of a complete accounting system and internal control system, such as improving management systems, the internal management, and external business activities has also been implemented. (2) The Company places emphasis on its staff attitude and moral integrity, and has the staff abide by the code of practice and the established general rules, so the Company has essentially a fundamental spirit of corporate conduct and ethics which is implemented through management practices. (3) As expressed in the Company's work rules, employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law.	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.
2. Ethical Management Practices (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (2) Does the Company set up a unit which is dedicated to or tasked with promoting the company's ethical standards that reports directly to the Board of Directors with periodical updates on relevant matters? (3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication, complaint channels, and implement such policies properly? (4) To implement relevant policies on ethical conduct, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V	V	(1) The Company conducts its business in a fair and transparent way. Before engaging in business, the Company considers the legality of and ethical recorders of agents, suppliers, customers or other business transactions in order to ascertain whether there is poor ethical conduct record, and then avoids engaging in business with those who have a poor ethical conduct record. (2) The Company's management team actively promotes the implementation of ethical standards, the Company Directors uphold a high standard of discipline in conducting motions listed by the Board of Directors, the Company itself, and with represented interested parties/individuals. Where those posing a risk of causing harm to the interests of the Company are not allowed to join or vote in discussions. (3) The company must abide by the Company Act, the Securities Exchange Act, the Business Entity Accounting Act, the business-related regulations for TWSE/GTSM Listed Companies, and other industry standard regulations to implement relevant policies on ethical conduct, which are implemented by the Directors and Supervisors and internal interested parties/individuals. Company work rules establish which actions constitute violation of the regulations and the disciplinary system, and if the investigation of the violation of the regulations is verified, depending on the seriousness of the violation, are dealt with in accordance with the relevant regulations. (4) A stringent accounting system and a dedicated accounting unit has been established, and financial reports are confirmed by a CPA to ensure their fairness. Risk assessment plan auditing is performed in accordance with the annual auditing plan, and then approved by the Board of Directors before execution. Projects are checked by auditors prior to execution. Once at the end of every month the audit report statement results are checked and recommendations for improvement are reported to the Company's President, Chairman, Supervisors and independent Directors. When a situation occurs, if anything is missing or abnormal, then recommendations are made to improve coordination, and there is a regular reminder to inspect the improved the situation. Supervisory internal units and subsidiary companies manage their own internal examinations at least once a year, and then the self-reviewed report is then audited. If the audit finds defects and irregularities in internal control then to improve the situation the Board of Directors and management team assess the overall internal control system effectiveness and issue a statement regarding the internal control system. The Company's internal audit documents all use the prescribed format according to the Financial Supervisory Commissions	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.

Assessment Item	Implementation Status		Summary	Discrepancy with industry standards and reasons
	Yes	No		
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		Internet information system reporting reference: Annual internal audit plan: before the end of each fiscal year. Previous year annual audit plan implementation: within two months after the end of the fiscal year. Previous year internal audit discovered internal control systems defects and irregularities: after the end of each fiscal year within five months. Previous year internal control system statement: within three months after the end of each fiscal year. In accordance with the regulations published in the annual reports, brochures and IPO prospectuses. (5) Company internal regularly new personnel training/management vocational training/in-service training courses are organized, and well as external training courses. The Company places emphasis on its staff attitude and moral integrity. In addition to having the staff abide by the code of practice and the established general rules, the Company will include work attitude and moral integrity performance evaluation indicators for all of its staff: 1. The staff should be proud of being a part of Wan Hai Lines Ltd., and must abide by Wan Hai's various work environment, work attitude, and employee relations, notices and announcement requirements. B. The staff shall maintain official business services and commercial business secrets, whereby non-approved articles shall not be removed from the office (or sent by e-mail). If the above mentioned circumstances occur, in addition to the offending employee's dismissal punishment, and depending on the severity of the occurrence, also be prosecuted in accordance with the law. C. Company employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law. D. The Company's employees should respect and care for the credibility of the company, whereby personal opinions involving the company, if not authorized, may not be published. Except for Company specified tasks, the use of the Company name is not authorized. E. The staff should have a sincere, positive, and responsible attitude towards work, actively identify problems, and take the initiative to propose possible solutions.	
3. Implementation of complaints procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		The Company has established an e-mail address in order to report cases of corporate conduct and ethics policy violations. If reported, a dedicated investigation team will investigate the event in accordance with procedures, and a personnel appraisal committee will consider the report's findings in accordance with the Company's relevant disciplinary regulations.	None
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V			
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for filing a complaint?	V			
4. Information Disclosure				
(1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?		V	(1) The Company's website has a company profile and investor relations area that provides manufactures, customers, and other interested parties/individuals with an information platform to immediately understand our business status, Memorandum of Association, internal audit operations, and corporate social responsibility situation. (2) The Company had also built an English website for non-Chinese readers, where the Chinese web pages are instantly synchronized, which actively promotes indicators revealed by the ROC Securities and Futures Institute, enhances the Company's information transparency, and increases corporate value.	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): None				

3.4 Information on CPA professional fees

1. Information on CPA professional fees scale range chart

Name of CPA firm	Name of CPA		Audit Period	Remarks
KPMG	Chung-Yi Chiang	Yi-Chun Chen	Jan. 1,2016~Dec.31,2016	

Note: the Company did not change the CPA during the year.

Expressed in thousands of New Taiwan dollars

Fees item		Audit fees	Non-audit fees	Total
Amount scales				
1	Under 2,000 thousand dollars		V	V
2	2,000~4,000 thousand dollars			
3	4,000~6,000 thousand dollars	V		V
4	6,000~8,000 thousand dollars			
5	8,000~10,000 thousand dollars			
6	Above 10,000 thousand dollars			

2. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: Non-audit fees was TWD 912 thousand, which included the transfer pricing reports and others.

3. During the past year, the CPA has not changed and there is no decrease in the amount or percentage of the auditing fee compared to the previous year: None

4. The auditing fee has not decreased by more than 15% compared to the previous year: None

3.5. Information on replacement of CPA :

1. Regarding the former CPAs

Date of replacement	Passed by the Board of Directors on March 9, 2015		
Reason and description of replacement	Due to the internal adjustment requirements of the accounting firm KPMG, in the fourth quarter of 2014 the financial statements managed by CPAs Lily Lu and Fu-Wei Chen were transferred to their successors, the CPAs Chung-Yi Chiang and Yi-Chun Chen.		
Specify whether the appointment is terminated or unaccepted by the appointer or CPA.	Related parties	CPA	Appointer
	Voluntary termination of appointment	-	-
	No further acceptance (continuation) of appointment	-	-
Opinion and reason for any audit report other than unqualified opinion in the last two years	None		
Any disagreement with the Company	None		
Other Disclosures (disclosure guideline Article 10.6(1) (iv)~(vii))	None		

2. Regarding the successor CPAs

The name of the CPA firm	KPMG Certified Public Accountants
The Names of the CPAs	Chung-Yi Chiang, Yi-Chun Chen
Date of appointment	Passed by the Board of Directors on March 9, 2015
Before the successive CPA is appointed, if he/she inquired about the accounting method of specific transactions or the applicable accounting principles and his/her possible opinion on the financial report, he/she shall disclose the matters he/she inquired about and the results thereof	None
The successive CPA's written opinion in connection with the discrepancy of opinion between himself/herself and the former CPA	None

3. The former CPA's written response to the matters referred to in Article 10.6(1) and Article 10.6(2) (iii): None.

3.6. Information of the chairman, president and managerial officers in charge of finance and accounting who has served as the company's certified public accountant or related parties in the past year: None.

3.7. Changes in Shareholdings of Directors, Supervisors, Managers and major shareholders in the past year and up to the annual report publishing date

Title (note1)	Name	2016/1/1~2016/12/31		2017/1/1~2017/4/24		Remark
		Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	
Chairman	Po-Ting Chen	0	0	0	0	
Vice Chairman	TAILI Corporation Representative: Randy Chen	0	0	0	0	
Director	CHEN-YUNG Foundation Representative: Chih-Chao Chen	0	0	0	0	
Director	SHIH LIN PAPER CORP. Representative: Fur-Lung Hsieh	0	0	0	0	
Director	Formosa Wonderland Co. Ltd. Representative: Cheng-Hsien Lin	0	0	0	0	
independent Director	Ruei-Chuen Liu	0	0	0	0	
independent Director	Rung-Nian Lai	0	0	0	0	
Supervisor	Yee Sing Co., Ltd. Representative: Chiu-Ling Wu	0	0	0	0	
Supervisor	Yi The Optical Technology Co., Ltd. Representative: Chih Hsiang Chen	0	2,800,000	0	0	
Supervisor	Hwa Mei Lin Yen	0	0	0	0	
Main shareholder	Yi Chun (Liberia) Shipping Co., Ltd.	0	0	0	0	
GM	Fur-Lung Hsieh	0	0	0	0	
Executive Vice President	Wen-Chau Yeh	0	0	0	0	
Senior Vice President	Jen-Yee Huang	0	0	0	0	
Senior Vice President	Jiong-Xin Lin	0	0	0	0	
Senior Vice President	Li- Kuang Huang	0	0	0	0	
Vice President	Otto Huang	0	0	0	0	
Vice President	Juang-Jyh Juang	0	0	0	0	
Vice President	Wei-Chien Chuang	0	0	0	0	
Vice President	Wei-Hsin Hsu	0	0	0	0	
Vice President	Jen-Kai Wu	0	0	0	0	
Vice President	Chien-Cheng Hsiao	0	0	0	0	
Project Vice President	Kuo-loong kao	0	0	0	0	
Project Vice President	Yen-Ru Chen	0	0	0	0	
Executive Assistant	Hung-Chuan Chien	0	0	0	0	
Vice President	Hui-Chang Chung	0	0	0	0	
Vice President	Li-Mei Su	0	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	
Vice President	Chih-Hsien Chen	0	0	0	0	
Vice President	Shen-Hsing Lo	0	0	0	0	
Vice President	Chien-Feng Wu	0	0	0	0	
Assistant Vice President	Chia-Yi Hsiao	0	0	0	0	

Note1 : The entity has the shares holding of the company over 10% should be remarked as "main shareholders" and disclosed accordingly.

Note2 : If the entities of shares holding transferred or shares holding pledged were relative parties, the information should be disclosed as following chart.

3.8. Information Disclosing the Relationship between any of the Company's Top Ten shareholders

April 24, 2017

Name	Shareholding		Spouse and minors shareholding on current date		Shareholding in others name		The company's 10 largest shareholders are related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio	Name	Relation	
Yi Chun (Liberia) Shipping Co., Ltd. Representative: Chao-Heng Chen	285,234,291	12.85%	0	0%	0	0%	None	None	None
	8,000,000	0.36%	11,000,000	0.49%	0	0%	Ching-Chih Chen Chih-Yuan Chen	Relatives within the second degree Relatives within the second degree	None
TCE Representative: Hui-Ying Chen	170,902,859	7.70%	0	0%	0	0%	None	None	None
	0	0.00%	0	0%	0	0%	Po-Ting Chen	Relatives within the second degree	None
CCE Representative: Randy Chen	170,902,859	7.70%	0	0%	0	0%	None	None	None
	0	0%	0	0%	0	0%	Ching-Chih Chen	Relatives within the second degree	None
Asia Pacific Container Terminal Inc. Representative: Fur-Tian Huang	126,914,398	5.72%	0	0%	0	0%	None	None	None
	0	0%	0	0%	0	0%	None	None	None
Evervaliant Corp. Representative: Ching-Chih Chen	57,173,950	2.57%	0	0%	0	0%	None	None	None
	0	0%	9,095,335	0.41%	0	0%	Chao-Heng Chen Randy Chen	Relatives within the second degree Relatives within the second degree	None
Chun-Hsing Lin	56,667,820	2.55%	39,713	0%	0	0%	None	None	None
Pictet & Cie (Europe) S.A.	47,822,043	2.15%	0	0%	0	0%	None	None	None
Yeong Yi (Asia) Co., Ltd. Representative: Chih-Yuan Chen	47,617,724	2.14%	0	0%	0	0%	None	None	None
	15,500,552	0.69%	6,893,747	0.31%	0	0%	Chao-Heng Chen	Relatives within the second degree	None
Da Shin Investment, Inc. Representative: Yun-Yu Qiu	47,187,219	2.12%	0	0%	0	0%	Liu He Investment, Inc.	Director	None
	0	0%	0	0%	0	0%	Liu He Investment, Inc.	Director	None
Liu He Investment, Inc. Representative: Yun-Yu Qiu	32,977,554	1.48%	0	0%	0	0%	Da Shin Investment, Inc.	Director	None
	0	0%	0	0%	0	0%	Da Shin Investment, Inc.	Director	None

Note 1 : Should list all of the company's top ten shareholders and need to list the company name and the name of representative separately if belongs to corporate shareholder.

Note 2 : The calculation of shareholding ratio is calculate the shareholding ratio of shares hold by self, by spouse and minors and hold in others name separately.

Note 3 : Should disclose the relation between shareholders listed above including corporate shareholders and natural persons.

3.9 The comprehensive shareholdings of directors, supervisors, presidents and direct or indirect controlling business on the same investing business.

April 24, 2017; Unit: Shares, %

Investing Business (note)	Investment of the Company		Investment of Directors, Supervisors, Presidents and Direct or Indirect Controlling Business		Comprehensive Investment	
	Shares	Holdings%	Shares	Holdings%	Shares	Holdings%
Wan Hai Lines (Phils.) Inc.	0	0%	901,540	100%	901,540	100%
Wan Hai Lines (HK) Limited	0	0%	160,000,000	100%	160,000,000	100%
Wan Hai Lines (S) Pte. Ltd.	959,957,200	100%	0	0%	959,957,200	100%
Wan Hai Lines (M) Sdn. Bhd.	0	0%	500,000	100%	500,000	100%
Yi chun Shipping Agencies (M) Sdn. Bhd.	0	0%	200,000	100%	200,000	100%
Wan Hai Lines Korea Ltd.	0	0%	80,000	100%	80,000	100%
Wan Hai Lines (America) Ltd.	90,000	100%	0	0%	90,000	100%
Guangzhou Wan Hai Information Technology Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Wan Hai International Pte. Ltd.	0	0%	7,515,860	100%	7,515,860	100%
Wan Hai Lines (India) Pvt. Ltd.	0	0%	10,000	100%	10,000	100%
k.k. WH Corporation	500	100%	0	0%	500	100%
Wan Hai Lines (Germany) GmbH	No shares issued	100%	No shares issued	0%	No shares issued	100%
Wan Hai Lines (UAE.) LLC.	0	0%	147	49%	147	49%
Wan Hai Lines (Peru) LLC.	0	0%	104,040	51%	104,040	51%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	18,038,138	6.94%	23,457,226	9.02%
Taipei Port Container Terminal Corp.	79,315,476	15.25%	0	0%	79,315,476	15.25%
TK Logistics International Co., Ltd.	14,300,000	55%	0	0%	14,300,000	55%
Dawin Logistics (International) Limited	0	0%	144,640,000	100%	144,640,000	100%
Wan Hang Tourism (ShangHai) Co., Ltd.	No shares issued	0%	No shares issued	50%	No shares issued	50%
Shenzhen Uniwin International Logistics Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Clipper International Shipping Agency Ltd.	No shares issued	0%	No shares issued	49%	No shares issued	49%
Blue Ocean Logistics Co., Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Wan Hai Lines (Thailand) Ltd.	0	0%	29,400	49%	29,400	49%
United Stevedoring Corporation	781,250	15.63%	0	0%	781,250	15.63%
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	70.01%	0	0%	3,000,000	70.01%
Shenzhen Yong Chun International Shipping Management Co., Ltd.	No shares issued	0%	No shares issued	90%	No shares issued	90%
Wan Hai (Vietnam) Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Tan Cang-Cai Mep International Terminal Co., Ltd	No shares issued	21.33%	No shares issued	0%	No shares issued	21.33%
Bravely International Pte. Ltd.	0	0%	3,828,301	100%	3,828,301	100%
Bravely (Myanmar) Transport and Logistics Company Limited	0	0%	3,000,000	80%	3,000,000	80%
Qingdao Port & Win International Logistics Co., Ltd.	No shares issued	0%	No shares issued	50%	No shares issued	50%
Wan Hai Lines Ecuador S.A.	0	0%	51,000	51%	51,000	51%
Infinite Marine Investment Co., Ltd.	0	0%	5,550,000	100%	5,550,000	100%
Hai Phong International Container Terminal Co. Ltd.	No shares issued	16.5%	No shares issued	0%	No shares issued	16.5%

Note : Long term investment of Wan Hai Lines and subsidiary companies.

IV

Information on capital raising activities



4.1 Capital and Shares

4.1.1 Capital's Resource

Date	Issue Price	Authorized Capital		Issued Capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid by property, rather than cash	Others
1994.09.27	10	360,000,000	3,600,000,000	360,000,000	3,600,000,000	Capital increment by retained earnings TWD 600,000,000	none	Note1
1996.06.22	10	720,000,000	7,200,000,000	450,000,000	4,500,000,000	Capital increment by retained earnings TWD 900,000,000	none	Note2
1997.07.30	10	720,000,000	7,200,000,000	720,000,000	7,200,000,000	Capital increment by cash TWD 675,000,000 Capital increment by retained earnings TWD 2,025,000,000	none	Note3
1998.06.25	10	1,200,000,000	12,000,000,000	900,000,000	9,000,000,000	Capital increment by retained earnings TWD 1,080,000,000 Capital increment by capital reserve TWD 720,000,000	none	Note4
1999.06.25	10	1,200,000,000	12,000,000,000	1,080,000,000	10,800,000,000	Capital increment by retained earnings TWD 1,350,000,000 Capital increment by capital reserve TWD 450,000,000	none	Note5
2000.07.15	10	1,500,000,000	15,000,000,000	1,296,000,000	12,960,000,000	Capital increment by retained earnings TWD 874,800,000 Capital increment by capital reserve TWD 1,285,200,000	none	Note6
2001.07.20	10	1,500,000,000	15,000,000,000	1,316,736,000	13,167,360,000	Capital increment by capital reserve TWD 207,360,000	none	Note7
2003.07.09	10	2,000,000,000	20,000,000,000	1,511,612,928	15,116,129,280	Capital increment by retained earnings TWD 1,948,769,280	none	Note8
2004.07.08	10	2,000,000,000	20,000,000,000	1,587,193,574	15,871,935,740	Capital increment by retained earnings TWD 755,806,460	none	Note9
2004.11.02	10	2,000,000,000	20,000,000,000	1,587,543,305	15,875,433,050	Convertible bonds converted to common stock TWD 3,497,310	none	Note10
2005.02.22	10	2,000,000,000	20,000,000,000	1,600,746,843	16,007,468,430	Convertible bonds converted to common stock TWD 132,035,380	none	Note10
2005.05.04	10	2,000,000,000	20,000,000,000	1,678,951,738	16,789,517,380	Convertible bonds converted to common stock TWD 782,048,950	none	Note10
2005.08.03	10	2,000,000,000	20,000,000,000	1,699,236,239	16,992,362,390	Convertible bonds converted to common stock TWD 202,845,010	none	Note10
2005.09.28	10	2,000,000,000	20,000,000,000	1,868,839,275	18,688,392,750	Capital increment by retained earnings TWD 1,611,228,840 Capital increment by capital reserve TWD 84,801,520	none	Note11
2005.10.13	10	2,000,000,000	20,000,000,000	1,870,086,655	18,700,866,550	Convertible bonds converted to common stock TWD 12,473,800	none	Note10
2006.10.12	10	2,500,000,000	25,000,000,000	2,057,095,321	20,570,953,210	Capital increment by retained earnings TWD 1,870,086,660	none	Note12
2007.07.27	10	2,500,000,000	25,000,000,000	2,057,307,642	20,573,076,420	Convertible bonds converted to common stock TWD 2,123,210	none	Note10
2007.10.12	10	2,500,000,000	25,000,000,000	2,068,227,049	20,682,270,490	Convertible bonds converted to common stock TWD 109,194,070	none	Note10
2008.01.14	10	2,500,000,000	25,000,000,000	2,072,291,486	20,722,914,860	Convertible bonds converted to common stock TWD 40,644,370	none	Note10
2008.04.18	10	2,500,000,000	25,000,000,000	2,078,357,829	20,783,578,290	Convertible bonds converted to common stock TWD 60,663,430	none	Note10
2008.09.05	10	2,500,000,000	25,000,000,000	2,182,275,721	21,822,757,210	Capital increment by retained earnings TWD 1,039,178,920	none	Note13
2008.12.05	10	2,500,000,000	25,000,000,000	2,177,573,254	21,775,732,540	Return of capital by merging Yi-Chun Express Co., Ltd. TWD 47,024,670	none	Note14
2009.01.12	10	2,500,000,000	25,000,000,000	2,155,751,254	21,557,512,540	Retire Treasury Stock TWD 218,220,000	none	Note15
2009.03.11	10	2,500,000,000	25,000,000,000	2,146,606,254	21,466,062,540	Retire Treasury Stock TWD 91,450,000	none	Note16
2009.05.11	10	2,500,000,000	25,000,000,000	2,117,533,254	21,175,332,540	Retire Treasury Stock TWD 290,730,000	none	Note17
2009.08.13	10	2,500,000,000	25,000,000,000	2,112,664,254	21,126,642,540	Retire Treasury Stock TWD 48,690,000	none	Note18
2011.09.02	10	2,500,000,000	25,000,000,000	2,218,297,466	22,182,974,660	Capital increment by retained earnings TWD 1,056,332,120	none	Note19

Note1: Approved by SFC on July 22, 1994 with notice (83) Tai-tsai-chen (I) No.32532

Note2: Approved by SFC on May 30, 1996 with notice (85) Tai-tsai-chen (I) No.33869

Note3: Approved by SFC on May 24, 1997 with notice (86) Tai-tsai-chen (I) No.38192 on May 19, 1997 with notice (86) Tai-tsai-chen (I) No.39738

Note4: Approved by SFC on June 2, 1998 with notice (87) Tai-tsai-chen (I) No.48091

Note5: Approved by SFC on May 24, 1999 with notice (88) Tai-tsai-chen (I) No.48511

Note6: Approved by SFC on June 16, 2000 with notice (89) Tai-tsai-chen (I) No.51473

Note7: Approved by SFC on June 18, 2001 with notice (90) Tai-tsai-chen (I) No.138422

Note8: Approved by SFC on July 9, 2003 with notice (92) Tai-tsai-chen (I) No.0920130756

Note9: Approved by SFB on July 8, 2004 with notice (93) Tai-tsai-chen (I) No.0930130230

Note10: Approved by SFC on Jan 14, 2003 with notice Tai-tsai-chen (I) No.09100168501

Note11: Approved by SFB on July 12, 2005 with notice (94) No.0940128150
 Note12: Approved by SFB on July 12, 2006 with notice No.0950130049
 Note13: Approved by SFB on July 8, 2008 with notice No.0970033912
 Note14: Approved by MOEA on December 5, 2008 with notice No.09701306840
 Note15: Approved by SFB on October 31, 2008 with notice No.0970058655
 Note16: Approved by SFB on January 8, 2009 with notice No.0970072104
 Note17: Approved by SFB on March 18, 2009 with notice No.0980010596
 Note18: Approved by SFB on May 20, 2009 with notice No.0980024236
 Note19: Approved by SFB on July 21, 2011 with notice No. 1000032221

April 24, 2017

Type	Shares	Authorized Capital			Remark
		Issued on Market	Unissued	Total	
Common Stock		2,218,297,466	281,702,534	2,500,000,000	-

4.1.2 Shareholder's Composition

April 24, 2017

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No.	2	26	136	39,551	232	39,947
Holding shares	18,444,165	39,929,880	693,182,766	568,021,221	898,719,434	2,218,297,466
Holding percentage	0.83%	1.80%	31.25%	25.61%	40.51%	100.00%

4.1.3 Shares' Distribution

April 24, 2017

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	13,434	2,809,082	0.13%
1,000-----5,000	16,958	39,163,914	1.77%
5,001-----10,000	4,352	34,028,464	1.53%
10,001-----15,000	1,540	19,237,771	0.87%
15,001-----20,000	964	17,841,473	0.80%
20,001-----30,000	881	22,333,168	1.01%
30,001-----50,000	748	30,140,067	1.36%
50,001----100,000	509	37,067,920	1.67%
100,001----200,000	231	33,022,316	1.49%
200,001----400,000	128	35,588,838	1.60%
400,001----600,000	38	18,343,548	0.83%
600,001----800,000	21	14,687,483	0.66%
800,001----1,000,000	14	12,716,952	0.57%
1,000,001----1,200,000	9	9,761,001	0.44%
1,200,001----1,400,000	10	13,264,255	0.60%
1,400,001----1,600,000	3	4,352,000	0.20%
1,600,001----1,800,000	3	4,966,751	0.22%
1,800,001----2,000,000	5	9,789,495	0.44%
2,000,001 以上	99	1,859,182,968	83.81%
Total	39,947	2,218,297,466	100.00%

4.1.4 Main share holders

The top ten shareholder's name, holding shares, and holding percentage

April 24, 2017

Main share holders	Holding Shares	Holding percentage
Yi Chun (Liberia) Shipping Co., Ltd.	285,234,291	12.85%
Taiwan (Liberia) Container Express Co., Ltd.	170,902,859	7.70%
China (Liberia) Container Express Co., Ltd.	170,902,859	7.70%
Asia Pacific Container Terminal Inc.	126,914,398	5.72%
Evervaliant Corp.	57,173,950	2.57%
Chun-Hsing Lin	56,667,820	2.55%
Pictet & Cie (Europe) S.A.	47,822,043	2.15%
Yeong Yi (Asia) Co., Ltd.	47,617,724	2.14%
Da Shi Investment, Inc.	47,187,219	2.12%
Liu He Investment, Inc.	32,977,554	1.48%

4.1.5 Market Price, Net Value, Earnings and Dividends per share for the past 2 years and this year

Unit: TWD and share

Item		Year	2016	2015	2017/01/01~2017/04/28
Market Price per share (Note 1)	Highest		21.70	38.80	19.70
	Lowest		14.60	15.20	16.30
	Average		17.71	25.45	18.00
Net Value per share (note 2)	Before Distribution		15.38	16.11	0.01
	After Distribution		(Note 4)	14.91	-
Earnings per share	Weighted Average shares		2,218,297,466	2,218,297,466	2,218,297,466
	Earning Per Share (Note 3 & 4)		0.51	1.78	(0.09)
Dividend per share	Cash Dividend		0.4	1.2	-
	Stock Dividend	Dividends from Retained Earnings	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated dividend not paid (Note 5)		0	0	-
Return on Investment	Price / Earning Ratio (Note 6)		34.73	14.38	-
	Price / Dividend Ratio (Note 7)		44.28	21.21	-
	Cash Dividend Yield Rate (Note 8)		0.02	0.05	-

Note1: Listed the highest and the lowest price of common stock and calculated average price by value and volume.

Note2: The calculation is based on outstanding shares by the end of the year and the distributions approved by the Meeting of the Board of Directors in the next year.

Note3: Adjustments to the before and after figures on retroactive adjustments to non-denominated stock dividends are to be duly noted.

Note4: Approved by the Meeting of the Board of Directors, but not approved by shareholders' meeting.

Note5: Conditions that stipulated beneficiary certification requires the issuance of all cumulative appropriation of the current year over a year in future with earnings are required to disclose all cumulative dividends undistributed to date.

Note6: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note7: Price / Dividend Ratio = Average Market Price / Annual Dividend per Share

Note8: Cash Dividend Yield = Annual Dividend per Share / Average Market Price

4.1.6 The Dividend Policy and Execution

1. Dividend policy

Before the shareholders amended the Memorandum of Association, the Company's dividend policy has been modified as follows:

Article 11: If there is any annual profit for the Company, not less than 1% of the annual profit should be appropriated as remuneration for employees, and not more than 1% of the annual profit should be appropriated as remuneration for Directors and Supervisors. However, if there are accumulated losses to the company, compensation should be reserved in advance. The remuneration of independent directors shall not be made during the remuneration of the Directors, as the remuneration shall be determined by a resolution from the Board of Directors.

The industry in which the Company operates is changeable, and is capital-intensive. In times of stable growth, the Company considers future capital needs, and long-term financial plans, as well as satisfying shareholder needs pertaining to cash inflows, any surplus earnings after the Company's total annual accounts have been calculated, after tax, and compensation for accumulated losses, are then carried to the 10% legal reserve, and according to the law, set aside or added to the reversal of special reserve. If there is a requirement for the expansion of transportation equipment and an improvement of the financial structure, this shall be made using the surplus within the special reserve, along with undistributed earnings within the same year to complete the amount needed, including 30% or more of the undistributed earnings at the beginning of the period will be considered in regards to the Company's capital requirements by the Board of Directors, along with the capital budget and other factors. The interests of shareholders and the company's long-term financial planning will be taken into account, with the proportion of dividends and dividend distribution being assigned after the shareholders' meeting.

The cash or shares distribution ratio, is subject to the current years' profits, financial conditions, and capital expansion program dividend distribution scheme, where the proportion of cash dividends may not be below 10% of total dividends.

After the shareholders amended the Memorandum of Association, the Company's dividend policy has been modified as follows:

Article 11: If there is any annual profit for the Company, not less than 1% of the annual profit should be appropriated as remuneration for employees, and not more than 1% of the annual profit should be appropriated as remuneration for Directors. However, if there are accumulated losses to the company, compensation should be reserved in advance. The remuneration of independent directors shall not be made during the remuneration of the Directors, as the remuneration shall be determined by a resolution from the Board of Directors.

The industry in which the Company operates is changeable, and is capital-intensive. In times of stable growth, the Company considers future capital needs, and long-term financial plans, as well as satisfying shareholder needs pertaining to cash inflows, any surplus earnings after the Company's total annual accounts have been calculated, after tax, and compensation for accumulated losses, are then carried to the 10% legal reserve, and according to the law, set aside or added to the reversal of special reserve. If there is a requirement for the expansion of transportation equipment and an improvement of the financial structure, this shall be made using the surplus within the special reserve, along with undistributed earnings within the same year to complete the amount needed, including 30% or more of the undistributed earnings at the beginning of the period will be considered in regards to the Company's capital requirements by the Board of Directors, along with the capital budget and other factors. The interests of shareholders and the company's long-term financial planning will be taken into account, with the proportion of dividends and dividend distribution being assigned after the shareholders' meeting.

The cash or shares distribution ratio, is subject to the current years' profits, financial conditions, and capital expansion program dividend distribution scheme, where the proportion of cash dividends may not be below 10% of total dividends.

The amendments to the Dividend Policy of the Memorandum of Association are due to the Audit Committee replacing the Supervisors. Therefore, the deleted word "Supervisors," remains unchanged in this description.

2. Proposed distribution of retained earnings of year 2016

(1) The Company's 2016 net income after tax was NT\$1,141,680,063. In accordance with relevant laws and the Memorandum of Association, 10% of this amount NT\$114,168,006, and the reversal of special reserve was NT\$1,053,281,283, with the addition of beginning period undistributed earnings of NT\$1,614,528,125, and other comprehensive losses with a deduction of NT\$ 120,251,173 (the 2016 annual benefit scheme number was re-evaluated), the available undistributed earnings was NT\$3,575,070,292. In addition to the non-allocation at the beginning period of undistributed earnings, the 2016 annual earnings appropriation was NT\$887,318,986 for distribution to shareholders as cash dividend of NT\$0.4 per share. The influence of stock dividends toward operating performance, EPS, and ROE of the company: It is not applicable.

(2) Employees' bonus and Directors' and Supervisors' remuneration:

The current period estimated employees' remuneration and Directors' and Supervisors' remuneration is based on the calculation of number of stock dividends issued and actual issued monetary amount. Any differences between the estimated and actual amount are then accounted for: the current period estimated employees' remuneration was NT\$14,871,277, and the Directors' and Supervisors' remuneration was NT\$14,871,277, as the same figure was allotted by the Board of Directors for both groups.

4.1.7 The influence of Stock dividend toward operating performance, EPS, and ROE of the company: It is not applicable.

4.1.8 The employees' bonus and remuneration to the directors and supervisors

1. The percentages or ranges with respect to employee bonuses and director/supervisor remuneration, as set forth in the company's articles of incorporation : Please refer to 4.1.6 -1.
2. The basis for estimating the amount of employee bonuses and director/supervisor remuneration, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for year 2015 : The estimated figures for the fiscal year of 2016 for employee bonuses is NT\$14,871,277 and remunerations for Director and Supervisor is NT\$14,871,277 is as same as distributed amount of the resolutions in the board of directors meeting.
3. Information on any employee bonus distribution proposal approved by the board of directors:
 - (1) Distribution of cash bonuses or stock bonuses to employees, and remuneration for directors and supervisors: In 2015, the Company appropriated NT\$57,306,693 as Director and Supervisor remunerations and NT\$57,306,693 as employee cash bonuses.
 - (2) The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses: There's no proposed distribution of employee stock bonuses in 2015.
 - (3) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor remuneration: Diluted earnings per share is NT\$0.51/share.
4. The actual distribution of employee bonuses and director/supervisor remuneration for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor remuneration, additionally the discrepancy, cause, and how it is treated: In 2015, the Company appropriated NT\$ 57,306,693 as Director and Supervisor remunerations and NT\$ 57,306,693 as employee cash bonuses, and it's as same as distributed amount of the resolutions in the board of directors meeting.

4.1.9. Buyback of Common Stock : None.

4.2. Status of Corporate Bond

Bond Type	1 st Ordinary unsecured bond issuing of 2011		2 nd Ordinary unsecured bond issuing of 2011
	A	B	
Issue date	June 22, 2011	June 24, 2011	July 28, 2011
Par value	TWD1,000,000		TWD1,000,000
Place of listing	At R. O. C.		At R. O. C.
Issue price	At Par value		At Par value
Total issue amounts	TWD3,000 million	TWD4,500 million	TWD2,900 million
Coupon rate	Fixed annual rate at 1.65%	Fixed annual rate at 1.85%	Fixed annual rate at 1.75%
Maturity date	5-year , Date of maturity : June 22, 2016	7-year , Date of maturity : June 24, 2018	6-year , Date of maturity : July 28, 2017
Guarantee institute	None		None
Trustee	H.C.B. Trust Dept.		H.C.B. Trust Dept.
Lead manager	None		None
Endorsement lawyer	Modern Law office		Modern Law office
Endorsement accountant	KPMG		KPMG
Redemption	on the Maturity Date		on the Maturity Date
Outstanding amount	TWD7,500,000,000		TWD2,900,000,000
Redemption / Call option	None		None
Restriction covenants	None		None
Rating institute	Taiwan Ratings		Taiwan Ratings
Rating date	May 03,2012		May 03,2012
Rating result of the bond	TWBBB+		TWBBB+
Rights	The amounts of bonds converted	None	None
	Terms and Conditions for issuance and conversion	None	None
Terms and Conditions for issuance and conversion	None		None
Trustee for conversion	None		None

Bond Type	1 st Ordinary unsecured bond issuing of 2014		1 st Ordinary unsecured bond issuing of 2016
	A	B	
Issue date	Aug. 14, 2014		June 21, 2016
Par value	TWD1,000,000		TWD1,000,000
Place of listing	At R. O. C.		At R. O. C.
Issue price	At Par value		At Par value
Total issue amounts	TWD1,000 million	TWD800 million	TWD3,000 million
Coupon rate	Fixed annual rate at 1.65%	Fixed annual rate at 1.95%	Fixed annual rate at 1.18%
Maturity date	5-year , Date of maturity : Aug. 14, 2019	7-year , Date of maturity : Aug. 14, 2021	5-year , Date of maturity : June 21, 2021
Guarantee institute	None		None
Trustee	H.C.B. Trust Dept.		H.C.B. Trust Dept.
Lead manager	None		None
Endorsement lawyer	Modern Law office		Modern Law office
Endorsement accountant	KPMG		KPMG
Redemption	on the Maturity Date		on the Maturity Date
Outstanding amount	TWD1,800,000,000		TWD3,000,000,000
Redemption / Call option	None		None
Restriction covenants	None		None
Rating institute	None		None
Rating date	None		None
Rating result of the bond	None		None
Rights	The amounts of bonds converted	None	None
	Terms and Conditions for issuance and conversion	None	None
Terms and Conditions for issuance and conversion	None		None
Trustee for conversion	None		None

Note: Due to operational requirements, on APR. 27, the Company's Board of Directors approved the single or multiple times issue of domestic corporate bonds, with the issued amount not exceeding more than NT\$4.5 billion. The Chairman of the Board was authorized on the behalf of the Company, in accordance with market conditions, to determine the conditions of issue, which plans to repay loans and to strengthen financial structure.

4.3.Status of preferred stock: None.**4.4.Status of Global Depositary Receipt: None.****4.5.Status of Employee Stock Options: The company has not executed employee stock options.****4.6.Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.****4.7.Financing Plans and Implementation.**

Capital Expenditure of Ordinary Bond :

A. Domestic ordinary corporate bonds capital status and planning:

2011 Wan Hai domestic ordinary corporate bonds:

1. Total amount of funds required to purchase vessels: NT\$18,223,738,000.
2. Funding: issue NT\$10,400,000,000 of domestic ordinary corporate bonds, with the remaining NT\$7,823,738,000 coming from its own fund or loans.
3. Implementation status as follows:

Unit : TWD thousand

Program Item	Execution Situation		Accumulated till DEC. 31, 2016	Reason for being ahead or behind schedule
Vessel purchase	Amount	Program	18,223,738	actual payment according to contract schedule
		Actual	18,223,738	
	Progress	Program	100.00%	
		Actual	100.00%	

B. 2014 Wan Hai domestic ordinary corporate bonds:

1. Total amount of fund required: NT\$5,000,000,000.
2. Funding: issue NT\$1,800,000,000 of domestic ordinary corporate bonds, with the remaining NT\$3,200,000,000 coming from its own fund or loans.
3. Implementation status as follows:

Unit : TWD thousand

Program Item	Execution Situation		Accumulated till DEC. 31, 2016	Reason for being ahead or behind schedule
Loan payment	Amount	Program	4,538,478	actual payment according to contract schedule
		Actual	4,538,478	
	Progress	Program	100.00%	
		Actual	100.00%	
Increase operating fund	Amount	Program	461,522	actual payment according to contract schedule
		Actual	461,522	
	Progress	Program	100.00%	
		Actual	100.00%	

C. 2016 Wan Hai domestic ordinary corporate bonds:

1. Total amount of fund required: NT\$3,000,000,000.
2. Funding: issue NT\$3,000,000,000 of domestic ordinary corporate bonds.
3. Implementation status as follows:

Unit : TWD thousand

Program Item	Execution Situation		Accumulated till DEC. 31, 2016	Reason for being ahead or behind schedule
Loan payment	Amount	Program	3,000,000	actual payment according to contract schedule
		Actual	3,000,000	
	Progress	Program	100.00%	
		Actual	100.00%	



Condition of the Business Operation



5.1 Business profile

5.1.1 Scope of business

1. Marine transportation (95.38 %)
2. Shipping agency (0.82 %)
3. Purchase & sales of vessels and containers (0.47 %)
4. Container freight station business (1.2 %)
5. Leasing of vessels and containers (2.13 %)

Wan Hai Lines provides full-containerized shipping service covering ports in Japan, Korea, Taiwan, China, Hong Kong, Thailand, Indonesia, Philippines, Singapore, Malaysia, Vietnam, Myanmar, Cambodia, India, Pakistan, Sri Lanka, Bangladesh, the Middle East, the United States, Mexico, Guatemala, Columbia, Ecuador, Peru, and Chile. Wan Hai Lines also operates shipping agency business and is currently representing Norwegian HOEGH AUTOLINERS as their general agent in Taiwan for the import and export of vehicle and other cargoes. The Company deploys its services with domestic and foreign shipping operators. Additionally, the Company continues with its new service and studies of new markets to enhance its competitiveness overseas. The Company also supports the government's policy to develop the direct services across the Taiwan Strait.

