

Stock Code: 2615

(This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

WAN HAI LINES LTD. 2018 Annual General Shareholders' Meeting

Time: June 26, 2018

Venue: 2F, No.16, Section 4, Jhongshan North Road, Taipei City
Jing-Guo Memorial Hall, China Youth Corps Chientan
Youth Activity Center, Auditorium

Market Observation Post System <http://mops.twse.com.tw>

Website of the company <http://www.wanhai.com>

Contents

I. Meeting Procedures	1
II. Meeting	
Agenda	2
1. Reports.....	3
2. Acknowledgements.....	3
3. Discussions.....	5
4. Special Motions.....	5
III. Attachments	
1. 2017 Business Report.....	6
2. 2017 Independent Auditors' Report and Financial Statements.....	13
3. Audit Committee's Review Report.....	30
4. 2017 Earnings Appropriation.....	32
5. Release of the Non-Competition Restriction for Members of the Company's 20th Board of Directors.....	33
IV. Appendixes	
1. Memorandum of Association.....	34
2. General Shareholders Meeting Rules	40
3. Other Information that should be Disclosed.....	47
4. Status of the Number of Shares Held by All Directors.....	49

WAN HAI LINES LTD.

2018 Annual General Shareholders' Meeting Procedures

1. Commence Meeting

2. Chairman's Speech

3. Reports

4. Acknowledgements

5. Discussions

6. Special Motions

7. Dismissal

WAN HAI LINES LTD.

2018 Annual General Shareholders' Meeting Agenda

1. Time: 9:00 a.m. Tuesday, June 26, 2018
2. Venue: 2F, No.16, Section 4, Jhongshan North Road, Taipei City Jing-Guo Memorial Hall,
China Youth Corps Chientan Youth Activity Center, Auditorium
3. Commence Meeting
4. Chairman's Speech
5. Reports
 - (1)2017 Annual Employees' Remuneration and Directors' Remuneration Report for Acknowledgments
 - (2)2017 Business Report
 - (3)Audit Committee's Review Report on the 2017 Financial Statements
 - (4)Matters related to the issue of domestic unsecured corporate bonds in 2018 report for acknowledgments.
6. Acknowledgements
 - (1)Presenting the 2017 Financial Statements and Business Report
 - (2)Presenting the 2017 Earnings Appropriation
7. Discussions
 - (1)Release of the Non-Competition Restriction for Members of the Company's 20th Board of Directors
8. Special Motions
9. Dismissal

【 Reports 】

1. 2017 Annual Employees' Remuneration and Directors' Remuneration Report for Acknowledgments

Details:

(1)The Company's 2017 annual profit was NT\$3,095,121,529 (pre-tax benefit before the deduction of employees' remuneration and directors' remuneration, and after deducting accumulated losses), with a provision of 1% for employees' remuneration as NT\$30,951,215, and 1% for Directors' remuneration as NT\$30,951,215. The employees' remuneration and directors' remuneration are to be distributed in cash.

2. Please examine the 2017 Business Report.

Details: Please refer to Attachment 1. (Pages 6~12)

3. Please examine the Audit Committee's Review Report on the 2017 Financial Statements.

Details: Please refer to Attachment 3. (Pages 30 ~31)

4. Matters related to the issue of domestic unsecured corporate bonds in 2018 report for acknowledgments.

Details: Due to operational requirements, on 26 Mar 2018, 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\$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.

【 Acknowledgements 】

1st Motion:

Agenda: Presenting the 2017 Financial Statements and Business Report for acknowledgements. (Proposed by Board of Directors)

Details:

1. The Company's 2017 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows (including Consolidated Financial Statements) have been audited by independent Auditors. The Financial Statements and Business Report have also been sent to the Audit Committee, and the Audit Committee has completed the examination. An Independent Auditor's Report has been included on the record.
2. For the Business Report and Financial Statements mentioned above, please refer to Attachments 1&2. (Pages 6~29)
3. The topic is ready for acknowledgements.

Resolution:

2nd Motion:

Agenda: Presenting the 2017 Earnings Appropriation for acknowledgements.

(Proposed by Board of Directors)

Details:

1. The Company's 2017 net income after tax was NT\$2,541,889,593. In accordance with relevant laws and the Memorandum of Association, 10% of net income which equates to the amount of NT\$254,188,959 was appropriated as legal reserve and also the provision of special reserve of NT1,127,482,670. After the addition of beginning period undistributed earnings of NT\$2,687,751,306, and the deduction of other comprehensive losses of NT\$ 83,358,199 (the 2017 annual remeasurement of defined benefit obligation), the available undistributed earnings was NT\$3,764,611,071. The 2017 annual earnings appropriation was NT\$ 1,109,148,733 for distribution to shareholders as cash dividend of NT\$0.5 per share.
2. In accordance with the Ministry of Finance's Regulatory Letter No. 871941343, a company shall first determine the year to which earning dividends or surpluses belong. The Company's earnings appropriation principle has allocated the undistributed earnings to 2017.
3. Cash dividends which are listed in the shareholders' ledger on the ex-dividend date, will be proportionally calculated to the nearest NT Dollar. Any amount less than NT\$1 will be forfeited. Less than a dollar fractional totals are adjusted in order from large to small decimal points and shareholders numbers are ordered from first to last to meet the distribution of the cash dividend total. The shareholders meeting is requested to ratify authorization for the Board of Directors to stipulate record date and cash dividend payment date.
4. The shareholders meeting is requested to ratify authorization for the Board of Directors to make all necessary adjustments if changes in share capital impact volume of shares in circulation and subsequently affect the dividend yield.
5. For the company's 2017 Earnings Appropriation table, please refer to Attachment 4 (Page 32).
6. The topic is ready for acknowledgements.

Resolution:

【Discussions】

1st Motion:

Agenda: Release of the Non-Competition Restriction for members of the Company's 20th Board of Directors submitted for discussion. (Proposed by Board of Directors)

Details:

1. According to Item 1, Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such act and secure its approval.
2. With the help of Juristic-person director Taili Corporation representative, Mr. Randy Chen · Juristic-person director Chen-Yung Foundation representative, Mr. Chih-Chao Chen, based on their expertise and experience. Please refer to Attachment 5 (Page 33).
3. The topic is ready for discussion.

Resolution:

【Special Motions】

【Dismissal】

WAN HAI LINES LTD. Business Report

I. Operating Principles

The Company adheres to the spirit of corporate sustainable operations and fulfillment of social responsibility, and pays equal attention to the current trend of environmental protection and risk management. In order to uphold our corporate policy of "Customer First, Full Participation, Environmental Protection and Sustainable Operations," the Company ensures these principles are observed in its business management and also service design. Apart from prudent corporate planning and careful evaluation, the Company is constantly monitoring real-time market movements so as to ensure the development and execution of the best business strategy for optimizing corporate performance in order to deliver the best investment returns for our shareholders and to live up to the expectations of the general public.

For the purpose of boosting operating efficiency and enhancing flexible response to the environment, the Company emphasizes quick collection of market information, safe management and integrated utilization of information in the hopes of maintaining our competitiveness in the shipping industry and also to protect our customers' rights and interests.

