



# 2017 ANNUAL REPORT



**WAN HAI LINES LTD.**

WE CARRY, WE CARE.

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## Certification of Annual Financial Statement is Provided by

### CPA : Yi-Chun, Chen 、 Chung-Yi, Chiang KPMG Certified Public Accountants

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None

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|      |     |                                                                                                                                                |
|------|-----|------------------------------------------------------------------------------------------------------------------------------------------------|
| 1965 | FEB | WAN HAI Steamship Co., Inc. was established on Feb 24th.                                                                                       |
|      | AUG | Bought a "LIBERTY" type bulk vessel christened "FOSMAR" and deployed between Japan and America for transporting steel.                         |
| 1966 |     | Bought the first log vessel with 5,000 DWT from Japan christened "WAN SHOU".                                                                   |
| 1969 | MAR | Ordered a log vessel M.V. CHANG CHUN from Japan and deployed to Japan / Taiwan and Southeast Asia service.                                     |
|      | JUN | Ordered a 6,000 DWT log vessel christened "YI CHUN" which also deployed to Japan / Taiwan and Southeast Asia service.                          |
| 1976 | JUL | The first Full-container vessel M.V. MING CHUN was deployed to Taiwan / Japan service which initiated WAN HAI's full container liner service.  |
| 1978 | DEC | WAN HAI Kaohsiung office was founded.                                                                                                          |
| 1982 | APR | The first batch of new 20ft container 1,300 units were procured.                                                                               |
|      | JUN | WAN HAI's computerization era began with installation of the HP 3000/42 system.                                                                |
|      | OCT | Act as Taiwan agent for Hoegh-Ugland Auto Liners , A/S.                                                                                        |
| 1983 | MAY | The first carrier to split Taiwan/Japan service into Kanto and Kansai independently.                                                           |
|      | JUN | Commenced Hong Kong service.                                                                                                                   |
|      | AUG | Established a Liaison Office in Taichung.                                                                                                      |
|      | AUG | Act as agent for HUAL in Taiwan.                                                                                                               |
| 1985 | JUN | M/V Fu Chun maiden call to Port of Taichung provides first liner service to Taichung.                                                          |
| 1987 | JUL | Kaohsiung berth #42 was leased as WanHai's dedicated terminal.                                                                                 |
| 1988 | OCT | Commenced Taiwan / Korea service.                                                                                                              |
| 1989 | JUN | Commenced Singapore / Malaysia service.                                                                                                        |
|      | OCT | Commenced Thailand service.                                                                                                                    |
| 1990 | MAY | Commenced Indonesia service.                                                                                                                   |
|      | JUL | Commenced Philippines service.                                                                                                                 |
| 1991 | MAR | Entered into a tonnage sharing agreement with HMM for Thailand and Southeast Asia Service.                                                     |
|      | APR | Cross-charter arrangement with MAIN GROUP for Japan / Taiwan and Taiwan / Southeast Asia service.                                              |
| 1992 | OCT | Commenced Manila / Thailand / Indonesia service with YML.                                                                                      |
| 1993 | MAR | BUL joined Java service.                                                                                                                       |
|      | JUN | Commenced Vietnam service.                                                                                                                     |
|      | SEP | Appointed as the general agency in Taiwan of Clan S.A.                                                                                         |
|      | NOV | Appointed as general agent for World Logistics Service (U.S.A) Inc.                                                                            |
| 1994 | MAR | Obtained the management right of the National Shipping Corporation of the Philippines.                                                         |
|      | AUG | WAN HAI's private berth in Kaohsiung shifted from Pier 42 to Pier 63.                                                                          |
| 1995 | FEB | Held the 30th Anniversary Party at Taipei's Grand Hotel on Feb. 24 and awarded an honorable tablet by the President of R.O.C. Mr.Teng-Hui Lee. |
|      | JUL | Commenced Korea / Java service with HMM.                                                                                                       |
|      | OCT | Commenced Tianjin / Busan / Hong Kong / Southeast Asia service with Tientsin Marine Shipping Company.                                          |
| 1996 | APR | The Storage yard of Pier 17 West, Port of Keelung, was leased as an exclusive container yard of WAN HAI.                                       |
|      | MAY | WAN HAI listed on the first board to Taiwan Stock Exchange.                                                                                    |
|      | JUN | Commenced India service.                                                                                                                       |
|      | DEC | Dedicated Terminal at pier 31 Port of Taichung was leased.                                                                                     |
| 1997 | MAR | Commenced Japan / Singapore / Malaysia Super Express service with APL and HMM.                                                                 |
|      | APR | Commenced the Cross Space Charter Agreement with Uniglory Marine Co.                                                                           |
|      | AUG | Obtained permission to run the Xiamen / Kaohsiung "Offshore Shipping Centers" business.                                                        |
|      | DEC | Commenced Taiwan / Hong Kong / Xiamen service.                                                                                                 |
| 1998 | APR | Commenced Middle East service with HMM.                                                                                                        |
|      | NOV | Inaugurated Middle East II service.                                                                                                            |
| 1999 | JUL | Commenced China-Middle East service with OOCL.                                                                                                 |
|      | AUG | Commenced Haiphong II service.                                                                                                                 |