5.1.2 General state of the industry

1. General state of the industry

In the first half of 2016, economic growth in Eurozone region was affected by factors such as political uncertainties, which impacted financial markets and global trade, leading to weak global economic recovery, and the continued decline in the expansion of emerging markets. According to the International Monetary Fund (IMF) forecast, there was a slight decline in the world economic growth rate of 1.6 % in 2016, as the growth rate was 2.6% in 2015.

The continued lack of demand and over-capacity resulted in a long-term slump in market tariffs affecting business profit. General operations showed a loss in 2016 for the global shipping industry. In order to seek better effective economies of scale, the container shipping industry continued to see a wave of mergers. During this environment of continual mergers and acquisitions, Wan Hai Lines continued to remove old ships and continually improve the operational efficiency of its own fleet, and be more flexible in adjusting its ship chartering composition, while at the same time strengthening joint venture cooperation among other container shipping companies to lower costs and yet still provide high quality services that our customers have faith in. The company is also looking to expand market share and improve profitability.

2. The upper-, middle- and downstream of the industry

The transportation of shipping containers is an important part of the industry chain, which is closely related to global trade:

(1) Upper stream:

- A. Shipbuilding industry
- B. Transportation equipment manufacturing industry
- C. Terminal equipment manufacturing industry
- D. Ship or transportation equipment leasing industry
- E. Container manufacturing industry and leasing companies
- F. Terminal equipment maintenance industry
- G. Ship fuel suppliers

- (2) Midstream:
 - A. Terminal operators
 - B. Land carriers
 - C. Ocean Carriers in joint venture or slot exchange cooperation
- (3) Downstream:
 - A. Branch line ship companies
 - B. Barge companies
 - C. Container yard
 - D. Truck companies

5.1.3 Container shipping industry trends and competition situation

1. Industry development trends:

(1) The development trend for larger vessels:

In order to improve operating efficiency, container shipping companies have expanded the size of the market by continuously building larger ships to achieve economies of scale and reduce the unit cost of operations. According to statistics from Alphaliner, by the end of 2015 there were 337 vessels with a capacity of more than 10,000 TEU, which accounted for 23% of all container ships total carrying capacity. By the end of 2016 there were 388 vessels with a capacity of more than 10,000 TEU, which accounted for 26% of all container ships total carrying capacity. It is estimated that in 2017 there will be an increase to 479 vessels with a capacity of more than 10,000 TEU, which will account for 31% of all container ships total carrying capacity.

(2) The development trend in green shipping:

Due to the rapidly changing global environment, environmental protection has become a global issue. Major international ports and shipping companies have been required to reduce emissions; for example, both Europe and the United States have begun to require ships to switch to low-sulfur fuel when entering predetermined areas to reduce environmental pollution. In response to global regulatory requirements, and in line with future trends, the development of energy-efficient, low-pollution ship design has become a new trend in the construction of shipping vessels.

2. Industry competition situation:

(1) Large-scale shipping companies:

In pursuit of lower unit operating costs the scope of market operations has been expanded. Shipping companies continue to build new ships to expand their fleets, or engage in mergers and acquisitions to expand their fleet and position in the market to enhance the competitiveness of their operations. In 2016, Maersk Line acquired the seventh largest shipping company, Germany's Hamburg Sud. Japan's three container shipping companies, NYK, MOL, and KLINE, are expected to merge in 2017. As the container shipping company industry moves towards a large-scale business group model, competitiveness among container shipping companies is growing more intense. According to statistics from Alphaliner (February 3, 2017), the global transport capacity reached 20,648,434 TEU, with the top three shipping companies accounting for about 39.96% of that amount, and the top 20 shipping companies transporting as much as 83% of that amount. As there had been a gradual move toward a large-scale container vessel shipping business model, competitiveness between container carriers has become more intense.

(2) The development trend towards larger strategic alliances:

In the development trend towards larger ships, in order to reduce business risk container shipping companies has sought for more efficient business models, where the world's major shipping companies have been forming strategic alliances: the world's top two shipping companies, APM-Maersk and Mediterranean Shipping Co., have formed the 2M network; CMA-CGM, COSCO Container Lines, Evergreen and OOCL have formed the Ocean alliance; and Hapag-Lloyd, K Line, MOL, NYK, Yang Ming joined the THE alliance. The major shipping companies have been competing with each other to form larger strategic alliances.

5.1.4 General state of technology and development

As a member in maritime container transport industry, the Company upholds and fulfills its social responsibility by embracing today's trends for environmental protection and risk management. Furthermore, through implementation of customer-oriented goals and objectives in the management and shipping service planning, the Company is able to operate hand in hand with the real-time market trends while at the same time strictly controls and reduces costs so to maximize the projected profits, and as always to live up the expectations of its shareholders and the support of the public.

Our Planning Department is entrusted with service study and development with primary function of the following:

1. New service and new market.
2. Revamping and integration of current services
3. Mid to long-range operations planning.

Study and development spending in the last two years and major accomplishments(Unit: TWD):

Year	Total expense	Accomplishment
2015	TWD 35,635,690	1.Optimal ships' routing with matched ship type 2.Service from India to Middle-East and Europe 3.Red Sea area 4.Black Sea area 5.Promotion of E-commerce 6.Strengthening strategic alliance
2016	TWD 36,347,787	1.Optimal ships' routing with matched ship type 2.The niche market in Asia 3.The Central America services 4.Black Sea and Red Sea area 5.Promotion of E-commerce 6.Strengthening strategic alliance

In addition, the company due to it industry function, to enhance the future economic benefits, cut costs, and prevent losses caused by natural disasters may suffer, dedicated to saving fuel and evading typhoon measures and other R & D projects, and plans to enhance the fleet of satellite communications equipment to facilitate the ship-shore communication, we do as follows:

1. Measures to avoid typhoon:

(1) the marine technology division issue the circular to fleet to implement evading typhoon measures and plan.

(2) The marine technology division has strengthen on navigation safety, berthing safety during typhoon influence period.

(3) Provide guidelines to fleet for avoidance of typhoon

A. Countermeasure

- a. Once the ship at berth or waiting for berth, due to influence of typhoon and order by the port authority to be sail, the master shall collect all weather information and take necessary avoidance typhoon measurement for safety of the ship accordingly
- b. The master and all crewmembers to be taking good care of ship safety during typhoon infect period, the master to take all means to collect relevant weather information such as Navtex, Inmarsat-C. FAX and monitoring it development of the typhoon and take necessary action to avoid typhoon influence as early as possible.
- c. If the typhoon is coming, the fleet master shall observe ISM PR-0705 to take proper action to avoid Typhoon, to make sure crew, cargo and ship in safety. Once the ship cannot avoid to enter the typhoon circle the master shall prevent to enter it first quadrant, due to where are easy to cause hull and cargo damage, at this same time Marine PIC keep the ship monitoring by every six hourly interval. Once the ship is stay in port shall be requested to stand by her engine and seek instruction for departure for ship safety.

- d. In case of evading typhoon at outer harbor, master should seek an appropriate shelter. For the sake of Fuel Saving Policy, a safe shelter nearby port is a first priority. Meanwhile, the master is kindly requested to keep in close touch with the OPD, Maritech, agent, port control or pilot station for returning port in time.
- e. Make good use of the weather service's software to planning sailing route, simulation on it to fine out the optima route.

B. Evading typhoon plan:

- a. Judging typhoon movement from weather information, plot the path of the center of typhoon on the nautical chart and beware of the change of squall radius.
- b. Avoid anchoring as Typhoon approaching, since anchor for evading typhoon could involve dragging danger and collide with other vessels.
- c. Select the waters with plenty room for shielding from land or island could be the good shelters from strong wind and swell.
- d. Keep vessel out of squall radius of wind force over 30 knots or Beaufort wind force 8, and ensure the vessel to return port in time.
- e. Send the plan of evading typhoon soonest to your port captain(PIC) of Maritech who can easily monitor the ship's movement.

The implement result is no typhoon damage to the fleet during recently 2 years

2. Carbon Reduction Measures

In accordance with the Ministry of Shipping directives:

- (1) Route efficiency: analysis of the various sections of route to ensure that each ship is on a beneficial route. Analysis of route efficiency, to reach maximize benefits for the company.
- (2) Voyage plan monitoring: to develop the best voyage plan. Before departure, the best voyage plan will be developed through consideration of a number of related factors, including water currents, monsoons, and weather changes. Appropriate changes to the route will be made based on the meteorological data available at the time.
- (3) Speed monitoring (punctual arrival at port of destination): while the ship is en route from the departure point to the next destination, reasonable control of boat speed must be maintained, which also increases energy savings. During the voyage, the captain will maintain close ties with the destination port OP and agent, and according to the port of destination port OP and agent's BP, will endeavor to reasonably develop the best permitted sailing speed. When there is ample sailing time, T/C cut off to slow steaming speed sailing will be selected in order to avoid premature arrival, and achieve fuel savings.
- (4) Bow Thruster Control: when the ship is leaving port, the bow thruster preparation time is controlled under the safety condition that the bow thruster time should try to be shortened, and avoid early ignition that keeps the generator idle and results in unnecessary fuel consumption. When two tugs boats are used in port (such as in Port Klang), this minimizes the bow thruster preparation and usage time that could achieves the best fuel economy targets.
- (5) Reduction and reasonable loading of ballast water: when the ship is conducting loading and unloading operations in port, the first mate will actively coordinate with the local OP. A rational loading plan will be developed, ensuring that dockworkers reasonably handle the loading and unloading operations: coordinating the crane operations so that quay cranes avoiding loading and unloading too much on one side of the ship which would cause tilting. This can reduce the frequently of using the ballast pump to adjust the amount of ballast water, saving motor fuel consumption. In ensuring the stability of the ship under maximum loading, the ship should be properly adjusted before proceeding with the minimum ballast water status; reducing ballast water can also reduce the main load on the ship during voyage, achieving fuel economy targets.
- (6) Trim adjustment: Software of trim optimization has been installed in WH50/51 series. The system is build up by ship CFD database will provide a recommendation value according to present ship speed and mean draft. C/O can use the recommended value to adjust cargo arrangement. After departure, C/O can adjust trim by B/W for ensuring maximum efficiency of navigation.
- (7) Ship fuel inventory management: combining each leg of a ship's voyage to estimate fuel consumption, so that the on board ROB_IFO fuel inventory can be controlled, while increasing cargo, beneficial routes, and taking advantage of differences in fuel while at berth in selected ports.
- (8) Efficiency analysis on shell renewed plate: While age is older, the outer plate painting aging effects speed of the ship. Therefore, 100% sandblasting on vertical side bottom & flat bottom, using senior level paint to protect the shell plate for reducing friction with the water and the hull.(The first year of fuel efficiency after docking is about 1-2%)
- (9) Propeller polishing: Propeller blade polishing not only reduces M/E load% and fuel consumption, but also extends the life of M/E.

- (10)Benefit analysis of outer hull painting: as some ships are older, the outer hull paint has aged (multilevel peeling) which impacts the speed of the ship. It affects the speed of the ship's vertical side bottom and flat bottom by surface sand peeling, and the use of the high grade of paint effectively protects hull plates, which reduces friction on the hull to reduce fuel consumption (in the first year out of dock, there is a 1-2% saving in fuel efficiency).
- (11)ES BOW: Designed of original bow is to reduce the resistance in higher speed. But from the beginning of 2012, the international oil prices continued to rise and some of shipping owners adopt new energy-saving bow(ES BOW) for slow steaming to increase fuel efficiency. WH50/51 series total 12 ships to be modified from 2013 (About 7-8% fuel saving).
- (12)Automated machinery acquisition and installation: installed equipment can automatically collect route data. Onboard analysis tools can directly find and present the optimum fuel efficiency results, and the ship's personnel can adjust the ship's route directly in accordance with the adjusted effective real-time monitoring and analysis.
- (13) Improve personal operations:
- Turn off lights in public places, such as salons, restaurants, warehouses and other places of entertainment when there is no one present.
 - Try not to turn on lights during the day to save power generator fuel consumption.
 - Reduce the use of the lift.
 - Avoid high-power electrical use in individual's rooms, such as electric cookers or electric heaters.
 - During summer the air temperature of the air conditioner is set at 26 degrees.
 - Depending on the temperature conditions, reducing air conditioner usage.
 - Reduce heat exchange (such as closing windows, curtains etc.) in living areas to reduce the work load of the air conditioning system.
 - Onboard household appliances, such as computers, TVs, DVD players, stereos, and microwave ovens, should be turned off when not in use.
 - Conserve water, and turn off the tap.

In 2016 and up to the printing of the annual report, the company is developing the above fuel-saving measures and typhoon evasion measures. The company's collaboration success and future technology plans are as follows:

1. Investment in research and development expenses in 2016 and up to printing of the annual report.

Fuel economy plan		Unit: TWD thousand
Project	2016	2017 ending March 31 st
R&D expenses	60,106	30,000
Consolidated net revenues	57,351,493	13,876,887
R&D expenses as a percentage of total revenue	0.10%	0.22%

2.R&D technology success in 2016 and up to the printing of the annual report.

Project	Estimated project completion date	Achievement
Shore-based monitoring system	April 30, 2018	(1)Automatic feedback of machine data on board and abnormal alarm. (2)Shore real-time monitoring and analysis provided to decision-makers. (3)Eliminate crew typing error data to improve the correctness of the database. (4)To achieve the ship and shore real-time monitoring target.

5.1.5 Long-term and short-term business development plans

The short-term business development plans for the Company are: decrease operation cost; increase operating effectiveness; further integrate and expand our service network; open up new locations in Southeast Asia area; and timely expand to mid to far sea services. The long-term business development plans for the Company are: expand the capacity of our vessel fleet; increase market share; expand the scope of business cooperation with other carriers; continue to develop niche markets; and maintain sustainable development.

5.2 General Situation of Market and sales

5.2.1 Operational Plan for 2017

Fleet: by the end of year 2017, Wan Hai has a total fleet of 89 vessels among which, 71 are self-owned vessels and 18 are chartered vessels.

Service Profile: Wan Hai's service can be categorized in three different types: A. Independent Service 18 strings; B. Joint Venture Services 22 strings; and C. Slot Charter 8 strings.

1. Independent Services: 18 strings

- (1) China to Philippines (CPF) deployed with two vessels.
Central China – Hong Kong – Philippines
- (2) South China / Malaysia / Haiphong (CVM) deployed with two vessels
South China – Malaysia – Haiphong
- (3) China / Vietnam / Thailand (CVT) deployed with four vessels.
China – Vietnam – Thailand
- (4) Taiwan to Fuzhou (FOC) deployed with one vessel
Taiwan – Fuzhou / Jiangyin / Xiamen
- (5) Taiwan to Hong Kong I (HKG) deployed with one vessel
Taiwan – Hong Kong
- (6) Taiwan to Hong Kong II (HKG III) deployed with one vessel
Taiwan – Hong Kong
- (7) Taiwan to Haiphong I (HPH) deployed with one vessel.
Taiwan – Haiphong
- (8) Japan / South China / Vietnam (JSH) deployed with three vessels
Japan Kansai / Korea – Taiwan / Hong Kong / South China – Haiphong
- (9) Japan Kansai – Thailand service (JST) deployed with four vessels.
Japan Kansai – Taiwan – Shekou – Thailand
- (10) Japan Kansai to Vietnam (JSV) deployed with three vessels.
Japan Kansai / Korea – Taiwan / Vietnam
- (11) Japan Kanto to S.E.A (JTS) service deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Singapore – Malaysia
- (12) Japan Kanto to Thailand service (JTT) deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Thailand / Vietnam
- (13) Korea to South East Asia (KSS), deployed with four vessels
Korea – Taiwan – Hong Kong / Shekou – South East Asia
- (14) Korea / Vietnam / S.E.A service (KVS) deployed with four vessels.
Korea – Taiwan – Vietnam – Singapore / Malaysia
- (15) Mindanao/Hong Kong / Taiwan (MHT) deployed with two vessels
Taiwan – Cebu – Mindanao – Hong Kong
- (16) Mindanao/Malaysia (MMS) deployed with three vessels
Manila – Mindanao – Malaysia – Belawan
- (17) Taiwan to Philippines I (TPS) deployed with one vessel
Taiwan – Philippines
- (18) Taiwan / Hong Kong / Indonesia service (TPI) deployed with three vessels
Taiwan – Hong Kong / South China – Indonesia

2. Joint Service: 22 strings

- (1) Taiwan / South & Central China / West Coast of South America (ASA), joint venture with EMC, COSCO, PIL and YML. WHL deploys four vessels, PIL deploys three vessels, and EMC and COSCO and YML each deploy one vessel.
- (2) Taiwan – South China – Central China – West Coast of South America
South China to West Coast of USA (CAL), joint venture with K LINE and PIL. WHL deploys

- three vessel, K LINE deploys three vessels, and PIL deploys one vessel.
South China – Long Beach
- (3) Japan / Singapore / Malaysia / India (CH3), joint venture with MOL. WHL deploys two vessels and MOL deploys five vessels.
Japan – Singapore / Malaysia –India– Vietnam – South China
- (4) China / Singapore / Malaysia / India (CI2), joint venture with IAL, PIL and MOL. WHL deploys three vessels, IAL, PIL and MOL each deploys one vessel.
China – Singapore / Malaysia –India
- (5) Taiwan to India (CIX), joint venture with EMC and Hapag-Lloyd. WHL deploys two vessels, and EMC and Hapag-Lloyd each deploys one vessel.
Taiwan – South China – Singapore / Malaysia – India
- (6) China to Middle East I (CMS), joint venture with PIL. WHL deploys four vessels and PIL deploys two vessels.
East China –Taiwan / Hong Kong / South China –Singapore / Malaysia – Middle East
- (7) China / Singapore / Malaysia / India (IFX), joint venture with PIL, SCI, K LINE, Simatech and COSCO. WHL deploys one vessel and PIL, SCI, K LINE, Simatech and COSCO each deploy one
Central China – Hong Kong – Singapore / Malaysia – India
- (8) Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
Japan – China – Hong Kong / South China – Vietnam
- (9) Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.
Japan Kansai –Taiwan – Hong Kong
- (10) Japan / Taiwan / South China/ Philippines (JTP), joint venture with EMC, WHL deploys two vessels and EMC deploys one vessel.
Japan – Taiwan – Hong Kong / South China – Philippines
- (11) Taiwan / South China / Singapore/ Malaysia / Indonesia (KCS), joint venture with APL. WHL deploys one vessel; and APL deploys two vessels.
Taiwan / South China – Singapore/ Malaysia – Indonesia
- (12) Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (13) Taiwan to North China (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (14) Taiwan to Shanghai (SHA), joint venture with Shanghai Minsheng. WHL deploys one vessel and Shanghai Minsheng deploys one vessel.
- (15) Japan to South East Asia III (NS3), joint venture with IAL, WHL deploys three vessels and IAL deploys one vessel.
Japan – Taiwan / Hong Kong / South China– Singapore – Malaysia
- (16) Japan/China/Thailand (NTE), joint venture with IAL, WHL deploys three vessels and IAL deploys one vessel.
Japan – China– Vietnam –Thailand
- (17) Central China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with COSCO, PIL, and K LINE, WHL, PIL and K LINE each deploy one vessel and COSCO deploys three vessels.
Central China – Singapore / Malaysia – Pakistan – India
- (18) South China / Singapore / Malaysia / India / Pakistan 2 (PM2), joint venture with COSCO, PIL, and EMC, WHL, PIL and EMC each deploy one vessel and COSCO deploys two vessels.
South China – Singapore / Malaysia – Pakistan – India
- (19) Pakistan / Saudi Arabia (PSX), joint venture with Simatech. WHL and Simatech each deploy one vessel.
Pakistan – Saudi Arabia
- (20) Singapore / Malaysia / Chennai (SC1), joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.
Singapore / Malaysia – Chennai (Madras)
- (21) Singapore / Malaysia to Yangon (SYM), joint venture with IAL and YML. WHL, IAL, and YML each deploy one vessel.
Singapore / Malaysia – Yangon
- (22) Thailand / Singapore / Indonesia (TJS), joint venture with K LINE. WHL and KLINE each deploy one vessel.
Thailand – Singapore – Indonesia

3. Fixed Slot Charter: 8 strings

- (1) Japan / Hong Kong / Singapore & Malaysia (CHS)
- (2) South China to Taiwan (GTE)
- (3) Taiwan to South China (SCT I)
- (4) Taiwan to South China (SCT III)
- (5) Hochiming to Cambodia (PNS)
- (6) Hochiming to Cambodia (PNH)
- (7) Singapore / Malaysia / Chittagong (SBX)
- (8) Fuzhou to Taiwan (FT1+FT2)

5.2.2 Future Plans for service

The Company's future research and development plans are to aggressively expand niche markets in the near sea region and the Southeast Asia while maintaining its close and convenient service network. For mid to far sea region, the focus would be a timely new market expansion. The Company also emphasizes service / port planning and fleet upgrade to respond to demand from change of business development and scale, and to actively plan integration and strengthen the fleet lineup, in order to enhance competitiveness and create more excellent operational efficiency.

5.2.3 Market Analysis

1. Major service areas and ratio of market share

Wan Hai is a full container liner operator, its service network includes Northeast Asia, Mainland China, Hong Kong, Southeast Asia, the Indian Subcontinent, Pakistan, the Middle East, and the Americas. They are further elaborated as follows:

(1) Northeast Asia:

Despite the weak levels of private consumerism in Japan, corporate investment hasn't been impacted, however Japan's government announced in April 2017 that its plan to increase consumer tax would be delayed by two and a half years. The continued devaluation of the Japanese Yen drove exports, and overall economy showed moderate expansion. The Korean economy was affected by China and emerging markets trends, as well as unstable government, leading to continued slowdown. But in the medium to long term, the global demand recovery and the US Federal Reserve's monetary policy to raise interest rates is expected to continue to depreciate the Yen, driving the growth of Japanese exports. After operating in Northeast Asia for so long, the company has established deep roots in the region, and so can cope with the rapidly changing markets and emerging economic trends. By keeping track with the economic pulse and market trends in Northeast Asia, taking the initiative to adjust existing routes, and actively exchanging freight space with the company's joint venture partners, the Company has demonstrated the application of more flexible business policies, and the implementation of its customer-oriented business philosophy.

(2) Mainland China

Both China's domestic and international demands have slowed down, and China's economic growth is no longer as rapid as in previous years. The Chinese government has continued expanding their spending on infrastructure, credit incentive consumption, and other stimulus measures. Although China's economic growth has slowed down, it is still expected to remain stable. Due to the company's organization within China, it has a comparative advantage over the competition, as it is still actively researching strategic routes connecting with China's market. In terms of cross-strait direct shipping, as both sides of Taiwan and China's straight are officially opened to traffic, the volume of cross-strait shipping is stable. The Company has continually adjusted its business strategy as required by the market, to grasp the pulse of the market, expand the number of routes in an area to meet

operational needs, and provide customers with a more convenient and faster service.

(3) Southeast Asia

The main ASEAN (Association of Southeast Asian Nations) countries all saw flat economic growth over the last year. Indonesia's government spending reduced along with the decline in private investment. Both private consumption and the tourism market have been on the decline in Thailand. For overall economic growth in both Indonesia and Thailand is not as expected. Vietnam and the Philippines both benefited from their individual government's continued improvement investments in the current economic climate, providing these two countries with the best performance in the ASEAN Economic Community. According to the International Monetary Fund's (IMF) estimations, the five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) overall economic growth rate was still 4.8% in 2016, and will grow to 4.9% in 2017. The company has cultivated the Southeast Asian regional routes, and has actively researched and developed new routes, and exchanged freight space with other Southeast Asia joint venture business partners to gradually expand into the Southeast Asia region, to provide more complete, secure, and faster routes, as well as enhancing the competitiveness of the company's market share in Southeast Asia.

(4) The Indian Subcontinent, Pakistan, and the Middle East:

Despite the weak global demand being affected by future development prospects, in 2016, India benefited from the improvement of the trade environment, the promotion of government policies, and the overall economic recovery. However, due to paper money exchange problems, and a cash shortage within the market, the economic growth was still not as expected; the International Monetary Fund (IMF) forecasted India's economic growth in 2016 at 6.6%, only behind China's 6.7% in terms of growth, making India the world's second fastest growing large economy. The emerging market economic zones in the Middle East are facing difficult challenges, including oil prices remain low, geopolitical tensions, as well as regional civil unrest in some countries. However, the region's second largest economy, Iran, continued to accelerate growth, and this injecting new momentum into the Middle East market. The company has strengthened business between Asia, India and Pakistan, the Middle East services, and diversified international trade development with the Gulf countries; through increased joint venture cooperation with partners affiliated with the Far East, India and Pakistan, and the Middle East routes, the company has strengthened its Middle East region business feeder services to form a complete route network that reduces cost, improves efficiency, and expands market share.

(5) The America:

The overall economy in the United States benefited from better employment levels, which in turn improved the real estate market, and consumer spending continued to be strong. Despite the expected adjustment of interest rates leading to slowdown, there is continued optimism for future economic expectations. The company's Pan-Pacific route, adjusted according to market demand and competitive advantages of joint venture routes, reduced operating costs, and has maintained stable and steady operations. Despite the economic growth of emerging markets in Latin America the development continued to slow mainly due to the impact of the recession in Brazil, but these emerging markets remain positive about economic growth in the future. The company maintained its operating advantages in the South America West Coast market, where the world's major shipping companies

jointly operate the South American West Coast routes, with the flexibility to adjust to market demand by supplying freight space, and maintain stable and steady operations to continually strengthen the company's South American West Coast market competitive advantage.

2. Future supply, demand, and growth potential:

According to the International Monetary Fund (IMF) observations, the global economy in 2016 was affected by the United Kingdom voting to leave the European Union and the gradual slowdown in economic growth for emerging markets. Emerging markets are based in factors such as the Chinese government's strong stimulus policy, the international crude oil prices gradually rising, the US slowdown in monetary policy, and other economies' loose monetary policies, which made the global economic growth gradually rising. However, due to the overcapacity in the shipping industry, the growth in container shipping demand is still unable to solve the over-supply problem, and the container shipping market is still facing difficulties. The flexible business strategy of Wan Hai Lines allows the company to face difficult challenges. Although the company is based in Asia, in addition to cultivating the Asian market, it will continue to extend its reach around the globe to allow for continued strong growth and sustainable development.

3. Strength, challenges, and action plans

(1) Strength:

- A. Comprehensive and intensive service network, strong market share in principal territory
- B. Stable growth in the ASEAN and Indian shipping markets
- C. Flexibility in container and fleet adjustment
- D. Cost efficiency and risk diversification via strategic partnership with other carriers
- E. New and faster ships and equipment for higher efficiency and lower costs

(2) Challenges:

- A. Regional political economy and trade instability situation
- B. Trends of larger ships
- C. New competitions
- D. Bunker price volatility
- E. Foreign exchange volatility

(3) Action plans:

In terms of external market changes, a timely response is used to adjust business strategies; optimal fleet configuration and services optimization, strengthening services competitiveness, and continuing with joint ventures and strategic alliances are methods to expand cooperation with the partners while reducing operational risk. Strengthen the fleet control and operational safety in order to improve service quality and management efficiency.

5.2.4 Key features of major products and production procedures

Currently, the Company provides full container shipping services. A brief description of its procedures of operation is as follows:

1. Business representatives solicit business with importers and exporters based on the shipping charges and schedules offered by the Company. Upon customer's acceptance, the business representative will forward the designated S/O (shipping order) number to customer. The container yard releases empty container to the customer after verifying the S/O number with sales department.

2. Customer picks up the empty container and loads his cargo into the container, and then delivers the loaded container with the relevant cargo documents to the container yard prior to the cargo acceptance closing date. The container yard forwards the customer's documents to the Company for uploading of data into computer and production of bill of lading along with other forms required by Customs, and then forwards the documents to the unloading port.
3. Customer pays fees to the Company according to the S/O number and picks up his invoice and original copy of bill of lading.
4. As soon as the ships arrive at the port, the Company sends a trailer to pick up container from container yard to the ship's side for loading onto the ship. For imports, the Company arranges for a trailer to pick up container from ship's side to the container yard for storage.
5. Upon receipt of export documents from the exporting port, the unloading port produces notice of cargo's arrival and notifies customers to pick up the cargo and pay the related charges. Customer presents the original copy of bill of lading and settles all expenses in exchange of delivery order, then presents the delivery order to the container yard to pick up the laden container.

5.2.5 Main materials supplier: Service industry; not applicable

Wan Hai's business belongs to the service industry (shipping), rather than the manufacturing industry. Thus we are unable to use terms such as upstream, midstream, or downstream to describe our materials supplier.

5.2.6 List of customers, sum of revenue and proportion for operating income account for more than 10% in the last two year

The Company has various customers, incomes from any singular customer is not higher than 10% of operating income

5.2.7 Production output of last two years: Service industry; not applicable

Wan Hai's business belongs to the service industry (shipping), rather than the manufacturing industry. Thus we are unable to use terms such as upstream, midstream, or downstream to describe our production output.

5.2.8 Sales volume of last 2 years

	2016	2015
Consolidated Revenue(TWD)	57.35 billion	63.86 billion
Operating Capacity (TEU)	3,633 thousand	3,523 thousand
Vessels in Operation (owned & chartered)	89 (71 & 18)	92 (72 & 20)

5.3 Human Resources Statistics

Location \ Year		2016	2015	2017 as of Apr. 28 th
No. of Employees	Offices	2,751	2,735	2,748
	Terminals	472	427	501
	Total	3,223	3,162	3,249
Average Age		36.3	36.1	36.4
Average Years of Service		8.8	8.7	8.8
Level of Education	Ph. D Degree	2	1	2
	Master's Degree	259	259	265
	College Degree	1,935	1,855	1,972
	Associate Degree	586	604	569
	High School	351	350	352
	Below High School	90	93	89

5.4 Disbursements for environmental protection

5.4.1 The Company has not been subject to any environmental protection penalties over the past two years.

5.4.2 Currently preventative and corrective measures

1. All of our company's vessels have been insured against ship owner liability risks and equipped with or certified by the following:
 - (1) In accordance with revised MARPOL 73/78 Annex I, we have obtained the International Oil Prevention Certificate issued by Class Society approval.
 - (2) In order to enhance the separation of bilge water and attain the highest level of environmental standards, all of our vessels are equipped with bilge water separators and also have Bilge Water Primary tanks located in the engine rooms. The bilge water separator is equipped with automatic detected alarms (15ppm alarm) and automatic shut-off mechanisms for the three-way valve. Its functions satisfy and act in accordance with MARPOL 73/78 rules (the convention of International Oil Pollution Prevention in 1973, as amended in 1978).
 - (3) To process sanity waste water, sewage treatment plans have been installed in all engine rooms. These plans have passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition as satisfied in MARPOL 73/78 Annex IV regulations.
 - (4) Each vessel of our company has satisfied the requirements of an subsequently received the International Air Pollution Prevent Certificate (IAPP). This certificate completely satisfies the 1997 resolution for the amended edition of MARPOL 73/78 Annex IV regulations.

- (5) The main engine and auxiliary engine equipment for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturer-provided technical files and parameters of diesel engines have passed the relevant examinations. The Engine International Air Pollution Prevention Certificate (EIAPP) has been issued by the Classification Society after passing examinations in accordance with the amendment edition article 13, as satisfied in MARPOL 73/78 Annex IV.
- (6) Engine rooms are equipped with incinerators (according to Reg. VI/16 (2)) approved by the Classification Society, in accordance with Regulation 16 requirement (Shipboard Incineration) in amendment edition of MARPOL 73/78 Annex VI regulations.
- (7) To assist in on-shore discharging of waste oil and sludge, the discharging piping system and connecting system are compatible with international standard flanges for waste oil and sludge on shore side receiving facilities. These facilities and standards are based on the amendment edition article 17 as outlined in MARPOL 73/78 Annex VI.
- (8) Our company has received the International Pollution Prevention by Garbage Statement issued by the Classification Society. To comply with the amendment edition as satisfied in MARPOL 73/78 Annex V regulations, our company has enhanced the garbage disposal and trash treatment systems and records garbage incineration events in the garbage record book.
- (9) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the paint maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society.
- (10) In order to prevent oil leakage, oil collection coamings are installed in the pipe joints at the filling pipe system and air vent piping of the F.O. And the L.O. system on deck.
- (11) The purchases of ship's bunker has complied with the sulfur content limit as required by MARPOL, and has also met with international and local regulations, such as ECA of Europe, and California of USA.
- (12) As per the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunker Convention), we have furnished all vessels with the Bunker Convention Certificate (BCC), which has covered the liability for pollution damage by bunker oil from our vessels.
- (13) In order to phase into compliance with the International Convention for the Control and Manage of Ship Ballast Water and Sediments, 2004 at an earlier time, we have prepared all vessels' Ballast Water Management Plan, and some have been sent for Class approval. We also follow the local regulations for ballast water exchange with well-documented evidence in ballast water exchange as well as training records.

- (14) According to the requirements of the trading areas and port states, our vessels will use low sulphur content fuel oil in ECA (Emission Control Area): such as when sailing in/out of North America ECA, the Black Sea region, Hong Kong waters, China coastal Pearl River Delta, Yangtze River Delta and the Bohai Sea waters (Beijing-Tianjin-Hebei) of the ship emissions control zone implementation program etc. The fuel oil changeover procedure will be implemented strictly as required.
2. The estimated capital expenditure of environmental protection for the next three years:
- All pollution prevention facilities purchased in the future will correspond to MARPOL 73/78/97 rules. These pollution prevention facilities for oil, water, and air will be installed at the time of shipbuilding. Thus, the cost will be included into the overall cost of ship construction.
3. The influence of installed facilities to the Company:
- In accordance with the MARPOL 73/78/97 rules and regulations, all of our vessels are equipped with anti-pollution facilities for the disposal of residue oil, bilge water, and polluted air to comply with the international environmental protection standards.

5.4.3 In accordance with industry practices, our company is not limited by ROHS

5.5 Labor Relations

5.5.1 Major labor agreements currently being implemented

1. Employee benefit program:
- The Company provides labor and health insurance in line with relevant laws and regulations. The Employee Benefit Committee was established in March 1989 and is charged with all matters concerning employee welfare. The major employee benefits are as follows:
- (1) Employee benefit program: includes meal allowances, group insurance, provision of uniforms, employee's bonus from retained earnings, and regular health examinations.
- (2) The Employee Benefit committee implements a benefit program that includes birthday parties, cash gifts for weddings, childbirth support, monetary condolence, aid for grave accidents, and leisure travel expense reimbursement.
2. Retirement plan:
- Pursuant to the Labor Standards Act and the Labor Pension Act, on July 1, 2005, the Company issued written inquiries to employees with respect to their selection of the new or old pension plan. The Company subsequently reported the results to the Bureau of Labor Insurance (BLI). Accordingly, the Company sets aside a sum equal to 15% of total monthly wage to the retirement funds of those who chose the old pension plan. A sum equal to 6% of total monthly wage is set aside for those who chose the new pension plan. These amounts are deposited into each employee's individual account with the BLI. The Company has also set aside the full amount covering the provisional difference between the new and old pension plans for those employees who chose to switch to the new pension plan. The Company has actuarial reports on file for such provisions prepared by qualified actuary.

3. Other major agreements

The Company maintains harmonious labor relations, and never has labor disputes.

4. Continuing education and training for employees

The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. In total 1,390 classes were run in 2016, with a total of 22,050 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture, the organization and function of each department The program consists of: 1. Corporate culture: corporate culture and business ideals 2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization 3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site 4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers 5. On-site visit: a visit to Taipei harbor and TK Logistics International, guided tour of each floor of the company 6. General awareness: professional integrity and legal responsibilities	477	698	\$421,340
Professional training for general staff	1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities 2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given 3. Seminars and other activities aimed at employees personal and professional development 4. Off-Job training: (1) The trend of world economic and regional development	1,426	19,826	\$2,788,831
Professional training for management associate	Series courses for management associate to build human capital: 1. Advanced shipping industry knowledge 2. The experience of overseas operation and cross-cultural management 3. The practice of international etiquette 4. Business conversation and meeting English 5. Social English	24	453	\$77,424
Professional training for supervisors	Series courses for middle-level managers and executive level managers: <Middle-level> 1. Business Crisis Management 2. Goal Setting and Performance Management 3. Organizational Conflict and Interdepartmental Communication <Executive-level> 1. Business Crisis Management 2. Global Economic and Regional Development Trends <Online Course> 1. Lessons from a Great Leader- Marshall Goldsmith	20.5	202	\$368,888
Courses sponsored by the Employee Benefits Committee	Every year the Employee Benefits Committee assists in the training of employees, the courses of this year included: 1. Smart ways for cleaning the house	1	78	\$5,000
External training courses	1. As required by law, internal auditing personnel must complete a minimum of twelve hours of training related to their profession 2. Labor safety courses : Labor safety and sanity, fire safety training 3. Finance classes: IFRS, taxes in Mainland China 4. For the first-time supervisor courses 5. Information technology courses	5,751	793	\$ 1,596,940
TOTAL		7,699.5	22,050	\$5,258,423

5.5.2 Damages caused by labor disputes in the past three years:

As the Company has faithfully followed the relevant laws and regulations, included those newly issued by the competent authority, we have enjoyed and maintained harmonious labor relations with its employees.