II. Operation Overview

1. External Environment Changes

(1) Macroeconomic Situation:

In 2017, the global economy witnessed a strong revival. This economic upswing was propelled by increase in Commodity prices and stronger global demands. As a result, global economies and trade performances were better than expected. According to the survey and forecast of the United Nations (UN), the 2017 global trade growth would be 3.0%; as per the forecast of the International Monetary Fund (IMF), the global economic growth rate would be 3.7% in 2017, an increase from 3.2% in 2016. Global Insight (GI) estimated the global economic growth rate of 3.2% in 2017, which is better than the 2.5% growth in 2016.

(2) Bunker Fuel Cost:

The Organization of Petroleum Exporting Countries (OPEC) agreed to extend the production agreement to March 2018, and Russia and other non-OPEC producers also agreed to maintain the existing output. In 2016, the average international crude oil price (Brent) was US\$43.74 per barrel; in 2017, the average oil price was US\$54.15 per barrel; in 2018, the oil price is expected to fall at US\$59.74 per barrel. In 2017, the international crude oil price soared from a low of US\$49.59 per barrel (Q2 average) to a Q4 average at US\$61.42 per barrel. The rising oil price is bound to affect operating profits.

(3) Charter Market:

In 2017, due to a rise in freight rates, many shipping companies benefited from an increase in their business revenue, which led to substantial improvement in their operating profit results. According to the Howe Robinson Container Index (HRCI), the charter rate index in 2017 climbed up from the beginning of the year, increasing from 394.4 on January 4, 2017 to 610.3 on January 3, 2018, resulting in a 55% increase. All charter rate indices for different types of ships rose simultaneously; of which, the charter rate index of Panamax ships ranging from 4,300 Teu to 6,500 Teu, increased from 93% to 105%, marking the highest. According to Alphaliner statistics, the number of global container ship rose from 5,112 vessels/ 20,271,225 Teus at the end of 2016 to 5,177 vessels/ 21,099,890 Teus by the end of 2017, increasing by about 3.7%. In 2018, the delivery of newly built ships persists, and so the freight space also increases.

(4) Market Competition:

In 2017, the world's major shipping companies conducted M&A (merger and acquisition) again. For instance, in 2017, China's COSCO Shipping acquired Hong Kong's OOCL, the 7th largest shipping company, and MAERSK completed the M&A procedures with Germany's Hamburg Süd. Due to the M&A of large shipping companies, the container shipping industry moves towards a large-scale business group model. The competition among different regions became even clearer and a single shipping company's influence on the supply of freight spaces within the region increased. As ultra-large ships continue to enter into the major

east-west routes, ships for intra-Asia short haul routes also increased in size. Thus, the supply of freight space continues to outpace the demand in the market and is expected to affect the level of market stability.

(5) Market Fluctuations:

According to Global Insight's (GI) forecast, the US unemployment rate would drop in 2017. The employment market would improve and the overall economic situation would be better than expectation. The US economic growth rate forecast in 2017 would be 2.3%, rising significantly from 1.5% of 2016. The Eurozone economic recovery would continue and the overall unemployment rate would improve evidently. The economic growth rate in 2017 would be 2.4%, higher than the 1.8% in 2016. As a result of global economic recoveries and constant JPY depreciation that would stimulate exportations, Japan would report an economic growth rate of 1.8% in 2017, surging substantially from 1.0% in 2016. China's economy would continue expanding and its import/export trade would evidently increase with an economic growth rate of 6.8% in 2017, slightly higher than the 6.7% in 2016. Overall, according to GI's forecast, global economic growth would clearly improve in 2017 and all countries would show a strong economic recovery force. However, we still need to pay close attention to the political and economic decision-making and development in Europe, the US, Japan and China, and the influence of the geopolitical risk factor.

2. Countermeasures

As the market went through drastic changes, with the efforts of all the employees in the Company, in 2017, the Company endeavored to deploy routes, optimize adjustment of freight spaces and allocate the most suitable ships so as to reinforce operations and boost the competitiveness of our services. The Company also conducted joint venture and exchange freight spaces under cooperation with major shipping companies around the world timely so as to diversify risks and maintain its competitive edge. In terms of service and market development, the Company continues to anchor itself in short-haul service routes and cautiously manage its exposure in mid-to-long haul service routes and markets. Furthermore, in response to changes in the international crude oil price and the trend for larger vessels across the

entire market, the Company adopted the approach to adjust its fleet flexibly, changing business routes and effectively increasing the market share. The Company also adheres to a flexible joint venture strategy with other shipping companies to increase its competitive edge and reduce operating costs.

III. Results of Business Plan Implementation

1. Analysis of the Company's Major Service Areas and the Correspondent Markets

The Company mainly provides regular routes in full container ships with services covering Northeast Asia, China, Southeast Asia, Middle East – India – Pakistan, the west coast of the US and the west coast of South America. The details are as below:

(1) Northeast Asia Region

The company has been expanding its presence in regions ranging from Japan, Korea, to other Asian countries for many years, and has maintained close relationships with customers and established prestige through word of mouth, thereby playing an influential role in the market. In order to boost its operating competitiveness and maintain existing service quality and reliable shipping services, the Company took an opportunity to launch additional Japan-China-Vietnam route (JCVII Service) and Japan-Taiwan-Haiphong route (JH2 Service), in order to offer additional space and services to our customers in Northeast Asia region. The Company also adopted strategic cooperation with other shipping companies to boost the space utilization of its services and lower operating cost.

(2) Southeast Asia Region

In 2017, the Southeast Asia regions had enjoyed booming economic activities and growing container flows amid ASEAN member states. For the purpose of strengthening the Southeast Asian routes, the Company started offering new services through the launch of China-Vietnam service (CV1 Service) and North China-Thailand service (CT1 Service). Furthermore, for the purpose of strengthening services covering South China, Thailand and Cambodia, the Company added China-Thailand-Cambodia service (CTK Service) to provide more space to customers in September; in October, it

scaled up the feeder service between South China and the Philippines (TPF Service). Through joint venture and cooperation with other shipping companies, as well as exchange of space and reduction of operating cost, the Company has provided a more comprehensive service network to maintain its competitiveness and market share in the Southeast Asian market.

(3) Middle East – India – Pakistan Regions

For the purpose of providing better service coverage in the Middle East, India, and Pakistan, the Company launched a new Pakistan - Persian Gulf (PGS Service) service in July through a joint venture with SIMATECH as an addition to existing Pakistan-Saudi Arabia service (PSX). With these two services, the company is able to strengthen its service coverage in the Middle East-India-Pakistan region by providing direct shipping services from Pakistan to all countries situated around the Persian Gulf. In 2017, the Company continued to strengthen its joint venture and cooperation with major worldwide shipping companies in markets across Middle East, India, and Pakistan, and made flexible adjustments in response to market changes so as to provide more competitive routings and services.

(4) West Coast of South America

The Company maintained its direct shipping service from major Asian ports to the west coast of South America. At the same time, the Company maintains flexibility in its space provision by adjusting its vessel deployment in accordance to changes in market demands. The Company also exchange space with other shipping companies to secure additional service routes to West Coast of South America (WSA Service), thereby providing two sailings a week to the customers and ensuring the company's competitive edge for direct shipping service to the South American market.

(5) West Coast of US

The US labor market has improved since the beginning of 2017, demands in consumer markets were robust, and the economic development substantially improved beyond expectation. The Company continues to enhance its operating performance for its Trans-Pacific service through flexible adjustments based on the market conditions and also providing competitive and quality service through joint venture setups. In

response to market demands, the Company adjusted the South China - US West Coast route (CP1 Service) and the Central and North China - US West Coast route (CP2 Service) under a joint venture with China's COSCO Shipping and Pacific International Lines (PIL) starting from April. The Company also exchanged space on another South China- US West Coast service route (CP3 Service) in order to provide additional service frequency to meet market demands.