|      |     |                                                                                                                            |
|------|-----|----------------------------------------------------------------------------------------------------------------------------|
| 2000 | MAY | Commenced American West Coast service.                                                                                     |
| 2001 | MAY | Commenced China / Southeast Asia service.                                                                                  |
|      | JUN | Commenced China / American West Coast service .                                                                            |
| 2002 | SEP | Set up India subsidiary company .                                                                                          |
| 2003 | MAR | Start Japan dedicated terminal at Ohi pier #5, Port of Tokyo.                                                              |
|      | AUG | Established WAN HAI Charity Foundation.                                                                                    |
| 2004 | APR | Commenced Far East / Europe service with PIL.                                                                              |
|      | MAY | Established subsidiary company in Germany.                                                                                 |
|      | JUL | Ordered four 4,252 TEU vessels (PANAMAX vessel) & four 6,039 TEU vessels (POST-PANAMAX vessel) from CSBC.                  |
| 2005 | FEB | Implemented ISO 14001 Environmental Management System (EMS).                                                               |
| 2006 | MAR | Commenced Japan / HK / S.PRC / Singapore / Port Kelang (NS3) service.                                                      |
|      | APR | Commenced China / HK / Singapore / Port Kelang (CIX) service with EMC and Hapag-Lloyd.                                     |
| 2007 | FEB | Commenced China / Red Sea service.                                                                                         |
|      | JUN | Ordered six 4,252 TEU vessels from CSBC.                                                                                   |
|      | NOV | Commenced China / Black Sea service.                                                                                       |
| 2008 | JAN | Four 4,252 TEU and 6,039 TEU vessels previously ordered from CSBC were all delivered and deployed to service.              |
|      | MAR | Six 2,646 TEU vessels previously ordered from Jurong Shipyard., Singapore were all delivered and deployed to service.      |
|      | JUL | Commenced the first feeder service in the Middle East.                                                                     |
| 2009 | FEB | Invested and operated a new container terminal in Cai-Mep area, Vietnam with HANJIN , MOL and SNP.                         |
|      | MAR | Bought two 1,809 TEU vessels and were deployed in the same year.                                                           |
|      | MAY | Commenced Singapore / Malaysia / India (SC1) service with BTL.                                                             |
| 2010 | FEB | Commenced Asia / South America East Coast service with CCNI, HANJIN, Hapag-Lloyd and ZIM.                                  |
|      | MAR | Commenced East Africa Joint service with EMC and Simatech Shipping.                                                        |
| 2011 | APR | Commenced new WSA service with EMC, COSCON and PIL.                                                                        |
|      | OCT | Ordered four 1,871 TEU vessels from CSBC.                                                                                  |
| 2012 | OCT | Awarded "Most Admired Company in Taiwan" 2012 in the shipping category " by CommonWealth Magazine.                         |
| 2013 | MAY | Commenced Asia / South America West Coast (ASA) service with PIL, EMC and COSCON.                                          |
| 2014 | MAR | Launched Independent Mindanao Service.                                                                                     |
|      | JUN | Launched Far East to Pakistan / Mundra Express Service with Coscon SEA, China Shipping and PIL.                            |
|      | OCT | Awarded " Most Admired Company in Taiwan" 2014 in the shipping category " by CommonWealth Magazine.                        |
| 2015 | JAN | Launched Independent Kansai-Haiphong Service II                                                                            |
|      | MAR | Launched New Asia / Middle East Service.                                                                                   |
|      | MAR | Launched Independent South China-Vietnam-Malaysia Service.                                                                 |
|      | APR | Operated Transpacific service from South PRC & Central PRC to the U. S. Pacific South West.                                |
|      | AUG | Established subsidiary Joint Venture company in Peru.                                                                      |
| 2016 | JAN | Launched China / India Service II (CI2) jointly with IAL, PIL and MOL.                                                     |
|      | APR | Launched China / Manila / Thailand Service.                                                                                |
|      | MAY | Launch Japan / India Service (CHS3) jointly with MOL.                                                                      |
|      | JUN | Launch Mindanao / Malaysia / Belawan (MMS) Service.                                                                        |
|      | DEC | WAN HAI Lines to join TBS Service with "K" Line.                                                                           |
| 2017 | FEB | WAN HAI Lines again tops the "Container Shipping Line of The Year - Far East Trade Lane" Award from Gujarat Junction 2017. |
|      | JUN | WAN HAI Lines enhances China / Southeast Asia Service Network.                                                             |
|      | JUL | Bought two 1,805 TEU vessels and were deployed in the same year.                                                           |
|      | AUG | WAN HAI tops container shipping schedule reliability in Q2.                                                                |