This is evident in the continued lack of labor conflicts resulting in loss.

5.5.3 Guidelines for employee behavior and morality:

Employee conduct and morality are of the utmost importance to Wanhai. In addition to including workplace attitude and morality into our employee guidelines, we have also included into our performance evaluation index.

1. General requirements of work attitude and morality:

- (1) All employees should take pride in being a part of Wanhai, and faithfully observe the company requirements regarding working environment, workplace attitude, employee relationships, etc., as publicized in various regulations, notices, and official announcements.
- (2) All employees should keep business information strictly confidential. Any documents which have not been approved may not leave the office (or be sent via email), nor disclosed to outside parties. If such an event occurs, the concerned employee risks discharge from his or her post, and may even face legal action if deemed necessary.
- (3) During employment at Wanhai, employees shall not accept nor solicit commission, kickbacks, special treatment, or any other form of gifts, all of which are considered improper. If violation of the above is discovered, the employee will be discharged immediately; in the event that the guilty employee's actions result in a loss for the Company, legal actions for damages shall be carried out.
- (4) All employees shall uphold and protect the reputation of the Company. Any personal opinions regarding the company may not be released publicly before obtaining permission. Except when conducting business designated by the Company, employees may not act under the name of the Company.
- (5) Employees should be sincere, willing to take initiative, and responsible. They should be actively seeking out problems and proposing solutions.

2. Work attitude and morality as criteria for performance evaluation:

- (1) Morality and personal integrity: employees should be honest and selfless, and are prohibited from obtaining personal gain through illegal or morally unjustified means; an employee's conduct shall not adversely impact the Company's reputation.
- (2) Compassion and respect for work: employees shall demonstrate compassion for his or her work, and be willing to put in extra time and effort in order to ensure the success of their work.
- (3) Activeness and Accountability: employees are to be held accountable by their superiors for working hard to complete their assigned duties.
- (4) The Company's interest before individual interest: employees shall understand the scope and authority of their jobs, and should be able to understand how to evaluate and uphold the interests of the Company as a whole.

5.5.4 Measures for ensuring the safety of the working environment and employees

The principles of upholding workplace safety and health and lowering employee occupational hazards and caring employees' mental or physical health, has been a long-term pursuit of Wan Hai. This is demonstrated in three broad areas :

1. Occupational safety and health training

In addition to the acquiring the required certification for employee safety and health, the Company has also provided regular safety and health guidance, fire prevention training, and emergency drills. At the same time, annual physical examination, hygienic training and consulting, and other human considerate assistance, providing employees with safety and health workplace.

2. Policies for occupational safety and health coordination

With well policy making and enforcing for Safety and Health Management · Our good Company has been going on regular inspections and maintenance of automatic equipment as required by law, and has also heightened awareness of safety and health via regular events and Occupational Safety and Health Management System. By better understanding the concepts of occupational safety and health, we hope to create a surprise-free workplace, and prevent the occurrence of occupational hazards.

3. Standard on-site pier working safety:

Targeted on the on-site pier working safety and vendor management, our good Company has arranged a standard operating procedure for implementing safety and health management and examination of operations. Additionally, our good company has got the third-party endorsement for Occupational Safety and Health Management System put into practice and held regular conference calls on the safety and health concerned issues, with the focus on a constant demand for improvement, and the pursuit of the efficiency.

5.6 Significant Contracts

5.6.1 Joint Party Contracts

Agreement	Counterparty	Period			Major Contents	Restrictions
		From		To		
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO CONTAINER LINES CO., LTD YANG MING MARINE TRANSPORT CORP.	2015/4/5	-	2016/4/10	Far East to Middle East	-
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD KAWASAKI KISEN KAISHA, LTD SHIPPING CORPORATON OF INDIA LTD SIMATECH SHIPPING AND FORWARDING L.L.C. COSCO CONTAINER LINES CO., LTD	2010/4/30	-	60 days pre-notice	Far East to India	-
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD	2008/11/02	-	90 days pre-notice	Far East to Middle East	-
Joint Venture	COSCO CONTAINER LINES CO., LTD PACIFIC INTERNATIONAL LINES (PTE) LTD CHINA SHIPPING CONTAINER LINES CO., LTD	2014/6/25	-	2016/8/27	Far East to India & Pakistan	-
Joint Venture	COSCO CONTAINER LINES CO., LTD PACIFIC INTERNATIONAL LINES (PTE) LTD KAWASAKI KISEN KAISHA, LTD	2016/8/28	-	60 days pre-notice	Far East to India & Pakistan	-
Joint Venture	COSCO CONTAINER LINES CO., LTD PACIFIC INTERNATIONAL LINES (PTE) LTD EVERGREEN MARINE CORP. LTD	2016/9/8	-	60 days pre-notice	Far East to India & Pakistan	-
Swap	COSCO CONTAINER LINES CO., LTD	2012/9/2	-	30 days pre-notice	South east Asia	-
Swap		2013/5/3	-	90 days pre-notice	Asia to the West Coast of America	-
Swap		2013/10/26	-	90 days pre-notice	Trans-Pacific Trade	-
Joint Venture	EVERGREEN MARINE CORP. LTD PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO CONTAINER LINES CO., LTD YANG MING MARINE TRANSPORT CORP.	2013/5/3	-	90 days pre-notice	Asia to West Coast of South America	-
Joint Venture	NIPPON YUSEN KAISHA HAPAG-LLOYD AKTIENGESELLSCHAFT X-PRESS FEEDERS YANG MING MARINE TRANSPORT CORP.	2014/6/8	-	2016/2/21	Far East to India	-
Joint Venture	INTERASIA LINES, LTD PACIFIC INTERNATIONAL LINES (PTE) LTD MITSUI O.S.K LINES, LTD	2016/2/27	-	60 days pre-notice	Far East to India	-
Joint Venture	EVERGREEN MARINE CORP. LTD HAPAG-LLOYD AKTIENGESELLSCHAFT	2006/04/30	-	90 days pre-notice	Far East to India	-
Joint Venture	APL CO. PTE LTD	2014/12/28	-	90 days pre-notice	Asia to Southeast Asia	-
Joint Venture	EVERGREEN MARINE CORP. LTD	2002/09/01	-	120 days pre-notice	Japan to South China	-
Joint Venture		2008/09/12	-	60 days pre-notice	Japan to South China & Philippine	-
Swap		2015/12/17	-	2016/12/26	Intra Asia	-
Swap		2016/3/28	-	45 days pre-notice	Intra Asia	-
Swap		2016/4/11	-	45 days pre-notice	Intra Asia	-
Swap		2013/5/3	-	90 days pre-notice	Asia to the West Coast of America	-
Charter		2014/9/3	-	60 days pre-notice	Korea to South East Asia	-
Joint Venture	SINOTRANS CONTAINER LINES CO., LTD.	2005/05/12	-	90 days pre-notice	Taiwan Cross-Strait Service I	-
Joint Venture		2012/01/4	-	90 days pre-notice	Taiwan Cross-Strait Service II	-
Swap		2010/02/14	-	45 days pre-notice	China to Southeast Asia	-
Swap		2009/11/13	-	2016/5/21	Taiwan -Fuzhou Cross-Strait service	-
Swap	MITSUI O.S.K LINES, LTD	2009/4/7	-	45 days pre-notice	Japan to Southeast Asia	-
Swap		2016/10/9	-	45 days pre-notice	Far East to Middle East	-
Swap		2014/10/27	-	2016/6/1	South east asia to India & Pakistan	-
Charter		2012/9/6	-	45 days pre-notice	Japan to Singapore & Malaysia	-
Joint Venture	MITSUI O.S.K LINES, LTD	2014/3/5	-	90 days pre-notice	Japan to Singapore & Malaysia	-

Agreement	Counterparty	Period			Major Contents	Restrictions
		From		To		
Swap	YANG MING MARINE TRANSPORT CORP.	2014/5/9	-	30 days pre-notice	Intra Asia	-
Swap		2014/5/7	-	30 days pre-notice	Intra Asia	-
Joint Venture		2014/7/18	-	2016/9/28	Northeast Asia to Southeast Asia	-
Charter		2014/7/18	-	2016/9/28	Northeast Asia to Southeast Asia	-
Joint Venture	YANG MING MARINE TRANSPORT CORP. INTERASIA LINES, LTD	2014/6/17	-	60 days pre-notice	Southeast Asia	-
Swap	KAWASAKI KISEN KAISHA, LTD	2014/4/23	-	2016/12/28	Southeast Asia to India	-
Swap		2014/5/11	-	90 days pre-notice	Trans-Pacific Trade	-
Joint Venture		2009/2/16	-	60 days pre-notice	Southeast Asia	-
Joint Venture	KAWASAKI KISEN KAISHA, LTD PACIFIC INTERNATIONAL LINES (PTE) LTD	2016/5/21	-	90 days pre-notice	Trans-Pacific Trade	-
Joint Venture	KAWASAKI KISEN KAISHA, LTD COSCO CONTAINER LINES CO., LTD	2015/5/10	-	2016/5/10	Trans-Pacific Trade	-
Joint Venture	KAWASAKI KISEN KAISHA, LTD PACIFIC INTERNATIONAL LINES (PTE) LTD	2015/5/10		2016/5/10	Trans-Pacific Trade	-
Swap	MINSHENG SHIPPING CO., LTD	2005/04/28	-	60 days pre-notice	Taiwan Cross-Strait service	-
Charter	INTERASIA LINES, LTD	2016/5/30	-	90 days pre-notice	Japan to Singapore & Malaysia	-
Swap		2013/7/17	-	45 days pre-notice	Intra Asia	-
Charter		2015/9/9	-	45 days pre-notice	Intra Asia	-
Charter		2015/10/30	-	45 days pre-notice	Intra Asia	-
Charter		2015/5/29	-	2016/2/19	Far East to India	-
Charter		2013/9/4	-	2016/9/12	Intra Asia	-
Charter		2013/9/22	-	45 days pre-notice	Southeast Asia to India	-
Charter		2013/9/5	-	45 days pre-notice	North east Asia to Southeast Asia	-
Charter		2014/9/5	-	45 days pre-notice	North east Asia to Southeast Asia	-
Charter		2016/8/2	-	45 days pre-notice	Intra Asia	-
Charter		2013/12/13	-	2016/9/12	North east Asia to Southeast Asia	-
Charter		2014/10/14	-	2016/5/31	Southeast Asia	-
Swap		2009/11/9	-	30 days pre-notice	Intra Asia	-
Joint Venture		2016/4/26	-	2016/7/19	Intra Asia	-
Joint Venture		2016/9/13	-	30 days pre-notice	Japan to Thailand	-
Joint Venture		2010/5/6	-	90 days pre-notice	Intra Asia	-
Joint Venture		2011/9/11	-	90 days pre-notice	Japan to Southeast Asia	-
Joint Venture	ORIENT OVERSEAS CONTAINER LINE LTD.	2011/4/3	-	2016/6/28	China to Southeast Asia	-
Swap	ORIENT OVERSEAS CONTAINER LINE LTD.	2016/7/31	-	45 days pre-notice	Far East to Middle East	-
Charter	X-PRESS FEEDERS	2010/7/1	-	30 days pre-notice	Southeast Asia to West Asia	-
Swap		2010/11/7	-	30 days pre-notice	Southeast Asia to India	-
Charter	CHINA UNITED LINES LTD	2015/10/18	-	30 days pre-notice	Taiwan Cross- Strait service	-
Charter		2014/7/9	-	30 days pre-notice	Taiwan Cross- Strait service	-
Charter		2009/02/10	-	30 days pre-notice	Taiwan Cross- Strait service	-
Joint Venture	BENGAL TIGER LINE PTE LTD	2009/5/20	-	60 days pre-notice	Southeast Asia to India	-
Swap		2009/5/20	-	60 days pre-notice	Southeast Asia to India	-
Swap		2015/12/21	-	30 days pre-notice	India to Middle East	-
Swap	MCC TRANSPORT SINGAPORE PTE LTD.	2016/10/31	-	30 days pre-notice	Intra Asia	-
Swap		2016/1/24	-	2016/6/24	Japan to Vietnam/Thailand	-
Charter	SOVEREIGN BASE LOGISTICS HOLDINGS CO. LTD	2011/5/8	-	30 days pre-notice	Southeast Asia	-
Swap	ADVANCE CONTAINER LINES (PTE) LTD	2012/10/22	-	30 days pre-notice	Southeast Asia	-
Swap		2015/4/19	-	30 days pre-notice	Southeast Asia	-
Charter	QEL SHIPPING SERVICES SDN BHD	2014/10/3	-	30 days pre-notice	Southeast Asia	-
Swap	SIMATECH SHIPPING AND FORWARDING L.L.C.	2015/8/21	-	30 days pre-notice	Asia to Southeast Asia	-
Swap		2016/9/30	-	30 days pre-notice	Middle East	-
Joint Venture		2016/5/13	-	60 days pre-notice	Middle East	-

Agreement	Counterparty	Period			Major Contents	Restrictions
		From		To		
Charter	HAMBURG SÜD	2013/4/1	-	2016/5/24	Japan to Thailand	-
Charter	GOLDEN SEA SHIPPING PTE LTD	2015/3/12	-	2016/7/29	Southeast Asia	-
Swap	SINOKOR MERCHANT MARINE CO.,LTD	2015/11/24	-	2016/6/21	Korea to South China	-
Swap	KOREA MARINE TRANSPORT CORPORATION	2015/12/2	-	30 days pre-notice	Korea/North China to India	-
Swap	MILAHA MARITIME & LOGISTICS	2015/12/21	-	30 days pre-notice	Middle East area	-
Charter	SITC CONTAINER LINES CO., LTD.	2015/11/15	-	2016/3/14	South China to Japan	-
Charter	NEW PORT CYPRESS JOINT STOCK COMPANY	2015/10/4	-	30 days pre-notice	Southeast Asia	-
Charter	RCL FEEDER PTE LTD	2016/2/27	-	60 days pre-notice	Far East to India	-
Swap	CHENG LIE NAVIGATION CO., LTD. (CNC LINE)	2016/11/11	-	30 days pre-notice	Southeast Asia	-

5.6.2. Long –Term Loan

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	Bank SinoPac Banking Division	Jun.26,2009~Jun.26,2016	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	Bank SinoPac Banking Division	Mar.12,2010~Sep.30,2016	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Mar.24,2011~Jun.12,2016	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.16,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.18,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.25,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	May.16,2012~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jun.26,2009~ Jun.26,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.20,2012~Jul.20,2022	The principal shall be repaid in 20 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.9,2013~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jan.29,2014~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Nov.25,2014~Nov.25,2019	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Cheng-Tung Branch	Sep.21, 2011~Sep.21,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	May.9, 2014~May.9,2018	The principal shall be repaid in 7 successive semiannual installment with 20% of the principal for the first two installments and with 12% of the principal for the rest 5 installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	Jul.15, 2015~Jul.15,2020	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Chang Hwa Bank Chilin Branch	Aug.31,2015~Aug.31,2020	The principal shall be repaid in 6 successive semiannual installments.	-
Bank Mortgage Loan	Chang Hwa Bank Chilin Branch	Jul.28, 2016~Jul.28,2021	The principal shall be repaid in 6 successive semiannual installments.	-
Bank Mortgage Loan	Chang Hwa Bank Chilin Branch	Dec.21,2016~Dec.21,2021	The principal shall be repaid in 6 successive semiannual installments.	-
Commercial Paper	China Bills Finance Corporation	Dec.27, 2016~Dec.27,2019	The principal shall be repaid a time.	-
Commercial Paper	Mega Bills Finance Co. Ltd	Dec.27,2016~Dec.27,2019	The principal shall be repaid a time.	-

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Sep.22,2009~Sep.22,2016	The principal shall be repaid in 21 successive quarterly installments.	-
Bank Mortgage Loan	Mega International Commercial Bank head office-foreign dept.	Aug.8,2016~Aug.8,2021	The principal shall be repaid in 15 successive semiannual installments.	
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Jan.31,2012~Jan.31,2019	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	May.23,2012~May.23,2019	The principal shall be repaid in 21 successive quarterly installments.	
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Apr.18,2012~ Apr.18,2019	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Chang Hwa Bank Singapore Branch	Feb.14,2012~Dec.5,2018	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Apr.12,2012~Apr.12,2022	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Aug.14,2013~Aug.14,2023	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	First Bank Singapore Branch	Sep.30,2009~Sep.30,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Singapore Branch	Aug.27,2009~Aug.27,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	DBS Bank Ltd.	May.14,2015~May.14,2020	The principal shall be repaid in 10 successive semiannual installments.	Financial Covenants
Bank Mortgage Loan	ING Bank Ltd.	Mar.16,2015~Jan.31,2023	The principal shall be repaid in 16 successive semiannual installments.	Financial Covenants
Bank Mortgage Loan	First Bank Sao Chuan Tou Branch	May.11,2009~May.19,2020	The principal shall be repaid in 14 successive semiannual installments.	-
Bank Credit Loan	First Bank Sao Chuan Tou Branch	May.11,2009~May.19,2020	The principal shall be repaid in 14 successive semiannual installments.	-



Financial Highlights



6.1 Summarized financial statements for the past 5 years - IFRS

6.1.1 Summarized consolidated balance sheets – IFRS

Unit : TWD thousand

Item \ Year		Financial data in the past five years					2017 as of Mar. 31
		2016	2015	2014	2013	2012	
Current Assets		29,398,146	30,822,014	37,328,054	30,621,006	34,298,483	27,232,542
Property, Plant and Equipment		43,602,819	46,214,584	44,775,808	44,580,103	38,154,635	42,051,282
Intangible Assets		28,386	38,582	43,237	65,141	76,312	24,553
Other Assets		3,290,721	3,146,005	3,080,461	3,313,433	5,467,168	3,275,381
Total Assets		76,320,072	80,221,185	85,227,560	78,579,683	77,996,598	72,583,758
Current Liabilities	Before distribution	15,526,398	17,770,176	21,720,427	13,739,272	12,107,539	15,164,393
	After distribution	(Note 1)	20,432,133	26,157,022	15,513,909	13,882,178	(Note 1)
Non-current Liabilities		26,488,190	26,536,087	27,659,153	33,651,071	35,647,756	24,662,126
Total Liabilities	Before distribution	42,014,588	44,306,263	49,379,580	47,390,343	47,755,295	39,826,519
	After distribution	(Note 1)	46,968,220	53,816,175	49,164,980	49,529,934	(Note 1)
Equity attributable to parent company holding		34,107,950	35,733,130	35,607,478	31,014,750	30,079,795	32,559,139
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975	22,182,975	22,182,975
Capital surplus		1,261,681	1,261,681	1,261,681	1,261,681	2,446,570	1,261,681
Retained Earnings	Before distribution	10,078,574	11,719,102	12,226,543	8,687,097	7,097,783	9,875,710
	After distribution	(Note 1)	9,057,145	7,789,948	6,912,460	5,323,144	(Note 1)
Other Equity		584,720	569,372	(63,721)	(1,117,003)	(1,647,533)	(761,227)
Treasury Stock		0	0	0	0	0	0
Non-Controlling Equity		197,534	181,792	240,502	174,590	161,508	198,100
Total stockholders' equity	Before distribution	34,305,484	35,914,922	35,847,980	31,189,340	30,241,303	32,757,239
	After distribution	(Note 1)	33,252,965	31,411,385	29,414,703	28,466,664	(Note 1)

Note 1 : Retained earnings in year 2015 have not yet proposed for distribution.

Note 2 : The summarized financial data for 2012~2016 and the first quarter of 2017 have been certified by CPA.

6.1.2 Summarized consolidated comprehensive income statements - IFRS

Unit : TWD thousand

Item \ Year	Financial data in the past five years					2017 as of Mar. 31
	2016	2015	2014	2013	2012	
Operating revenue	57,351,493	63,859,142	66,974,244	59,688,505	62,935,731	13,876,887
Gross profit	5,760,837	8,013,369	9,143,653	5,484,197	5,914,270	959,500
Operating income	1,873,803	4,018,523	5,404,502	2,226,661	2,858,657	13,709
Non-operating income & expense	(374,297)	1,643,046	1,174,691	278,103	(616,919)	(249,055)
Net income before income tax	1,499,506	5,661,569	6,579,193	2,504,764	2,241,738	(235,346)
Profit after tax from continuing operations	1,149,307	3,930,645	5,317,594	2,144,182	1,852,010	(200,313)
Losses from discontinued segments	0	0	0	0	0	0
Profit (Loss) from this period	1,149,307	3,930,645	5,317,594	2,144,182	1,852,010	(200,313)
Other comprehensive profit and loss (Net value after tax)	(107,243)	616,276	1,118,185	578,012	(222,214)	(1,347,932)
Total Comprehensive profit and loss from this period	1,042,064	4,546,921	6,435,779	2,722,194	1,629,796	(1,548,245)
Net earnings attributable to parent company holding	1,141,680	3,942,909	5,254,074	2,129,108	1,848,228	(202,864)
Net earnings attributable to non-controlling interest	7627	(12,264)	63,520	15,074	3,782	2,551
Total comprehensive profit and loss attributable to parent company holding	1,036,777	4,562,247	6,367,365	2,709,594	1,626,909	(1,548,811)
Total comprehensive profit and loss attributable to non-controlling Equity	5,287	(15,326)	68,414	12,600	2,887	566
Earnings per share (Note1)	0.51	1.78	2.37	0.96	0.83	(0.09)

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2016 and the first quarter of 2017 have been certified by CPA.

6.1.3 Summarized balance sheets – IFRS

Unit : TWD thousand

Year Item		Financial data in the past five years					2017 as of Mar. 31
		2016	2015	2014	2013	2012	
Current Assets		23,834,182	33,570,265	36,714,935	30,573,198	28,591,844	N / A
Property, Plant and Equipment		9,642,608	8,289,467	8,064,091	7,776,229	6,337,352	
Intangible Assets		27,009	36,862	41,488	64,933	75,199	
Other Assets		29,481,204	21,449,268	19,875,018	18,590,293	21,506,313	
Total Assets		62,985,003	63,345,862	64,695,532	57,004,653	56,510,708	
Current Liabilities	Before distribution	11,196,555	12,324,158	10,331,216	9,286,708	8,606,229	
	After distribution	(Note 1)	14,986,115	14,767,811	11,061,345	10,380,868	
Non-current Liabilities		17,680,498	15,288,574	18,756,838	16,703,195	17,824,684	
Total Liabilities	Before distribution	28,877,053	27,612,732	29,088,054	25,989,903	26,430,913	
	After distribution	(Note 1)	30,274,689	33,524,649	27,767,540	28,205,552	
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975	22,182,975	
Capital surplus		1,261,681	1,261,681	1,261,681	1,261,681	2,446,570	
Retained Earnings	Before distribution	10,078,574	11,719,102	12,226,543	8,687,097	7,097,783	
	After distribution	(Note 1)	9,057,145	7,889,948	6,912,460	5,323,144	
Other Equity		584,720	569,372	(63,721)	(1,117,003)	(1,647,533)	
Treasury Stock		0	0	0	0	0	
Total stockholders' equity	Before distribution	34,107,950	35,733,130	35,607,478	31,014,750	30,079,795	
	After distribution	(Note 1)	33,071,173	31,170,883	29,240,113	28,305,156	

Note 1 : Retained earnings in year 2016 have not yet proposed for distribution.

Note 2 : The summarized financial data for 2012~2016 have been certified by CPA.

6.1.4 Summarized comprehensive income statements – IFRS

Unit : TWD thousand

Year Item	Financial data in the past five years					2017 as of Mar. 31
	2016	2015	2014	2013	2012	
Operating revenue	50,070,845	56,271,236	57,438,243	52,491,030	56,929,558	N/A
Gross profit	4,748,612	5,130,494	6,191,055	4,611,256	4,521,474	
Operating income	2,819,290	3,054,041	4,191,993	2,963,860	2,900,149	
Non-operating income & expense	(1,361,905)	2,562,015	2,254,337	(502,218)	(719,825)	
Net income before income tax	1,457,385	5,616,056	6,446,330	2,461,642	2,180,324	
Profit after tax from continuing operations	1,141,680	3,942,909	5,254,074	2,129,108	1,848,228	
Losses from discontinued segments	0	0	0	0	0	
Profit (Loss) from this period	1,141,680	3,942,909	5,254,074	2,129,108	1,848,228	
Other comprehensive profit and loss (Net value after tax)	(104,903)	619,338	1,113,291	580,486	(221,319)	
Total Comprehensive profit and loss from this period	1,036,777	4,562,247	6,367,365	2,709,594	1,626,909	
Earnings per share (Note1)	0.51	1.78	2.37	0.96	0.83	

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2016 have been certified by CPA.

6.2 Summarized financial statements for the past 5 years — ROC GAAP

6.2.1 Summarized consolidated balance sheets – ROC GAAP

Unit : TWD thousand

Item \ Year		Financial data in the past five years				
		2016	2015	2014	2013	2012
Current Assets						34,414,998
Fund and Investment						2,252,722
Fix Assets						40,234,459
Intangible Assets						467,013
Other Assets						638,425
Total Assets						78,007,617
Current Liabilities	Before distribution					12,140,573
	After distribution					13,915,212
Long-term Liabilities						33,457,784
Other Liabilities						1,771,731
Total Liabilities	Before distribution					47,370,088
	After distribution					49,144,727
Common stock	Before distribution					22,182,975
	After distribution					22,182,975
Capital surplus						2,446,570
Retained Earnings	Before distribution					7,758,014
	After distribution					5,983,375
Unrealized gain (loss) on financial instruments						(539,526)
Accumulated currency adjustments						(1,108,007)
Unrecognized pension cost						(265,532)
Revaluation increments						1,527
Minority interest						161,508
Total stockholders' equity	Before distribution					30,637,529
	After distribution					28,862,890

Note 1 : It's not applied since IFRS is adopted from 2013.

Note 2 : The summarized financial data for 2012 have been certified by CPA.

6.2.2 Summarized consolidated income statements – ROC GAAP

Unit : TWD thousand

Item \ Year	Financial data in the past five years				
	2016	2015	2014	2013	2012
Operating revenue	N/A				62,615,224
Gross profit					5,889,521
Operating income(loss)					2,787,490
Non-operating income & gain					1,508,007
Non-operating expense & loss					2,081,642
Net income before income tax					2,213,855
Net income after income tax					1,832,137
Income (loss) from operations of discontinued segments					0
Extraordinary gain or loss					0
Cumulative effect of changes in accounting principles					0
Net income					1,832,137
Earnings per share (Note1)					0.82

Note 1 : Base on retroactive adjustment calculation.

Note 2 : It's not applied since IFRS is adopted from 2013.

Note 3 : The summarized financial data for 2012 have been certified by CPA.

6.2.3 Summarized balance sheets – ROC GAAP

Unit : TWD thousand

Item \ Year		Financial data in the past five years				
		2016	2015	2014	2013	2012
Current Assets						28,551,675
Fund and Investment						18,563,385
Fix Assets						8,416,604
Intangible Assets						307,816
Other Assets						586,126
Total Assets						56,425,606
Current Liabilities	Before distribution					8,638,610
	After distribution					10,413,249
Long-term Liabilities						15,983,159
Other Liabilities						1,327,816
Total Liabilities	Before distribution					25,949,585
	After distribution					27,724,224
Common stock	Before distribution				N/A	22,182,975
	After distribution					22,182,975
Capital surplus						2,446,570
Retained Earnings	Before distribution					7,758,014
	After distribution					5,983,375
Unrealized gain (loss) on financial instruments						(539,526)
Accumulated currency adjustments						(1,108,007)
Unrecognized pension cost						(265,532)
Revaluation increments						1,527
Total stockholders' equity	Before distribution					30,476,021
	After distribution					28,701,382

Note 1 : It's not applied since IFRS is adopted from 2013.

Note 2 : The summarized financial data for 2012 have been certified by CPA.

6.2.4 Summarized income statements – ROC GAAP

Unit : TWD thousand

Item \ Year	Financial data in the past five years				
	2016	2015	2014	2013	2012
Operating revenue	N/A				56,591,314
Gross profit					4,401,472
Operating income					2,753,471
Non-operating income & gain					1,328,887
Non-operating expense & loss					1,929,917
Net income before income tax					2,152,441
Net income after income tax					1,828,355
Income (loss) from operations of discontinued segments					-
Extraordinary gain or loss					-
Cumulative effect of changes in accounting principles					-
Net income					1,828,355
Earnings per share (Note 1)					0.82

Note 1 : Base on retroactive adjustment calculation.

Note 2 : It's not applied since IFRS is adopted from 2013.

Note 3 : The summarized financial data for 2012 have been certified by CPA.

6.2.5 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
2012	Lily-Lu Fu-Wei Chen	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2013	Lily-Lu Fu-Wei Chen	Unqualified opinion.
2014	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2015	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2016	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.

6.3 Summarized financial analysis for the past 5 years — IFRS

6.3.1 Consolidated financial analysis - IFRS

Item \ Year		Financial analysis in the past five years					2017 as of Mar. 31
		2016	2015	2014	2013	2012	
Financial structure (%)	Ratio of liabilities to assets	55.05	55.23	57.94	60.31	61.23	54.87
	Ratio of long-term capital to Property, Plant and Equipment	139.43	135.13	141.83	145.45	172.69	136.55
Solvency (%)	Current ratio	189.34	173.45	171.86	222.87	283.28	179.58
	Quick ratio	179.70	168.06	165.95	211.48	271.59	170.99
	Times interest earned ratio	3.88 (Note 1)	9.32	9.02	4.10	3.83	(0.86)
Operating Performance	Accounts receivable turnover (turns)	25.07	22.15	20.41	21.95	24.27	5.98
	Average collection period	14.55	16.47	17.88	16.62	15.03	61.05
	Inventory turnover (turns)	-	-	-	-	-	-
	Accounts payable turnover (turns)	8.14	8.71	9.42	8.89	9.12	2.07
	Average days in sales	-	-	-	-	-	-
	Fixed assets turnover (turns)	1.28	1.40	1.50	1.44	1.79	0.32
	Total assets turnover (turns)	0.73	0.77	0.82	0.76	0.83	0.19
Profitability	Return on total assets (%)	2.02 (Note 2)	5.43	7.32	3.60	3.33	(0.13)
	Return on equity (%)	3.27 (Note 2)	10.95	15.86	6.98	6.29	(0.6)
	Ratio to issued capital of pre-tax income (%)	6.76 (Note 2)	25.52	29.66	11.29	10.11	(1.06)
	Profit ratio (%)	2.00 (Note 2)	6.16	7.94	3.59	2.94	(1.44)
	Earnings per share (\$)	0.51 (Note 2)	1.78	2.37	0.96	0.83	(0.09)
Cash flow	Cash flow ratio (%)	26.66 (Note 3)	49.14	56.86	51.62	57.43	1.58
	Cash flow adequacy ratio (%)	98.28	84.45	102.82	77.46	72.13	108.69
	Cash reinvestment ratio (%)	1.30 (Note 3)	3.77	9.46	4.93	6.66	0.22
Leverage	Operating leverage	6.86 (Note 4)	4.15	3.09	5.71	4.69	224.81
	Financial leverage	1.38	1.20	1.18	1.57	1.38	(0.12)

The reasons for all financial ratio of 2016 increase/decrease more than 20% comparing to 2015 are as follows.

Note 1 : The times interest earned ratio decreased since net income before income tax and interest expense in 2016 decreased

Note 2 : The return on total assets, return on equity, profit margin & earnings per share decreased since net income after tax in 2016 decreased.

Note 3 : The Cash flow ratio & cash reinvestment ratio decreased since net cash provided by operating activities in 2016 decreased.

Note 4 : The operating leverage increased since the operating profit in 2016 decreased.

1. Financial structure

- (1) Liabilities to total asset = total liabilities / total assets
- (2) Long-term capital to Property, Plant and Equipment = (total equity + non-current liabilities) / net Property, Plant and Equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets-inventories-prepaid expenses) / current liabilities
- (3) Times interest earned (times) = net income before income tax and interest expense / interest expenses

3. Operating performance

- (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
- (2) Average collection days = 365 / turnover of receivable
- (3) Turnover of inventories = operating cost / average inventories
- (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
- (5) Average sales days = 365 / turnover of inventories
- (6) Turnover of properties (times) = net operating revenue / average net Property, Plant and Equipment
- (7) Turnover of total assets (times) = net operating revenue / average total assets

4. Profitability

- (1) Return on total assets = [net income after tax + interest expense x (1-tax rate)] / average total assets
- (2) Return on equity = net income after tax / average total equity
- (3) Profit margin = net income after tax / net operating revenue
- (4) Earnings per share = (net income after tax-dividend of prefer stock) / weighted average number of outstanding shares

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash provided by operating activities for past 5 years / (fixed assets expenditure + inventories increase + cash dividend) for past 5 years
- (3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (Property, Plant and Equipment + long-term investment + other non-current assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating revenue-variable operating cost and expense) / operating profit
- (2) Financial leverage = operating profit / (operating profit-interest expenses)

6.3.2 Financial analysis - IFRS

Year Item		Financial analysis in the past five years					2017 as of Mar. 31
		2016	2015	2014	2013	2012	
Financial structure (%)	Ratio of liabilities to assets	45.85	43.59	44.96	45.59	46.77	N/A
	Ratio of long-term capital to fixed assets	537.08	615.5	674.15	613.64	755.91	
Solvency (%)	Current ratio	212.87 (Note 1)	272.39	355.38	329.21	332.22	
	Quick ratio	203.01 (Note 1)	267.17	346.38	317.13	319.41	
	Times interest earned ratio	5.62 (Note 2)	19.06	22.66	9.76	9.34	
Operating Performance	Accounts receivable turnover (turns)	33.48	29.52	26.74	26.54	27.86	
	Average collection period	10.90	12.36	13.64	13.75	13.10	
	Inventory turnover (turns)	-	-	-	-	-	
	Accounts payable turnover (turns)	9.6	10.40	9.85	9.26	9.91	
	Average days in sales	-	-	-	-	-	
	Fixed assets turnover (turns)	5.58	6.88	7.25	7.44	7.71	
	Total assets turnover (turns)	0.79	0.88	0.94	0.92	1.01	
Profitability	Return on total assets (%)	2.22 (Note 3)	6.56	9.04	4.16	3.66	
	Return on stockholders' equity (%)	3.27 (Note 3)	11.05	15.77	6.97	6.32	
	Ratio to issued capital of pre-tax income (%)	6.57 (Note 3)	25.32	29.06	11.10	9.83	
	Profit ratio (%)	2.28 (Note 3)	7.01	9.15	4.06	3.25	
	Earnings per share (\$)	0.51 (Note 3)	1.78	2.37	0.96	0.83	
Cash flow	Cash flow ratio (%)	86.5 (Note 4)	5.38	70.73	10.39	62.49	
	Cash flow adequacy ratio (%)	68.41 (Note 4)	38.73	57.61	47.45	52.08	
	Cash reinvestment ratio (%)	10.29 (Note 4)	(5.57)	7.69	(1.25)	8.37	
Leverage	Operating leverage	2.11 (Note 5)	5.03	3.21	3.86	4.12	
	Financial leverage	1.13	1.11	1.08	1.10	1.10	

The reasons for all financial ratio of 2016 increase/decrease more than 20% comparing to 2015 are as follows.

Note 1 : The current ratio & quick ratio decreased since current assets in 2016 increased.

Note 2 : The times interest earned decreased since the net income before income tax and interest expense in 2016 decreased.

Note 3 : The return on total assets, return on stockholders' equity, profit ratio & earnings per share decreased since net profit before tax in 2016 decreased.

Note 4 : The cash flow ratio, cash flow adequacy ratio & cash reinvestment ratio decreased since net cash provided by operating activities in 2016 increased.

Note 5 : The operating leverage decreased since the profit in 2016 decreased.

1. Financial structure

- (1) Liabilities to total asset = total liabilities / total assets
- (2) Long-term capital to Property, Plant and Equipment = (total equity + non-current liabilities) / net Property, Plant and Equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets-inventories-prepaid expenses) / current liabilities
- (3) Times interest earned (times) = net income before income tax and interest expense / interest expenses

3. Operating performance

- (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
- (2) Average collection days = 365 / turnover of receivable
- (3) Turnover of inventories = operating cost / average inventories
- (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
- (5) Average sales days = 365 / turnover of inventories
- (6) Turnover of properties (times) = net operating revenue / average net Property, Plant and Equipment
- (7) Turnover of total assets (times) = net operating revenue / average total assets

4. Profitability

- (1) Return on total assets = [net income after tax + interest expense x (1-tax rate)] / average total assets
- (2) Return on equity = net income after tax / average total equity
- (3) Profit margin = net income after tax / net operating revenue
- (4) Earnings per share = (net income after tax-dividend of prefer stock) / weighted average number of outstanding shares

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash provided by operating activities for past 5 years / (fixed assets expenditure + inventories increase + cash dividend) for past 5 years
- (3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (Property, Plant and Equipment + long-term investment + other non-current assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating revenue-variable operating cost and expense) / operating profit
- (2) Financial leverage = operating profit / (operating profit-interest expenses)

6.4 Summarized financial analysis for the past 5 years - ROC GAAP

6.4.1 Consolidated financial analysis – ROC GAAP

Item \ Year		Financial analysis in the past five years				
		2016	2015	2014	2013	2012
Financial	Ratio of liabilities to assets	N/A				60.72
Structure (%)	Ratio of long-term capital to fixed assets					159.30
Solvency	Current ratio					283.47
	Quick ratio					271.81
	Times interest earned ratio					3.80
Operating Performance	Accounts receivable turnover (turns)					22.54
	Average collection period					16.19
	Inventory turnover (turns)					-
	Accounts payable turnover (turns)					8.77
	Average days in sales					-
	Fixed assets turnover (turns)					1.65
	Total assets turnover (turns)					0.83
Profitability	Return on total assets (%)					3.30
	Return on stockholders' equity (%)					6.13
	Ratio to issued capital of pre-tax income (%)					9.98
	Profit ratio (%)					2.93
	Earnings per share (\$)					0.83
Cash flow	Cash flow ratio (%)					53.76
	Cash flow adequacy ratio (%)					71.05
	Cash reinvestment ratio (%)					6.31
Leverage	Operating leverage					4.19
	Financial leverage					1.40

Note : It's not applied since IFRS is adopted from 2013.