2. Future Market Outlook

Since mid 2017, global economies and trades were in an upward swing. The economic growth enjoyed by numerous countries is expected to continue and fuel the global economic recovery in 2018. In order to uphold the principle of "Customer First, Full Participation, Environmental Protection and Sustainable Operations," Wan Hai endeavors to conduct prudent and comprehensive planning and assessments of its operations of service routes so as to mitigate the challenges arising from rapid changes in the market. In addition, the Company controls and reduces costs in a stringent manner so as to ensure business efficiency and establish Wan Hai's company brand as a symbol of stability and sustainable operations.

IV. Revenue and Expenditure

1. Operating revenue

Consolidated operating revenue in 2017 amounted to NT\$60,769.64 million, an increase of about NT\$3,418.15 million from NT\$57,351.49 million in 2016.

2. Operating expense

The Company's consolidated operating expense in 2017 was NT\$53,654.23 million, an increase of about NT\$2,063.57 million from NT\$51,590.66 million in 2016. Main reasons were as below:

- (1) A substantial surge in the average unit price of ship fuel.
- (2) Terminal handling charge was affected by the average NTD exchange rate appreciation.

V. Profitability Analysis

Consolidated net profit after tax in 2017 was NT\$2,541.98 million, and

earnings per share was NT\$1.15.

VI. Research and Development Status

In order to cope with the challenge of ever-changing economic environment and intensified market competitions in the future, the Company will continue to monitor its service development plans and organizational functions closely. It endeavors to become a premium enterprise with international visibility and plans to adopt the following approaches:

1. To focus on the cultivation of employees with an international perspective and strengthen the ability to integrate and implement organizational management so as to provide customers with the most optimal services.
2. To grasp the opportunity to develop emerging markets and steadily lay out plans for more routes so as to satisfy customers' demands.
3. To strictly control the fuel and relevant transportation cost. To adjust the available container volumes and fleet plan with flexibility; to promote energy saving and reduce carbon emissions, and install fuel saving devices in ships so as to effectively reduce fuel consumption and emissions and bring energy saving into full play.
4. To ensure prudent and comprehensive planning for various operational policies, and demand a high degree of performance, pursuit of glory and teamwork from all employees, thereby creating better sales performance.

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, 2017 and 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and 2016 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)(a) “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.

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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 26, 2018

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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		2017.12.31		2016.12.31		Liabilities and Equity		2017.12.31		2016.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents	\$ 12,850,798	20	14,072,884	22	2170	Accounts payable	5,126,811	8	5,005,030	8
1125	Available-for-sale financial assets — current	4,242,631	7	3,984,324	6	2200	Other payables	2,026,626	3	498,020	1
1150	Notes receivable, net	23,207	-	23,586	-	2230	Current tax liabilities	141,542	-	50,860	-
1170	Accounts receivable, net	1,940,208	3	1,438,307	2	2320	Current portion of long-term loans	7,099,279	11	3,990,325	6
1200	Other receivables	792,150	1	809,736	1	2350	Payable to agents	707,972	1	1,493,568	3
1330	Inventories, net	980,350	2	935,007	2	2300	Other current liabilities	307,453	1	158,752	-
1475	Receivables from agents	1,551,315	2	1,624,191	3			<u>15,409,683</u>	<u>24</u>	<u>11,196,555</u>	<u>18</u>
1479	Other current assets	850,519	1	946,147	2	Non-Current liabilities:					
		<u>23,231,178</u>	<u>36</u>	<u>23,834,182</u>	<u>38</u>	2530	Bonds payable	6,900,000	11	9,300,000	15
Non-current assets:						2540	Long-term loans	6,606,328	10	6,863,120	11
1523	Available-for-sale financial assets — non-current	177,746	-	177,204	-	2570	Deferred income tax liabilities	1,088,928	1	933,111	1
1543	Financial assets measured at cost — non-current	708,967	1	708,967	1	2640	Accrued pension liabilities	559,525	1	581,716	1
1546	Bond portfolios with inactive market — non-current	1,187,200	2	1,288,800	2	2645	Guarantee deposits received	1,235	-	2,551	-
1550	Long-term equity investments under equity method	25,905,948	40	26,902,602	43			<u>15,156,016</u>	<u>23</u>	<u>17,680,498</u>	<u>28</u>
1600	Property, plant and equipment	12,944,060	20	9,642,608	15	Total liabilities		<u>30,565,699</u>	<u>47</u>	<u>28,877,053</u>	<u>46</u>
1780	Intangible assets	52,139	-	27,009	-	Equity:					
1900	Other non-current assets	325,421	1	403,631	1	3100	Common stock	22,182,975	34	22,182,975	35
		<u>41,301,481</u>	<u>64</u>	<u>39,150,821</u>	<u>62</u>	3200	Capital surplus	1,261,681	2	1,261,681	2
						Retained earnings:					
						3310	Legal reserve	6,503,503	10	6,389,335	10
						3320	Special reserve	-	-	1,053,282	2
						3350	Retained earnings — unappropriated	5,146,283	8	2,635,957	4
								<u>11,649,786</u>	<u>18</u>	<u>10,078,574</u>	<u>16</u>
						Other equity interest:					
						3410	Foreign currency translation difference arising from foreign operations, net of tax	(1,480,258)	(2)	572,600	1
						3425	Unrealized gains (losses) on available-for-sale financial assets	352,776	1	12,120	-
								<u>(1,127,482)</u>	<u>(1)</u>	<u>584,720</u>	<u>1</u>
						Total equity		<u>33,966,960</u>	<u>53</u>	<u>34,107,950</u>	<u>54</u>
Total assets		<u>\$ 64,532,659</u>	<u>100</u>	<u>62,985,003</u>	<u>100</u>	Total liabilities and equity		<u>\$ 64,532,659</u>	<u>100</u>	<u>62,985,003</u>	<u>100</u>

(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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue	\$ 50,300,722	100	50,070,845	100
5000	Operating costs	45,846,586	91	45,322,233	91
	Gross profit	4,454,136	9	4,748,612	9
6000	Operating expenses	2,108,020	4	1,929,322	3
	Income from operations	2,346,116	5	2,819,290	6
	Non-operating income and expenses :				
7010	Other income	363,335	1	466,806	1
7020	Other gains and losses	11,542	-	(312,759)	(1)
7050	Finance costs	(326,530)	(1)	(315,297)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	638,756	1	(1,200,655)	(2)
	Total non-operating income and expenses	687,103	1	(1,361,905)	(3)
	Profit before tax	3,033,219	6	1,457,385	3
7950	Less: Income tax expense	491,330	1	315,705	1
	Net profit	2,541,889	5	1,141,680	2
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	(53,991)	-	(87,646)	-
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	(38,545)	-	(32,605)	-
8349	Income tax related to components of other comprehensive income	9,178	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(83,358)	-	(120,251)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(2,057,990)	(4)	(221,743)	-
8362	Gains (loss) on valuation of available-for-sale financial assets	340,626	1	235,565	-
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	30	-	(635)	-
8399	Income tax related to components of other comprehensive income	5,132	-	2,161	-
	Total items that will be reclassified subsequently to profit or loss	(1,712,202)	(3)	15,348	-
8300	Other comprehensive income (loss), net of tax	(1,795,560)	(3)	(104,903)	-
	Total comprehensive income	\$ 746,329	2	1,036,777	2
	Basic earnings per share (New Taiwan Dollars)	\$ 1.15		0.51	
	Diluted earnings per share (New Taiwan Dollars)	\$ 1.14		0.51	