1. Financial structure

- (1) Liabilities to total asset = total liabilities / total assets
- (2) Long-term capital to net properties = (total stockholders' equity + long-term liabilities) / fixed assets net

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets-inventories-prepaid expenses) / current liabilities
- (3) Times interest earned (times) = net income before income tax and interest expense / interest expenses

3. Operating performance

- (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
- (2) Average collection days = 365 / turnover of receivable
- (3) Turnover of inventories = operating cost / average inventories
- (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
- (5) Average sales days = 365 / turnover of inventories
- (6) Turnover of properties (times) = net operating revenue / fixed assets-net
- (7) Turnover of total assets (times) = net operating revenue / total assets

4. Profitability

- (1) Return on total assets = [net income after tax + interest expense x (1-tax rate)] / average total assets
- (2) Return on stockholders' equity = net income after tax / average total stockholders' equity
- (3) Profit margin = net income after tax / net operating revenue
- (4) Earnings per share = (net income after tax-dividend of prefer stock) / weighted average number of outstanding shares

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash provided by operating activities for past 5 years / (fixed assets expenditure + inventories increase + cash dividend) for past 5 years
- (3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (fixed assets + long-term investment + other assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating revenue-variable operating cost and expense) / operating profit
- (2) Financial leverage = operating profit / (operating profit-interest expenses)

6.4.2 Financial analysis – ROC GAAP

Item \ Year		Financial analysis in the past five years				
		2016	2015	2014	2013	2012
Financial	Ratio of liabilities to assets					45.99
structure (%)	Ratio of long-term capital to fixed assets					551.99
Solvency (%)	Current ratio					330.51
	Quick ratio					317.75
	Times interest earned ratio					9.24
Operating Performance	Accounts receivable turnover (turns)					27.10
	Average collection period					13.46
	Inventory turnover (turns)					-
	Accounts payable turnover (turns)					9.48
	Average days in sales					-
	Fixed assets turnover (turns)		N/A			5.53
	Total assets turnover (turns)					1.00
Profitability	Return on total assets (%)					3.62
	Return on stockholders' equity (%)					6.15
	Ratio to issued capital of pre-tax income (%)					9.70
	Profit ratio (%)					3.23
	Earnings per share (\$)					0.82
Cash flow	Cash flow ratio (%)					62.97
	Cash flow adequacy ratio (%)					65.52
	Cash reinvestment ratio (%)					8.59
Leverage	Operating leverage					4.29
	Financial leverage					1.10

Note : It's not applied since IFRS is adopted from 2013.

1. Financial structure
 - (1) Liabilities to total asset = total liabilities / total assets
 - (2) Long-term capital to net properties = (total stockholders' equity + long-term liabilities) / fixed assets net
2. Solvency
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets-inventories-prepaid expenses) / current liabilities
 - (3) Times interest earned (times) = net income before income tax and interest expense / interest expenses
3. Operating performance
 - (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
 - (2) Average collection days = 365 / turnover of receivable
 - (3) Turnover of inventories = operating cost / average inventories
 - (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
 - (5) Average sales days = 365 / turnover of inventories
 - (6) Turnover of properties (times) = net operating revenue / fixed assets-net
 - (7) Turnover of total assets (times) = net operating revenue / total assets
4. Profitability
 - (1) Return on total assets = [net income after tax + interest expense x (1-tax rate)] / average total assets
 - (2) Return on stockholders' equity = net income after tax / average total stockholders' equity
 - (3) Profit margin = net income after tax / net operating revenue
 - (4) Earnings per share = (net income after tax-dividend of prefer stock) / weighted average number of outstanding shares
5. Cash flow
 - (1) Cash flow ratio = net cash provided by operating activities / current liabilities
 - (2) Cash flow adequacy ratio = net cash provided by operating activities for past 5 years / (fixed assets expenditure + inventories increase + cash dividend) for past 5 years
 - (3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (fixed assets + long-term investment + other assets + working capital)
6. Leverage
 - (1) Operating leverage = (net operating revenue-variable operating cost and expense) / operating profit
 - (2) Financial leverage = operating profit / (operating profit-interest expenses)

6.5 Supervisors' Report for Fiscal Year 2016

6.5.1 Supervisors' Report for Fiscal Year 2016

The Board of Directors has made a resolution of the Company's financial statements for 2016, business report and earnings distribution. Of which, the Company's financial statements for 2016 have been audited by KPMG through entrustment by the Board of Directors, and an audit report with unqualified opinion was issued. Pursuant to Article 219 of the Company Act, the Supervisors completed the examination without discoveries of noncompliance. Hence, we make a report hereby.

To the general shareholders' meeting of 2017

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Chiu-Ling Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd



Representative

Chih-Hsiang Chen



Apr. 28, 2017

6.5.2 Supervisors' Report for Fiscal Year 2016 (Consolidated)

The Board of Directors has made a resolution of the Company's consolidated business report for 2016 and consolidated financial statements for 2016. Of which, the Company's consolidated financial statements for 2016 have been audited by KPMG through entrustment by the Board of Directors, and an audit report with unqualified opinion was issued. Pursuant to Article 219 of the Company Act, the Supervisors completed the examination without discoveries of noncompliance. Hence, we make a report hereby.

To the general shareholders' meeting of 2017

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Chiu-Ling Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd



Representative

Chih-Hsiang Chen



Mar. 17, 2017

6.6 Financial Statement for Fiscal Year 2016

6.6.1 Independent Auditor's Report

Independent Auditors' Report

To the Board of Directors of WAN HAI LINES LTD.:

Opinion

We have audited the financial statements of WAN HAI LINES LTD. ("the Company"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note(4)(n) "Revenue" and Note(5)(b) "Revenue recognition" of the financial statements.

How the matter was addressed in our audit

The freight revenue is recognized in proportion to the stage of completion of the voyage measured by reference to the proportion of the actual shipping days incurred in balance sheet date. The voyage days is estimated depending on historical experience which involved high uncertainty. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Understanding how the management estimates the voyage days of each route including its method and source; sampling the source data from the system and obtaining the method on how the system compute the voyage days to evaluate the reasonableness of the estimated voyage days of each route from the management.

2. Valuation of inventories

Please refer to note(4)(g) "Inventories", note(5)(a) "Valuation of inventories", and note(6)(d) "Inventories".

How the matter was addressed in our audit

Inventory is presented under lower of cost and net realizable value rule. The majority of the Company's inventory is fuel oil which affected by the fluctuation of the global crude oil price, thus, will possibly lead to the increasing risk of loss on valuation of inventory. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Assessing the appropriateness of the policy applied within the inventory provisioning; evaluating whether the inventory valuation is in accordance with the provisioning policy; understanding the source of the net realizable value to assess its reasonableness; assessing whether the disclosure to provision of inventory is fairly.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Chen and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2017

Notes to Readers

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

The auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD.

BALANCE SHEETS

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016.12.31		2015.12.31			
		Amount	%	Amount	%	Amount	%
ASSETS							
Current assets:							
1100	Cash and cash equivalents (note (6)(a))	\$ 14,072,884	22	17,681,748	28	2170	Accounts payable (note (7))
1125	Available-for-sale financial assets — current (notes (6)(b))	3,984,324	6	3,439,032	5	2200	Other payables (note (7))
1150	Notes receivable, net (note (6)(c) and (q))	23,586	-	25,844	-	2230	Current tax liabilities(note (6)(l))
1170	Accounts receivable, net (note (6)(c) and (7))	1,438,307	2	1,503,318	2	2320	Current portion of long-term loans (note (6)(b) and (i) and (8))
1200	Other receivables (note (6)(c) and (7))	809,736	1	7,993,205	13	2350	Payable to Agents (note (7))
1330	Inventories, net (note (6)(d))	935,007	2	406,166	1	2300	Other current liabilities
1475	Receivables from agents (note (6)(c) and (7))	1,624,191	3	1,512,069	2		
1479	Other current assets	946,147	2	1,008,883	2		
		23,834,182	38	33,570,265	53		
Non-current assets:							
1523	Available-for-sale financial assets — non-current (note (6)(b))	177,204	-	167,450	-	2530	Bonds payable (note (6)(i))
1543	Financial assets measured at cost — non-current (note (6)(b))	708,967	1	735,967	1	2540	Long-term loans (note (6)(h) and (8))
1546	Bond portfolios with inactive market — non-current (note (6)(b))	1,288,800	2	1,315,200	2	2570	Deferred income tax liabilities (note (6)(l))
1550	Long-term equity investments under equity method (note (6)(e))	26,902,602	43	18,749,567	30	2640	Accrued pension liabilities (note (6)(k))
1600	Property, plant and equipment (note (6)(f) and (8) and (9))	9,642,608	15	8,289,467	13	2645	Guarantee deposits received
1780	Intangible assets (note (6)(g))	27,009	-	36,862	-		
1900	Other non-current assets (note (6)(f) and (8) and (9))	403,631	1	481,084	1		
		39,150,821	62	29,775,597	47		
LIABILITIES AND STOCKHOLDER'S EQUITY							
Current liabilities:							
		\$ 5,005,030	8	4,440,231	7		
		498,020	1	817,142	1		
		50,860	-	498,854	1		
		3,990,325	6	5,507,879	9		
		1,493,568	3	792,658	1		
		158,752	-	267,394	-		
		11,196,555	18	12,324,158	19		
Non-Current liabilities:							
		9,300,000	15	9,200,000	15		
		6,863,120	11	4,413,069	7		
		933,111	1	1,046,497	2		
		581,716	1	593,958	1		
		2,551	-	35,050	-		
		17,680,498	28	15,288,574	25		
		28,877,053	46	27,612,732	44		
Total liabilities							
Equity (notes (6)(m) and (o)):							
	Common stock	22,182,975	35	22,182,975	35		
	Capital surplus	1,261,681	2	1,261,681	2		
Retained earnings:							
	Legal reserve	6,389,335	10	5,995,044	9		
	Special reserve	1,053,282	2	1,117,003	2		
	Retained earnings — unappropriated	2,635,957	4	4,607,055	7		
		10,078,574	16	11,719,102	18		
Other equity:							
	Foreign currency translation differences arising from foreign operations', net of tax	572,600	1	792,182	1		
	Unrealized gains (losses) on available-for-sale financial assets	12,120	-	(222,810)	-		
		584,720	1	569,372	1		
		34,107,950	54	35,733,130	56		
		\$ 62,985,003	100	63,345,862	100		
Total liabilities and equity							

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		For the Year Ended December 31,			
		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(o) and (7))	\$ 50,070,845	100	56,271,236	100
5000	Operating costs (notes (6)(d) and (7))	45,322,233	91	51,140,742	91
	Gross profit	4,748,612	9	5,130,494	9
6000	Operating expenses	1,929,322	3	2,076,453	4
	Income from operations	2,819,290	6	3,054,041	5
	Non-operating income and expenses (notes (6)(e) and (q)):				
7010	Other income	466,806	1	479,888	1
7020	Other gains and losses	(312,759)	(1)	1,567,781	3
7050	Finance costs	(315,297)	(1)	(310,932)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	(1,200,655)	(2)	825,278	1
	Total non-operating income and expenses	(1,361,905)	(3)	2,562,015	5
	Profit before tax	1,457,385	3	5,616,056	10
7950	Less: Income tax expense (note(6)(l))	315,705	1	1,673,147	3
	Net Profit	1,141,680	2	3,942,909	7
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial losses and gains on defined benefit plans	(87,646)	-	(42,601)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(32,605)	-	21,604	-
8349	Income tax related to components of other comprehensive income	-	-	7,242	-
	Total Items that will not be reclassified subsequently to profit or loss	(120,251)	-	(13,755)	-
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(221,743)	-	555,434	1
8362	Gains (loss) on valuation of available-for-sale financial assets	235,565	-	77,369	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(635)	-	680	-
8399	Income tax related to components of other comprehensive income	2,161	-	(390)	-
	Total Items that will be reclassified subsequently to profit or loss	15,348	-	633,093	1
8300	Other comprehensive income (loss) (net of tax)	(104,903)	-	619,338	1
	Total comprehensive income	\$ 1,036,777	2	4,562,247	8
	Basic earnings per share (New Taiwan Dollars)(note(6)(n))	\$ 0.51		1.78	
	Diluted earnings per share (New Taiwan Dollars)(note(6)(n))	\$ 0.51		1.77	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Stock	Retained Earnings				Other Equity		
		Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	Total
Balance as of January 1, 2015	Common Stock							
	\$ 22,182,975	1,261,681	5,469,637	1,117,003	5,639,903	237,138	(300,859)	35,607,478
Net profit	-	-	-	-	3,942,909	-	-	3,942,909
Other comprehensive income	-	-	-	-	(13,755)	555,044	78,049	619,338
Total comprehensive income	-	-	-	-	3,929,154	555,044	78,049	4,562,247
Appropriation of retained earnings:								
Legal reserve	-	-	525,407	-	(525,407)	-	-	-
Cash dividends	-	-	-	-	(4,436,595)	-	-	(4,436,595)
Balance as of December 31, 2015	Common Stock							
	\$ 22,182,975	1,261,681	5,995,044	1,117,003	4,607,055	792,182	(222,810)	35,733,130
Net profit	-	-	-	-	1,141,680	-	-	1,141,680
Other comprehensive income	-	-	-	-	(120,251)	(219,582)	234,930	(104,903)
Total comprehensive income	-	-	-	-	1,021,429	(219,582)	234,930	1,036,777
Appropriation of retained earnings:								
Legal reserve	-	-	394,291	-	(394,291)	-	-	-
Cash dividends	-	-	-	-	(2,661,957)	-	-	(2,661,957)
Reversal of special reserve	-	-	-	(63,721)	63,721	-	-	-
Balance as of December 31, 2016	Common Stock							
	\$ 22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	12,120	34,107,950

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from operating activities :		
Profit before income tax	\$ 1,457,385	5,616,056
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	909,846	1,298,824
Amortization	24,332	27,749
Interest expense	315,297	310,932
Interest revenue	(296,522)	(344,109)
Dividend revenue	(170,284)	(135,779)
Investment income under the equity method	1,200,655	(825,278)
Gain on disposal of property, plant and equipment, net	(298,587)	(879,572)
Gain on disposal of available-for-sale assets-current	(8,884)	(2,299)
Loss on impairment of financial assets	56,065	343,253
Unrealized foreign exchange loss	(225,076)	63,354
Total adjustments to reconcile net income to net cash provided by operating activities	1,506,842	(142,925)
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	2,258	6,091
Accounts receivable (including related parties)	65,011	748,223
Other receivables	7,124,476	(3,279,832)
Inventories	(528,841)	361,491
Receivables from agents	(112,122)	397,676
Other current assets	62,736	(122,533)
Total changes in operating assets, net	6,613,518	(1,888,884)
Changes in operating liabilities, net:		
Accounts payable (including related parties)	564,799	(953,359)
Other payables	(101,716)	(55,911)
Payables to agents	700,910	318,210
Other current liabilities	(108,642)	(353,605)
Accrued pension liabilities	(99,888)	(197,083)
Total changes in operating liabilities, net	955,463	(1,241,748)
Total changes in operating assets and liabilities, net	7,568,981	(3,130,632)
Total adjustments	9,075,823	(3,273,557)
Cash inflow generated from operations	10,533,208	2,342,499
Income taxes paid	(848,448)	(1,679,699)
Net cash operating by operating activities	9,684,760	662,800

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD.STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(383,386)	(261,320)
Proceeds from sale of available-for-sale financial assets	43,724	14,859
Long-term equity investment under equity method	(9,596,160)	-
Acquisition of property, plant and equipment	(2,424,303)	(1,584,361)
Disposal of property, plant and equipment	428,850	887,282
Acquisition of intangible assets	(10,699)	(19,407)
Other non-current assets	(108,538)	(16,199)
Interest received	304,430	342,378
Dividends received	179,854	146,699
Net cash used in investing activities	(11,566,228)	(490,069)
Cash flows from financing activities:		
Issuance of corporate bonds	3,000,000	-
Repayment of bonds payable	(3,000,000)	-
Increase in long-term loans	3,687,300	1,934,600
Repayment of long-term loans	(2,400,465)	(2,440,542)
Guarantee deposits	(32,499)	(24,617)
Dividends paid	(2,661,957)	(4,436,595)
Interest paid	(319,775)	(313,725)
Net cash (used in) provided by financing activities	(1,727,396)	(5,280,879)
Net (decrease) increase in cash and cash equivalents	(3,608,864)	(5,108,148)
Cash and cash equivalents, beginning of period	17,681,748	22,789,896
Cash and cash equivalents, end of period	\$ 14,072,884	17,681,748

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD.**NOTES TO FINANCIAL STATEMENTS****December 31, 2016 and 2015****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****(1) Organization and Business**

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965, under the approval of the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F, No. 136 Songjiang Rd., Taipei City. The Company is primarily involved in the business of international marine transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

(2) Approval Date and Procedures of the Financial Statements

The Board of Directors approved and issued the financial statements on March 16, 2017.

(3) New Standards and Interpretations Not Yet Adopted

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	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
Amendment 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
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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NOTES TO FINANCIAL STATEMENTS

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release		
Dates	Standards or Interpretations	Content of amendment
May 28, 2014	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.
April 12, 2016		
		Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

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NOTES TO FINANCIAL STATEMENTS

Issuance / Release		
Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(4) Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except for those described individually.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

1. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments measured at fair value through profits or losses are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value; and
- 3) The net defined benefit liabilities (assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) Available-for-sale equity investment;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

3) Qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and savings accounts. Cash equivalents are 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. The time deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

Bank overdrafts that are repayable on demand and from an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

1. Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in "other income" of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss under "gain or loss on disposal of investments". A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, under trade-date accounting.

Investment in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

WAN HAI LINES LTD.

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Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in "other income" of profit or loss.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables and bond investment with inactive market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, under trade-date accounting.

Interest income is recognized into profit or loss under "non-operating income and expenses".

4) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment 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 assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate of the asset.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

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NOTES TO FINANCIAL STATEMENTS

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2. Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance to the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

2) Financial liabilities at fair value through profit or loss

This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss under “non-operating income and expenses”.

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NOTES TO FINANCIAL STATEMENTS

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under non-operating income and expense.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss under non-operating income and expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Fuels purchased by the Company are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated by using the first-in first-out principle.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company have significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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NOTES TO FINANCIAL STATEMENTS

(i) Subsidiaries

The subsidiaries which the Company is holding for controlling are measured under equity method in the financial statement. Under equity method, the net income, other comprehensive income and equity in the financial statement are equivalent to the net income, other comprehensive income and equity which are contributed to the owners of parent in the financial statement.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss under non-operating income and expenses.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

3. Depreciation

Except for land, the depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	The company
Buildings	43~57 years
Vessels	15~25 years
Containers	3~10 years
Privileged wharf equipment	3~10 years
Other equipment	2~16 years

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NOTES TO FINANCIAL STATEMENTS

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Leases

Leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(l) Intangible assets

1. Intangible assets

Trademarks and software are the major items of intangible assets that the Company holds. All intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognized in profit or loss as incurred.

3. Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	2~5 years
Trademarks	5~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment – non-financial assets

Except for inventories, deferred tax assets and assets arising from employee benefit, the Company assesses the non-financial assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit(CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

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An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

1. Freight Revenue

Cargo freight revenue is recognized using the percentage-of-completion of voyage method. The percentage is calculated using the percentage of completed days to the total estimated voyage days.

2. Rental Revenue

Charter hire revenue and container rental revenue from operating lease are recognized on a straight-line basis over the lease term.

3. Terminal operating revenue

Terminal and stevedoring revenue is recognized when the service is provided; dockage revenue is recognized by the reference to berthing hour.

4. Other service revenue

Other service revenue is recognized on an accrual basis during the service is rendered or upon the completion of service.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date of market yields of the government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

4. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rates on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as estimated employee bonus.

(r) Operating segments

The operating segment information is disclosed in the Company's consolidated financial statements; therefore, the Company does not disclose segment information in these financial statements.

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the financial statements, in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the future period.

There is no significant effect on the amounts recognized in the financial statements in applying the accounting policy on critical judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories at the end of the reporting period. The majority of the Company's inventory is fuel oil, which is affected by the global crude oil price, thus, will likely lead to the increase of loss on valuation of inventory. Please refer to note(6)(d) for further description of the valuation of inventories.

(b) Revenue recognition

The Company's cargo freight revenue is recognized using the percentage-of-completion of voyage method. The method is based on historical trend, and the high uncertainty of voyage days will lead to adjustments of the estimated value.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	<u>2016.12.31</u>	<u>2015.12.31</u>
Cash on hand	\$ 42,780	48,684
Savings accounts	194,296	183,217
Time deposits	13,835,808	17,449,847
Cash and cash equivalents in statement of cash flows	<u>\$ 14,072,884</u>	<u>17,681,748</u>

Please refer to Note 6(r) for the interests analysis and the sensitivity analysis of financial assets and liabilities.

WAN HAI LINES LTD.
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(b) Financial assets

1. Details of financial assets:

	2016.12.31	2015.12.31
Available-for-sale financial assets	4,161,528	3,606,482
Financial assets measured at cost	708,967	735,967
Bond portfolios with inactive market	1,288,800	1,315,200
Total	\$ 6,159,295	5,657,649
Current	\$ 3,984,324	3,439,032
Non-current	2,174,971	2,218,617
Total	\$ 6,159,295	5,657,649

Based on results of the Company's assessment, the impairment losses was recognized on the available-for-sale financial assets in the amount of \$29,065 thousand, and \$343,253 thousand for the years ended December 31, 2016 and 2015, respectively.

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Company recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2016, the impairment loss was \$27,000 thousand.

Please refer to Note 6(r) and (s) for the credit, currency and interest rate risk exposure associated with financial instruments.

As of December 31, 2016 and 2015, the Company's financial assets were not pledged as collateral.

2. Sensitivity analysis-equity price risk:

If the equity price changes, the sensitivity analysis were based on the same variables except for the price index for both periods, the impact to other comprehensive income will be as follows:

	2016		2015	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Equity price at reporting date				
Increase1%	\$ 41,615	-	36,065	-
Decrease1%	\$ (41,615)	-	(36,065)	-

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(c) Notes receivable, accounts receivable, other receivables, and receivables from agents

	2016.12.31	2015.12.31
Notes receivable	\$ 23,586	25,844
Accounts receivable	1,438,665	1,503,682
Other receivables	809,736	7,993,205
Receivables from agents	1,624,191	1,512,069
Less: Allowance for doubtful receivables	(358)	(364)
	<u>\$ 3,895,820</u>	<u>11,034,436</u>

The Company's aging analysis of past due but not impaired notes receivable, accounts receivable other receivables and receivables from agents:

	2016.12.31	2015.12.31
Past due 0-30 days	\$ 82,633	39,809
Past due 31-120 days	21,179	16,037
Past due 121-365 days	1,034	50,101
Past due more than 365 days	606	3
	<u>\$ 105,452</u>	<u>105,950</u>

Movements of allowance for doubtful receivables for the years ended December 31, 2016 and 2015 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2016	\$ -	364	364
Reversal/Write-off	-	(6)	(6)
Balance as of December 31, 2016	<u>\$ -</u>	<u>358</u>	<u>358</u>
Balance as of January 1, 2015	\$ -	373	373
Reversal/Write-off	-	(9)	(9)
Balance as of December 31, 2015	<u>\$ -</u>	<u>364</u>	<u>364</u>

(d) Inventories

	2016.12.31	2015.12.31
Marine diesel oil	\$ 99,011	88,353
Marine residual fuel oil	829,215	353,331
Fresh lubricating oil	6,820	5,902
Sub total	935,046	447,586
Less: Allowance for inventory valuation and obsolescence losses	(39)	(41,420)
Total	<u>\$ 935,007</u>	<u>406,166</u>

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In 2016 and 2015, the write-offs/reversal of inventories to net realizable value amounted to \$(41,381) thousand and \$35,711 thousand respectively. The write-offs/reversal are included in cost of sales.

As of December 31, 2016 and 2015, the Company's inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

	2016.12.31	2015.12.31
Subsidiaries	\$ 26,624,295	18,500,975
Associates	278,307	248,592
	\$ 26,902,602	18,749,567

1. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2016 and 2015.

2. Associates

The financial information of individually non-significant investment in associates accounted for using equity method included in the financial statements were as follows:

	2016.12.31	2015.12.31
The carrying amount of individually non-significant investment in associates accounted for using equity method	\$ 278,307	248,592

	2016	2015
Comprehensive income attributable to owners of parent:		
Net income (loss) after tax from continuing operations	\$ 46,720	32,107

As of December 31, 2016 and 2015, the Company's investments accounted for using the equity method were not pledged as collateral.

(f) Property, plant and equipment

The movements of the property, plant and equipment of the Company were as follows:

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:							
Balance at January 1, 2016	\$ 620,477	123,736	3,638,080	18,543,014	976,813	1,182,800	25,084,920
Additions	-	-	530,145	1,492,030	74,532	111,805	2,208,512
Reclassification	-	-	-	-	44,558	111,178	155,736
Disposals	-	-	-	(1,305,144)	(12,159)	-	(1,317,303)
Balance at December 31, 2016	\$ 620,477	123,736	4,168,225	18,729,900	1,083,744	1,405,783	26,131,865
Balance at January 1, 2015	\$ 620,477	123,736	3,559,803	19,081,280	1,084,776	1,181,850	25,651,922
Additions	-	-	78,277	1,489,694	34,900	950	1,603,821
Reclassification	-	-	-	-	5,643	-	5,643
Disposals	-	-	-	(2,027,960)	(148,506)	-	(2,176,466)
Balance at December 31, 2015	\$ 620,477	123,736	3,638,080	18,543,014	976,813	1,182,800	25,084,920

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Depreciation and impairment loss:							
Balance at January 1, 2016	\$ -	61,162	3,178,303	12,292,944	651,375	611,669	16,795,453
Depreciation for the year	-	2,727	153,352	611,420	80,892	61,455	909,846
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	-	(1,203,883)	(12,159)	-	(1,216,042)
Balance at December 31, 2016	<u>\$ -</u>	<u>63,889</u>	<u>3,331,655</u>	<u>11,700,481</u>	<u>720,108</u>	<u>673,124</u>	<u>16,489,257</u>
Balance at January 1, 2015	\$ -	58,436	3,039,442	13,223,812	701,331	564,810	17,587,831
Depreciation for the year	-	2,726	138,861	1,011,374	99,004	46,859	1,298,824
Impairment loss	-	-	-	-	(453)	-	(453)
Reclassification	-	-	-	(1,942,242)	(148,507)	-	(2,090,749)
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2015	<u>\$ -</u>	<u>61,162</u>	<u>3,178,303</u>	<u>12,292,944</u>	<u>651,375</u>	<u>611,669</u>	<u>16,795,453</u>
Carrying amounts:							
Balance at December 31, 2016	<u>\$ 620,477</u>	<u>59,847</u>	<u>836,570</u>	<u>7,029,419</u>	<u>363,636</u>	<u>732,659</u>	<u>9,642,608</u>
Balance at December 31, 2015	<u>\$ 620,477</u>	<u>62,574</u>	<u>459,777</u>	<u>6,250,070</u>	<u>325,438</u>	<u>571,131</u>	<u>8,289,467</u>
Balance at January 1, 2015	<u>\$ 620,477</u>	<u>65,300</u>	<u>520,361</u>	<u>5,857,468</u>	<u>383,445</u>	<u>617,040</u>	<u>8,064,091</u>

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

(g) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2016 and 2015 were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2016	\$ 64,580	1,913	66,493
Additions	10,314	385	10,699
Reclassification	1,086	2,694	3,780
Disposals	(30,071)	(219)	(30,290)
Balance at December 31, 2016	<u>\$ 45,909</u>	<u>4,773</u>	<u>50,682</u>
Balance at January 1, 2015	\$ 82,355	1,913	84,268
Additions	19,407	-	19,407
Reclassification	3,716	-	3,716
Disposals	(40,898)	-	(40,898)
Balance at December 31, 2015	<u>\$ 64,580</u>	<u>1,913</u>	<u>66,493</u>
Amortization:			
Balance at January 1, 2016	\$ 28,892	739	29,631
Amortization for the year	22,773	1,559	24,332
Disposals	(30,071)	(219)	(30,290)
Balance at December 31, 2016	<u>\$ 21,594</u>	<u>2,079</u>	<u>23,673</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	Computer software	Trademarks	Total
Balance at January 1, 2015	\$ 42,232	548	42,780
Amortization for the year	27,558	191	27,749
Reversal of impairment loss	(40,898)	-	(40,898)
Balance at December 31, 2015	\$ 28,892	739	29,631
Carrying amounts:			
Balance at December 31, 2016	\$ 24,315	2,694	27,009
Balance at December 31, 2015	\$ 35,688	1,174	36,862
Balance at January 1, 2015	\$ 40,123	1,365	41,488

1. Recognition of amortization

The amortization of intangible assets is included in the statement of comprehensive income:

	2016	2015
Operating costs	\$ 495	9,217
Operating expense	\$ 23,837	18,532

(h) Term loans

Details of borrowings were as follows:

2016.12.31				
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	USD	1.15%~2.04%	107-110	\$ 5,856,308
Secured bank loans	TWD	1.16%	110	500,000
Commercial paper	TWD	0.86%~0.98%	108	1,600,000
				7,956,308
Less: Discount on commercial paper				(2,863)
Current portion				(1,090,325)
Total				\$ 6,863,120
Unused loan credit				\$ 7,746,750

WAN HAI LINES LTD.
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2015.12.31				
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	USD	0.92%~1.54%	105-109	\$ 6,398,448
Secured bank loans	TWD	1.40%~2.65%	105-106	522,500
				6,920,948
Less: Current portion				(2,507,879)
Total				\$ 4,413,069
Unused loan credit				\$ 6,920,948

For information on the Company's interest risk, currency risk, and liquidity risk, see note 6(r).

For details of fixed assets provide as collateral please see note 8.

(i) Bonds payable

2016.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2011 first domestic bond issue	TWD	1.85%	2018	\$ 4,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	2017	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	2019-2021	1,800,000
Unsecured bank-2016 first domestic bond issue	TWD	1.18%	2021	3,000,000
Total				\$ 12,200,000
Current				\$ 2,900,000
Non-current				9,300,000
Total				\$ 12,200,000

2015.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	2016-2018	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	2017	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	2019-2021	1,800,000
Total				\$ 12,200,000
Current				\$ 3,000,000
Non-current				9,200,000
Total				\$ 12,200,000

WAN HAI LINES LTD.
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1. Unsecured bank-2011 first domestic bond issue

The Company issued an unsecured corporate bond in June 2011. It was the Company's first domestic bond issue in 2011 and was effective upon submission to the regulatory authority on June 9, 2011. The issuance terms were as follows:

1) Issue amount

TWD7,500,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD3,000,000 thousand and series B amounting to TWD4,500,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

The issuance dates are June 22~24, 2011; the maturity periods for series A and B are five and seven years, respectively.

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

6) Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bondholders apply for repayment after that date.

7) Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8) Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9) Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Company under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Company's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10) Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: None

12) Announcement

The related information can be acquired from the Market Observation Post System.

WAN HAI LINES LTD.
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2. Unsecured bank-2011 second domestic bond issue

The Company issued an unsecured corporate bond in July 2011. It was the Company's second domestic bond issue in 2011 and was effective upon submission to the regulatory authority on July 19, 2011. The issuance terms were as follows:

1) Issue amount

TWD2,900,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

The issuance date is July 28, 2011; the maturity period is six years.

4) Issued price: at par value

5) Nominal interest rate: 1.75%.

6) Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bond holders apply for repayment after that date.

7) Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8) Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9) Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Company under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Company's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10) Agency for payment of principal and interest

Land Bank of Taiwan Co., Ltd., Changan Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: None

12) Announcement

The related information can be acquired from the Market Observation Post System.

WAN HAI LINES LTD.
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3. Unsecured bank-2014 first domestic bond issue

The Company issued an unsecured corporate bond in August 2014. It was the Company's first domestic bond issue in 2014 and was effective upon submission to the regulatory authority on June 17, 2014. The issuance terms were as follows:

1) Issue amount

TWD1,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD1,000,000 thousand and series B amounting to TWD800,000 thousand.

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

The issuance dates are August 14, 2014; the maturity periods for series A and B are five and seven years, respectively.

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

6) Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bondholders apply for repayment after that date.

7) Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8) Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9) Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Company under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Company's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10) Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: None.

12) Announcement

The related information can be acquired from the Market Observation Post System.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

4. Unsecured bank-2016 first domestic bond issue

The Company issued an unsecured corporate bond in June 2016. It was the Company's first domestic bond issue in 2016 and was effective upon submission to the regulatory authority on June 14, 2016. The issuance terms were as follows:

1) Issue amount

TWD3,000,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

The issuance date is June 21, 2016; the maturity period is five years.

4) Issued price: at par value

5) Nominal interest rate: 1.18%

6) Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bond holders apply for repayment after that date.

7) Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8) Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9) Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Company under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Company's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10) Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: MasterLink Securities Corporation.

12) Announcement

The related information can be acquired from the Market Observation Post System.

WAN HAI LINES LTD.
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(j) Operating leases

Lease payables from non-cancellable operating lease agreement were as follows:

	2016.12.31	2015.12.31
Less than one year	\$ 5,765,480	9,755,047
Between one and five years	19,979,357	31,585,830
More than five years	1,758,995	2,026,603
	<u>\$ 27,503,832</u>	<u>43,367,480</u>

The Company entered into operating leases agreement for offices and vessels with a period from 1 to 3 years.

(k) Employee benefits

1. Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2016.12.31	2015.12.31
Present value of defined benefit obligation	\$ 1,094,909	1,105,961
Fair value of plan assets	(513,193)	(512,003)
Recognized liabilities for defined benefit obligations	<u>\$ 581,716</u>	<u>593,958</u>

The Company makes defines benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The Company's pension reserve account balance amounted to \$513,193 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2016	2015
Defined benefit obligation at January 1	\$ 1,105,961	1,105,772
Current service costs and interest cost	32,571	34,597
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	82,787	45,133
Benefit paid	(126,410)	(79,541)
Defined benefit obligation at December 31	\$ 1,094,909	1,105,961

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2016	2015
Fair value of plan assets at January 1	\$ 512,003	357,332
Interest income	8,580	6,611
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	(4,859)	2,532
Contribution paid by employer	93,286	169,417
Benefit paid	(95,817)	(23,889)
Fair value of plan assets at December 31	\$ 513,193	512,003

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company was as follows:

	2016	2015
Current service costs	\$ 15,106	15,656
Net interest of net liabilities (assets) for defined benefit obligation	8,886	12,330
	\$ 23,992	27,986
Operating costs	\$ 11,493	11,608
Selling expenses	12,499	16,378
	\$ 23,992	27,986

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income as at December 31, 2016 and 2015 were as follows:

	2016	2015
Accumulated amount at January 1	\$ 39,842	82,443
Recognized during the period	(87,646)	(42,601)
Accumulated amount at December 31	<u>\$ (47,804)</u>	<u>39,842</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2016	2015
Discount rate	1.32%	1.58%
Future salary increase rate	3.00%	3.00%

The Company will pay to the defined benefit plans which amounted to \$62,345 thousand within 1 year after the report day of 2016.

The weighted average lifetime of the defined benefit plans is 6~15 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.50%	Decreased 0.50%
December 31, 2016		
Discount rate	\$ (60,374)	65,415
Future salary increasing rate	58,408	(54,681)
December 31, 2015		
Discount rate	(62,376)	67,657
Future salary increasing rate	60,709	(56,767)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

2. Defined contribution plans

The Company set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2016 and 2015, the Company set aside \$43,516 thousand and \$40,135 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

WAN HAI LINES LTD.
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(l) Income taxes

1. Income tax expense (benefit)

The amount of income tax was as follows:

	<u>2016</u>	<u>2015</u>
Current income tax expense:		
Current period	\$ 441,083	1,038,880
Adjustment for prior periods	(40,630)	492,737
	<u>400,453</u>	<u>1,531,617</u>
Deferred tax expense:		
Origination and reversal of temporary differences	(84,748)	141,530
	<u>(84,748)</u>	<u>141,530</u>
Income tax expense from continuing operations	<u><u>\$ 315,705</u></u>	<u><u>1,673,147</u></u>

No income tax recognized directly in equity for 2016 and 2015.

The amount of income tax recognized in other comprehensive income for 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	<u><u>\$ -</u></u>	<u><u>(7,242)</u></u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u><u>\$ (2,161)</u></u>	<u><u>390</u></u>

The reconciliation of income tax and profit before tax was as follows:

	<u>2016</u>	<u>2015</u>
Profit excluding income tax	<u><u>\$ 1,457,385</u></u>	<u><u>5,616,056</u></u>
Income tax using the Company's domestic tax rate	\$ 247,755	954,730
Effect of tax rates in foreign jurisdiction	(55)	-
Non-deductible expense	69,319	126,634
Tax-exempt income	(54,347)	(63,991)
Change in unrecognized temporary difference	-	22,501
Under (Over) provision in prior periods	(40,630)	492,737
10% surtax on unappropriated earnings	93,663	140,536
Total	<u><u>\$ 315,705</u></u>	<u><u>1,673,147</u></u>

WAN HAI LINES LTD.
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2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2016	\$ 892,853	153,644	-	1,046,497
Debit (Credited) Income statement	(228,785)	101,897	13,502	(113,386)
Balance at December 31, 2016	<u>\$ 664,068</u>	<u>255,541</u>	<u>13,502</u>	<u>933,111</u>
Balance at January 1, 2015	\$ 793,073	68,925	94,990	956,988
Debit (Credited) Income statement	99,780	84,719	(94,990)	89,509
Balance at December 31, 2015	<u>\$ 892,853</u>	<u>153,644</u>	<u>-</u>	<u>1,046,497</u>
Deferred Tax Assets:				
	Defined Benefit Plans	Loss Carry forward	Others	Total
Balance at January 1, 2016	\$ 100,973	-	37,663	138,636
(Debit) Credited Income statement	(16,981)	-	(11,657)	(28,638)
(Debit) Credited Other Comprehensive Income	-	-	2,161	2,161
Balance at December 31, 2016	<u>\$ 83,992</u>	<u>-</u>	<u>28,167</u>	<u>112,159</u>
Balance at January 1, 2015	\$ 149,748	-	34,057	183,805
(Debit) Credited Income statement	(56,017)	-	3,996	(52,021)
(Debit) Credited Other Comprehensive Income	7,242	-	(390)	6,852
Balance at December 31, 2015	<u>\$ 100,973</u>	<u>-</u>	<u>37,663</u>	<u>138,636</u>

3. The Company's tax returns for the years through 2014, except for 2013, were examined and approved by the tax authority.