(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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Stock		Retained Earnings			Other Equity		Total
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Retained Earnings -Unapropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	
Balance as of January 1, 2016	\$ 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	22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	12,120	34,107,950
Net profit	-	-	-	-	2,541,889	-	-	2,541,889
Other comprehensive income	-	-	-	-	(83,358)	(2,052,858)	340,656	(1,795,560)
Total comprehensive income	-	-	-	-	2,458,531	(2,052,858)	340,656	746,329
Appropriation of retained earnings:								
Legal reserve	-	-	114,168	-	(114,168)	-	-	-
Cash dividends	-	-	-	-	(887,319)	-	-	(887,319)
Reversal of special reserve	-	-	-	(1,053,282)	1,053,282	-	-	-
Balance as of December 31, 2017	\$ 22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	352,776	33,966,960

Note: The remuneration to directors and supervisors were \$30,951 thousand and \$14,871 thousand for 2017 and 2016, respectively; the remuneration to employees were \$30,951 thousand and \$14,871 thousand for 2017 and 2016, respectively. That were be deducted from statement of comprehensive income for the year 2017 and 2016.

(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, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from operating activities :		
Profit before income tax	\$ 3,033,219	1,457,385
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	1,009,685	909,846
Amortization	22,204	24,332
Interest expense	326,530	315,297
Interest revenue	(178,652)	(296,522)
Dividend revenue	(184,683)	(170,284)
Share of losses of associates and joint ventures accounted for using equity method	(638,756)	1,200,655
Gain on disposal of property, plant and equipment	(222,304)	(298,587)
Gain on disposal of available-for-sale assets-current	(52,817)	(8,884)
Loss on impairment of financial assets	-	56,065
Unrealized foreign exchange loss	(335,417)	(225,076)
Others	85	-
Total adjustments to reconcile profit (loss)	(254,125)	1,506,842
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	379	2,258
Accounts receivable (including related parties)	(501,901)	65,011
Other receivables	19,984	7,124,476
Inventories	(45,343)	(528,841)
Receivables from agents	72,876	(112,122)
Other current assets	95,628	62,736
Total changes in operating assets, net	(358,377)	6,613,518
Changes in operating liabilities, net:		
Accounts payable (including related parties)	121,781	564,799
Other payables	421,964	(101,716)
Payables to agents	(785,596)	700,910
Other current liabilities	148,701	(108,642)
Accrued pension liabilities	(76,182)	(99,888)
Total changes in operating liabilities, net	(169,332)	955,463
Total changes in operating assets and liabilities, net	(527,709)	7,568,981
Total adjustments	(781,834)	9,075,823
Cash inflow generated from operations	2,251,385	10,533,208
Income taxes paid	(240,332)	(848,448)
Net cash operating by operating activities	2,011,053	9,684,760

Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(94,801)	(383,386)
Proceeds from disposal of available-for-sale financial assets	229,395	43,724
Acquisition of long-term equity investment under equity method	(472,356)	(9,596,160)
Acquisition of property, plant and equipment	(3,101,119)	(2,424,303)
Proceeds from disposal of property, plant and equipment	243,117	428,850
Acquisition of intangible assets	(28,981)	(10,699)
Other non-current assets	(68,416)	(108,538)
Interest received	177,021	304,430
Dividends received	215,025	179,854
Net cash used in investing activities	<u>(2,901,115)</u>	<u>(11,566,228)</u>
Cash flows from financing activities:		
Issuance of corporate bonds	2,100,000	3,000,000
Repayment of bonds	(2,900,000)	(3,000,000)
Increase in long-term loans	2,724,950	3,687,300
Repayment of long-term loans	(1,037,775)	(2,400,465)
Guarantee deposits received	(1,316)	(32,499)
Dividends paid	(887,319)	(2,661,957)
Interest paid	(330,564)	(319,775)
Net cash (used in) provided by financing activities	<u>(332,024)</u>	<u>(1,727,396)</u>
Net (decrease) increase in cash and cash equivalents	(1,222,086)	(3,608,864)
Cash and cash equivalents, beginning of period	<u>14,072,884</u>	<u>17,681,748</u>
Cash and cash equivalents, end of period	<u>\$ 12,850,798</u>	<u>14,072,884</u>

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, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 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)(p) "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. Impairment of Property, plant and equipment

Please refer to note(4)(l) “ Property, plant and equipment, note(4)(o) “ Impairment— non-financial assets” , note(5)(a) “ 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, 2017 and 2016, on which we have issued an unmodified 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 with the 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 26, 2018

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 STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue	\$ 60,769,645	100	57,351,493	100
5000	Operating costs	53,654,228	88	51,590,656	90
	Gross profit	7,115,417	12	5,760,837	10
6000	Operating expenses	3,973,607	7	3,887,034	7
	Income from operations	3,141,810	5	1,873,803	3
	Non-operating income and expenses:				
7010	Other income	411,437	1	376,644	1
7020	Other gains and losses	(43,137)	-	(306,233)	-
7050	Finance costs	(521,740)	(1)	(520,239)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	130,671	-	75,531	-
	Total non-operating income and expenses	(22,769)	-	(374,297)	-
	Profit before tax	3,119,041	5	1,499,506	3
7950	Less: Income tax expense	560,066	1	350,199	1
	Net profit	2,558,975	4	1,149,307	2
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	(92,536)	-	(120,251)	-
8349	Income tax related to components of other comprehensive income	9,178	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(83,358)	-	(120,251)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(2,058,133)	(3)	(224,083)	-
8362	Gains (loss) on valuation of available-for-sale financial assets	340,656	-	234,930	-
8399	Income tax related to components of other comprehensive income	5,132	-	2,161	-
	Total items that will be reclassified subsequently to profit or loss	(1,712,345)	(3)	13,008	-
8300	Other comprehensive income (loss), net of tax	(1,795,703)	(3)	(107,243)	-
	Total comprehensive income	\$ 763,272	1	1,042,064	2
	Profit attributable to:				
	Owners of the parent company	\$ 2,541,889	4	1,141,680	2
	Non-controlling interest	17,086	-	7,627	-
		\$ 2,558,975	4	1,149,307	2
	Comprehensive income attributable to:				
	Owners of the parent company	\$ 746,329	1	1,036,777	2
	Non-controlling interest	16,943	-	5,287	-
		\$ 763,272	1	1,042,064	2
	Basic earnings per share (New Taiwan Dollars)	\$	1.15	\$	0.51
	Diluted earnings per share (New Taiwan Dollars)	\$	1.14	\$	0.51

(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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Owners' Equity Attributable to Equity Holders of the Parent Company

	Stock					Other Equity			Total Equity	Non-controlling Interests	Total
	Common Stock	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	Attributable to Owners of Parent			
Balance as of January 1, 2016	\$ 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	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	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	
Net profit	-	-	-	-	2,541,889	-	-	2,541,889	17,086	2,558,975	
Other comprehensive income	-	-	-	-	(83,358)	(2,052,858)	340,656	(1,795,560)	(143)	(1,795,703)	
Total comprehensive income	-	-	-	-	2,458,531	(2,052,858)	340,656	746,329	16,943	763,272	
Appropriation of retained earnings:											
Legal reserve	-	-	114,168	-	(114,168)	-	-	-	-	-	
Cash dividends	-	-	-	-	(887,319)	-	-	(887,319)	-	(887,319)	
Reversal of special reserve	-	-	-	(1,053,282)	1,053,282	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(1,820)	(1,820)	
Balance as of December 31, 2017	\$ 22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	352,776	33,966,960	212,657	34,179,617	