4. Information related to the ICA is summarized as follows:

	2016.12.31	2015.12.31
Unappropriated earnings of 1998 and after	<u>\$ 2,635,957</u>	<u>4,607,055</u>
Balance of imputation credit account	<u>\$ 1,134,120</u>	<u>1,057,027</u>
	2016 (estimated)	2015 (actual)
Creditable ratio for earnings distribution to ROC residents	<u>28.68%</u>	<u>22.42%</u>

The above-mentioned information of the ICA information has been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

WAN HAI LINES LTD.

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(m) Capital and other equity

As of December 31, 2016 and 2015, the Company's authorized capital consisted of 2,500,000 thousand shares, amounting to \$25,000,000 thousand, with par value of \$10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

1. Capital surplus

The balance of capital surplus was as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u><u>\$ 1,261,681</u></u>	<u><u>1,261,681</u></u>

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be classified under share capital shall not exceed 10 percent of the actual share capital amount.

2. Retained earnings

The industry of the Company is highly changeable and is capital intensive. The Company is in the stable growing stage. Therefore, in consideration of the future capital needs of long-term financial plans, and to meet the cash flow needs of the shareholders, the Company's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve, and special reserves are to be provided according to the regulations. If there is a requirement for the expansion of transportation equipment and an improvement of the financial structure, the Company may set aside a special reserve.

If there are surpluses, plus, the undistributed cumulative earnings from the previous year, the board of directors shall appropriate 30% or more after taking into account factors such as the Company's capital needs, capital budget, interests of shareholders, and the Company's long-term financial planning. The board of directors proposed the distribution of earnings and submitted them to the shareholders' meeting for approval.

The distribution ration of stock dividends or cash dividends must be done in accordance with the current year's actual profit, capital position, and capital expansion program. The proportion of cash dividends may not be lower than 10% of the total dividends.

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

1) Legal reserve

According to the amendment of the ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The earnings distribution for 2015 and 2014 was decided by the general meeting of shareholders held on June 29, 2016 and June 12, 2015, respectively.

The relevant dividend distribution to shareholders was as follows:

	2015		2014	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 1.20	<u>2,661,957</u>	2.00	<u>4,436,595</u>

3. Other equity (net of tax)

	Foreign currency translation differences for foreign operations	Available for-sale investments	Total
Balance at January 1, 2016	\$ 792,182	(222,810)	569,372
Foreign currency translation differences	(219,582)	-	(219,582)
Unrealized gains or losses from available-for-sale investment	-	234,930	234,930
Balance at December 31, 2016	<u>\$ 572,600</u>	<u>12,120</u>	<u>584,720</u>
Balance at January 1, 2015	\$ 237,138	(300,859)	(63,721)
Foreign currency translation differences	555,044	-	555,044
Unrealized gains or losses from available-for-sale investment	-	78,049	78,049
Balance at December 31, 2015	<u>\$ 792,182</u>	<u>(222,810)</u>	<u>569,372</u>

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

(n) Earnings per share

	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders	<u>\$ 1,141,680</u>	<u>3,942,909</u>
Weighted-average number of ordinary shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.51</u>	<u>1.78</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 1,141,680</u>	<u>3,942,909</u>
Weighted-average number of ordinary shares	2,218,297	2,218,297
Effects of all dilutive potential ordinary shares	<u>1,540</u>	<u>3,924</u>
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>2,219,837</u>	<u>2,222,221</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.51</u>	<u>1.77</u>

(o) Revenue

The details of revenue were as follows:

	Continuing Operations	
	2016	2015
Freight	\$ 46,649,725	52,579,290
Rentals	2,809,499	3,081,616
WHL terminal	595,160	594,721
Others	<u>16,461</u>	<u>15,609</u>
	<u>\$ 50,070,845</u>	<u>56,271,236</u>

(p) Rewards of employees, directors and supervisors

According to Company's articles, the Company shall assign no less than 1% as rewards to its employees, and no more than 1% as remuneration to its directors and supervisors, if there are earnings of the year. However, the Company has to retain the amount if there are accumulated losses.

For the years ended December 31, 2016, and 2015, the estimates of the rewards to employees were \$14,871 thousand and \$57,307 thousand, respectively; the estimates of remuneration to directors and supervisors were \$14,871 thousand and \$57,307 thousand, respectively. These amounts are calculated using the Company's profit before tax without the rewards to employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These estimates are expensed under operating expenses for the period.

The rewards of employees, directors and supervisors approved in the meeting of board of directors has no difference with the one recognized in the financial statements for the years ended December 31, 2016, and 2015.

The information about rewards of employees and supervisors is available at the Market Observation Post System website.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(q) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	<u>2016</u>	<u>2015</u>
Interest income		
Bank deposits	\$ 176,161	256,227
Others	120,361	87,882
Dividend income	170,284	135,779
	<u><u>\$ 466,806</u></u>	<u><u>479,888</u></u>

2. Other gains and losses

The details of other gains and losses were as follows:

	<u>2016</u>	<u>2015</u>
Net foreign currency exchange gain or loss	\$ (576,023)	673,241
Gain or loss on disposal of investments and financial liabilities		
Net gain or loss on disposal of available-for-sale financial assets	8,884	2,299
Impairment on financial assets		
Loss on impairment of financial assets measured at cost	(27,000)	-
Loss on impairment of available-for-sale financial assets	(29,065)	(343,253)
Gain on disposal of property, plant and equipment	298,587	879,587
Other	11,858	355,907
	<u><u>\$ (312,759)</u></u>	<u><u>1,567,781</u></u>

3. Finance costs

The details of finance costs were as follows:

	<u>2016</u>	<u>2015</u>
Interest expense:		
Bank loans	<u><u>\$ 315,297</u></u>	<u><u>310,932</u></u>

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

(r) Financial instruments

1. Financial instruments

Financial assets:

	2016.12.31	2015.12.31
Available-for-sale financial assets (Include financial assets measured at cost)	\$ 4,870,495	4,342,449
Loans and receivables:		
Cash and cash equivalents	14,072,884	17,681,748
Bond portfolios with inactive market	1,288,800	1,315,200
Notes receivable, accounts receivable and other receivables	2,271,629	9,522,367
Receivables from agents	1,624,191	1,512,069
Guarantee deposits received (recorded in other non-current assets)	126,867	144,426
sub-total	19,384,371	30,175,810
Total	\$ 24,254,866	34,518,259

Financial liabilities:

	2016.12.31	2015.12.31
Financial liabilities measured at cost:		
Accounts payable	\$ 5,005,030	4,440,231
Other payable	498,020	817,142
Payables to agents	1,493,568	792,658
Other current liabilities	158,752	267,394
Bonds payable (Include current-portion of long-term loans)	12,200,000	12,200,000
Long-term loans (Include current-portion of long-term loans)	7,953,445	6,920,948
Guarantee deposits received	2,551	35,050
Total	\$ 27,311,366	25,473,423

2. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group.

2) Disclosures of the concentration of credit risk

Since the Company has considerable customers worldwide and does not concentrate its transactions significantly with any single customer or in similar areas, The Company has no concentration of credit risk. The Company mitigates the credit risks by continuously monitoring customers' credit risk and credit ratings, however, the Company's policy usually doesn't require the customers to provide collateral.

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

3. Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	\$ 6,536,307	6,586,760	474,353	728,671	1,864,412	3,519,324	-
Commercial paper	1,597,137	1,637,332	4,336	7,238	14,437	1,611,321	-
Account payables (Include related parties)	5,005,030	5,005,030	5,005,030	-	-	-	-
Other payables	498,020	498,020	498,020	-	-	-	-
Payables to agents	1,493,568	1,493,568	1,493,568	-	-	-	-
Other current liabilities	158,752	158,752	158,752	-	-	-	-
Bonds payable	12,200,000	12,721,750	118,650	2,982,850	4,650,750	4,969,500	-
Guarantee deposits received	2,551	2,551	2,551	-	-	-	-
	\$ 27,491,365	28,103,763	7,755,260	3,718,759	6,529,599	10,100,145	-
December 31, 2015							
Non-derivative financial liabilities							
Secured bank loans	\$ 6,920,948	7,097,916	1,267,908	1,315,938	1,244,946	3,269,124	-
Other payables	4,440,231	4,440,231	4,440,231	-	-	-	-
Other payables	817,142	817,142	817,142	-	-	-	-
Payables to agents	792,658	792,658	792,658	-	-	-	-
Other current liabilities	267,394	267,394	267,394	-	-	-	-
Bonds payable	12,200,000	12,760,350	3,132,750	82,850	3,066,100	5,663,050	815,600
Guarantee deposits received	35,050	35,050	35,050	-	-	-	-
	\$ 25,473,423	26,210,741	10,753,133	1,398,788	4,311,046	8,932,174	815,600

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

4. Currency risk

1) Currency risk exposure

The Company's significant exposure to foreign currency risks was as follows:

2016.12.31				2015.12.31			
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	\$ 409,896	32.22	13,206,840	624,717	32.88	20,540,708	
JPY	2,434,772	0.28	670,041	2,390,822	0.27	653,126	
CNY	324,576	4.64	1,504,745	1,033,299	5.06	5,233,345	
INR	751,804	0.47	356,432	701,810	0.50	348,467	
HKD	203,246	4.15	844,401	128,238	4.24	544,031	
Financial liabilities							
Monetary items							
USD	215,633	32.22	6,947,690	236,467	32.88	7,775,026	
JPY	2,912,710	0.28	801,567	2,982,556	0.27	814,776	
CNY	163,180	4.64	756,511	145,466	5.06	736,739	
HKD	367,285	4.15	1,525,913	161,704	4.24	686,005	
MYR	31,639	7.18	227,166	36,216	7.65	277,184	
SGD	9,104	22.26	202,693	9,172	23.28	213,530	

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NOTES TO FINANCIAL STATEMENTS

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD, HKD and JPY as at December 31, 2016 and 2015, would have increased or decreased net income by \$72,423 thousand and \$179,601 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2016 and 2015.

3) Foreign currency Gain or Loss on Monetary Items

The information of the translation to functional currency of foreign exchange gain (loss) on monetary items, including realized and unrealized, and the translation between the functional currency of the foreign operation and the Company (the presentation currency) were as follows:

	2016		2015	
	Exchange gain or loss	Average Rate	Exchange gain or loss	Average Rate
TWD	\$ (576,023)	-	673,241	-

5. Interest analysis

Please refer to the attached note for the liquidity risk management and the Company's interest rate exposure to its financial assets and liabilities.

The Company's sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 1 basis point has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases by 1%, the Company's profit will decrease or increase by \$79,563 thousand and \$66,709 thousand for the years ended 2016 and 2015, respectively with all other variables remaining constant. This is mainly due to the changes in the Company's variable rate instruments.

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NOTES TO FINANCIAL STATEMENTS

6. Fair value

1) The Categories and Fair Values of Financial Instruments

The carrying amount and the fair value of the Company's financial assets and financial liabilities, including fair value hierarchy information; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required, except for the following:

		December 31, 2016			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	\$ 4,161,528	4,161,528	-	-	4,161,528

		December 31, 2015			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	\$ 3,606,482	3,606,482	-	-	3,606,482

2) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

If quoted prices in active markets are available, the prices are established as fair values. Market prices published by major stock exchange and OTC market, where high volume of central government bonds are traded, are the foundation of fair value of debt instruments with quoted market price in an active market and listed equity instruments.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high-spreads is an indication of non-active market.

If the Groups' financial instruments have an active market, fair values are determined as follows:

Financial assets and financial liabilities composed of listed redeemable bonds, listed stocks, financial bills and bonds are traded with quoted market price in an active market and have standard provisions and conditions.

For the years ended December 31, 2016 and 2015, there is no transferring of fair value hierarchy.

WAN HAI LINES LTD.

NOTES TO FINANCIAL STATEMENTS

(s) Financial risk management

1. Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to The Board of Directors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment.

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. Since the Company has considerable customers worldwide and does not concentrate transactions significantly with any single customer or in similar areas, The Company has no concentration of credit risk. The Company mitigates the credit risks by monitoring customers' credit risk and credit ratings continuously, however, the Company's policy usually doesn't require the customers to provide collateral.

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Company's review includes external ratings, when available, and in some cases bank references.

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Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Company only on an advance received basis.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial department. The Company only deals with financial institutions, corporations and organizations with a credit rating of investment grade or higher; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

3) Guarantees

The Company's policy is to provide guarantee only to subsidiaries. The detailed information is stated in note 13.

4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused credit line for \$7,746,750 thousand.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (TWD), US Dollars (USD) and Euro Dollars (EUR).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Company's policy is to mitigate exposure to changes in interest rates on borrowings. There are 60.54% borrowings on fix-rate basis.

WAN HAI LINES LTD.

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3) Other market price risk

The management of the Company monitors the combination of debts and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved and managed by the Board of Directors.

(t) Capital management

The Company meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-equity ratio is as follow:

	2016.12.31	2015.12.31
Total liabilities	\$ 28,877,053	27,612,732
Cash and cash equivalents	(14,072,884)	(17,681,748)
Net debt	\$ 14,804,169	9,930,984
Total equity	\$ 34,107,950	35,733,130
Adjusted capital	\$ 34,107,950	35,733,130
Debt-to-adjusted-debt ratio	43.40%	27.79%

(7) Related-Party Transactions

(a) Relationships between Parents and Subsidiaries

A detailed list of the Company's subsidiaries is as follows:

	Country of incorporation	Ownership interest (Share holdings:%)	
		2016.12.31	2015.12.31
Wan Hai Lines (Singapore) Pte. Ltd. (WHL Singapore)	Singapore	100.00%	100.00%
Wan Hai Lines (America) Ltd. (WHL America)	America	100.00%	100.00%
T.K. Logistics International Co., Ltd. (TK)	Taiwan	55.00%	55.00%
k.k. WH Corporation (WH Corporation)	Japan	100.00%	100.00%
Wan Hai Lines (Germany) GmbH (WHL Germany)	Germany	100.00%	100.00%
Bao sheng shipping Agency Co., Ltd. (BS)	Taiwan	70.01%	70.01%
Wan Hai Lines (M) Sdn. Bhd. (WHL Malaysia)	Malaysia	100.00%	100.00%
Wan Hai Lines (Hong Kong) Limited (WHL Hongkong)	Hong kong	100.00%	100.00%

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	Country of incorporation	Ownership interest (Share holdings:%)	
		2016.12.31	2015.12.31
Wan Hai Lines (Phils.), Inc. (WHL Phils.)	Philippines	100.00%	100.00%
Wan Hai Lines (Korea) Ltd. (WHL Korea)	Korea	100.00%	100.00%
Wan Hai International Pte. Ltd. (WHL INTL.)	Singapore	100.00%	100.00%
Bravely International Pte. Ltd. (Bravely)	Singapore	100.00%	100.00%
Yi Chun Shipping Agencies Sdn. Bhd.(Yi Chun)	Malaysia	100.00%	100.00%
Wan Hai (Vietnam) Ltd. (WHL Vietnam)	Vietnam	100.00%	100.00%
Wan Hai Lines (Thailand) Limited (WHL Thailand)	Thailand	49.00%	49.00%
Wan Hai Lines (India) PVT Ltd. (WHL India)	India	100.00%	100.00%
Infinite Marine Investment Co., Ltd.	Cayman	100.00%	- %
Bravely (Myanmar) Transport and logistics Company Limited (Bravely (Myanmar))	Myanmar	80.00%	80.00%
Guangzhou Wan Hai Information Technology Ltd.(GWHIT)	China	100.00%	100.00%
Dawin Logistics (International) Ltd. (Dawin)	Hong kong	100.00%	100.00%
Shenzhen Uniwin International Logistics(SUIL)	China	100.00%	100.00%
Wan Hai Lines Ecuador S.A. (WHL Ecuador)	Ecuador	51.00%	- %
Blue Ocean Logistics (Shang hai) Ltd. (BOL)	China	100.00%	100.00%
Shanghai Clipper International Shipping Agency Ltd.(SCSA)	China	49.00%	49.00%
Shenzhen Yong Chun International Shipping Management Co., Ltd.	China	90.00%	90.00%

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

WAN HAI LINES LTD.
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(c) Significant transactions with related parties

1. Sales to related parties:

	2016	2015
Subsidiaries	\$ 1,732,413	1,955,775
Other related party	606,765	545,037
	<u>\$ 2,339,178</u>	<u>2,500,812</u>

The transaction terms with related parties were not significantly different from those of sales to third parties. The average collection period for notes and accounts receivable pertaining to such sales transactions ranged from one to three months, while the average collection period for routine sales transactions was within one month.

2. Consideration for services related to the entity:

	2016	2015
Subsidiaries	\$ 6,926,323	9,556,592
Associate	110,012	36,054
Other related party	2,859,218	2,805,452
	<u>\$ 9,895,553</u>	<u>12,398,098</u>

The transaction terms with related parties were not significantly different from those of the third parties. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

3. Receivables from related parties

Receivables of the Company from related parties were as follows :

Item	Related party categories	2016.12.31	2015.12.31
Accounts Receivable	Subsidiaries	\$ -	170,116
Accounts Receivable	Other related party	43,423	47,561
Other Receivables	Subsidiaries	99,516	7,173,435
Other Receivables	Other related party	6,565	-
Receivable from agents	Subsidiaries	928,125	817,565
Receivable from agents	Associate	-	13,502
Receivable from agents	Other related party	509,524	469,886
Other current assets	Subsidiaries	17,449	38,871
		<u>\$ 1,604,602</u>	<u>8,730,936</u>

WAN HAI LINES LTD.
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4. Payables from related parties

Payable of the Company related parties were as follows :

Item	Related party categories	2016.12.31	2015.12.31
Accounts payable	Subsidiaries	\$ 230,212	17,071
Accounts payable	Other related party	84,787	177,794
Other payable	Subsidiaries	4	167
Other payable	Other related party	9,808	8,218
Payables to agents	Subsidiaries	1,472,520	776,019
Payables to agents	Associate	10,142	-
Other current liabilities	Subsidiaries	5,525	32,740
Other current liabilities	Other related party	1,182	619
		\$ 1,814,180	1,012,628

5. Property transactions

1) Acquisition of property, plant and equipment

The acquisition price of property, plant and equipment from related parties are summarized as follows:

	2016	2015
Subsidiaries	\$ 530,145	-

In June 2016, the Company purchased a vessel from its subsidiary. The purchasing price was USD 16,500 thousand (TWD 530,145 thousand) depending on the valuation report. The carrying value of the vessel was USD 19,428 thousand (TWD 626,128 thousand), and loss on disposal of property was \$95,983 thousand, but not entirely realized. As of December 31, 2016, the unrealized loss was \$92,801 thousand depending on the useful life of the vessel, 18 years, as the deduction of long-term equity investment under equity method.

2) Sales of real estate and other assets

From January to June 2006, the Company sold five vessels to its subsidiaries. The selling price was USD73,470 thousand (TWD2,386,986 thousand) depending on the valuation report. The carrying value of the five vessels was \$2,021,430 thousand, and gain on disposal of property was \$365,556 thousand, but not entirely realized. As of December 31, 2016 and 2015, the unrealized gain was recognized in the amount of \$22,240 thousand and \$44,323 thousand respectively. The amount was recognized depending on the useful life of the vessel, 18 years, as the deduction of long-term equity investments under equity method

The Company sold fuels on board for the years ended December 31, 2016 and 2015 because of fleet dispatch. The carrying value of fuels the Company sold to its subsidiaries was \$43,768 thousand and \$226,369 thousand, respectively.

WAN HAI LINES LTD.
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6. Related-party financing

The Company Financing to other related parties was as follows:

	2016.12.31	2015.12.31
Subsidiaries	<u>\$ -</u>	<u>7,102,080</u>

Interest on the above financing was calculated based on the average short-term interest rate of a financial institution from which the consolidated entity had borrowed money. While such loans were unsecured, they did not require provisions for bad debt expenses.

7. Guarantees

Endorsement guarantees offered to related parties were as follows:

	2016.12.31	2015.12.31
Subsidiaries	<u>\$ 10,581,909</u>	<u>5,590,942</u>

Endorsement guarantees offered by related parties were as follows:

	2016.12.31	2015.12.31
Subsidiaries	<u>\$ -</u>	<u>250,000</u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2016	2015
Shorts-term employee benefits	\$ 59,750	37,598
Post-employment benefits	72	108
	<u>\$ 59,822</u>	<u>37,706</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2016.12.31	2015.12.31
Time deposits (recorded in other non-current assets)	Deposits of harbor bureau lease contract for wharf	\$ 47,250	47,250
Refundable deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf, building lease contract and lawsuit	79,617	97,176
Containers	Long-term loans	4,920,404	4,285,386
Vessels	Long-term loans	-	393,810
Buildings	Long-term loans	15,731	16,285
Terminal equipment	Long-term loans	398,149	442,801
		<u>\$ 5,461,151</u>	<u>5,282,708</u>

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(9) Significant Contingencies and Commitments

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Company entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2016, the lease deposit amounted to ¥ 255,775,000 (TWD 70,388 thousand) and was recorded in refundable deposits.

The Company co-operated with the Kaohsiung Harbor Bureau to renovate containers and wharf facilities in December 2007 and rented the No. 63 and 64 wharf repair centers and straddle carrier. From the date of beginning renovation to the date the Harbor Bureau examined the construction, the rental period lasted 13 years and 7 months, and the total contract amount was \$68,609 thousand, which was reclassified as leased assets on December 31, 2010, to replace previous prepayment for equipment.

The Company rented the W29 to W32 stacking yards in February 2006, and the rental period is for 30 years, starting from the day after the completion of inspection.

- (b)** As of December 31, 2016, the total amount claimed to the Company was approximately \$39,859 thousand, and the related cases are under negotiation or under trial.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

- (a)** Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

By item	By function	For the years ended December 31, 2016			For the years ended December 31, 2015		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		306,130	778,877	1,085,007	286,938	893,106	1,180,044
Labor and health insurance		20,990	67,500	88,490	19,154	67,377	86,531
Pension		23,793	43,715	67,508	22,349	45,772	68,121
Others employee benefits		-	-	-	-	-	-
Depreciation		889,669	20,177	909,846	1,257,095	41,729	1,298,824
Amortization		495	23,837	24,332	9,217	18,532	27,749

As of December 31, 2016 and 2015, the Company had 1,075 and 1,030 employees, respectively.

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(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2016:

1. Fund financing to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	WHL Singapore	Other receivables related parties	Yes	12,490,000	12,490,000	-	0	1	-	Note 2	-	Promissory note	12,490,000	13,643,180	13,643,180
0	The Company	WHL Hongkong	Other receivables related parties	Yes	481,200	-	-	0	1	-	Note 2	-	-	-	13,643,180	13,643,180

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Financing amount shall not exceed 40 percent of the Company's net worth and the following:

- Maximum amount of financing for single borrower who has business with the Company cannot exceed the total transaction amount of the current year.
- Maximum amount of financing for short-term borrower cannot exceed the lower of 20 percent of the Company's net worth or 40 percent of borrower's net worth.
- The restriction in item (1) and (2) above shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, and between the Company and subsidiaries.

2. Guarantees and endorsements for other parties:

Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Note 3)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	WHL Singapore	1	68,215,900	11,893,645	10,490,057	3,775,433	-	30.76%	68,215,900	Y		
0	The Company	TK	1	68,215,900	165,239	91,852	72,602	-	0.27%	68,215,900	Y		

Note 1: Relationship:

- A subsidiary in which the Company directly holds more than 50 percent of its voting shares.
- Parent company.

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement", the maximum endorsement / guarantee amount cannot exceed 200% of the Company's net worth, while the maximum endorsement / guarantee amount for a single company cannot exceed 40% of the Company's net worth. This limit does not apply to subsidiaries. The total maximum endorsement / guarantee cannot exceed 250% of the Company's net worth, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth.

Note 3: The Company provided a guarantee for TK's bank loan of \$157,000 thousand and had received a promissory note for that amount.

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NOTES TO FINANCIAL STATEMENTS

3. Information regarding securities held at balance sheet date (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Notes
				Number of shares	Book value	Percentage of shares	Market value	
The Company	Domestic listed stocks: Greatwall ENT	-	Available-for-sale financial assets — current	12,023,752	349,891	- %	349,891	
"	Formosa Plastics Corporation	-	"	606,288	54,081	- %	54,081	
"	Formosa Chemicals & Fiber Corporation	-	"	245,480	23,640	- %	23,640	
"	Tainan Spinning Co., Ltd.	-	"	1,726,898	21,068	- %	21,068	
"	China Steel Corporation	-	"	2,291,162	56,477	- %	56,477	
"	Hon Hai Precision Ind. Co., Ltd.	-	"	646,800	54,461	- %	54,461	
"	Chunghwa Telecom Co., Ltd.	-	"	18,581,000	1,885,971	- %	1,885,971	
"	Transcend Information, Inc.	-	"	89,111	7,592	- %	7,592	
"	Amtran Technology Co., Ltd.	-	"	984,058	21,797	- %	21,797	
"	Yang Ming Marine Transport Corp.	-	"	2,049,110	9,877	- %	9,877	
"	China Airlines Ltd.	-	"	23,753,862	220,911	- %	220,911	
"	Chinese Maritime Transport Ltd.	-	"	435,050	11,485	- %	11,485	
"	Mega Financial Holding Co., Ltd.	-	"	9,356,646	215,203	- %	215,203	
"	Taishin Financial Holding Co., Ltd.	-	"	16,848,934	198,817	- %	198,817	
"	First Financial Holding Co., Ltd.	-	"	15,693,241	269,924	- %	269,924	
"	Kinsus Interconnect Technology Corp.	-	"	334,627	23,825	- %	23,825	
"	Shih Wei Navigation Co., Ltd.	-	"	1,029,345	9,089	- %	9,089	
"	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	27,476,073	386,039	- %	386,039	
"	Taiwan Secom Co., Ltd.	-	"	1,853,000	164,176	- %	164,176	
"	Domestic listed stocks: Shin Lin Paper Co., Ltd.	Related party in substance	Available-for-sale financial assets — non-current	5,419,088	177,204	2.08%	177,204	
"	Unlisted stocks: Taipei Port Container Terminal Corp.	Related party in substance	Financial assets measured at cost — non-current	79,315,476	701,154	15.25%	-	Note 1
"	United Stevedoring Corporation	-	"	781,250	7,813	15.63%	-	Note 1
"	Bonds: Royal Bank of Scotland PLC	-	Bond portfolios with inactive market — non-current	-	1,288,800	- %	-	Note 2

Note 1: Invested in unlisted companies, and no quoted prices in active markets were available.

Note 2: The medium-term and long-term bond investment, the interest rate is calculated from the contract. No quoted prices in active markets were available, and thus the investments were classified as bond portfolios with inactive market.

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

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6. Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

7. Buying/selling products for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	APCT	Related party in substance	Container fee	331,093	0.73%	30 days	-	-	(10,868)	0.17%	
"	IAL Singapore	Related party in substance	Container rental revenue, commission revenue, charter revenue	(539,594)	1.08%	"	-	-	32,040	1.04%	
"	NSTC	Related party in substance	Tow charge	218,019	0.48%	"	-	-	(18,620)	0.29%	
"	Taipei Port	Related party in substance	Container fee, terminal handling charges	899,625	1.98%	"	-	-	-	- %	
"	K.K. WH Corporation	Subsidiary	Terminal port charges, rent expense	5,569,559	12.28%	"	-	-	(60,349)	0.93%	
"	WHL Singapore	Subsidiary	Rent income, commission revenue	(1,731,432)	3.46%	"	-	-	-	- %	
"	WHL Singapore	Subsidiary	Bunker charge	110,172	0.24%	"	-	-	-	- %	
"	WHL Hongkong	Indirect subsidiary	Commission fee	585,222	1.29%	"	-	-	(1,019,760)	15.69%	
"	WHL Japan	Related party in substance	Commission fee	185,325	0.41%	"	-	-	-	- %	
"	NSaTC	Related party in substance	Container fee, tow charge	141,128	0.31%	"	-	-	(12,551)	0.19%	
"	WCIC	Related party in substance	Trunk charges, terminal handling charges	171,482	0.38%	"	-	-	(14,356)	0.22%	
"	TK	Subsidiary	Container fee, service charge, terminal handling charge	105,115	0.23%	"	-	-	(9,251)	0.14%	
"	Hyaline Shipping (HK) Co., Ltd.	Related party in substance	Commission fee	595,033	1.31%	"	-	-	-	- %	
Note 2: Eliminated in the consolidated financial statements	WHL Malaysia	Indirect subsidiary	Commission fee	117,770	0.26%	"	-	-	-	- %	

Note 1: Including notes receivable / payable, accounts payable — related parties and receivable / payable from / to agents.

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Wan Hai Lines (Singapore) Pte Ltd.	Singapore	Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services	21,546,395	11,950,235	959,957,200	100.00%	26,304,633	(1,360,399)	(1,267,599)	Subsidiary (Note 2)
	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	132,000	132,000	90,000	100.00%	121,255	13,224	13,224	Subsidiary
	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00%	16,248	3,294	3,294	Subsidiary
	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00%	2,333	(701)	(701)	Subsidiary (Note 1)
	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33%	278,307	219,033	46,720	Associate (Note 1)
	T.K. Logistics International Co., Ltd.	Taiwan	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00%	141,228	105	58	Subsidiary
	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01%	38,598	6,212	4,349	Subsidiary
WHL Singapore	Wan Hai Lines (Philis.), Inc.	Philipine	Transportation and shipping agency services	5,991	5,991	901,540	100.00%	7,199	2,921	2,921	Indirect subsidiary
	Wan Hai Lines (H.K.) Limited	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00%	3,527,540	119,714	119,714	Indirect subsidiary
	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00%	83,316	(2,239)	(2,239)	Indirect subsidiary
	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00%	(4,215)	(2,443)	(2,443)	Indirect subsidiary
	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00%	2,186	(2,048)	(2,048)	Indirect subsidiary
	Wan Hai International Pte Ltd.	Singapore	Transportation and shipping agency services	179,439	1,062	7,515,860	100.00%	689,915	53,299	53,299	Indirect subsidiary
	Wan Hai Lines (Thailand) Limited	Thailand	Transportation and shipping agency services	2,805	2,805	29,400	49.00%	46,169	2,492	1,221	Indirect subsidiary
	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00%	2,263	(5,383)	(5,383)	Indirect subsidiary (Note 1)
	Wan Hai Lines Peru S.A.C	Peru	Transportation and shipping agency services	1,007	576	104,040	51.00%	7,773	13,125	6,694	Joint venture of indirect subsidiary
	Wan Hai Lines Ecuadora SA.	Ecuador	Transportation and shipping agency services	3,176	-	100,000	51.00%	1,643	-	-	Indirect subsidiary

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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00%	17,771	32,365	15,859	Associate of subsidiary
	Infinite Marine Investment Co., Ltd.	Cayman	Investment	173,463	-	5,500,000	100.00%	178,497	(324)	(324)	Indirect subsidiary
	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00%	20,328	669	669	Indirect subsidiary
	Bravely International Pte Ltd.	Singapore	Transportation and investment	90,998	90,998	3,828,301	100.00%	100,301	16,608	16,608	Indirect subsidiary
WHL Hongkong	Davin Logistics (International) Ltd.	Hong Kong	Transportation, storage services	570,480	570,480	144,640,000	100.00%	897,734	31,796	31,796	Indirect subsidiary
Bravely International Pte Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Myanmar	Managing container, storage and logistics services	96,894	52,304	3,000,000	80.00%	75,776	(10,394)	(8,316)	Indirect subsidiary

Note 1: Limited companies with no common shares issued.

Note 2: The difference is due to the unrealized gain or loss on disposal.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount						
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	1,894	100.00%	1,894	20,325	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	1,622	100.00%	1,622	814,318	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	12,127	49.00%	5,942	(5,491)	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	4,941	100.00%	4,941	61,744	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	3,396	90.00%	3,057	23,306	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	151,357	(1)	-	-	-	-	(8,117)	50.00%	(4,059)	59,223	-
Qingdao port & Win International Logistics Co., Ltd.	Container Depot	50,188	(0)	-	-	-	-	20,794	50.00%	10,397	33,287	-

Note 1: Indirectly invested in Mainland China through investees.

Note 2: The investment income (loss) recognized in current period was audited and certified by the CPA of the Company.

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
-	1,064,092	20,464,770

Note: The Company's investments in Mainland China were mostly from the investees' self owned capital in indirect subsidiaries.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment Information

Please refer to the consolidated financial report for the year ended December 31, 2016.

WAN HAI LINES LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 42,780
Saving accounts-NT		97,229
Saving accounts-Foreign currency	USD 471 thousand @ 32.22	97,067
	THB 85,094 thousand @ 0.90	
	KPW 96,397 thousand @ 0.03	
	CNY 589 thousand @ 4.64	
	EUR 3 thousand @ 33.86	
Time deposits-NT		135,000
Time deposits-Foreign currency	USD 381,475 thousand @ 32.22	13,700,808
	JPY 93,238 thousand @ 0.28	
	CNY 199,524 thousand @ 4.64	
	SGD 930 thousand @ 22.26	
	HKD 105,503 thousand @ 4.15	
Total		<u><u>\$ 14,072,884</u></u>

WAN HAI LINES LTD.
STATEMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Current:

Name of financial instruments		Shares		Total Amount	Interest Rate	Acquisition Costs	Accumulated impairment loss	Market Value		Notes
	Description	(In thousands)	Book Value					Unit Price (NT\$)	Total Amount	
Da Chan Greathall Group	Domestic listed stocks	12,024	\$ -	-	- %	278,447	-	29.10	349,891	
Formosa Plastics Corporation	"	606	-	-	- %	47,723	-	89.20	54,081	
Formosa Chemicals & Fiber Corporation	"	245	-	-	- %	17,917	-	96.30	23,640	
Tainan Spinning Co., Ltd	"	1,727	-	-	- %	32,771	-	12.20	21,068	
China Steel Corporation	"	2,291	-	-	- %	57,287	-	24.65	56,477	
Hon Hai Precision Ind.Co., Ltd.	"	647	-	-	- %	54,189	-	84.20	54,461	
Chunghwa Telecom Co., Ltd.	"	18,581	-	-	- %	1,706,487	-	101.50	1,885,971	
Transcend Information, Inc.	"	89	-	-	- %	9,530	-	85.20	7,592	
Amtran Technology Co., Ltd.	"	984	-	-	- %	35,642	(20,143)	22.15	21,797	
Yang Ming Marine Transport Corp.	"	2,049	-	-	- %	38,942	(29,065)	4.82	9,877	
China Airlines Ltd.	"	23,754	-	-	- %	457,957	-	9.30	220,911	
Chinese Maritime Transport Ltd.	"	435	-	-	- %	51,519	(40,841)	26.40	11,485	
Mega Financial Holding Co., Ltd.	"	9,357	-	-	- %	191,356	-	23.00	215,203	
Taishin Financial Holding Co., Ltd.	"	16,849	-	-	- %	191,421	-	11.80	198,817	
First Financial Holding Co., Ltd.	"	15,693	-	-	- %	240,882	-	17.20	269,924	
Kinsus Interconnect Technology Corp.	"	335	-	-	- %	39,589	-	71.20	23,825	
Shih Wei Navigation Co., Ltd.	"	1,029	-	-	- %	60,607	(48,255)	8.83	9,089	
Taiwan Cooperative Financial Holding Co., Ltd.	"	27,476	-	-	- %	442,739	-	14.05	386,039	
Taiwan Secom Co., Ltd.	"	1,853	-	-	- %	164,923	-	88.60	164,176	
				-		4,119,928	(138,304)		3,984,324	

Non-current:

Name of financial instruments		Shares		Total Amount	Interest Rate	Acquisition Costs	Accumulated impairment loss	Market Value		Notes
	Description	(In thousands)	Book Value					Unit Price (NT\$)	Total Amount	
Shin Lin Paper Co., Ltd.	Domestic listed stocks	5,419	\$ -	-	- %	401,464	(234,014)	32.70	177,204	

WAN HAI LINES LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Accounts receivable-joint service:			
Related parties:			
Others (Note 1)		\$ 32,040	
Non-Related parties:			
Others (Note 1)		110,931	
Accounts receivable-freight, additional fee and container loading / discharge			
Related parties:			
Others (Note 1)		11,383	
Non-Related parties:			
Others (Note 1)	Freight and additional fees revenue	1,284,311	
		1,438,665	
Less: Allowance for doubtful receivables		(358)	
Total		<u>\$ 1,438,307</u>	

Note 1: The amount of individual client included in others does not exceed 5% of the amount balance.

WAN HAI LINES LTD.
STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related parties:			
Accounts receivable-disposal of assets	Revenue from sale of containers	\$ 695	
Accounts receivable-vessel rental revenue	Revenue from charters of the remaining fuel at the end of rental period or others	64,070	
Other		<u>41,315</u>	
Sub total		<u>106,080</u>	
Non-Related parties:			
Receivables	Discount on expesse of containers loading / discharge	409,289	
Indemnity income receivables	Receivables of insurance	142,808	
Other		<u>151,559</u>	
Sub total		<u>703,656</u>	
Total		<u><u>\$ 809,736</u></u>	

STATEMENT OF INVENTORIES

Item	Amount		Note
	Cost	Net Realizable Value	
Marine diesel oil	\$ 99,011	99,011	
Marine residual fuel oil	829,215	829,215	
Fresh lubricating oil	6,820	6,781	
Less: Allowance for inventory valuation and obsolescence losses	(39)	-	
	<u><u>\$ 935,007</u></u>	<u><u>935,007</u></u>	

WAN HAI LINES LTD.
STATEMENT OF OTHER CURRENT ASSETS
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses:			
Prepaid rent expense	Rent expenses of vessels and office	\$ 33,943	
Prepaid insurance expense	Insurance expenses of containers, fire disaster, public liability insurance and mutual insurance	13,593	
Others (The individual account does not exceed 5% of the amount balance)		<u>121,284</u>	
Sub total		<u>168,820</u>	
Payment on behalf of others:			
Payment on behalf of others-charters	Payment of fuel expense, accommodation fee, medical expense and others	655,820	
Others (The individual account does not exceed 5% of the amount balance)		<u>121,507</u>	
Sub total		<u>777,327</u>	
Total		<u><u>\$ 946,147</u></u>	

WAN HALLINES LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED
AT COST

FOR THE YEAR ENDED IN DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2016		Additions		Decrease		Balance, December 31, 2016		Collateral	Note
	Shares (In thousands)	Carrying value	Shares (In thousands)	Amount	Shares (In thousands)	Amount	Shares (In thousands)	Carrying value		
Taipei Port Container Terminal Corp.	79,315	\$ 728,154	-	-	-	27,000	79,315	701,154	None	
United Steredoring Corporation	781	7,813	-	-	-	-	781	7,813	"	
Total		<u>\$ 735,967</u>		<u>-</u>		<u>27,000</u>		<u>708,967</u>		

WAN HAI LINES LTD.