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from operating activities :		
Profit before income tax	\$ 3,119,041	1,499,506
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	4,089,817	4,139,217
Amortization	22,927	25,433
Provisions for bad debt expenses	72	-
Interest expense	521,740	520,239
Interest revenue	(226,754)	(206,360)
Dividend revenue	(184,683)	(170,284)
Investment income under the equity method	(130,671)	(75,531)
Gain on disposal of property, plant and equipment	(158,683)	(268,490)
Gain on disposal of available-for-sale assets-current	(52,817)	(9,683)
Loss on impairment of financial assets	-	56,065
Unrealized foreign exchange loss	(335,416)	(225,075)
Others	85	-
Total adjustments to reconcile profit (loss)	<u>3,545,617</u>	<u>3,785,531</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	693	1,323
Accounts receivable (including related parties)	(554,265)	(252,837)
Other receivables	58,204	303,111
Inventories	(67,482)	(618,873)
Receivables from agents	16,135	(2,905)
Other current assets	<u>80,464</u>	<u>(69,912)</u>
Total changes in operating assets, net	<u>(466,251)</u>	<u>(640,093)</u>
Changes in operating liabilities, net:		
Accounts payable (including related parties)	488,023	130,361
Other payables	580,450	434,308
Payables to agents	(17,496)	5,550
Other current liabilities	204,617	(74,498)
Accrued pension liabilities	<u>(78,922)</u>	<u>(99,623)</u>
Total changes in operating liabilities, net	<u>1,176,672</u>	<u>396,098</u>
Total changes in operating assets and liabilities, net	<u>710,421</u>	<u>(243,995)</u>
Total adjustments	<u>4,256,038</u>	<u>3,541,536</u>
Cash inflow generated from operations	<u>7,375,079</u>	<u>5,041,042</u>
Income taxes paid	<u>(295,877)</u>	<u>(902,365)</u>
Net cash operating by operating activities	<u>7,079,202</u>	<u>4,138,677</u>

(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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(94,801)	(383,386)
Proceeds from disposal of available-for-sale financial assets	229,395	46,621
Acquisition of long-term equity investment under equity method	(268,461)	(25,090)
Acquisition of property, plant and equipment	(4,550,565)	(2,528,969)
Proceeds from disposal of property, plant and equipment	244,070	402,422
Acquisition of intangible assets	(29,480)	(11,525)
Acquisition of investment property	(310,706)	-
Other non-current assets	(96,758)	(324,478)
Interest received	224,287	213,008
Dividends received	232,042	199,739
Net cash used in investing activities	(4,420,977)	(2,411,658)
Cash flows from financing activities:		
Increase in short-term loans	(3,000)	13,000
Issuance of corporate bonds	2,100,000	3,000,000
Repayment of bonds	(2,900,000)	(3,000,000)
Increase in long-term loans	2,724,950	3,687,300
Repayment of long-term loans	(3,107,111)	(5,115,319)
Guarantee deposits received	61,057	(70,429)
Dividends paid	(887,319)	(2,661,957)
Interest paid	(528,922)	(521,370)
Change in non-controlling interest	(1,819)	10,455
Net cash used in financing activities	(2,542,164)	(4,658,320)
Foreign exchange rate effects	(197,812)	381,039
Net (decrease) increase in cash and cash equivalents	(81,751)	(2,550,262)
Cash and cash equivalents, beginning of period	19,327,191	21,877,453
Cash and cash equivalents, end of period	\$ 19,245,440	19,327,191

Audit Committee's Review Report

The Board of Directors has prepared the Company's financial statements for 2017, business report and earnings distribution. Of which, the Company's financial statements for 2017 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit report with unqualified opinion was issued. Pursuant to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee completed the examination without discoveries of noncompliance. Hence, we make a report hereby.

To the general shareholders' meeting of 2018

WAN HAI LINES LTD.

Chairman of the Audit Committee: Ruei-Chuen Liu

March 26, 2018

Audit Committee's Review Report (Consolidated)

The Board of Directors has prepared the Company's consolidated financial statements for 2017 and consolidated business report for 2017. Of which, the Company's consolidated financial statements for 2017 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit report with unqualified opinion was issued. Pursuant to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee completed the examination without discoveries of noncompliance. Hence, we make a report hereby.

To the general shareholders' meeting of 2018

WAN HAI LINES LTD.

Chairman of the Audit Committee: Ruei-Chuen Liu

March 26, 2018

WAN HAI LINES LTD.
2017 Earnings Appropriation

Unit: NTD

Item	Total
Undistributed earnings for beginning of period	2,687,751,306
Subtracted:	
Other consolidated income (the remeasurement of defined benefit obligation, 2017)	(83,358,199)
Subtotal of undistributed earnings after adjustment	2,604,393,107
Added : Post-tax net income	2,541,889,593
Subtracted: Provided for legal reserve	(254,188,959)
Added : In accordance with legal provisions special reserve	(1,127,482,670)
Earnings available for distribution	3,764,611,071
Subtracted: items to be appropriated (Note)	
Cash dividends to shareholders (NT\$0.5 per share)	(1,109,148,733)
Undistributed earnings for end of period	2,655,462,338

Notes:

In accordance with the Ministry of Finance's Regulatory Letter No. 871941343, a company shall first determine the year to which earning dividends or surpluses belong. The Company's earnings appropriation principle is allocated from earnings in 2017 available for distribution.

**Release of the Non-Competition Restriction for Members of the Company's
20th Board of Directors**

Name	Concurrent Positions
Juristic-person Director Taili Corporation. Representative: Mr. Randy Chen	Wan Hai Lines (Arizona) L.L.C. Director
Juristic-person Director Chen-Yung Foundation Representative: Mr. Chih-Chao Chen	Wan Hai Lines (Arizona) L.L.C. Director

WAN HAI LINES LTD. Memorandum of Association

Article 1:

The Company is incorporated according to the Company Act, and is named WAN HAI LINES LTD.

Article 2: The Company's scope of operation is as listed:

1. Marine Transportation
2. Shipping Agency
3. Purchasing and selling of vessels and containers
4. Container freight station business
5. Leasing of vessels and containers

Article 2-1:

The Corporation may make guarantees in the same trade with respect to the business referred to in the preceding paragraph.

Article 2-2:

The Company must receive approval from the board of directors to invest in other undertakings. Additionally, the sum total of other investments, in accordance with Article 13 of the Company Act, may not exceed 40% of paid-in capital.

Article 3:

The Company is headquartered in Taipei City, and is permitted to establish branch offices or shipping agencies.

Article 4:

The Company's public announcement in accordance with Article 28 of Company Act.

Article 5:

The Company's authorized capital is NTD 25 billion, separated into 2.5 billion shares which can be raised in multiple issues at NTD 10 per share.

Article 5-1:

The Company's Stock should be numbered, with the signature or authorized seal of

three or more directors, subject to validation by the competent authority or any of its approved institutes. The Company is exempt from printing certificates for its issued shares. Shares should be registered with the governing centralized securities depository organization.