STATEMENT OF CHANGES IN BOND PORTFOLIOS WITH
INACTIVE MARKET-NON-CURRENT

FOR THE YEAR ENDED IN DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2016		Additions		Decrease		Balance, December 31, 2016		Note
	Shares (In thousands)	Carrying value	Shares (In thousands)	Amount	Shares (In thousands)	Amount	Shares (In thousands)	Carrying value	
Royal Bank of Scotland PLC	-	\$ 1,315,200	-	-	-	26,400	-	1,288,800	

WAN HAI LINES LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED
FOR USING EQUITY METHOD

FOR THE YEAR ENDED IN DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2016		Additions		Decrease		Balance, December 31, 2016		Market Value or Net Assets		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Unit price	Total Amount		
Wan Hai Lines (Singapore) Pte Ltd	538,075,000 \$	18,193,732	421,882,200	8,110,901	-	-	959,957,200	100.00%	27.40	26,304,633	None	
Wan Hai Lines (America) Ltd.	90,000	110,263	-	10,992	-	-	90,000	100.00%	1,347.28	121,255	"	
K K. WH Corporation	500	13,103	-	3,145	-	-	500	100.00%	32,496.00	16,248	"	
Wan Hai Lines (Germany) GmbH	Note 1	3,182	-	-	-	849	Note 1	100.00%	-	2,333	"	
Tan Cang-Cai Mep International Terminal Co., Ltd.	Note 1	248,592	-	29,715	-	-	Note 1	21.33%	-	278,307	"	
T.K. Logistics International Co., Ltd.	14,300,000	141,169	-	59	-	-	14,300,000	55.00%	9.88	141,228	"	
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	39,526	-	-	-	928	3,000,000	70.01%	12.87	38,598	"	
	<u>\$ 18,749,567</u>			<u>8,154,812</u>		<u>1,777</u>				<u>26,902,602</u>		

Note 1: Limited companies with no common share issued.

WAN HAI LINES LTD.
STATEMENT OF OTHER NON-CURRENT ASSET
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred tax assets-non-current		\$ 112,159	
Refundable deposits		126,867	
Others		164,605	
Total		<u><u>\$ 403,631</u></u>	

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Accounts payable			
Related parties:			
Other (Note 1)		\$ 314,999	
Non-related parties			
Other (Note 1)		4,457,339	
Accounts payable-agents commission		10,988	
Accounts payable-containers fee		147,590	
Accounts payable-charters		37,120	
Accounts payable-joint service		36,994	
Total		<u><u>\$ 5,005,030</u></u>	

Note 1: The amount of individual client included in others does not exceed 5% of the amount balance.

WAN HAI LINES LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Accrued expense		\$ 393,168
Payable to acquisition of equipments		30,185
Others		<u>74,667</u>
		<u>\$ 498,020</u>

STATEMENT OF OTHER CURRENT LIABILITIES

Item	Description	Amount	Note
Receipts in advance	Revenue from disposal of containers or over payment	\$ 93,163	
Temporary collection-others	Receipts under custody of income tax expense and labor / health insurance expense	37,408	
Payables to charters	Receipts under custody of freight expense	26,348	
Guarantee deposits received	Deposit	<u>1,833</u>	
Total		<u>\$ 158,752</u>	

WAN HAI LINES LTD.
STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Creditor	Description	Balance, December 31, 2016	Contract Period	Range of Interest Rates	Collateral	Note
Taiwan cooperative Bank Chengdong Branch		\$ 515,520	2013.07.09~2018.07.09	1.15%~1.67%	Containers	
"		515,520	2014.01.29~2018.07.09	1.18%~1.83%	Containers	
"		1,288,800	2014.11.25~2019.11.25	1.36%~2.04%	Containers	
Mizuho Bank Taipei Branch		150,790	2014.05.09~2018.05.09	1.40%~1.97%	Equipment	
"		34,798	2014.12.16~2018.05.09	1.40%~1.97%	Equipment	
"		257,760	2015.07.15~2020.07.15	1.24%~1.83%	Containers	
"		515,520	2015.12.30~2020.07.15	1.54%~1.83%	Containers	
Chang Hwa Bank Chilin Branch		966,600	2015.08.31~2020.08.31	1.28%~1.87%	Containers	
"		966,600	2016.07.28~2021.07.28	1.63%~1.78%	Containers	
"		500,000	2016.12.21~2021.12.21	1.16%	Buildings, land	
Mega International Commercial Bank Foreign Department		644,400	2016.08.08~2021.08.08	1.69%~1.79%	Containers	
China Bills Finance Corporation		600,000	2016.12.27~2019.12.27	0.98%	-	
Mega Bills Finance Corporation		1,000,000	2016.12.27~2019.12.27	0.86%	-	
Less: Current portion		7,956,308				
Discount on commercial paper		(1,090,325)				
		(2,863)				
		<u>\$ 6,863,120</u>				

WAN HAI LINES LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED IN DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Numbers	Amount	Note
Freight revenue		\$ 39,552,752	
Additional freight revenue		1,990,771	
Additional freight revenue-other		2,362,061	
Slottage revenue		2,032,520	
Revenue from WHL terminal		595,670	
Agency revenue		16,461	
Documentation revenue		2,776,434	
Container rental revenue		777,564	
Income for charter hire		<u>3</u>	
		50,104,236	
Less: Sales returns and allowances		<u>(33,391)</u>	
Net amount of operating revenue		<u><u>\$ 50,070,845</u></u>	

WAN HAI LINES LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED IN DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	
Agency Service	\$ 1,601,811
Port charges	3,575,987
Stevedorage expense	18,340,495
Container expense	5,039,212
Vessel expense	1,447,325
Fuel Cost	6,100,525
Loss on inventory valuation	(41,381)
Vessel rental expense	5,938,598
Slottage rental expense	743,382
WHL terminal expense	<u>2,576,279</u>
	<u>\$ 45,322,233</u>

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED IN DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary		\$ 778,877	
Entertainment		91,709	
Taxes		256,401	
Other expenses		<u>802,335</u>	No single amount exceed 5%
Total		<u>\$ 1,929,322</u>	

Note: 1.The statement of change in property, plant and equipment please refer to note (6)(f).
2.The statement of change in accumulated depreciation please refer to note (6)(f).
3.The details of non-operating income and expenses please refer to note (6)(q).

6.7 The 2016 Consolidated Financial Statements of WAN HAI LINES LTD.

6.7.1 Independent Auditor's Report

Independent Auditors' Report

To the Board of Directors of Wan Hai Lines Ltd.:

Opinion

We have audited the consolidated financial statements of Wan Hai Lines Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to Note(4)(n) "Revenue" and Note(5)(b) "Revenue recognition" of the financial statements.

How the matter was addressed in our audit

The freight revenue is recognized in proportion to the stage of completion of the voyage measured by reference to the proportion of the actual shipping days incurred in balance sheet date. The voyage days is estimated depending on historical experience which involved high uncertainty. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Understanding how the management estimates the voyage days of each route including its method and source; sampling the source data from the system and obtaining the method on how the system compute the voyage days to evaluate the reasonableness of the estimated voyage days of each route from the management.

2. Valuation of inventories

Please refer to note(4)(g) “Inventories”, note(5)(a) “Valuation of inventories”, and note(6)(d) “Inventories”.

How the matter was addressed in our audit

Inventory is presented under lower of cost and net realizable value rule. The majority of the Group’s inventory is fuel oil which affected by the fluctuation of the global crude oil price, thus, will possibly lead to the increasing risk of loss on valuation of inventory. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Assessing the appropriateness of the policy applied within the inventory provisioning; evaluating whether the inventory valuation is in accordance with the provisioning policy; understanding the source of the net realizable value to assess its reasonableness; assessing whether the disclosure to provision of inventory is fairly.

3. Impairment of Property, plant and equipment

Please refer to note(4)(k) “Property, plant and equipment, note(4)(n) “Impairment—non-financial assets”, note(5)(b) “Impairment of property, plant and equipment, and intangible assets”, and note(6)(f) “Property, plant and equipment”.

How the matter was addressed in our audit

The total amount of the Group’s Property, plant and equipment exceeds half of the total assets, and the vessels constituted a considerable proportion. The risk of impairment of the assets may exist due to the highly changeable industry. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Understanding the cash-generating units included in the Group’s impairment test; understanding the impairment indicators in light of the performance of each asset. The indicators include internal and external factors such as the carrying value exceeding its market capitalization, significant adverse changes in the technological, market, economic or legal environment in which the entity operates, evidence of obsolescence or physical damage to the asset.

Other Matter

Wan Hai Lines Ltd. and its subsidiaries has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Chen and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2017

Notes to Readers

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

The auditor's report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016.12.31		2015.12.31		2016.12.31		2015.12.31	
		Amount	%	Amount	%	Amount	%	Amount	%
Assets									
Current assets:									
1100	Cash and cash equivalents (notes (6)(a))	\$ 19,327,191	26	21,877,453	27			50,000	-
1125	Available-for-sale financial assets — current (notes (6)(b))	3,984,324	5	3,441,765	4	6,402,803	8	6,272,442	7
1150	Notes receivable, net (notes (6)(c))	26,123	-	27,446	-	1,466,093	2	1,245,870	2
1170	Accounts receivable, net (notes (6)(c) and (7))	2,387,070	3	2,134,233	2	84,159	-	550,871	1
1200	Other receivables (notes (6)(c) and (7))	1,067,305	1	1,426,674	2	6,202,208	8	8,273,910	10
1330	Inventories, net (notes (6)(d))	1,251,565	2	632,692	1	21,048	-	15,498	-
1475	Receivables from agents (notes (6)(C) and (7))	713,083	1	710,178	1	1,287,087	2	1,361,585	2
1479	Other current assets (notes (8))	641,485	1	571,573	1	15,526,398	20	17,770,176	22
		29,398,146	39	30,822,014	38				
Non-current assets:									
1523	Available-for-sale financial assets — non-current (notes (6)(b))	177,204	-	167,450	-	9,300,000	12	9,200,000	11
1543	Financial assets measured at cost — non-current (notes (6)(b))	708,967	1	735,967	1	14,962,592	20	14,946,766	19
1546	Bond portfolios with inactive market — non-current (notes (6)(b))	1,288,800	2	1,315,200	2	939,844	1	1,053,766	1
1550	Long-term equity investments under equity method (notes (6)(e))	396,361	-	346,670	-	809,048	1	788,420	1
1600	Property, plant and equipment (notes (6)(f) and (8) and (9))	43,602,819	57	46,214,584	58	476,706	1	547,135	1
1780	Intangible assets (notes (6)(g))	28,386	-	38,582	-	26,488,190	35	26,536,087	33
1900	Other non-current assets (notes (6)(f) and (8) and (9))	719,389	1	580,718	1	42,014,588	55	44,306,263	55
		46,921,926	61	49,399,171	62				
Equity attributable to owners of parent (notes (6)(m) and (n)):									
Common stock		3100				22,182,975	29	22,182,975	28
Capital surplus		3200				1,261,681	2	1,261,681	2
Retained earnings:									
3310	Legal reserve					6,389,335	8	5,995,044	7
3320	Special reserve					1,053,282	1	1,117,003	1
3350	Retained earnings — unappropriated					2,635,957	4	4,607,055	6
						10,078,574	13	11,719,102	14
Other equity interest:									
3411	Exchange differences on translation of foreign financial statements, parent					572,600	1	792,182	1
3426	Unrealized gains (losses) on available-for-sale financial assets, parent					12,120	-	(222,810)	-
						584,720	1	569,372	1
Total equity attributable to owners of parent:						34,107,950	45	35,733,130	45
36XX	Non-controlling interests					197,534	-	181,792	-
Total equity						34,305,484	45	35,914,922	45
Total liabilities and equity						<u>\$ 76,320,072</u>	<u>100</u>	<u>80,221,185</u>	<u>100</u>
Total assets									

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31,			
		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(o) and (7))	\$ 57,351,493	100	63,859,142	100
5000	Operating costs (notes (6)(d) and (7))	51,590,656	90	55,845,773	87
	Gross profit	5,760,837	10	8,013,369	13
6000	Operating expenses	3,887,034	7	3,994,846	6
	Income from operations	1,873,803	3	4,018,523	7
	Non-operating income and expenses (notes (6)(e) and (q)):				
7010	Other income	376,644	1	428,505	-
7020	Other gains and losses	(306,233)	-	1,844,932	3
7050	Finance costs	(520,239)	(1)	(680,180)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	75,531	-	49,789	-
	Total non-operating income and expenses	(374,297)	-	1,643,046	2
	Profit before tax	1,499,506	3	5,661,569	9
7950	Less: Income tax expense (notes (6)(l))	350,199	1	1,730,924	3
	Net profit	1,149,307	2	3,930,645	6
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Actuarial losses and gains on defined benefit plans	(120,251)	-	(20,997)	-
8349	Income tax related to components of other comprehensive income	-	-	7,242	-
	Total items that will not be reclassified subsequently to profit or loss	(120,251)	-	(13,755)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(224,083)	-	552,372	1
8362	Gains (loss) on valuation of available-for-sale financial assets	234,930	-	78,049	-
8399	Income tax related to components of other comprehensive income	2,161	-	(390)	-
	Total items that will be reclassified subsequently to profit or loss	13,008	-	630,031	1
8300	Other comprehensive income (loss), net of tax	(107,243)	-	616,276	1
	Total comprehensive income	\$ 1,042,064	2	4,546,921	7
	Profit attributable to:				
	Owners of the parent company	\$ 1,141,680	2	3,942,909	6
	Non-controlling interest	7,627	-	(12,264)	-
		\$ 1,149,307	2	3,930,645	6
	Comprehensive income attributable to:				
	Owners of the parent company	\$ 1,036,777	2	4,562,247	7
	Non-controlling interest	5,287	-	(15,326)	-
		\$ 1,042,064	2	4,546,921	7
	Basic earnings per share (New Taiwan Dollars) (note (6)(n))	\$ 0.51		1.78	
	Diluted earnings per share (New Taiwan Dollars) (note (6)(n))	\$ 0.51		1.77	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings										Other Equity			Total
	Stock	Retained Earnings				Special Reserve	Capital Surplus	Legal Reserve	Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	Total Owners' Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interest		
		Common Stock												
Balance as of January 1, 2015	\$	22,182,975	1,261,681	5,469,637	1,117,003	5,639,903	237,138	(300,859)	35,607,478	240,502	35,847,980			
Net profit	-	-	-	-	-	3,942,909	-	-	3,942,909	(12,264)	3,930,645			
Other comprehensive income	-	-	-	-	-	(13,755)	555,044	78,049	619,338	(3,062)	616,276			
Total comprehensive income	-	-	-	-	-	3,929,154	555,044	78,049	4,562,247	(15,326)	4,546,921			
Appropriation of retained earnings:														
Legal reserve	-	-	525,407	-	-	(525,407)	-	-	-	-	-			
Cash dividends	-	-	-	-	-	(4,436,595)	-	-	(4,436,595)	-	(4,436,595)			
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(43,384)	(43,384)			
Balance as of December 31, 2015		22,182,975	1,261,681	5,995,044	1,117,003	4,607,055	792,182	(222,810)	35,733,130	181,792	35,914,922			
Net profit	-	-	-	-	-	1,141,680	-	-	1,141,680	7,627	1,149,307			
Other comprehensive income	-	-	-	-	-	(120,251)	(219,582)	234,930	(104,903)	(2,340)	(107,243)			
Total comprehensive income	-	-	-	-	-	1,021,429	(219,582)	234,930	1,036,777	5,287	1,042,064			
Appropriation of retained earnings:														
Legal reserve	-	-	394,291	-	-	(394,291)	-	-	-	-	-			
Cash dividends	-	-	-	-	-	(2,661,957)	-	-	(2,661,957)	-	(2,661,957)			
Reversal of special reserve	-	-	-	-	(63,721)	63,721	-	-	-	-	-			
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	10,455	10,455			
Balance as of December 31, 2016	\$	22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	12,120	34,107,950	197,534	34,305,484			

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from operating activities :		
Profit before income tax	\$ 1,499,506	5,661,569
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,139,217	4,451,588
Amortization	25,433	28,525
Net (gain) loss on financial liabilities at fair value through profit or loss	-	(81,590)
Interest expense	520,239	680,180
Interest revenue	(206,360)	(292,726)
Dividend revenue	(170,284)	(135,779)
Investment income under the equity method	(75,531)	(49,789)
Gain on disposal of property, plant and equipment, net	(268,490)	(897,118)
Gain on disposal of available-for-sale assets-current	(9,683)	(2,299)
Loss on impairment of financial assets	56,065	343,253
Unrealized foreign exchange loss	(225,075)	63,354
Total adjustments to reconcile net income to net cash provided by operating activities	3,785,531	4,107,599
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	1,323	7,058
Accounts receivable (including related parties)	(252,837)	1,435,891
Other receivables	303,111	(260,532)
Inventories	(618,873)	443,454
Receivables from agents	(2,905)	176,284
Other current assets	(69,912)	(119,233)
Total changes in operating assets, net	(640,093)	1,682,922
Changes in operating liabilities, net:		
Accounts payable (including related parties)	130,361	(285,783)
Other payables	434,308	(143,490)
Payables to agents	5,550	11,409
Other current liabilities	(74,498)	(308,381)
Accrued pension liabilities	(99,623)	(229,508)
Total changes in operating liabilities, net	396,098	(955,753)
Total changes in operating assets and liabilities, net	(243,995)	727,169
Total adjustments	3,541,536	4,834,768
Cash inflow generated from operations	5,041,042	10,496,337
Income taxes paid	(902,365)	(1,763,468)
Net cash operating by operating activities	4,138,677	8,732,869

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(383,386)	(263,333)
Proceeds from sale of available-for-sale financial assets	46,621	14,859
Long-term equity investment under equity method	(25,090)	(80,030)
Acquisition of property, plant and equipment	(2,528,969)	(4,440,672)
Disposal of property, plant and equipment	402,422	937,385
Acquisition of intangible assets	(11,525)	(20,261)
Other non-current assets	(324,478)	(48,308)
Interest received	213,008	290,950
Dividends received	199,739	158,209
Net cash used in investing activities	(2,411,658)	(3,451,201)
Cash flows from financing activities:		
Increase in short-term debt	13,000	50,000
Issuance of corporate bonds	3,000,000	-
Repayment of bonds	(3,000,000)	-
Increase in long-term loans	3,687,300	6,695,450
Repayment of long-term loans	(5,115,319)	(4,636,915)
Decrease in financial liabilities at fair value through profit or loss	-	(7,175,902)
Guarantee deposits	(70,429)	294,263
Dividends paid	(2,661,957)	(4,436,595)
Interest paid	(521,370)	(668,855)
Change in non-controlling interest	10,455	(43,384)
Net cash (used in) provided by financing activities	(4,658,320)	(9,921,938)
Foreign exchange rate effects	381,039	(266,552)
Net (decrease) increase in cash and cash equivalents	(2,550,262)	(4,906,822)
Cash and cash equivalents, beginning of period	21,877,453	26,784,275
Cash and cash equivalents, end of period	\$ 19,327,191	21,877,453

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965, under the approval of the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F, No. 136 Songjiang Rd., Taipei City. The Company and its subsidiaries (the Group) are primarily involved in the business of international marine transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

(2) Approval Date and Procedures of the Consolidated Financial Statements

The Board of Directors approved and issued the consolidated financial statements on March 16, 2017.

(3) New Standards and Interpretations Not Yet Adopted

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	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
Amendment 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
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

WAN HAI LINES LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release		
Dates	Standards or Interpretations	Content of amendment
May 28, 2014	IFRS 15 "Revenue from	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.
April 12, 2016	Contracts with Customers"	
		Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Issuance / Release		
Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(4) Significant Accounting Policies

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(b) Basis of preparation

1. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments measured at fair value through profits or losses are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value; and
- 3) The net defined benefit liabilities (assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(p).

2. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Business combination

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2016.12.31	2015.12.31	
The Company	Wan Hai Lines (Singapore) Pte Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing	100.00%	100.00%	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00%	55.00%	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00%	100.00%	
The Company	Wan Hai Lines (Germany) GmbH (WHL-Germany)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services	70.01%	70.01%	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL-Malaysia)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (HK) Ltd. (WHL-Hongkong)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Phils.), Inc. (WHL-Phils.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL-Korea)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai International Pte. Ltd. (WHL-INTL.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	

WAN HAI LINES LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2016.12.31	2015.12.31	
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	ODD operation	100.00%	100.00%	
WHL-Singapore	Wan Hai (Vietnam) Ltd. (WHL Vietnam)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Thailand) Ltd. (WHL-Thailand)	International freight transportation and agency services for transport affairs	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of WHL-Thailand; however, the subsidiary WHL Singapore occupies three of the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand.
WHL-Singapore	Wan Hai Lines (Ecuador) S.A.	International freight transportation and agency services for transport affairs	51.00%	- %	
WHL-INTL.	Wan Hai Lines (India) PVT Ltd. (WHL-India)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL INTL.	Bravely International Pte. Ltd.	International freight transportation and investment	100.00%	100.00%	
WHL INTL.	Infinite Marine Investment Co., Ltd.	Investment	100.00%	- %	
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Managing container, storage and logistics services	80.00%	80.00%	
WHL-Hong kong	Guangzhou Wan Hai Information Technology Ltd. (GWHIT)	Information software service	100.00%	100.00%	
WHL-Hong kong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00%	100.00%	
Dawin	Shenzhen Uniwin International Logistics Ltd. (SUIL)	Freight transportation and agency services for transport affairs	100.00%	100.00%	
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	Containers, storage and international transportation services	100.00%	100.00%	

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Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2016.12.31	2015.12.31	
Shenzhen Uniwin	Shanghai Clipper International Shipping Agency Ltd. (CISA)	International shipping agency services	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00%	90.00%	

3. List of subsidiaries which are not included in the consolidated financial statements:
None.

(d) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) Available-for-sale equity investment;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Assets and liabilities classified as current and non-current

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and saving accounts. Cash equivalents are 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. The time deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

Bank overdrafts that are repayable on demand and from an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

1. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to maturity financial assets, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in "other income" of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss under "gain or loss on disposal of investments". A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, under trade-date accounting.

Investment in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in "other income" of profit or loss.

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3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables and bond investment with inactive market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, under trade-date accounting.

Interest income is recognized into profit or loss under “non-operating income and expenses”.

4) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment 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 assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate of the asset.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2. Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance to the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

2) Financial liabilities at fair value through profit or loss

This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss under “non-operating income and expenses”.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under non-operating income and expense.

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4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss under non-operating income and expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Fuels purchased by the Group are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated by using the first-in first-out principle.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group have significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the participants are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

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A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint venturers) have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 “Investments in Associates and Joint Ventures”, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in “jointly controlled entities” to “joint venturers”. Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect on the recognized assets, liabilities, and other comprehensive income.

(k) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss under non-operating income and expenses.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

3. Depreciation

Except for land, the depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

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The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	<u>The company</u>
Buildings	30~57 years
Vessels	2~25 years
Containers	2~16 years
Privileged wharf equipment	3~15 years
Other equipment	2~30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(l) Leases

Leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(m) Intangible assets

1. Intangible assets

Trademarks and software are the major items of intangible assets that the Group holds. All intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognized in profit or loss as incurred.

3. Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	2~5 years
Trademarks	5~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any changes shall be accounted for as changes in accounting estimates.

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(n) Impairment – non-financial assets

Except for inventories, deferred tax assets and assets arising from employee benefit, the Group assesses the non-financial assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue

1. Freight Revenue

Cargo freight revenue is recognized using the percentage-of-completion of voyage method. The percentage is calculated using the percentage of completed days to the total estimated voyage days.

2. Rental Revenue

Charter hire revenue and container rental revenue from operating lease are recognized on a straight-line basis over the lease term.

3. Terminal operating revenue

Terminal and stevedoring revenue is recognized when the service is provided; dockage revenue is recognized by the reference to berthing hour.

4. Other service revenue

Other service revenue is recognized on an accrual basis during the service is rendered or upon the completion of service.

(p) Employee benefits

1. Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date of market yields of the government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3. Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

4. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rates on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to common stock shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as estimated employee bonus.

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(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the consolidated financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the future period.

There is no significant effect on the amounts recognized in the consolidated financial statements in applying the accounting policy on critical judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories at the end of the reporting period. The majority of the Group's inventory is fuel oil, which is affected by the global crude oil price, thus, will likely lead to the increase of loss on valuation of inventory. Please refer to note(6)(d) for further description of the valuation of inventories.

(b) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments by considering the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(c) Revenue recognition

The Group's cargo freight revenue is recognized using the percentage-of-completion of voyage method. The method is based on historical trend, and the high uncertainty of voyage days will lead to adjustments of the estimated value.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2016.12.31	2015.12.31
Cash on hand	\$ 49,118	56,658
Savings accounts	2,208,466	2,477,342
Time deposits	17,069,607	19,343,453
Cash and cash equivalents in statement of cash flows	<u>\$ 19,327,191</u>	<u>21,877,453</u>

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Please refer to Note 6(r) for the interests analysis of financial assets and liabilities.

(b) Financial assets

1. Details of financial assets:

	2016.12.31	2015.12.31
Available-for-sale financial assets	\$ 4,161,528	3,609,215
Financial assets measured at cost	708,967	735,967
Bond portfolios with inactive market	1,288,800	1,315,200
Total	\$ 6,159,295	5,660,382
Current	\$ 3,984,324	3,441,765
Non-current	2,174,971	2,218,617
Total	\$ 6,159,295	5,660,382

Based on results of the Group's assessment, the impairment losses of \$29,065 thousand and \$343,253 thousand was recognized on the available-for-sale financial assets for the years ended December 31, 2016 and 2015.

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2016 the impairment loss was \$27,000 thousand.

Please refer to Note 6(r) and (s) for the credit, currency and interest rate risk exposure associated with financial instruments.

As of December 31, 2016 and 2015, the Group's financial assets were not pledged as collateral.

2. Sensitivity analysis-equity price risk:

If the equity price changes, the sensitivity analysis were based on the same variables except for the price index for both periods, the impact to other comprehensive income will be as follows:

Equity price at reporting date	2016		2015	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase1%	\$ 41,615	-	36,092	-
Decrease1%	\$ (41,615)	-	(36,092)	-

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(c) Notes receivable, accounts receivable, other receivables, and receivables from agents

	2016.12.31	2015.12.31
Notes receivable	\$ 26,123	27,446
Accounts receivable	2,387,428	2,134,597
Other receivables	1,067,305	1,426,674
Receivables from agents	713,083	710,178
Less: Allowance for doubtful receivables	(358)	(364)
	<u>\$ 4,193,581</u>	<u>4,298,531</u>

The Group's aging analysis of past due but not impaired notes receivables, accounts receivables other receivables and receivable from agents:

	2016.12.31	2015.12.31
Past due 0-30 days	\$ 438,148	317,688
Past due 31-120 days	90,807	149,925
Past due 121-365 days	6,551	52,627
Past due more than 365 days	3,347	5,722
	<u>\$ 538,853</u>	<u>525,962</u>

Movements of allowance for doubtful receivables for the years ended December 31, 2016 and 2015 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2016	\$ -	364	364
Amounts written off	-	(6)	(6)
Balance as of December 31, 2016	<u>\$ -</u>	<u>358</u>	<u>358</u>
Balance as of January 1, 2015	\$ -	373	373
Amounts written off	-	(9)	(9)
Balance as of December 31, 2015	<u>\$ -</u>	<u>364</u>	<u>364</u>

(d) Inventories

	2016.12.31	2015.12.31
Marine diesel oil	\$ 119,260	107,488
Marine residual fuel oil	998,030	444,324
Fresh lubricating oil	134,314	184,989
Sub total	1,251,604	736,801
Less: Allowance for inventory valuation and obsolescence losses	(39)	(104,109)
Total	<u>\$ 1,251,565</u>	<u>632,692</u>

In 2016, the reversal of write-downs amounted to \$103,114 thousand due to the elimination of the write-down factor.

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In 2015, the write-down of inventories to net realizable value amounted to \$93,003 thousand respectively. The write-downs are included in cost of sales.

As of December 31, 2016 and 2015, the Group's inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Associates	\$ 296,078	275,984
Joint venture	100,283	70,686
	<u>\$ 396,361</u>	<u>346,670</u>

1. Associates

The financial information of individually non-significant equity method associates included in the consolidated financial statements were as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
The carrying amount of individually non-significant associates equity	<u>\$ 296,078</u>	<u>275,984</u>
	<u>2016</u>	<u>2015</u>
Comprehensive income attributable to owners of parent:		
Profit (loss) from continuing operations	\$ 62,499	56,569
Total comprehensive income	<u>\$ 62,499</u>	<u>56,569</u>

As of December 31, 2016 and 2015, the Company's investments accounted for using the equity method were not pledged as collateral.

2. Joint venture

The financial information of individually non-significant equity method joint venture included in the consolidated financial statements were as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
The carrying amount of individually non-significant joint venture equity	<u>\$ 100,283</u>	<u>70,686</u>
	<u>2016</u>	<u>2015</u>
Comprehensive income attributable to owners of parent:		
Profit (loss) from continuing operations	<u>\$ 13,032</u>	<u>(6,780)</u>

3. Guarantees

The Group's equity-accounted investees were not pledged as collateral.

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(f) Property, plant and equipment

The movements of the property, plant and equipment of the Company were as follows:

		Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:								
Balance at January 1, 2016	\$	663,096	1,726,710	73,589,436	18,543,050	1,842,388	1,502,634	97,867,314
Additions		-	43,540	525,984	1,492,030	130,274	121,324	2,313,152
Reclassification		-	-	-	-	44,542	111,178	155,720
Disposals		-	-	(1,019,843)	(1,305,144)	(41,600)	-	(2,366,587)
Effect of movements in exchange rates		(855)	(77,165)	(1,404,745)	(1)	(30,236)	(1,473)	(1,514,475)
Balance at December 31, 2016	\$	662,241	1,693,085	71,690,832	18,729,935	1,945,368	1,733,663	96,455,124
Balance at January 1, 2015	\$	661,590	1,146,526	68,820,976	19,081,314	1,921,632	1,475,160	93,107,198
Additions		-	136,581	2,482,248	1,489,694	119,381	28,029	4,255,933
Reclassification		-	420,275	-	-	5,643	-	425,918
Disposals		-	-	(168,729)	(2,027,959)	(198,608)	-	(2,395,296)
Effect of movements in exchange rates		1,506	23,328	2,454,941	1	(5,660)	(555)	2,473,561
Balance at December 31, 2015	\$	663,096	1,726,710	73,589,436	18,543,050	1,842,388	1,502,634	97,867,314
Depreciation and impairment loss:								
Balance at January 1, 2016	\$	-	347,873	37,169,317	12,292,979	1,095,988	746,573	51,652,730
Depreciation for the year		-	45,425	3,261,408	611,421	137,996	82,967	4,139,217
Disposals		-	-	(1,037,738)	(1,203,883)	(40,642)	-	(2,282,263)
Effect of movements in exchange rates		-	(9,212)	(628,573)	(1)	(19,491)	(102)	(657,379)
Balance at December 31, 2016	\$	-	384,086	38,764,414	11,700,516	1,173,851	829,438	52,852,305
Balance at January 1, 2015	\$	-	310,514	32,972,996	13,223,846	1,143,570	680,464	48,331,390
Depreciation for the year		-	35,403	3,183,710	1,011,374	154,986	66,115	4,451,588
Reclassification		-	-	-	-	(453)	-	(453)
Disposals		-	-	(168,729)	(1,942,242)	(196,790)	-	(2,307,761)
Effect of movements in exchange rates		-	1,956	1,181,340	1	(5,325)	(6)	1,177,966
Balance at December 31, 2015	\$	-	347,873	37,169,317	12,292,979	1,095,988	746,573	51,652,730
Carrying amounts:								
Balance at December 31, 2016	\$	662,241	1,308,999	32,926,418	7,029,419	771,517	904,225	43,602,819
Balance at December 31, 2015	\$	663,096	1,378,837	36,420,119	6,250,071	746,400	756,061	46,214,584
Balance at January 1, 2015	\$	661,590	836,012	35,847,980	5,857,468	778,062	794,696	44,775,808

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

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(g) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2016 and 2015 were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2016	\$ 70,746	1,913	72,659
Additions	11,140	385	11,525
Acquisition through business combinations	1,086	2,694	3,780
Disposals	(30,071)	(219)	(30,290)
Effect of movement in exchange rates	(244)	-	(244)
Balance at December 31, 2016	<u>\$ 52,657</u>	<u>4,773</u>	<u>57,430</u>
Balance at January 1, 2015	\$ 87,990	1,913	89,903
Additions	20,261	-	20,261
Acquisition through business combinations	3,716	-	3,716
Disposals	(40,898)	-	(40,898)
Effect of movement in exchange rates	(323)	-	(323)
Balance at December 31, 2015	<u>\$ 70,746</u>	<u>1,913</u>	<u>72,659</u>
Amortization and impairment loss:			
Balance at January 1, 2016	\$ 33,337	740	34,077
Amortization for the year	23,875	1,558	25,433
Disposals	(30,071)	(219)	(30,290)
Effect of movement in exchange rates	(176)	-	(176)
Balance at December 31, 2016	<u>\$ 26,965</u>	<u>2,079</u>	<u>29,044</u>
Balance at January 1, 2015	\$ 46,117	549	46,666
Amortization for the year	28,334	191	28,525
Reversal of impairment loss	(40,898)	-	(40,898)
Effect of movement in exchange rates	(216)	-	(216)
Balance at December 31, 2015	<u>\$ 33,337</u>	<u>740</u>	<u>34,077</u>
Carrying amounts:			
Balance at December 31, 2016	<u>\$ 25,692</u>	<u>2,694</u>	<u>28,386</u>
Balance at December 31, 2015	<u>\$ 37,409</u>	<u>1,173</u>	<u>38,582</u>
Balance at January 1, 2015	<u>\$ 41,873</u>	<u>1,364</u>	<u>43,237</u>

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1. Recognition of amortization and impairment

The amortization of intangible assets is included in the statement of comprehensive income:

	2016	2015
Operating costs	\$ 495	9,217
Operating expense	\$ 24,938	19,308

(h) Term loans

Details of borrowings were as follows:

2016.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	TWD	1.51%-1.67%	2016-2020	\$ 129,254
Secured bank loans	TWD	1.16%-1.67%	2020-2021	550,750
Secured bank loans	USD	1.15%-2.1%	2018-2023	16,050,659
Commercial paper	TWD	0.86%-0.98%	2019	1,600,000
				18,330,663
Less: Discount on commercial paper				(2,863)
Current portion				(3,365,208)
Total				\$ 14,962,592
Unused loan credit				\$ 7,791,889

2015.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	TWD	1.58%-1.88%	2016-2020	\$ 127,934
Secured bank loans	TWD	1.40%-2.65%	2016-2020	595,000
Secured bank loans	USD	0.92%-3.89%	2016-2023	19,547,742
				20,270,676
Less: Current portion				(5,323,910)
Total				\$ 14,946,766
Unused loan credit				\$ 7,369,179

For information on the Group's interest risk, currency risk, and liquidity risk, see note 6(r).

1. Securities for bank loan

For details of fixed assets provide as collateral please see note 8.

2. A subsidiary, Wan Hai Lines (Singapore) Pte Ltd., entered into syndicated credit agreements with financial institutions, under which, this subsidiary and the Group shall maintain certain financial ratios (i.e. equity ratio, security ratio, etc.) on balance sheet date. Otherwise, the loan will be considered due and payable immediately.

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(i) Bonds payable

2016.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2011 first domestic bond issue	TWD	1.85%	2018	\$ 4,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	2017	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	2019-2021	1,800,000
Unsecured bank-2016 first domestic bond issue	TWD	1.18%	2021	3,000,000
Total				<u>\$ 12,200,000</u>
Current				\$ 2,900,000
Non-current				<u>9,300,000</u>
Total				<u>\$ 12,200,000</u>

2015.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	2016-2018	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	2017	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	2019-2021	1,800,000
Total				<u>\$ 12,200,000</u>
Current				\$ 3,000,000
Non-current				<u>9,200,000</u>
Total				<u>\$ 12,200,000</u>

The Group issued an unsecured corporate bond in June 2011. It was the Group's first domestic bond issue in 2011 and was effective upon submission to the regulatory authority on June 9, 2011. The issuance terms were as follows:

1. Issue amount

TWD 7,500,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 3,000,000 thousand and series B amounting to TWD 4,500,000 thousand.

2. Nominal amount

Par value TWD 1,000 thousand per unit.

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3. Issuance period

The issuance dates are June 22~24, 2011; the maturity periods for series A and B are five and seven years, respectively.

4. Issued price: at par value

5. Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

6. Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bondholders apply for repayment after that date.

7. Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8. Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9. Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Group under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Group's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10. Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11. Underwriter: None

12. Announcement

The related information can be acquired from the Market Observation Post System.

The Group issued an unsecured corporate bond in July 2011. It was the Group's second domestic bond issue in 2011 and was effective upon submission to the regulatory authority on July 19, 2011. The issuance terms were as follows:

1. Issue amount

TWD 2,900,000 thousand.

2. Nominal amount

Par value TWD 1,000 thousand per unit.

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3. Issuance period

The issuance date is July 28, 2011; the maturity period is six years.

4. Issued price: at par value

5. Nominal interest rate: 1.75%.

6. Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bond holders apply for repayment after that date.

7. Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8. Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9. Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Group under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Group's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10. Agency for payment of principal and interest

Land Bank of Taiwan Co., Ltd., Changan Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11. Underwriter: None

12. Announcement

The related information can be acquired from the Market Observation Post System.

The Group issued an unsecured corporate bond in August 2014. It was the Group's first domestic bond issue in 2014 and was effective upon submission to the regulatory authority on June 17, 2014. The issuance terms were as follows:

1. Issue amount

TWD 1,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 1,000,000 thousand and series B amounting to TWD 800,000 thousand.

2. Nominal amount

Par value TWD \$1,000 thousand per unit.

3. Issuance period

The issuance dates are August 14, 2014; the maturity periods for series A and B are five and seven years, respectively.

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4. Issued price: at par value

5. Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

6. Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bondholders apply for repayment after that date.

7. Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8. Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9. Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Group under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Group's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10. Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11. Underwriter: None

12. Announcement

The related information can be acquired from the Market Observation Post System.

The Group issued an unsecured corporate bond in June 2016. It was the Group's first domestic bond issue in 2016 and was effective upon submission to the regulatory authority on June 14, 2016. The issuance terms were as follows:

1. Issue amount

TWD3,000,000 thousand.

2. Nominal amount

Par value TWD1,000 thousand per unit.

3. Issuance period

The issuance date is June 21, 2016; the maturity period is five years.

4. Issued price: at par value

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5. Nominal interest rate: 1.18%

6. Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bond holders apply for repayment after that date.

7. Redemption on the maturity date

The ordinary bonds will be redeemed at par on the maturity date.

8. Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).

9. Trustee

The trustee is Hua Nan Commercial Bank Ltd., which represents the bondholders' interest and executes the responsibility of monitoring the duties of the Group under the contractual agreement. Holders of the bonds agree with the rights and responsibilities represented by the trustee, regardless of the date of acquiring the Group's bonds. Bondholders can review the content of the representation agreement during the office hours of the trustee.

10. Agency for payment of principal and interest

Hua Nan Commercial Bank Ltd., Cheng Tung Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11. Underwriter: MasterLink Securities Corporation.

12. Announcement

The related information can be acquired from the Market Observation Post System.

(j) Operating leases

Lease payables from non-cancellable operating lease agreement were as follows:

	2016.12.31	2015.12.31
Less than one year	\$ 1,261,583	2,481,341
Between one and five years	1,417,985	1,536,863
More than five years	2,409,073	2,754,936
	<u>\$ 5,088,641</u>	<u>6,773,140</u>

(k) Employee benefits

1. Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2016.12.31	2015.12.31
Present value of defined benefit obligation	\$ 1,322,241	1,300,423
Fair value of plan assets	(513,193)	(512,003)
Recognized liabilities for defined benefit obligations	<u>\$ 809,048</u>	<u>788,420</u>

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The Group makes defines benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefit based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The Group's pension reserve account balance amounted to \$513,193 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2016	2015
Defined benefit obligation at January 1	\$ 1,300,423	1,354,263
Current service costs and interest cost	70,224	73,444
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	115,392	23,529
Benefit paid	(163,798)	(150,813)
Defined benefit obligation at December 31	<u>\$ 1,322,241</u>	<u>1,300,423</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2016	2015
Fair value of plan assets at January 1	\$ 512,003	357,332
Actuarial gains (losses)	8,580	6,611
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	(4,859)	2,532
Contribution paid by employer	93,286	169,417
Benefit paid	(95,817)	(23,889)
Fair value of plan assets at December 31	<u>\$ 513,193</u>	<u>512,003</u>

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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company was as follows:

	2016	2015
Current service costs	\$ 50,331	50,830
Net interest of net liabilities (assets) for defined benefit obligation	11,313	16,003
	\$ 61,644	66,833
Operating costs	\$ 49,145	50,455
Selling expenses	12,499	16,378
	\$ 61,644	66,833

5) Actuarial gains and losses recognized in other comprehensive income

The Group's actuarial gains and losses recognized in other comprehensive income as at December 31, 2016 and 2015 were as follows:

	2016	2015
Accumulated amount at January 1	\$ 197,981	218,978
Recognized during the period	(120,251)	(20,997)
Accumulated amount at December 31	\$ 77,730	197,981

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2016	2015
Discount rate	1.32%	1.58%
Future salary increase rate	3.00%	3.00%

The Group will pay to the defined benefit plans which amounted to \$62,345 thousand within 1 year after the report day of 2016.

The weighted-average lifetime of the defined plans is 6~15 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.50%	Decreased 0.50%
December 31, 2016		
Discount rate	\$ (68,983)	74,769
Future salary increasing rate	66,642	(62,358)
December 31, 2015		
Discount rate	(69,273)	75,113
Future salary increasing rate	67,273	(62,918)

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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

2. Defined contribution plans

The Group set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2016 and 2015, the Group set aside \$94,727 thousand and \$96,119 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

(l) Income taxes

1. Income tax expense (benefit)

The amount of income tax was as follows:

	<u>2016</u>	<u>2015</u>
Current income tax expense:		
Current period	\$ 474,762	1,096,901
Adjustment for prior periods	(38,984)	490,977
	<u>435,778</u>	<u>1,587,878</u>
Deferred tax expense:		
Origination and reversal of temporary differences	(85,579)	143,046
	<u>(85,579)</u>	<u>143,046</u>
Income tax expense from continuing operations	<u><u>\$ 350,199</u></u>	<u><u>1,730,924</u></u>

No income tax recognized directly in equity for 2016 and 2015.

The amount of income tax recognized in other comprehensive income for 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	<u><u>\$ -</u></u>	<u><u>(7,242)</u></u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u><u>\$ (2,161)</u></u>	<u><u>390</u></u>

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The reconciliation of income tax and profit before tax was as follows:

	2016	2015
Profit excluding income tax	<u>\$ 1,499,506</u>	<u>5,661,569</u>
Income tax using the Company's domestic tax rate	\$ 254,916	962,467
Effect of tax rates in foreign jurisdiction	(219,779)	157,015
Non-deductible expense	618,429	651,936
Tax-exempt income	(345,281)	(701,912)
Tax incentive	(2,500)	(6,588)
Recognition of previously unrecognized tax losses	(10,246)	(3,818)
Current-year losses for which unrecognized deferred tax asset was recognized	3,378	8,340
Change in unrecognized temporary difference	362	18,689
Under (Over) provision in prior periods	(42,842)	503,735
Others	99	524
10% surtax on unappropriated earnings	93,663	140,536
Total	<u>\$ 350,199</u>	<u>1,730,924</u>

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2016.12.31	2015.12.31
Deductible Temporary Differences	\$ 715	(259)
Tax losses	153	-
	<u>\$ 868</u>	<u>(259)</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2016	\$ 892,853	160,427	486	1,053,766
Debit (Credited) Income statement	(228,785)	101,793	13,267	(113,725)
Foreign currency translation difference for foreign operations	-	(166)	(31)	(197)
Balance at December 31, 2016	<u>\$ 664,068</u>	<u>262,054</u>	<u>13,722</u>	<u>939,844</u>
Balance at January 1, 2015	\$ 793,073	75,881	95,172	964,126
Debit (Credited) Income statement	99,780	84,477	(94,698)	89,559
Foreign currency translation difference	-	69	12	81
Balance at December 31, 2015	<u>\$ 892,853</u>	<u>160,427</u>	<u>486</u>	<u>1,053,766</u>

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	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2016	\$ 105,863	-	48,843	154,706
(Debit) Credited Income statement	(16,378)	-	(11,768)	(28,146)
(Debit) Credited Other Comprehensive Income	-	-	2,161	2,161
Foreign currency translation difference for foreign operations	70	-	(392)	(322)
Balance at December 31, 2016	<u>\$ 89,555</u>	<u>-</u>	<u>38,844</u>	<u>128,399</u>
Balance at January 1, 2015	\$ 153,891	561	47,012	201,464
(Debit) Credited Income statement	(55,077)	(555)	2,145	(53,487)
(Debit) Credited Other Comprehensive Income	7,242	-	(390)	6,852
Foreign currency translation difference for foreign operations	(193)	(6)	76	(123)
Balance at December 31, 2015	<u>\$ 105,863</u>	<u>-</u>	<u>48,843</u>	<u>154,706</u>

3. The Company's tax returns for the years through 2014, except for 2013, were examined and approved by the tax authority.

4. Information related to the ICA is summarized as follows:

	2016.12.31	2015.12.31
Unappropriated earnings of 1998 and after	<u>\$ 2,635,957</u>	<u>4,607,055</u>
Balance of imputation credit account (ICA)	<u>\$ 1,134,120</u>	<u>1,057,027</u>
	2016 (estimated)	2015 (actual)
Creditable ratio for earnings distribution to ROC residents	<u>28.68%</u>	<u>22.42%</u>

The above-mentioned information of the ICA information has been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

(m) Capital and other equity

As of December 31, 2016 and 2015, the Company's authorized capital consisted of 2,500,000 thousand shares, amounting to \$25,000,000 thousand, with par value of \$10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

1. Capital surplus

The balance of capital surplus was as follows:

	2016.12.31	2015.12.31
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 1,261,681</u>	<u>1,261,681</u>

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In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be classified under share capital shall not exceed 10 percent of the actual share capital amount.

2. Retained earnings

The industry of the Group is highly changeable and is capital intensive. The Group is in the stable growing stage. Therefore, in consideration of the future capital needs of long-term financial plans, and to meet the cash flow needs of the shareholders, the Group's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve, and special reserves are to be provided according to the regulations. If there is a requirement for the expansion of transportation equipment and an improvement of the financial structure, the Group may set aside a special reserve.

If there are surpluses, plus, the undistributed cumulative earnings from the previous year, the board of directors shall appropriate 30% or more after taking into account factors such as the Group's capital needs, capital budget, interests of shareholders, and the Group's long-term financial planning. The board of directors proposed the distribution of earnings and submitted them to the shareholders' meeting for approval.

The distribution ration of stock dividends or cash dividends must be done in accordance with the current year's actual profit, capital position, and capital expansion program. The proportion of cash dividends may not be lower than 10% of the total dividends.

1) Legal reserve

According to the amendment of the ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When the Group incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The earnings distribution for 2015 and 2014 was decided by the general meeting of shareholders held on June 29, 2016 and June 12, 2015, respectively.

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The relevant dividend distribution to shareholders was as follows:

	2015		2014	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 1.20	<u>2,661,957</u>	2.00	<u>4,436,595</u>

3. Other equity (net of tax)

	Foreign currency translation differences for foreign operations	Available for-sale investments	Total
Balance at January 1, 2016	\$ 792,182	(222,810)	569,372
Foreign currency translation differences	(219,582)	-	(219,582)
Unrealized gains and losses from available-for-sale investment	-	234,930	234,930
Balance at December 31, 2016	<u>\$ 572,600</u>	<u>12,120</u>	<u>584,720</u>
Balance at January 1, 2015	\$ 237,138	(300,859)	(63,721)
Foreign currency translation differences	555,044	-	555,044
Unrealized gains or losses from available-for-sale investment	-	78,049	78,049
Balance at December 31, 2015	<u>\$ 792,182</u>	<u>(222,810)</u>	<u>569,372</u>

4. Non-controlling interests

	For the years ended December 31,	
	2016	2015
Balance of beginning	\$ 181,792	240,502
Portion attributable to non-controlling interests		
Profit	7,627	(12,264)
Exchange differences on translation of foreign financial statement	(2,340)	(3,062)
Cash dividends from subsidiaries paid to non-controlling interests	(2,400)	(56,536)
Increase in non-controlling interests	12,855	13,152
Balance of ending	<u>\$ 197,534</u>	<u>181,792</u>

(n) Earnings per share

	2016	2015
Basic earnings per share		
Profit attributable to common shareholders	<u>\$ 1,141,680</u>	<u>3,942,909</u>
Weighted-average number of common shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.51</u>	<u>1.78</u>

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	<u>2016</u>	<u>2015</u>
Diluted earnings per share		
Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares)	<u>\$ 1,141,680</u>	<u>3,942,909</u>
Weighted-average number of common shares	2,218,297	2,218,297
Effects of all dilutive potential common shares	<u>1,540</u>	<u>3,924</u>
Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)	<u>2,219,837</u>	<u>2,222,221</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.51</u>	<u>1.77</u>

(o) Revenue

The details of revenue were as follows:

	Continuing Operations	
	<u>2016</u>	<u>2015</u>
Freight	\$ 54,751,707	61,206,941
Rentals	1,219,574	1,507,700
WHL terminal	691,310	672,926
Others	<u>688,902</u>	<u>471,575</u>
	<u>\$ 57,351,493</u>	<u>63,859,142</u>

(p) Rewards of employees, directors and supervisors

In accordance with the Articles of incorporation the Group should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Group has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2016 and 2015, the Group estimated its employee remuneration amounting to \$14,871 thousand and \$57,307 thousand, and directors' and supervisors' remuneration amounting to \$14,871 thousand and \$57,307 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Group's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2016 and 2015.

(q) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	<u>2016</u>	<u>2015</u>
Interest income		
Bank deposits	\$ 206,360	292,726
Dividend revenue	<u>170,284</u>	<u>135,779</u>
	<u>\$ 376,644</u>	<u>428,505</u>

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2. Other gains and losses

The details of other gains and losses were as follows:

	<u>2016</u>	<u>2015</u>
Net foreign currency exchange gain or loss	\$ (568,559)	782,327
Gain or loss on disposal of investments and financial liabilities		
Net gain or loss on disposal of available-for-sale financial assets	9,683	2,299
Gain (loss) on financial assets (liabilities) at fair value through profit or loss	-	81,590
Impairment on financial assets		
Loss on impairment of available-for-sale financial assets	(29,065)	(343,252)
Loss on impairment of financial assets measured at cost	(27,000)	-
Gain on disposal of property, plant and equipment	268,490	897,118
Other	40,218	424,850
	<u><u>\$ (306,233)</u></u>	<u><u>1,844,932</u></u>

3. Finance costs

The details of finance costs were as follows:

	<u>2016</u>	<u>2015</u>
Interest expense:		
Bank loans	<u><u>\$ 520,239</u></u>	<u><u>680,180</u></u>

(r) Financial instruments

1. Financial instruments

Financial assets:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Available-for-sale financial assets (Include financial assets measured at cost)	\$ 4,870,495	4,345,182
Loans and receivables:		
Cash and cash equivalents	19,327,191	21,877,453
Bond portfolios with inactive market	1,288,800	1,315,200
Notes receivable, accounts receivable and other receivable	3,480,498	3,588,353
Receivables from agents	713,083	710,178
Refundable deposits (recorded in other non-current assets)	402,224	211,060
sub-total	<u>25,211,796</u>	<u>27,702,244</u>
Total	<u><u>\$ 30,082,291</u></u>	<u><u>32,047,426</u></u>

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Financial liabilities:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Financial liabilities measured at cost:		
Short-term borrowings	\$ 63,000	50,000
Accounts payable	6,402,803	6,272,442
Other payable	1,466,093	1,245,870
Payables to agents	21,048	15,498
Other current liabilities	1,287,087	1,361,585
Bonds payable (Include current-portion of long-term loans)	12,200,000	12,200,000
Long-term loans (Include current-portion of long-term loans)	18,264,800	20,220,676
Guarantee deposits received	476,706	547,135
Total	<u>\$ 40,181,537</u>	<u>41,913,206</u>

2. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group.

2) Disclosures of the concentration of credit risk

Since the Group has considerable customers worldwide and does not concentrate its transactions significantly with any single customer or in similar areas, The Group has no concentration of credit risk. The Group mitigates the credit risks by continuously monitoring customers' credit risk and credit ratings, however, the Group's policy usually doesn't require the customers to provide collateral.

3. Liquidity risks

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 month</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2016							
Non-derivative financial liabilities							
Short-term borrowings	\$ 63,000	63,047	63,047	-	-	-	-
Secured bank loans	16,601,409	17,396,020	1,657,213	1,901,563	4,177,653	8,172,581	1,487,010
Unsecured bank loans	66,254	68,467	10,018	9,939	19,641	28,869	-
Commercial paper	1,597,137	1,637,332	4,336	7,238	14,437	1,611,321	-
Account payables (Include related parties)	6,402,803	6,402,803	6,402,803	-	-	-	-
Other payables	1,466,093	1,466,093	1,466,093	-	-	-	-
Payables to agents	21,048	21,048	21,048	-	-	-	-
Other current liabilities	1,287,087	1,287,087	1,287,087	-	-	-	-
Bonds payable	12,200,000	12,721,750	118,650	2,982,850	4,650,750	4,969,500	-
Guarantee deposits received	476,706	476,706	476,706	-	-	-	-
	<u>\$ 40,181,537</u>	<u>41,540,353</u>	<u>11,507,001</u>	<u>4,901,590</u>	<u>8,862,481</u>	<u>14,782,271</u>	<u>1,487,010</u>

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	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2015							
Non-derivative financial liabilities							
Short-term borrowings	\$ 50,000	50,198	50,198	-	-	-	-
Secured bank loans	20,142,742	20,880,249	2,716,924	2,787,844	3,592,272	8,968,629	1,753,345
Unsecured bank loans	77,934	78,064	9,480	18,961	37,921	11,702	-
Account payables (Include related parties)	6,272,442	6,272,442	6,272,442	-	-	-	-
Other payables	1,245,870	1,245,870	1,245,870	-	-	-	-
Payables to agents	15,498	15,498	15,498	-	-	-	-
Other current liabilities	1,361,585	1,361,585	1,361,585	-	-	-	-
Bonds payable	12,200,000	12,760,350	3,132,750	82,850	3,066,100	5,663,050	815,600
Guarantee deposits received	547,135	547,135	547,135	-	-	-	-
	\$ 41,913,206	43,211,391	15,351,882	2,889,655	6,696,293	14,643,381	2,568,945

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

4. Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risks was as follows:

2016.12.31				2015.12.31		
Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 472,395	32.22	15,220,576	438,093	32.88	14,404,490
JPY	2,434,772	0.28	670,041	2,390,822	0.27	653,126
CNY	478,800	4.64	2,219,735	1,200,244	5.06	6,078,870
HKD	203,246	4.15	844,401	128,238	4.24	544,031
Financial liabilities						
Monetary items						
USD	249,389	32.22	8,035,310	235,173	32.88	7,732,490
JPY	2,900,635	0.28	798,244	2,975,741	0.27	812,914
CNY	228,132	4.64	1,057,627	133,924	5.06	678,283
HKD	121,830	4.15	506,154	75,482	4.24	320,224
MYR	31,639	7.18	227,166	36,216	7.65	277,184

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD, HKD and JPY as at December 31, 2016 and 2015, would have increased or decreased net income by \$93,929 thousand and \$129,700 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2016 and 2015.

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3) Foreign currency Gain or Loss on Monetary Items

Due to the variety of functional currency, the Group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gain or loss (include realized and unrealized) were \$(568,559) thousand and \$782,327 thousand in 2016 and 2015, respectively.

5. Interest analysis

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The Group's sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 1 basis point has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases by 1%, the Group's profit will decrease or increase by \$183,307 thousand and \$199,326 thousand for the years ended 2016 and 2015, respectively. This is mainly due to the changes in the Group's variable rate instruments. This analysis assumes that all other variables remain constant.

6. Fair value

1) The Categories and Fair Values of Financial Instruments

The carrying amount and the fair value of the Group's financial assets and financial liabilities, including fair value hierarchy information; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required, except for the following:

December 31, 2016					
Available-for-sale financial assets	Fair value				
	Book value	Level 1	Level 2	Level 3	Total
Domestic and foreign listed shares	\$ 4,161,528	4,161,528	-	-	4,161,528

December 31, 2015					
Available-for-sale financial assets	Fair value				
	Book value	Level 1	Level 2	Level 3	Total
Domestic and foreign listed shares	\$ 3,609,215	3,609,215	-	-	3,609,215

2) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

If quoted prices in active markets are available, the prices are established as fair values. Market prices published by major stock exchange and OTC market, where high volume of central government bonds are traded, are the foundation of fair value of debt instruments with quoted market price in an active market and listed equity instruments.

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If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high-spreads is an indication of non-active market.

If the Groups' financial instruments have an active market, fair values are determined as follows:

Financial assets and financial liabilities composed of listed redeemable bonds, listed stocks, financial bills and bonds are traded with quoted market price in an active market and have standard provisions and conditions.

For the years ended December 31, 2016 and 2015, there is no transferring of fair value hierarchy.

(s) Financial risk management

1. Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to The Board of Directors.

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3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. Since the Group has considerable customers worldwide and does not concentrate transactions significantly with any single customer or in similar areas, The Group has no concentration of credit risk. The Group mitigates the credit risks by monitoring customers' credit risk and credit ratings continuously, however, the Group's policy usually doesn't require the customers to provide collateral.

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Group's review includes external ratings, when available, and in some cases bank references.

Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on an advance received basis.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial department. The Group only deals with financial institutions, corporations and organizations with a credit rating of investment grade or higher; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

3) Guarantees

The Group's policy is to provide guarantee only to subsidiaries. The detailed information is stated in note 13.

4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused credit line for \$7,791,889 thousand.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

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5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (TWD) and US Dollars (USD). The currencies used in these transactions are denominated in TWD, USD and EUR.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's policy is to mitigate exposure to changes in interest rates on borrowings. There are 39.96% borrowings on fix-rate basis.

3) Other market price risk

The management of the Group monitors the combination of debts and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved and managed by the Board of Directors.

(t) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-equity ratio is as follow:

	2016.12.31	2015.12.31
Total liabilities	\$ 42,014,588	44,306,263
Cash and cash equivalents	(19,327,191)	(21,877,453)
Net debt	\$ 22,687,397	22,428,810
Total equity	\$ 34,305,484	35,914,922
Adjusted capital	\$ 34,305,484	35,914,922
Debt-to-adjusted-debt ratio	66.13%	62.45%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(7) Related-Party Transactions

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

1. Sales to related parties:

	2016	2015
Other related parties	<u>\$ 917,747</u>	<u>828,936</u>

The transaction terms with related parties were not significantly different from those of sales to third parties. The average collection period for notes and accounts receivable pertaining to such sales transactions ranged from one to three months, while the average collection period for routine sales transactions was within one month.

2. Consideration for services related to the entity:

	2016	2015
Associates	\$ 110,012	36,054
Other related parties	<u>3,016,547</u>	<u>2,973,321</u>
	<u>\$ 3,126,559</u>	<u>3,009,375</u>

The transaction terms with related parties were not significantly different from those of the third parties. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

3. Receivables from related parties

Receivables of the Group from related parties were as follows :

Item	Related party categories	2016.12.31	2015.12.31
Accounts Receivable	Other related party	\$ 45,138	49,269
Other Receivables	Other related party	6,906	11,675
Receivable from agents	Associate	-	13,502
Receivable from agents	Other related party	509,524	469,886
Other current assets	Other related party	<u>12,662</u>	<u>42,289</u>
		<u>\$ 574,230</u>	<u>586,621</u>

4. Payables from related parties

Payable of the Group related parties were as follows :

Item	Related party categories	2016.12.31	2015.12.31
Accounts payable	Other related party	\$ 390,608	422,907
Other payables	Other related party	9,808	8,218
Payables to agents	Associate	<u>10,142</u>	<u>-</u>
		<u>\$ 410,558</u>	<u>431,125</u>

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	2016	2015
Shorts-term employee benefits	\$ 72,219	49,649
Post-employment benefits	273	307
	\$ 72,492	49,956

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2016.12.31	2015.12.31
Time deposits (recorded in other current assets)	Registration of container storage and truck lease contract	\$ 5,715	5,719
Time deposits (recorded in other non-current assets)	Deposits of harbor bureau lease contract for wharf	79,951	70,691
Refundable deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf, building lease contract and lawsuit	322,273	140,369
Privileged wharf equipment	Long-term loans	513,400	582,021
Containers	Long-term loans	4,920,404	3,872,476
Vessels	Long-term loans	18,519,837	23,002,213
Buildings	Long-term loans	15,731	16,423
		\$ 24,377,311	27,689,912

(9) Significant Contingencies and Commitments

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Group entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2016, the lease deposit amounted to ¥ 255,775,000 (TWD 70,388 thousand) and was recorded in refundable deposits.

The Group co-operated with the Kaohsiung Harbor Bureau to renovate containers and wharf facilities in December 2007 and rented the No. 63 and 64 wharf repair centers and straddle carrier. From the date of beginning renovation to the date the Harbor Bureau examined the construction, the rental period lasted 13 years and 7 months, and the total contract amount was \$68,609 thousand, which was reclassified as leased assets on December 31, 2010, to replace previous prepayment for equipment.

(b) As of December 31, 2016, the total amount claimed to the Group was approximately \$39,859 thousand, and the related cases are under negotiation or under trial.

(10) Significant Catastrophic Losses: None.

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(11) Significant Subsequent Events

As of January 3, 2017, the cargo vessel of the Group collided with a container ship registered in the U.S.A near the sea area of Singapore and Malaysia.

The Group is assessing the subsequent effect, and the related loss and expense have been covered by insurance. As a result, the Group do not expect the outcome of the event to have a material effect on its operating and financial position.

(12) Others

- (a) Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

By item	By function	For the years ended December 31, 2016			For the years ended December 31, 2015		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		1,981,822	1,940,835	3,922,657	1,881,265	2,018,530	3,899,795
Labor and health insurance		24,424	195,854	220,278	22,609	194,893	217,502
Pension		63,230	93,141	156,371	62,977	99,975	162,952
Others employee benefits		-	265	265	-	454	454
Depreciation		4,033,154	106,063	4,139,217	4,333,962	117,626	4,451,588
Amortization		495	24,938	25,433	9,217	19,308	28,525

(13) Additional Disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2016:

1. Fund financing to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance (Note 6)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	WHL Singapore	Other receivables related parties	Yes	12,490,000	12,490,000	-	-	1	-	Note 2	-	Promissory note	12,490,000	13,643,180	13,643,180
0	The Company	WHL Hongkong	Other receivables related parties	Yes	481,200	-	-	-	1	-	Note 2	-	-	-	13,643,180	13,643,180
1	WHL INTL.	WH India	Other receivables related parties	Yes	153,045	153,045	153,045	5.0000	1	-	Note 3	-	Promissory note	153,045	13,643,180	13,643,180
2	WHL Singapore	Yi Chun	Other receivables related parties	Yes	64,440	64,440	43,165	2.35475	1	-	Note 4	-	Promissory note	64,440	13,643,180	13,643,180

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Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance (Note 6)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
2	WHL Singapore	Bravely International Pte. Ltd.	Other receivables related parties	Yes	48,330	48,330	-	-	1	-	Note 4	-	Promissory note	48,330	13,643,180	13,643,180

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of equipment.

Note 4: Operating usage.

Note 5: Financing amount shall not exceed 40 percent of the Company's net worth and the following:

1. Maximum amount of financing for single borrower who has business with the Company cannot exceed the total transaction amount of the current year.
2. Maximum amount of financing for short-term borrower cannot exceed the lower of 20 percent of the Company's net worth or 40 percent of borrower's net worth.
3. The restriction in item (1) and (2) above shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, and between the Company and subsidiaries.

Note 6: Eliminated in the consolidated financial statement.

2. Guarantees and endorsements for other parties:

Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period (Note 4)	Property pledged on guarantees and endorsements (Amount) (Note 3)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note2)	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	WHL Singapore	1	68,215,900	11,893,645	10,490,057	3,775,433	-	30.76%	68,215,900	Y		
0	The Company	TK	1	68,215,900	165,239	91,852	72,602	-	0.27%	68,215,900	Y		
1	WHL Singapore	Bravely International Pte. Ltd.	1	68,215,900	118,293	-	-	-	%	68,215,900			

Note 1: Relationship:

1. A subsidiary in which the Company directly holds more than 50 percent of its voting shares.
2. Parent company.

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement", the maximum endorsement / guarantee amount cannot exceed 200% of the Company's net worth, while the maximum endorsement / guarantee amount for a single company cannot exceed 40% of the Company's net worth. This limit does not apply to subsidiaries. The total maximum endorsement / guarantee cannot exceed 250% of the Company's net worth, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth.

Note 3: The Company provided a guarantee for TK's bank loan of \$157,000 thousand and had received a promissory note for that amount.

Note 4: Eliminated in the consolidated financial statements.

3. Information regarding securities held at balance sheet date:

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding Percentage	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Domestic listed stocks: Greatwall ENT	-	Available-for-sale financial assets — current	12,023,752	349,891	- %	349,891	- %	
"	Formosa Plastics Corporation	-	"	606,288	54,081	- %	54,081	- %	
"	Formosa Chemicals & Fiber Corporation	-	"	245,480	23,640	- %	23,640	- %	
"	Tainan Spinning Co., Ltd	-	"	1,726,898	21,068	- %	21,068	- %	
"	China Steel Corporation	-	"	2,291,162	56,477	- %	56,477	- %	
"	Hon Hai Precision Ind.Co., Ltd.	-	"	646,800	54,461	- %	54,461	- %	

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Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding Percentage	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets—current	18,581,000	1,885,971	- %	1,885,971	- %	
"	Transcend Information, Inc.	-	"	89,111	7,592	- %	7,592	- %	
"	Amtran Technology Co., Ltd.	-	"	984,058	21,797	- %	21,797	- %	
"	Yang Ming Marine Transport Corp.	-	"	2,049,110	9,877	- %	9,877	- %	
"	China Airlines Ltd.	-	"	23,753,862	220,911	- %	220,911	- %	
"	Chinese Maritime Transport Ltd.	-	"	435,050	11,485	- %	11,485	- %	
"	Mega Financial Holding Co., Ltd.	-	"	9,356,646	215,203	- %	215,203	- %	
"	Taishin Financial Holding Co., Ltd.	-	"	16,848,934	198,817	- %	198,817	- %	
"	First Financial Holding Co., Ltd.	-	"	15,693,241	269,924	- %	269,924	- %	
"	Kinsus Interconnect Technology Corp.	-	"	334,627	23,825	- %	23,825	- %	
"	Shih Wei Navigation Co., Ltd.	-	"	1,029,345	9,089	- %	9,089	- %	
"	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	27,476,073	386,039	- %	386,039	- %	
"	Taiwan Secom Co., Ltd.	-	"	1,853,000	164,176	- %	164,176	- %	
Domestic listed stocks:									
"	Shin Lin Paper Co., Ltd.	Related party in substance	Available-for-sale financial assets—non-current	5,419,088	177,204	2.08%	177,204	2.08%	
Unlisted stocks:									
"	Taipei Port Container Terminal Corp.	Related party in substance	Financial assets measured at cost—non-current	79,315,476	701,154	15.25%	-	15.25%	Note 1
"	United Stevedoring Corporation	-	"	781,250	7,813	15.63%	-	15.63%	Note 1
Bonds:									
"	Royal Bank of Scotland PLC	-	Bond portfolios with inactive market—non-current	-	1,288,800	- %	-	- %	Note 2

Note 1: Invested in unlisted companies, and no quoted prices in active markets were available.

Note 2: The medium-term and long-term bond investment, the interest rate is calculated from the contract. No quoted prices in active markets were available, and thus the investments were classified as bond portfolios with inactive market.

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital : None.
6. Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

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7. Buying/selling products for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	APCT	Related party in substance	Container fee	332,640	0.73%	30 days	-	-	(10,868)	0.17%	
"	IAL Singapore	Related party in substance	Container rental revenue, commission revenue, charter revenue	(539,594)	1.08%	"	-	-	32,040	1.04%	
"	NSTC	Related party in substance	Tow charge	218,019	0.48%	"	-	-	(18,620)	0.29%	
"	Taipei Port	Related party in substance	Container fee, terminal handling charges	899,625	1.98%	"	-	-	-	- %	
"	K.K. WH Corporation	Subsidiary	Terminal port charges, rent expense	5,569,559	12.28%	"	-	-	(60,349)	0.93%	Note 2
"	WHL Singapore	Subsidiary	Rent income, commission revenue	(1,731,432)	3.46%	"	-	-	-	- %	Note 2
"	WHL Singapore	Subsidiary	Bunker charge	110,172	0.24%	"	-	-	-	- %	Note 2
"	WHL Hongkong	Indirect subsidiary	Commission fee	585,222	1.29%	"	-	-	(1,019,760)	15.69%	Note 2
"	WHL Japan	Related party in substance	Commission fee	185,325	0.41%	"	-	-	-	- %	
"	NSaTC	Related party in substance	Container fee, tow charge	141,128	0.31%	"	-	-	(12,551)	0.19%	
"	WCIC	Related party in substance	Personnel and business contract costs	171,482	0.38%	"	-	-	(14,356)	0.22%	
"	TK	Subsidiary	Container fee, service charge, terminal handling charge	105,115	0.23%	"	-	-	(9,251)	0.14%	Note 2
"	Hyaline Shipping (HK) Co., Ltd.	Related party in substance	Commission fee	595,033	1.31%	"	-	-	-	- %	
"	WHL Malaysia	Indirect subsidiary	Commission fee	117,770	0.26%	"	-	-	-	- %	Note 2

Note 1: Including notes receivable / payable, accounts payable—related parties and receivable / payable from / to agents.

Note 2: Eliminated in the consolidated financial statements.

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8. Accounts receivable from related parties for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	WHL Hong Kong-CIAS	Indirect subsidiary	465,835	- %	-		-	-
"	WHL Japan	Related party in substance	509,524	- %	-		-	-
"	WHL India	Indirect subsidiary	331,716	- %	-		-	-

Note: Eliminated in the consolidated financial statements.

9. Derivative transactions: None.

10. Business relationships and significant inter-company transactions:

Number	Name of the company	Name of the counter-party	Existing relationship with the counter-party	Transaction details during 2016			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	The Company	Wan Hai Lines (Singapore) Pte Ltd	1	Rent revenue, commission revenue	1,731,432	No significant differences	3.01%
0	The Company	k.k. WH Corporation	1	Rent expense on vessels	5,520,477	Rent vessels from Singapore through kk	- %
0	"	WHL Hongkong	1	Receivables from agents — Payables from agents	1,019,760	No significant differences	1.34%
0	"	"	1	Commission fee	585,222	"	1.02%
1	k.k. WH Corporation	Wan Hai Lines (Singapore) Pte Ltd.	3	Rent expense on vessels	4,533,000	"	7.89%

Note 1: numbers denote the following:

1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note 3: The disclosed amounts are above 1% of total assets for balance sheet accounts or 1% of total operating revenue for income statement accounts of the Group.

(b) Information on investees

For the years ended December 31, 2016, the following is the information on investees (excluding investees in Mainland china):

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	Wan Hai Lines (Singapore) Pte Ltd.	Singapore	Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services	21,546,395	11,950,235	959,957,200	100.00%	26,304,633	100.00%	(1,360,399)	(1,267,599)	Subsidiary (Note 2 - 3)
	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	132,000	132,000	90,000	100.00%	121,255	100.00%	13,224	13,224	Subsidiary (Note 3)
	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00%	16,248	100.00%	3,294	3,294	Subsidiary (Note 3)
	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00%	2,333	100.00%	(701)	(701)	Subsidiary (Note 1 - 3)
	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33%	278,307	21.33%	219,033	46,720	Associate (Note 1)

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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	T.K. Logistics International Co., Ltd.	Taiwan	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00%	141,228	55.00%	105	58	Subsidiary (Note 3)
	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01%	38,598	70.01%	6,212	4,349	Subsidiary (Note 3)
WHL Singapore	Wan Hai Lines (Phils.), Inc.	Philippine	Transportation and shipping agency services	5,991	5,991	901,540	100.00%	7,199	100.00%	2,921	2,921	Indirect subsidiary (Note 3)
	Wan Hai Lines (H.K.) Limited	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00%	3,527,540	100.00%	119,714	119,714	Indirect subsidiary (Note 3)
	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00%	83,316	100.00%	(2,239)	(2,239)	Indirect subsidiary (Note 3)
	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00%	(4,215)	100.00%	(2,443)	(2,443)	Indirect subsidiary (Note 3)
	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00%	2,186	100.00%	(2,048)	(2,048)	Indirect subsidiary (Note 3)
	Wan Hai International Pte Ltd.	Singapore	Transportation and shipping agency services	179,439	1,062	7,515,860	100.00%	689,915	100.00%	53,299	53,299	Indirect subsidiary (Note 3)
	Wan Hai Lines (Thailand) Limited	Thailand	Transportation and shipping agency services	2,805	2,805	29,400	49.00%	46,169	49.00%	2,492	1,221	Indirect subsidiary (Note 3)
	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00%	2,263	100.00%	(5,383)	(5,383)	Indirect subsidiary (Note 1 - 3)
	Wan Hai Lines Peru S.A.C	Peru	Transportation and shipping agency services	1,007	576	104,040	51.00%	7,773	51.00%	13,125	6,694	Joint venture of indirect subsidiary
	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	3,176	-	100,000	51.00%	1,643	51.00%	-	-	Indirect subsidiary (Note 3)
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00%	17,771	49.00%	32,365	15,859	Associate of subsidiary
	Infinite Marine Investment Co., Ltd.	Cayman	Investment	173,463	-	5,500,000	100.00%	178,497	100.00%	(324)	(324)	Indirect subsidiary (Note 3)
	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00%	20,328	100.00%	669	669	Indirect subsidiary (Note 3)
	Bravely International Pte. Ltd.	Singapore	Transportation and investment	90,998	90,998	3,828,301	100.00%	100,301	100.00%	16,608	16,608	Indirect subsidiary (Note 3)
WHL Hongkong	Dawin Logistics (International) Ltd.	Hong Kong	Transportation, storage services	570,480	570,480	144,640,000	100.00%	897,734	100.00%	31,796	31,796	Indirect subsidiary (Note 3)
Bravely International Pte Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Myanmar	Managing container, storage and logistics services	96,894	52,304	3,000,000	80.00%	75,776	80.00%	(10,394)	(8,316)	Indirect subsidiary (Note 3)

Note 1: Limited companies with no common shares issued.

Note 2: The difference is due to the unrealized gain /loss.

Note 3: Eliminated in the consolidated financial statements.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Peak Holding Percentage	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount							
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	1,894	100.00%	100.00%	1,894	20,325	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	1,622	100.00%	100.00%	1,622	814,318	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	12,127	49.00%	49.00%	5,942	(5,491)	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	4,941	100.00%	100.00%	4,941	61,744	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	3,396	90.00%	90.00%	3,057	23,306	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	151,357	(1)	-	-	-	-	(8,117)	50.00%	50.00%	(4,059)	59,223	-
Qingdao port & Win International Logistics Co., Ltd.	Container Depot	50,188	(1)	-	-	-	-	20,794	50.00%	50.00%	10,397	33,287	-

Note 1: Indirectly invested in Mainland China through investees.

Note 2: The investment income (loss) recognized in current period was audited and certified by the CPA of the Company.

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
-	1,064,092	20,464,770

Note: The Company's investments in Mainland China were mostly from the investees' self owned capital in indirect subsidiaries.

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment Information

(a) General Information

The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources of the segment and to assess its performance for which the discrete financial information is available. Only one reportable segment of the Group was identified, and it's mainly associated with the shipping operations.

- (b) The Group has only one segment associated with shipping operations. Please refer to the Consolidated Balance Sheets and Consolidated Statements of Income for its segment profit or loss, and segment assets details.