Article 5-2:

Shareholders shall report their true names, residences, specimen seal and unified number to the Company to be filed for reference, as well as any changes made. All dividends or bonuses received from shares will use the seal as evidence. In the event of transfer of the company stock, establishment of pledge of rights, loss report, inheritance, donation and loss or modification of seal or address, or other share-related matters, apart from cases where there are other securities regulations, will all be handled according to "Regulations Governing the Administration of Shareholder Services of Public Companies."

Article 6: Shareholders Meeting

1. The shareholders meeting is composed of all of the shareholders, and are separated into general shareholders meetings and extraordinary shareholders meetings. General shareholders meetings are held once a year, within six months of the end of the fiscal year, and are held in accordance to law by the board of Directors. Extraordinary shareholders meeting may be held whenever necessary.
2. The general shareholder meeting is chaired by the chairman of the board of directors. If for some reason the chairman of the board is unable to attend, the vice chairman takes his or her place. If the Vice Chairman is unable to perform his or her duties due to leave of absence or other reason, his proxy shall be appointed in accordance with Article 208 of the Company Act.
3. At the time of the shareholders meeting, apart from when otherwise regulated by the Company Act, when over half of issued shares are represented, a motion may be passed with over half of the present shareholders' votes.
4. When a shareholder is unable to attend the shareholders meeting, a proxy may be appointed, specifying the scope of delegated authority. In the event that one proxy represents two or more shareholders, his or her representative voting right may not surpass 3% of the total of shares distributed, shares in excess of 3% may not be counted.
5. Each share of the Company held by a shareholder counts as one vote.

Article 7: The Board of Directors

1. The Company's Board of Directors consists of seven individuals, elected by

shareholders. The term of office is three years, and directors may be reelected to serve another term.

2. The Company's directors shall be nominated and elected from the name list of directors. The Company should be of not less than three independent directors, and not less than one-fifth of the directors should be in attendance. The professional qualifications, restrictions on shareholdings and concurrent post, identification of independence, nomination and election, and exercise of authority, and other requirements to be complied with by the independent directors shall be handled subject to the Securities and Exchange Act and the relevant laws and regulations.
3. With two-thirds or more of the directors present, one chairman of the board, and one vice chairman of the board may be elected by consent of over half of the present directors.
4. Article 208 of the Company Act shall apply when the directors' meeting is suspended.
5. The Board of Directors meets once every quarter, and extraordinary sessions may be convened when necessary. The Chairman of the Board serves as Chairman of the meeting. If the Chairman has asked for leave, or is unable to exercise his responsibilities due to other circumstances, the vice Chairman acts on the Chairman's behalf. In the case of the vice also asking for leave or being unable to exercise his responsibilities due to other circumstances, the Chairman of the Board may appoint a director to act on his or her behalf. If the Chairman has not indicated a representative, the directors may nominate a director to take his or her place. Unless otherwise provided for in the Company Act and these Articles, resolutions at a directors' meeting shall be adopted at the meeting attended by a majority of the Directors and upon a majority votes of the present directors.
6. In the event that a director is unable to attend the Board of Directors meeting, a proxy may be appointed to attend, in compliance with Article 205 of the Company Act.
7. A directors' meeting may be convened via fax or E-mail.
8. The total number of shares of the Company held by the entirety of the Board of Directors must comply with regulations as stated in the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" promulgated by the Financial Supervisory Commission.
9. The remuneration to all members of the Board of Directors is based on the value of their participation and contributions to the operation of the Company, bearing in mind amount of remuneration in industry peers.

Article 8: Audit Committee

The Company has established an Audit Committee as a substitution for the supervisors, which began since the 20th Board of Directors. This Committee is comprised of independent directors, and shall consist of no fewer than three persons, one of whom acts as the convener, and at least one of whom is required to have accounting or financial expertise. The exercise of duties by, the organizational procedures for, and other matters that shall be reviewed by the Audit Committee shall be arranged in accordance with relevant laws and regulations or the Memorandum of Association.

Article 9: Manager

The Company has one president, legally appointed by the Board of Directors upon nomination of the Chairman of the Board.

Article 10:

The Company's final accounting period is at the end of December each year, the board of directors must prepare the items listed below. Figures are then given to shareholders general meeting for acknowledgement.

1. Business Report
2. Financial Statements
3. Earnings distribution or loss reimbursement proposal

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.

Article 11-1:

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.

Article 12:

The Board of Directors is authorized to determine the Company's organizational rules.

Article 13:

Any matters that are not addressed in the Memorandum of Association shall be governed by the Company Act and other relevant laws and regulations.

Article 14:

This Memorandum of Association was created on 6 January 1965.

The 1st Amendment was made on 31 March 1966.

The 2nd Amendment was made on 10 September 1966.

The 3rd Amendment was made on 25 May 1967.

The 4th Amendment was made on 30 September 1968.

The 5th Amendment was made on 1 August 1977.

The 6th Amendment was made on 12 December 1977.

The 7th Amendment was made on 31 January 1978.

The 8th Amendment was made on 19 March 1979.

The 9th Amendment was made on 5 May 1981.

The 10th Amendment was made on 7 December 1982.

The 11th Amendment was made on 29 December 1983.

The 12th Amendment was made on 14 December 1984.

The 13th Amendment was made on 16 January 1986.

The 14th Amendment was made on 16 August 1986.

The 15th Amendment was made on 19 December 1987.

The 16th Amendment was made on 17 May 1988.
The 17th Amendment was made on 30 December 1988.
The 18th Amendment was made on 23 May 1989.
The 19th Amendment was made on 18 May 1990.
The 20th Amendment was made on 21 May 1991.
The 21st Amendment was made on 1 May 1992.
The 22nd Amendment was made on 27 August 1992.
The 23rd Amendment was made on 15 June 1993.
The 24th Amendment was made on 10 August 1993.
The 25th Amendment was made on 2 September 1994.
The 26th Amendment was made on 6 May 1995.
The 27th Amendment was made on 13 May 1996.
The 28th Amendment was made on 13 May 1998.
The 29th Amendment was made on 24 May 2000.
The 30th Amendment was made on 29 June 2002.
The 31st Amendment was made on 26 June 2003.
The 32nd Amendment was made on 23 June 2006.
The 33rd Amendment was made on 27 June 2007.
The 34th Amendment was made on 18 June 2010.
The 35th Amendment was made on 27 June 2012.
The 36th Amendment was made on 14 June 2013.
The 37th Amendment was made on 12 June 2015.
The 38th Amendment was made on 29 June 2016.
The 39th Amendment was made on 22 June 2017.

WAN HAI LINES LTD. General Shareholders Meeting Rules

Article 1:

In order to create an excellent system of governance for the shareholders meeting, complete supervisory functions, and strengthened management functions, these regulations have been created as a way of complying with Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2:

Unless otherwise specified by law, the Company's shareholders meetings rules of procedure must proceed according to this policy.

Article 3:

Unless otherwise specified by law, the Company's shareholders meetings are convened by the board of Directors.

An Agenda shall be provided for the shareholders meeting, and notification sent to each shareholder 30 days prior to the shareholders meeting. Notification of the shareholders meeting for shareholders holding less than 1,000 shares is permitted to be done by public announcement 30 days prior to the shareholders meeting.

Both notification and public announcement should be clearly recorded as pertaining to the convening of the shareholders meeting. Electronic notification may be allowed after the consent of the shareholder.

Selection or resignation of directors, changes to Memorandum of Association, corporate liquidation, mergers, divestments, or any items contained in Article 185 Item 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act shall be listed, and not brought up by extraordinary motion.

Shareholders holding 1% or more of distributed shares must submit proposals in writing to the Company. Proposals by shareholders are limited to one item; any items exceeding this amount will not be made into a motion. Additionally, if any proposals made by shareholders are amongst any of the situations listed in Article 172-1 Item 4 of the Company Act, the Board of Directors is required to not list it as a motion.

The Company should, prior to convening the shareholders meeting, halt the transfer of shares to the shareholder proposing the motion, and notify the shareholder of the location, and time period of acceptance. The period of acceptance should not be under 10 days.

A motion proposed by a shareholder should not exceed 300 words. Proposals exceeding 300 words will not be entered into a motion. The proposing shareholder or a proxy should be attendance at the shareholders general meeting, and participate in discussion of the motion.

The Company should notify the results of the proposed motion to the proposing shareholder before the announcement of the shareholders meeting, and the proposed motion should be included in the shareholders meeting notification.

With regards to proposals not entered into motions, the Board of Directors should give explanation

of the reason for the proposal not entering into a motion at the shareholders meeting.

Article 4:

Shareholders wishing for a proxy to attend the shareholders meeting must produce the Company's proxy form and specify the scope of delegated authority.

One shareholder is limited to one proxy application and one proxy. Forms must be delivered to the Company five days prior to the shareholders meeting. In the case of duplicate forms, the form first received will be accepted. The cancellation of a previous proxy is not subject to these constraints.

After the proxy form is delivered to the Company, and the shareholder desires to personally attend the shareholders meeting, or vote in written or electronic form, a written notification of the cancellation of a proxy must be delivered to the Company no later than two days before the shareholders meeting. For those wishing to cancel who exceed the time limit, the proxy will attend and voting rights.

Article 5:

The location of the shareholders meeting should be in a place where the Company is located, or a location that is suitable and convenient for shareholders. The meeting must not commence anytime earlier than 9a.m. or later than 3p.m.

Article 6:

The company will provide an attendance log to record the shareholders or proxies of shareholders (hereafter referred to as shareholders) attendance; alternatively, attending shareholders may present their attendance cards to signify their presence. The company will provide the Agenda, Annual Report, Attendance Record, Statement Cards, Voting Cards, and other meeting-related information to the attending shareholders. For elections of directors, ballots will be distributed as well.

Shareholders should attend the shareholders meeting possessing an Attendance Certificate, Attendance Cards, or other proof of attendance; those acting as proxies should bring their identification cards for confirmation. Governments or corporations acting as shareholders are not limited to one attending person.

Corporations acting as proxies attending the meeting must designate one representative for attendance.

Article 7:

Shareholders meetings that are convened by the Board of Directors shall be chaired by the Chairman. If the Chairman is unable to perform his or her duties due to leave of absence or other reason, the Vice Chairman acts on his behalf. If there is no Vice Chairman or the Vice Chairman is unable to perform his or her duties due to leave of absence or other reason, the Chairman may appoint a director to act on his behalf. If no one is appointed, the remaining directors may choose a director to perform the Chairman's duties.

For shareholders meetings called by the Board of Directors, the number of participating directors who attend must exceed one half.

If the shareholder meeting is convened by someone other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one amongst themselves to chair the meeting.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to the shareholders meeting.

Article 8:

The Company's shareholders meetings must be recorded in video or audio, and kept for at least a year. However, if a shareholder makes a litigious claim against the Company according to Article 189 of the Company Act, the audio or video recordings must be retained until the end of litigation.

Article 9:

Attendance of shareholders meeting should be calculated on the basis of number of shares. The number of shares represented during the meeting is calculated based on the amount registered in the attendance log or the attendance cards collected, plus the amount of shares whose voting rights are exercised through proxy forms or electronic methods.

The chairman should announce the commencement of the meeting as soon as it is due. However, if the number of shares held by those in attendance number less than 50% of all outstanding shares, the chairman may postpone the meeting up to two times, the total time of postponement may not exceed one hour. If the number of outstanding shares represented does not exceed one third after the second postponement, the chairman must announce the lack of quorum.

If, after two postponements, the number of shares represented still does not exceed 50%, but exceeds one-third of all outstanding shares, the Company may proceed according to item 1 of Article 175 of the Company Act to reach a temporary resolution with the approval of more than half of voting rights represented during the meeting. The temporary resolution must be communicated to shareholders, and a new shareholders meeting must be convened within a month. If the number of shares represented during the meeting reaches a total of over half of all outstanding shares, the chairman may re-propose the temporary resolutions for final voting according to Article 174 of the Company Act.

Article 10:

If the shareholders' meeting is convened by the Board of Directors, than the agenda will be set by the Board of Directors. The meeting shall proceed according to the agenda, and may not be modified without a resolution from the shareholders meeting.

The aforementioned rules also apply to meetings convened by other authorized parties. The meeting chairman cannot dismiss the meeting while an agenda (including special motions) is still in

progress without an official resolution. If the chairman violates meeting rules and dismiss the meeting, the other directors must quickly attend to the shareholders according to legal procedures. With the approval of more than half of voting rights represented during the meeting another person may be chosen as chairman, and the meeting may proceed.

The chairman must give ample opportunities for the explanation and discussion of proposals, and corrections or special motions raised by shareholders. When the meeting chairman believes a resolution can be reached, he or she may announce the end of discussion, and proceed with voting.

Article 11:

Shareholders wishing to speak during the meeting must first produce a Speak Request Form, detailing the topic of speaking, and the shareholder's name and account number. The order of the shareholders' comments will be determined by the chairman. Shareholders who submit Speak Request Forms without speaking are considered to have remained silent. If the shareholders spoken comments differ from the comments recorded on the Speak Request Form, the spoken comments take precedence.

Shareholders cannot speak more than two times, for more than five minutes each, on the same proposal without consent from the chairman. The meeting chairman may stop shareholders in violation of these rules, or shareholders whose comments are irrelevant to the proposal.

While a shareholder is speaking, other shareholders may not speak to disrupt the speaker without the consent of the meeting chairman and the speaker. The meeting chairman shall restrain any violators. For corporate shareholders who have appointed two or more representatives to attend the shareholders meeting, only one representative may speak per agenda. When a shareholder is finished speaking, the chairman must reply, either personally or by assigned relevant personnel.

Article 12:

Voting in the shareholders meeting is determined on the basis of shares.

Non-voting shareholders are not counted in the total number of issued shares for resolutions at the shareholders meeting.

Shareholders cannot vote, or appoint proxies to vote, on any agendas that present conflicting interests, if doing so may compromise the Company's interests.

The number of shares that are subject to voting restrictions are not counted in the attending shareholders' number of voting rights.

Apart from trust organizations or shareholders service organizations approved by the competent authority, a person serving as proxy for two or more people may not have voting right in excess of 3% of the voting rights of issued shares. Voting rights that do exceed 3% will not be counted.

Article 13:

Shareholders are entitled to one vote per share, except for shares that are subject to voting

restrictions or situations outlined in item 2 of Article 179 of the Company Act where no voting rights are granted.

When the shareholder meeting is convened, voting rights can be exercised in writing or through electronic methods. Instructions for exercising voting rights in writing or through electronic methods must be clearly stated in the notification to shareholders of the convening of the shareholders meeting. Shareholders who have voted in writing or through electronic methods are considered to have attended the shareholders meeting in person. However, they waive their rights to participate in any special motions or revisions to the original agendas that may arise during the shareholders meeting.