WAN HAI LINES LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Entity—wide Information:

Geographical Areas:

The segments information of the Group that is identified based on geographical areas was as follow. Operating segments were identified based on the way in which revenues were classified according to customer's location, and non-current assets were classified according to the location of asset.

Revenues from external customers:

<u>Area</u>	<u>2016</u>	<u>2015</u>
Revenue from external customers:		
Asia	\$ 38,265,755	42,370,540
the Middle East	4,883,467	5,894,199
India	5,946,339	7,254,399
America	4,785,798	5,140,661
South America	3,470,134	2,835,346
Europe	-	249,051
the Black Sea	-	114,946
Total	<u><u>\$ 57,351,493</u></u>	<u><u>63,859,142</u></u>

<u>Area</u>	<u>2016.12.31</u>	<u>2015.12.31</u>
Non-current assets:		
Asia	\$ 44,104,793	46,596,487
India	210,578	236,558
America	35,223	839
Total	<u><u>\$ 44,350,594</u></u>	<u><u>46,833,884</u></u>

Non-current assets include property, Plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information about Major Customers:

The Company does not have more than 10% corporate income from single customer.

6.8 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date: None



Review of Financial Conditions, Operating Results, and Risk Management



7.1 Analysis of Financial Status (Consolidated)

Unit : TWD thousand; %

Item \ Year	2016	2015	Difference	
			Amounts	%
Current assets	29,398,146	30,822,014	(1,423,868)	(4.62)
Property, Plant and Equipment	43,602,819	46,214,584	(2,611,765)	(5.65)
Intangible Assets	28,386	38,582	(10,196)	(26.43)
Other Assets	3,290,721	3,146,005	144,716	4.6
Total Assets	76,320,072	80,221,185	(3,901,113)	(4.86)
Current Liabilities	15,526,398	17,770,176	(2,243,778)	(12.63)
Non-current Liabilities	26,488,190	26,536,087	(47,897)	(0.18)
Total Liabilities	42,014,588	44,306,263	(2,291,675)	(5.17)
Equity attributable to parent company holding	34,107,950	35,733,130	(1,625,180)	(4.55)
Common Stock	22,182,975	22,182,975	0	0.00
Capital surplus	1,261,681	1,261,681	0	0.00
Retained Earnings	10,078,574	11,719,102	(1,640,528)	(14.00)
Other Equity	584,720	569,372	15,348	(2.70)
Treasury Stock	0	0	0	0.00
Non-Controlling Equity	197,534	181,792	15,742	8.66
Total stockholders' equity	34,305,484	35,914,922	(1,609,438)	(4.48)

Note : Illustration for significant variance

1. The retained Earnings decreased since net income decreased.

7.2 Analysis of operation results (Consolidated)

Unit: TWD thousand; %

Item \ Year	2016	2015	Difference	
			Amounts	%
Operating revenue	57,351,493	63,859,142	(6,507,649)	(10.19)
Operating cost	51,590,656	55,845,773	(4,255,117)	(7.62)
Gross profit	5,760,837	8,013,369	(2,252,532)	(28.11)
Operating expense	3,887,034	3,994,846	(107,812)	(2.70)
Operating income	1,873,803	4,018,523	(2,144,720)	(53.37)
Non-operating income and expenses	(374,297)	1,643,046	(2,017,343)	(122.78)
Net income before income tax	1,499,506	5,661,569	(4,162,063)	(73.51)
Income tax	350,199	1,730,924	(1,380,725)	(79.77)
Net income after income tax	1,149,307	3,930,645	(2,781,338)	(70.76)
Other comprehensive profit and loss (Net value after tax)	(107,243)	616,276	(723,519)	(117.40)
Total Comprehensive profit and loss from this period	1,042,064	4,546,921	(3,504,857)	(77.08)
Net earnings attributable to parent company holding	1,141,680	3,942,909	(2,801,229)	(71.04)
Net earnings attributable to noncontrolling interest	7,627	(12,264)	19,891	(162.19)
Total comprehensive profit and loss attributable to parent company holding	1,036,777	4,562,247	(3,525,470)	(77.27)
Total comprehensive profit and loss attributable to non-controlling Equity	5,287	(15,326)	20,613	(134.50)

Note : Illustration for significant variance

1. The decrease of operating income and net income after income tax of 2016 is mainly due to decreasing ocean freight price.
2. The decrease of non-operating income and expenses is mainly due to the exchange rate effect and the decreasing sold container volume.
3. The decrease of the income tax is due to the prior period income tax underestimate and the net income in 2016 decreased.
4. The decrease of other comprehensive profit and loss (net value after tax) is mainly due to the decrease of foreign currency translation differences arising from foreign operations.

7.3 Analysis of cash flow

7.3.1 Analysis of short-term liquidity for the last two years

Items \ Year	2016	2015	Increase(Decrease)(%)
Cash flow ratio	26.66	49.15	-45.76
Cash flow adequacy ratio	98.28	84.45	+16.38
Cash re-investment ratio	1.3	3.77	-65.52
Analysis of increase/decrease ratios: Net cash provided by operating activities decrease resulted in the decrease of cash flow ratio and cash re-investment ratio.			

7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
19,327,191	4,498,278	(7,508,225)	16,317,244	-	-

1. Analysis of cash flow for this year:

- (1) Operating activities: Expected demand and the average ocean freight rate will have a minor correction, so the Company estimated that the cash inflow from operating activities is TWD 4,498,278,000.
- (2) Investing activities: Planning to purchase the fixed assets in the next coming year, the Company estimated that the cash outflow from investment activities is TWD 893,297,000.
- (3) Financing activities: Under the influence of repaying loan in the next coming year, the Company estimated that the cash outflow from financing activities is TWD 6,614,928,000.

2. Measures for insufficient cash and analysis for liquidity: Not applicable.

7.4 Major Capital Expenditure Items

7.4.1 The detail and funding source of significant capital expenditure

Unit : TWD thousand

Project Item	Actual or expected funding source	Actual or expected completion date	Total amounts needed	Actual or expected capital expenditure (Note1)				
				2016	2017	2018	2019	2020
Investing terminal	Loans Internal funds	Investing terminal in year 2016~2017	3,085,692	2,021,428	1,064,264	-	-	-
Purchasing containers		Purchasing containers in year 2016~2017						
Purchasing vessels	Financing from capital market	To be agreed.	USD 212,000,000 ~ 236,000,000					

Note 1: Including subsidiary company, Wan Hai Lines (Singapore) Pte Ltd., into the planning on actual / forecast of working capital.

7.4.2 Predicted benefits

Purchasing containers: Expected container rental expense will be saved by TWD 5,000~6,000 per teu per year.

7.5 The main reasons for profits and losses of the investment plans in the last year, improvement plans and investment plans for the coming year

In order to raise the quality of our customer service and grasp market trends, we have cut down on operating costs and invested in outstanding shipping related businesses, shipping agencies, and vessel rental companies. Our profit from investments in the past year totaled TWD 75,531,000, mainly comprised of documentary fee increase from companies we have invested in. Currently we have no plans for further investment in the coming year.

7.6 Analysis regarding risk items for the past year and up to the annual report publishing date

7.6.1 The influences of interest rate variation, foreign exchange rate variation, and inflation on the net income of the company, and future responsive measures

There were no drastic changes in market interest rates this year, leading to a continued drop in the costs of short-term borrowing by the company. Therefore, the effects of interest rate variation on then net income of the company is estimated to be small. Although the company's income of USD is greater than its expenditures, consistent loans in USD, contained the risk exposure to exchange rate variations. In recent years, there has been no significant domestic inflation.

7.6.2 Policies and principal reasons for profits and losses regarding: high risk, high leverage investments, funds lent to other parties, endorsed guarantees, and derivative transactions

The company has always taken a safe approach to its funds, with mobility being a priority, and thus has never engaged in high risk or high leverage investments. The only funds lent were to completely-owned subsidiaries. The company provides guarantees completely-owned subsidiaries. The company follows our guidelines for lending and endorsement and guarantees. The company has instituted a management procedure for the buying and selling of derivative products.

7.6.3 The estimated expenses for future research and development plans:

Projected spending for future development plans and studies

The Company's development plans cover research and development of new markets and new services as follows:

For new markets, new services, and studies for improvement of market competitiveness, the estimated total amount of investment of manpower and cost would be approximately TWD 37,793,319. Studies conducted will cover the following subjects:

1. Optimal ships' routing with matched ship type
2. Enhance Southeast Asia area niche markets
3. America area
4. Optimal transit ports study
5. Promotion of e-commerce business
6. Strategic alliance to expand and develop service

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

1. The Council Regulation (EU) 961/2010 on restrictive measure against Iran was published on 25th Oct, 2010 and came into force on 27th Oct in the same year. Wan Hai Lines had established and announced the corresponding measures.

2. As the trade between Taiwan and Mainland China grows continually, the company will pay attention to the changes of policy and research to enlarge the shipping service.

Other changes in policy and law had no apparent influence on our company. We adhere to all rules and regulations set by the governing institutions.

7.6.5 Effects of and Response to Changes in Technology and Industry Relating to Corporate Finance and Sales

Technology improves rapidly and based on business demand the Company is increasing IT capital expenditure and enhancing both hardware and software facilities. In consideration of efficiency and safety, the Company can effectively increase the financial managing ability and further work planning.

7.6.6 Any changes of company image that have influenced our corporate crisis management

Our corporate image is good and we set up our official corporate website, the spokesman system and the finance department to disclose the material corporate information timely. We built up a clear and dependable communication system to protect and maintain our nice corporate image.

7.6.7 Anticipated benefits and possible risks from mergers and acquisitions: None.**7.6.8 Anticipated benefit and possible risk from expanding factories: None.****7.6.9 Risks from centralization of stocking or sales: None.****7.6.10 The influence and risk from the share transfer and change from the company directors, supervisors, and major stockholders who hold over 10% of the company shares: None.****7.6.11 The influence and risk from the change of company management: None****7.6.12 For the company directors, supervisors, general managers, the substantial person in charge, and the main stockholders who hold company shares over 10%, the company should list out the decided or in process lawsuit issues which is significant in influencing the shareholders' interests or security prices. The enclosed details shall include the facts, amount, lawsuit starting date, the main parties, and the updated situation up to the annual report publishing date**

The litigation and non-litigation issues that our corporation currently involved are mostly due to the claim for the loss during the shipping service or the dispute about the operation of the ship. These kinds of issues and payment are all covered by our insurance and can be reimbursed from the insurance policy. Hence, all the related risks are under proper control and have no any material effect to our company.

7.6.13 Other important risks: None.**7.7. Other significant information: None.**

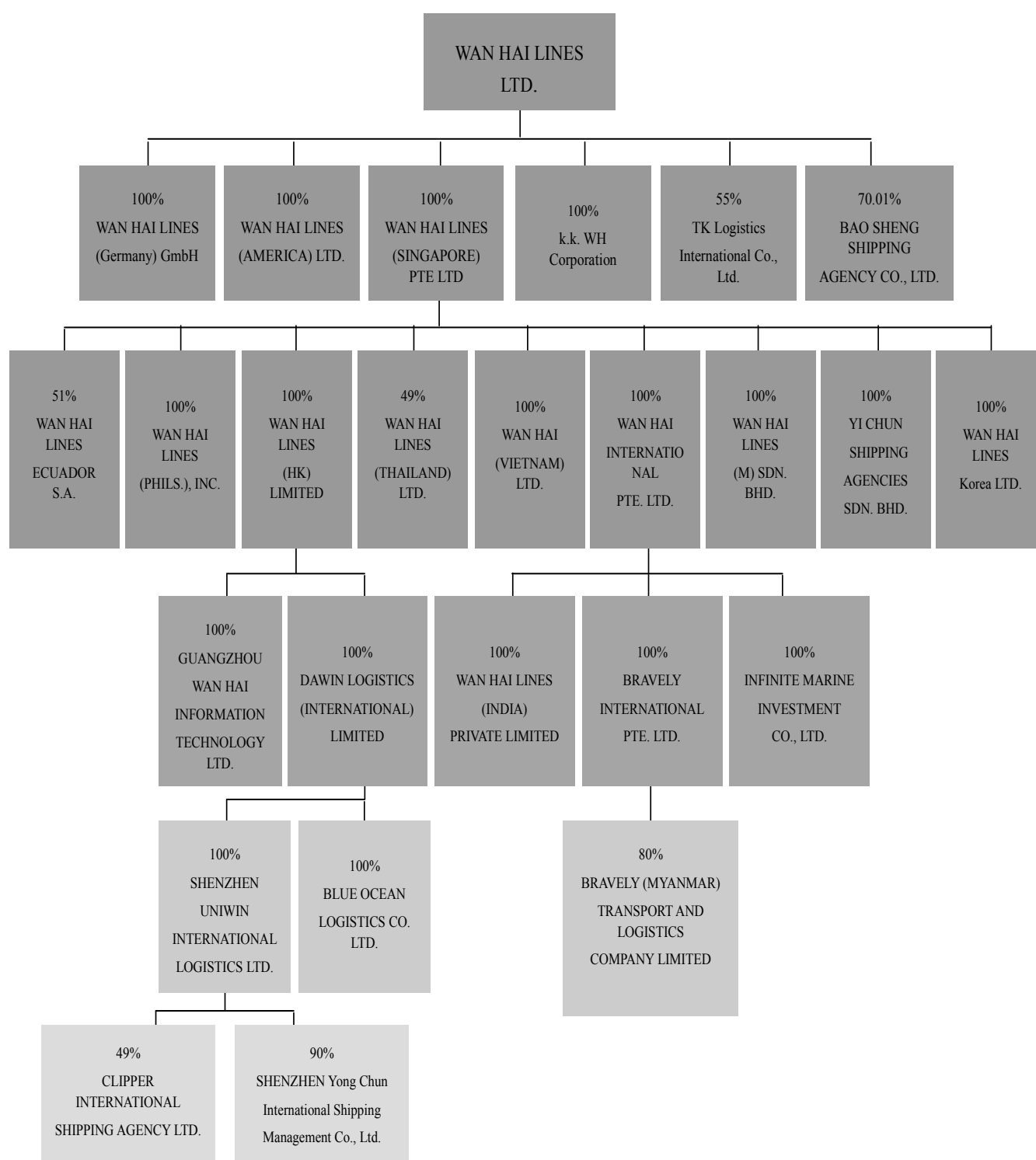


Special Disclosure



8.1 Related Parties Information

8.1.1 Consolidated Operation Report Related Parties Structure



8.1.2 Related Parties' Basic Information

Company Name	Establish Date	Address	Capital Amount	Nature of Business
WAN HAI LINES (PHILS.), INC.	2000.10.05	18/F Rufino Pacific Tower #6784 Ayala Ave., corner V.A. Rufino St. 1223 Makati City, Philippines	9,015,400(PHP) EX rate:49.55/32.22	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (H K) LIMITED	1986.10.17	3F., Singga Commercial Centre,148. Connaught Road West, Hong Kong	160,000,000(HKD) EX rate:7.7580/32.22	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (SINGAPORE) PTE LTD	1991.05.09	10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315	700,190,794.86(USD) EX rate:32.22	International sea transportation, operations , agencies for transport affairs,leasing of vessels
WAN HAI LINES (M) SDN. BHD.	1992.02.28	SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	500,000(MYR) EX rate:4.4883/32.22	International sea transportation, operations, agencies for transport affairs
YI CHUN SHIPPING AGENCIES SDN. BHD.	1992.10.30	SUITE 7.01, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	200,000(MYR) EX rate:4.4883/32.22	On Dock Depot operation
Wan Hai Lines Korea Ltd.	2000.12.14	(15th F, Hanway Bldg.,DADONG), 43, DADONG-GIL, JUNG-GU, SEOUL,04521, KOREA	400,000,000(WON) EX rate:1250/32.22	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (AMERICA) LTD.	2000.8.16	2510W. Dunlap Ave. Ste 425 Phoenix, AZ 85021	4,000,000(USD) EX rate:32.22	International sea transportation, operations, agencies for transport affairs
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	2000.07.13	20FL. BAOLIZHONGJING, 406 HUASUI RD., GUANGZHOU,CHINA	2,000,000(HKD) EX rate:7.7580/32.22	Information Software service
WAN HAI INTERNATIONAL PTE. LTD.	1992.09.01	10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315	7,515,860 (SGD) EX rate:1.4472/32.22	International sea transportation, operations, agencies for transport affairs
BRAVELY INTERNATIONAL PTE. LTD.	2014.05.26	10 Hoe Chiang Road #25-02, Keppel Towers Singapore 089315	2,695,986.62(USD) EX rate:32.22	International sea transportation, Investment
INFINITE MARINE INVESTMENT CO., LTD.	2016.06.17	P.O. Box 10008, Willow House, Cricket Square/ Grand Cayman, KY1-1001, Cayman Islands	5,550,000.00(USD) EX rate:32.22	Investment
WAN HAI LINES (INDIA) PRIVATE LIMITED	2002.05.28	A-102 & 103, The Qube, Near To International Airport, Marol Village,Andheri (East), Mumbai-400 059	100,000(INR) EX rate:66.0272/32.22	International sea transportation, operations, agencies for transport affairs
k.k. WH Corporation	2002.11.27	OI New NO.5 Terminal Bldg. 4F 4-9, Yashio 2-Chome Shinagawa-Ku, Tokyo 140-0003, Japan	25,000,000(YEN) EX rate:117.08/32.22	Operation & Management of Terminal, Charter hire business
Wan Hai Lines (Germany) GmbH	2004.04.29	Fritz und Mark AG Pappelallee 41 22089 Hamburg, Germany	25,000(EUR) EX rate: 0.9517/32.22	International sea transportation, operations, agencies for transport affairs
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	1980.11.18	2/F.,Singga Commercial Centre,148 Connaught Road,West, Hong Kong	144,640,000(HKD) EX rate:6.9070/32.22	Cargo handling, warehousing and investment service
SHENZHEN UIWIN INTERNATIONAL LOGISTICS LTD.	2002.06.14	25C-25D, Tianmian City Tower,Middle Shennan Blvd, Shenzhen, China.	20,580,000(USD) EX rate:6.9070/32.22	Freight transportation and agency services for transport affairs
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	2004.12.30	22/F HAITONG SECURITIES TOWER, NO.689 GUANGDONG ROAD, SHANGHAI	1,000,000(RMB) EX rate:6.9070/32.22	International sea transportation, operations, agencies for transport affairs
TK LOGISTICS INTERNATIONAL CO., LTD.	2005.09.26	No.28 Zhong Shan 4th Road Keelung City, Taiwan	260,000,000(TWD)	Managing container terminals and storage facilities
BAO SHENG SHIPPING AGENCY CO., LTD.	2010.03.18	7F, No. 255, Ren 2nd Rd., Ren'ai District, Keelung City, Taiwan	42,850,000(TWD)	Acting as agent for transportation affair and contracting ocean shipping and related services
BLUE OCEAN LOGISTICS CO. LTD.	2006.09.21	9/F,No.118, East Bao Xing Road, HongKou District, Shangha	7,824,000(RMB) EX rate:6.9070/32.22	Cargo handling, warehousing and international haulage service.
WAN HAI LINES (THAILAND) LTD.	2006.05.01	21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	6,000,000(THB) EX rate:35.8423/32.22	International sea transportation, operations, agencies for transport affairs
Shenzhen Yong Chun International Shipping Management Co., Ltd.	2010.07.20	Room A , 26/F , Tianmian City Tower, Middle Shennan Blvd, Shenzhen, China.	6,000,000(RMB) EX rate:6.9070/32.22	International shipping management
Wan Hai (Vietnam) Ltd.	2012.07.02	9th Floor, MB Sunny Tower, 259 Tran Hung Dao , Dist 1st, Ho Chi minh City	6,300,000,000(VND) EX rate:22772/32.22	International sea transportation, operations, agencies for transport affairs
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	2015.05.29	#09-01,La Pyayt Wun Plaza, No.37, Alanpya Pagoda Road, Dagon Township, YANGON	4,863,500,000(MMK) EX rate:1428.57/32.22	Haulage service and barge business
WANHAI LINES ECUADOR S.A.	2016.10.26	Sky Building. Solar 1-2, MZ 57, Of.507, Bahia Norte, Parroquia Tarqui, Guayaquil	100,000(USD) EX rate:32.22	International sea transportation, operations, agencies for transport affairs

8.1.3 The companies presumed to have a relationship of control and subordination should be disclosed: Nil.

8.1.4 The industries covered by the business operated by the affiliates overall

The whole relatives' operation includes marine transportation, warehouse, shipping agency, leasing of vessels and containers, All related parties operate in coordination.

8.1.5 Related Parties' Directors, Supervisors and Presidents

Company Name	Title	Name	Holding shares on current date	
			shares	%
WAN HAI LINES (PHILS.), INC.	Chairman	WH-SG Representative Po-Ting Chen	901,540	100.00%
	Director & President	WH-SG Representative Randy Chen		
	Director	WH-SG Representative Yu-Yen Chiu		
	Director	WH-SG Representative Valeriano Del Rosario		
	Director	WH-SG Representative Cornelio T. Peralta		
WAN HAI LINES KOREA LTD.	Chairman	WH-SG Representative Po-Ting Chen	80,000	100.00%
	Director	WH-SG Representative Chung-Cheng, Hsu		
	Director	WH-SG Representative Jen-Kai Wu		
	Supervisor	WH-SG Representative Fur-Lung Hsieh		
WAN HAI LINES (M) SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	500,000	100%
	Director	WH-SG Representative Charles C.Y. Chen		
	Director	WH-SG Representative Nien-Ger Weng		
	Director	WH-SG Representative Teck Leong Chua		
YI CHUN SHIPPING AGENCIES SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	200,000	100%
	Director	WH-SG Representative Charles C.Y. Chen		
	Director	WH-SG Representative Teck Leong Chua		
	Director	WH-SG Representative Nien-Ger Weng		
WAN HAI LINES (SINGAPORE) PTE. LTD.	Director	WH-TPE Representative Po-Ting Chen	959,957,200	100%
	Director	WH-TPE Representative Chih-Yuan Chen		
	Director	WH-TPE Representative Randy Chen		
	Director	WH-TPE Representative Jen-Yee Huang		
WAN HAI LINES (AMERICA) LTD.	Director	WH-TPE Representative Chih-Chao Chen	90,000	100%
	Director	WH-TPE Representative Po-Ting Chen		
	Director	WH-TPE Representative Fur-Lung Hsieh		
	Director	WH-TPE Representative Randy Chen		
WAN HAI INTERNATIONAL PTE. LTD.	Director	WH-SG Representative Po-Ting Chen	7,515,860	100%
	Director	WH-SG Representative Huang Jen Yee		
	Director	WH-SG Representative Chih-Yuan Chen		
BRAVELY INTERNATIONAL PTE. LTD.	Director	WHI Representative Loh Chi Hao	3,828,301	100%
	Director	WHI Representative Ang Eng Huat		
	Director	WHI Representative Chan Yong Hing		
	Director	WHI Representative Chiu I-Hsin		

Company Name	Title	Name	Holding shares on current date	
			shares	%
INFINITE MARINE INVESTMENT CO., LTD.	Director	WHI Representative Yang Ya Ting	5,550,000	100%
	Director	WHI Representative Shieh Wei Chi		
	Director	WHI Representative Huang Tsai Jung		
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	Board chairman	WH-HK Representative Chu Kwan-Wah	-	100%
	Director	WH-HK Representative Tung Yung-Cheng		
	Director	WH-HK Representative Chan Yu-Man		
WAN HAI LINES (H K) LIMITED	Director	WH-SG Representative Ching-Chih Chen	160,000,000	100%
	Director	WH-SG Representative Po-Ting Chen		
	Director	WH-SG Representative Chih-Chao Chen		
	Director	WH-SG Representative Huai-Lung Chen		
	Director	WH-SG Representative Wen-Chau Yeh		
	Director	WH-SG Representative Kwan-Wah Chu		
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	Director	WH-HK Representative Ching-Chih Chen	144,640,000	100%
	Director	WH-HK Representative Po-Ting Chen		
	Director	WH-HK Representative Chih-Chao Chen		
	Director	WH-HK Representative Huai-Lung Chen		
	Director	WH-HK Representative Wen-Chau Yeh		
	Director	WH-HK Representative Kwan-Wah Chu		
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	Board chairman	DAWIN Representative Chu Kwan-Wah	-	100%
	Director	DAWIN Representative Huang Li-Kuang		
	Director	DAWIN Representative Lin Chen-Chu		
	Supervisor	DAWIN Representative Chan Yu-Man		
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	Chairman	UNIWIN Representative Wu,Kae-Chang	-	49%
	Director	UNIWIN Representative Lin,Jeong-Shin		
	Director	UNIWIN Representative Ju,Kuen-Hua		
	Director	UNIWIN Representative Chang,Tian-Hai		
	Supervisor	UNIWIN Representative Chan,Yu-Wan		
	Director	ShenZhen TaiErXin Representative Chan,Yuan		51%
WAN HAI LINES (INDIA) PRIVATE LIMITED	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	10,000	100%
	Director	Wan Hai International Pte.Ltd. Representative Wen Yueh Yang		
	Director	Wan Hai International Pte.Ltd. Representative Ching Jiang Liu		
k.k. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	500	100%
	Representative Director	WH-TPE Representative Mu-Jung Hsieh		
	Director	WH-TPE Representative Chao-Hon Chen		
	Director	WH-TPE Representative Po-Ting Chen		
	Supervisor	WH-TPE Representative Rex Huang		
Wan Hai Lines (Germany) GmbH	President	Chih Hsien, Chen	-	100%
TK LOGISTICS INTERNATIONAL CO., LTD.	Chairman	LUCKY OCEAN SHIPPING CO.,LTD C.C.CHUANG	2,600,000	10.00%
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Jeffery Chen	2,600,000	10.00%

Company Name	Title	Name	Holding shares on current date	
			shares	%
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Billy Chen	2,600,000	10.00%
	Director	WH-TPE Representative Chuang-Chih Chuang	14,300,000	55.00%
	Director	WH-TPE Representative Kuo-Loong Kao		
	Director	WH-TPE Representative Jeong-Shin Lin		
	Director	WH-TPE Representative I-Feng Lin		
	Supervisor	Bryan Ma	-	-
	Supervisor	Wei-Chien Chuang	-	-
	President	Chuang-Chih Chuang	-	-
BAO SHENG SHIPPING AGENCY CO., LTD.	Chairman	WH-TPE Representative Chih-Chao Chen	3,000,000	70.01%
	Director	WH-TPE Representative Chien-Feng Wu		
	Director	WH-TPE Representative Li-Mei Su		
	Director	WH-TPE Representative I-Feng Lin		
	Supervisor	WH-TPE Representative Bryan Ma		
	Vice-Chairman	C.C.CHUANG	1,285,000	29.99%
	President	Chen-Kang Sung	-	-
BLUE OCEAN LOGISTICS CO. LTD.	Chairman	DAWIN Representative Wei-Chien Chuang	-	100%
	Director	DAWIN Representative Ming-Shan Huang		
	Director	DAWIN Representative Chen-Chu Lin		
	Supervisor	DAWIN Representative Zhi-Xian, Chen		
WAN HAI LINES (THAILAND) LTD.	Director	WH-SG Representative Po-Ting Chen	29,400	49%
	Director	WH-SG Representative Fur-Lung Hsieh		
	Director	WH-SG Representative Yi-Cheng Lin		
	Director	Sumate Lopinich	30,000	50%
	Director	Thanapol Thitipichetkul	600	1%
Shenzhen Yong Chun International Shipping Management Co., Ltd.	Board chairman	Unitrans Group Co., Ltd. Chen Hong-Hui	-	10%
	Vice board chairman	Shenzhen Uniwin Representative Chu Kwan-Wah		90%
	Director	Shenzhen Uniwin Representative Lin Jeong-Shin		
	Director	Shenzhen Uniwin Representative Huang Cheng-Hsien		
	Director	Shenzhen Uniwin Representative Huang Chung-Ping		
	Supervisor	Shenzhen Uniwin Representative Chan Yu-Man		
Wan Hai (Vietnam) Ltd.	Chairman	WH-SG Representative Hsieh, Fur-Lung	-	100.00%
	Director	WH-SG Representative Wu, Jen-Kai		
	Director	WH-SG Representative Yang, Yu-Nong		
	Supervisor	WH-SG Representative Chen, Chih-Hsien		
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	Chairman	Dr. Kyaw Win	750,000	20.00%
	Managing Director	WHI Representative Loh Chi Hao	3,000,000	80%
	Director	WHI Representative Ang Eng Huat		
	Director	WHI Representative Chan Yong Hing		
	Director	WHI Representative Chiu I-Hsin		
WANHAI LINES ECUADOR S.A.	Director	WH-SG Representative Mr.Chen Po-Ting	51,000	51%
	Director	WH-SG Representative Mr.Randy Chen		
	Director	WH-SG Representative Mr. Chu Han Peng		
	Director	AGENCIAS UNIVERSALES S.A. Jaime Donulo Ramirez Baquero	29,000	29%
	Director	GRUPA S.A. Xavier Marcelo Ramirez Baquero	20,000	20%

8.1.6 Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD

2016.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Profit on Operating	Profit Loss *	Earning per Share
WAN HAI LINES (PHILS.), INC.	5,991 (PHP 9,015,400)	189,487 (PHP 291,404,734)	182,288 (PHP 280,333,676)	7,199 (PHP 11,071,058)	48,464 (PHP 69,542,071)	3,013 (PHP 4,323,122)	2,921 (PHP 4,190,956)	3.23 (PHP 4.65)
WAN HAI LINES (H K) LIMITED	695,246 (HKD 160,000,000)	5,492,812 (HKD 1,322,562,669.08)	1,968,397 (HKD 473,951,860.26)	3,524,415 (HKD 848,610,808.82)	1,559,855 (HKD 375,359,642.34)	73,432 (HKD 17,670,585.78)	119,714 (HKD 28,807,619.48)	0.75 (HKD 0.18)
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	7,922 (RMB 2,125,450)	23,010 (RMB 4,932,735.75)	2,685 (RMB 575,662.45)	20,325 (RMB 4,357,073.30)	69,589 (RMB 14,295,479)	2,516 (RMB 516,955.25)	1,894 (RMB 389,115.21)	N/A
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	570,480 (HKD 144,640,000)	2,231,075 (HKD 537,199,562.48)	1,336,466 (HKD 321,795,077.35)	894,609 (HKD 215,404,485.13)	915,770 (HKD 220,368,587.16)	(14,056) (HKD -3,382,451)	31,796 (HKD 7,651,290.71)	0.22 (HKD 0.05)
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	644,016 (RMB 132,615,268)	841,867 (RMB 180,471,117.01)	27,549 (RMB 5,905,789.75)	814,318 (RMB 174,565,327.26)	239,359 (RMB 49,170,883.08)	(27,899) (RMB -5,731,163.50)	1,622 (RMB 333,290.81)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	29,068 (RMB 6,000,000)	28,564 (RMB 6,123,170.64)	2,667 (RMB 571,831.05)	25,897 (RMB 5,551,339.59)	35,895 (RMB 7,373,745.69)	3,396 (RMB 697,682.13)	3,396 (RMB 697,682.13)	N/A
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	4,070 (RMB 1,000,000)	1,304,541 (RMB 279,654,646.92)	1,315,746 (RMB 282,056,717.98)	(12,080) (RMB -2,402,071.06)	463,207 (RMB 95,155,422.71)	(4,605) (RMB -945,918.19)	12,127 (RMB 2,491,155.25)	N/A
WAN HAI LINES (SINGAPORE) PTE LTD	21,546,395 (USD 700,190,794.86)	41,916,826 (USD 1,300,956,740)	15,553,061 (USD 482,714,479)	26,363,765 (USD 818,242,261)	14,507,741 (USD 449,654,452)	-1,018,944 (USD -31,581,259)	-1,360,399 (USD -42,164,350.65)	-1.42 (-USD 0.04)
WAN HAI INTERNATIONAL PTE. LTD.	179,439 (SGD 7,515,860)	1,588,253 (SGD 71,337,210.24)	879,394 (SGD 39,498,444.58)	708,859 (SGD 31,838,765.70)	536,702 (SGD 22,969,635.44)	36,801 (SGD 1,575,016.48)	53,299 (SGD 2,281,055.08)	7.01 (SGD 0.30)
BRAVELY INTERNATIONAL PTE. LTD.	90,998 (USD 2,695,986.62)	164,406 (USD 5,102,605.71)	45,161 (USD 1,401,636.75)	119,245 (USD 3,700,968.95)	218,309 (USD 6,766,299.10)	15,339 (USD 475,432.42)	16,608 (USD 514,740.02)	4.19 (USD 0.13)
INFINITE MARINE INVESTMENT CO., LTD.	173,463 (USD 5,550,000.00)	178,497 (USD 5,539,955.54)	0 (USD 0)	178,497 (USD 5,539,955.54)	0 (USD 0)	(324) (USD -10,044.46)	(324) (USD -10,044.46)	N/A
WAN HAI LINES (M) SDN. BHD.	4,613 (MYR 500,000)	438,886 (MYR 61,137,959.06)	355,570 (MYR 49,531,848)	83,316 (MYR 11,606,111.06)	107,154 (MYR 14,358,641.47)	(14,636) (MYR -1,961,181.55)	(2,239) (MYR -300,037.82)	N/A
YI CHUN SHIPPING AGENCIES SDN. BHD.	1,845 (MYR 200,000)	41,194 (MYR 5,738,373.70)	45,409 (MYR 6,325,541.70)	(4,215) (MYR -587,168)	32,941 (MYR 4,414,098.60)	833 (MYR 111,651.10)	(2,443) (MYR -327,417.52)	N/A
Wan Hai Lines Korea Ltd.	11,019 (WON 400,000,000)	114,332 (WON 4,435,613,720)	112,146 (WON 4,350,806,969)	2,186 (WON 84,806,751)	101,798 (WON 3,505,703,327)	(2,084) (WON -71,780,018)	(2,048) (WON -70,528,906)	N/A
WAN HAI LINES (INDIA) PRIVATE LIMITED	69 (INR 100,000)	596,664 (INR 1,259,757,425)	576,336 (INR 1,216,838,551)	20,328 (INR 42,918,874)	104,456 (INR 217,283,054)	964 (INR 2,005,791)	669 (INR 1,392,345)	66.94 (INR 139.23)
WAN HAI LINES (AMERICA) LTD.	132,000 (USD4,000,000)	133,885 (USD 4,155,322.48)	12,630 (USD 391,983.29)	121,255 (USD 3,763,339.19)	125,802 (USD 3,899,129)	21,804 (USD 675,783.23)	13,224 (USD 409,851.74)	146.93 (USD 4.55)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	2,643 (EUR 78,080.04)	310 (EUR 9,181.60)	2,333 (EUR 68,898.44)	0 (EUR 0)	0 (EUR 0)	(701) (EUR -19,629.16)	N/A
k.k. WH Corporation	7,141 (JPY 25,000,000)	629,470 (JPY 2,287,319,027)	613,222 (JPY 2,228,276,976)	16,248 (JPY 59,042,051)	5,785,238 (JPY 19,465,806,732)	4,779 (JPY 16,080,019)	3,294 (JPY 11,081,963)	6,587.12 (JPY 22,163.93)
TK LOGISTICS INTERNATIONAL CO., LTD.	260,000	461,229	204,452	256,777	231,021	6,339	105	N/A
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	80,898	25,767	55,131	54,153	7,702	6,212	1.44
BLUE OCEAN LOGISTICS CO. LTD.	32,596 (RMB 7,824,000)	82,605 (RMB 17,708,094.74)	20,861 (RMB 4,471,977.85)	61,744 (RMB 13,236,116.89)	160,486 (RMB 32,968,175.89)	5,675 (RMB 1,165,809.46)	4,941 (RMB 1,015,032.53)	N/A
WAN HAI LINES (THAILAND) LTD.	5,725 (THB 6,000,000.00)	240,867 (THB 267,946,683.01)	146,645 (THB 163,131,940.12)	94,222 (THB 104,814,742.89)	86,221 (THB 93,765,903)	8,714 (THB 9,476,898.35)	2,492 (THB 2,710,568.54)	41.54 (THB 45.18)
WAN HAI LINES (VIETNAM) LTD	8,691 (USD 300,000)	128,417 (VND 90,760,653,777)	126,154 (VND 89,161,524,869)	2,263 (VND 1,599,128,908)	62,941 (VND 47,502,734,124)	(11,499) (VND -8,678,604,456)	(5,383) (VND -4,062,704,375)	N/A
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	121,118 (MMK 4,863,500,000)	96,603 (MMK 4,283,177,408.61)	1,883 (MMK 83,504,139.90)	94,720 (MMK 4,199,673,268.71)	12,151 (MMK 470,776,882)	-8,219 (MMK -318,429,106.37)	(10,394) (MMK -402,708,166.25)	N/A
WANHAI LINES ECUADOR S.A.	3,176 (USD 100,000)	3,249 (USD 100,847)	27 (USD 847)	3,222 (USD 100,000)	0	0	0	N/A

(1)20161231 CLOSE RATE

USD/TWD : 32.22	HKD/USD : 0.1289	USD/SGD : 1.4472	USD/MYR : 4.4883	USD/WON(KRW) : 1250	USD/PHP : 49.55	USD/RMB : 6.9070	USD/INR : 66.0272	USD/MMK : 1428.57
EUR/TWD : 33.8552	USD/THB : 35.8423	CNY/HKD : 1.1232	VND/TWD : 0.0014	HKD/TWD : 4.1546	YEN(JPY)/TWD : 0.2752			

(2)2016 AVERAGE RATE

USD/TWD : 32.2642	HKD/USD : 0.1288	USD/SGD : 1.3808	USD/MYR : 4.3234	USD/WON(KRW) : 1111.11	USD/PHP : 46.2963	USD/RMB : 6.6280	USD/INR : 67.1141	USD/MMK : 1250
EUR/TWD : 35.6992	USD/THB : 35.0877	CNY/HKD : 1.1714	VND/TWD : 0.0013	HKD/TWD : 4.1556	YEN(JPY)/TWD : 0.2972			

(3) The capital amount was calculated by historical rate.

- 8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report: None.**
- 8.3 Summary of parent's shares held or disposed by subsidiaries over the last year and current year up to the publishing date of the annual report: None**
- 8.4 Other necessary disclosures: None.**
- 8.5 Events that have had substantial impact upon shareholder's equity or securities prices as described in Article 36 of the Securities and Exchange Act over the past year and current year up to the publishing date of the annual report: None.**

WAN HAI LINES LTD.



Chairman

Po-Ting Chen



WE CARRY, WE CARE.

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