The intention to use written and electronic votes mentioned above must be delivered to the Company at least two days before the shareholders meeting. If there are duplicate submissions, the earlier submission takes precedence.

However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.

If, after submitting a written or electronic vote, the shareholder wishes to attend the shareholders meeting in person, then a proper declaration of withdrawal must be issued using the same method as the original vote at least two days before the shareholders meeting. If the request is submitted after the deadline, the original exercise of voting rights by written or electronic vote will be counted. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall take precedence. Votes on motions, unless otherwise specified by the Company Act or the Company's Memorandum of Association, shall be passed with the approval of over half of the attending shareholders voting rights. At the time of voting, the total number of shareholders voting rights should be announced by the chairman or appointed personnel.

If the chairman consults the entirety of attending shareholders without objection regarding a motion, it is considered passed. Its efficacy is the same as deciding by vote. If there are objections, the motion must be voted on by the methods described above. If there are several amendments or alternate solutions to a motion, the meeting chairman will determine the voting sequence. If any of the motions are passed, all other motions are deemed rejected and no further voting is necessary.

The meeting chairman will appoint a ballot examiner and ballot counter for voting on motions. However, the ballot examiner must be a shareholder. Ballot counting will proceed openly during the meeting. The outcome of the vote must be documented and announced on site.

Article 14:

The election of directors must be conducted in accordance to the Company's relevant election procedures. The results of the election shall be announced at the shareholders meeting. The previous item's election ballot must be signed and sealed by the ballot inspector and preserved for at least a year.

However, if a shareholder makes a litigious claim against the Company according to Article 189 of the Company Act, the ballots must be retained until the end of litigation.

Article 15:

The resolutions passed at the shareholders meeting must be compiled into minutes, signed or stamped by the meeting chairman. The minutes must be delivered to all shareholders within 20 days of the meeting. The preparation and distribution of meeting minutes may be done by electronic methods.

The Company for distribution of the meeting minutes must be entered as an announcement into a Market Observation Post System. The minutes must detail the year, month, day, and location of the meeting, the chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained for as long as the company continues to exist. Any resolutions involving the chairman asking for objections from shareholders and receiving none in return must be remarked as "Passed without objections from any shareholders present in the meeting". If objections were raised by shareholders, then the resolution must be noted as having passed by way of voting, with details on the number of passing votes.

Article 16:

The amount of shares solicited by solicitors and represented by proxies should be noted in chart form on the day of the shareholders meeting, and shown prominently at the venue of the shareholders meeting.

If resolutions of the shareholders meeting fall are regarded as important news pertaining to laws and regulations or regulations of the Taiwan Stock Exchange, the Company must report the content of the resolution on the Market Observation Post System within the designated time period.

Article 17:

Staff running the shareholders meeting should wear I.D. badges or armbands.

The chairman may instruct picket members (or security staff) to help maintain order in the meeting. While maintaining order in the meeting, all picket members (or security staff) must wear arm badges or I.D. badges which identify their roles as a "picket member".

For meetings equipped with sound amplifying devices, shareholders not using sound amplifying devices prepared by the Company while speaking must be stopped by the chairman. The Chairman may call upon picket members or security staff to escort shareholders from the premises who are violating rules of procedure and not adhering to the chairman's corrections, or are hampering the proceedings of the meetings who refuse to be stopped.

Article 18: The chairman may call the meeting into recess at a suitable time. In the occurrence of any force majeure events, the meeting chairman may suspend the meeting and announce the time of continuation of the meeting after examining the situation.

If the agenda arranged by the Board of Directors (including special motions) has not reached its conclusion, and the location of the shareholder meeting cannot be used for any longer, it is up to

the Board of Directors to find another suitable place for the meeting. According to regulations of Article 182 of the Company Act, the Board of Directors may postpone a meeting for not more than five days, or to reconvene the meeting within five days.

Article 19:

These rules shall become effective once resolved during the shareholders meeting; the same applies to all subsequent revisions.

Article 20:

These rules were created on 21 May 1991.

The 1st amendment was made on 13 May 1998.

The 2nd amendment was made on 29 June 2002.

The 3rd amendment was made on 23 June 2006.

The 4th amendment was made on 24 June 2011.

The 5th amendment was made on 27 June 2012.

The 6th amendment was made on 22 June 2017.

Other Information That Should Be Disclosed

I. 2016 Earnings Distribution: Directors and Supervisors Remunerations and Employee Remunerations:

Unit: NTD

Items	Sub-Total	Stock Conversion	Scale of Stock Dilution
Director and Supervisor Remunerations (Cash)	\$14,871,277	-	-
Employee Remunerations (Cash)	\$14,871,277	-	-
Employee Remunerations (Stock)	\$0	-	-
Total	\$29,742,554	-	-
Note: The above distribution matched a Board of Directors resolution reached on Mar 16, 2017.			

II. Dividends Policy

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.

III. Proposed distribution of retained earnings of year 2017

1. The Company's 2017 net income after tax was NT\$2,541,889,593. In accordance with relevant laws and the Memorandum of Association, 10% of net income which equates to the amount of NT\$254,188,959 was appropriated as legal reserve and also the provision of special reserve of NT1,127,482,670. After the addition of beginning period

undistributed earnings of NT\$2,687,751,306, and the deduction of other comprehensive losses of NT\$ 83,358,199 (the 2017 annual remeasurement of defined benefit obligation), the available undistributed earnings was NT\$3,764,611,071. The 2017 annual earnings appropriation was NT\$ 1,109,148,733 for distribution to shareholders as cash dividend of NT\$0.5 per share.

2. The influence of stock dividends toward operating performance, EPS, and ROE of the company: It is not applicable.

3. Employees' and Directors' remuneration:

The basis for estimating the amount of employee, director remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: the current period estimated employees' remuneration was NT\$30,951,215, and the Directors' remuneration was NT\$30,951,215, as the same figure was allotted by the Board of Directors for both groups.

Status of the Number of Shares Held by Directors

1. Detailed Table of the minimum shares held by directors, and share numbers recorded in shareholder registration book

Title Name	Shall Maintain An Aggregate Holding of Shares	Share Numbers Recorded in the Shareholder Registration Book (shares)
Director	53,239,139 Shares	93,792,070 Shares

Note: Book closure date: Apr 28, 2018

2. Detailed Table of amount of shares held by Directors

Until book closure date: Apr 28, 2018

Title	Name	Share Numbers Recorded in the Shareholder Registration Book (shares)	Notation
Chairman	SHIHLIN PAPER CORPORATION	29,933,031 Shares	Representative: Po-Ting Chen
Director	TAILI CORPORATION	5,469,256 Shares	Representative: Randy Chen
Director	SUN SHINE CONSTRUCTION CO., LTD	26,487,607 Shares	Representative: Chiu-Ling Wu
Director	CHEN-YUNG FOUNDATION	31,902,176 Shares	Representative: Chih-Chao Chen
Independent Directors	Ruei-Chuen Liu	525 Shares	
Independent Directors	Rung-Nian Lai	0 Shares	
Independent Directors	Chih-Chuan Chen	0 Shares	

Note 1: The Company has a paid-up capital of NT\$22,182,974,660, issued in 2,218,297,466 ordinary shares.

Note 2: The amount of shares held by directors has reached the legal standards.