1

TOP THE GLOBAL LINER SCHEDULE RELIABILITY  
SURVEY 2016-2017 FROM SEAINTEL

*Real-time quality response with service  
commitments*

2

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

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

3

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

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

4

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

*Honored by both operational efficiency and  
environmentally friendly*

5

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

*All-round business performance recognized  
by local influential publication*

6

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

*Sparing no effort to achieve environmental  
sustainability*

## SERVICE IS OUR MISSION; STABILITY IS OUR STRENGTH

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

7

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

*Our specialization is made by continuous  
improvements*

8

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

*Fast, convenient and far-reaching service*

9

BALANCED FINANCIAL STRUCTURE AND STEADY  
OPERATING STATUS

*Rest assured delivery*

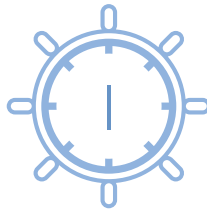
10

INTEGRITY AND PEOPLE-ORIENTED SERVICE

*We fuse traditional principles with current  
practices as a way to achieve better develop-  
ments*

Quality Service / Team Work / Growth





## Letter to Shareholders

To Our Shareholders,

As we are to convene the shareholders' meeting for 2018, I would like to report that our consolidated revenue for 2017 had reached TWD 60.77 billion, which was an increase from 2016 by approximately TWD 3.42 billion. The consolidated net profit after taxes was TWD 2.54 billion, which was an increase from 2016 by TWD 1.40 billion. In terms of profitability, the return on equity for the year 2017 was 7.47 %, while in the year 2016 it was 3.27%. The net profit margin was 4.21% in 2017, while it was 2.00% in 2016. The earnings per share in 2017 was TWD1.15.

As global economy revived in 2017, market demand began to pick up. On the supply side, the capacity integration between shipping companies and the delayed delivery of new vessels improved the oversupply situation in maritime transport market comparing to previous years. This in turn led to an increase in freight rates and boosted the overall profitability comparing to 2016. As the overall market improved, the Company took the initiative to adjust routes through integration and development in order to expand the operation. In 2017, under the management team's prudent and careful planning and with every employee's tireless efforts, the Company's operating capacity continued to rise alongside the market rebound and set another record high after 2016. The growth rate reached 6% with a capacity of 3.85 million teu. Upholding the business philosophy of "customer first", the Company spared no effort to ensure punctuality. For two consecutive years, namely in 2016 and 2017, Wan Hai Lines have taken the lead among global carriers as the most reliable carrier according to the "Global Liner Performance Report" issued by Sea Intel, a Denmark maritime market intelligence provider. This achievement has successfully sustained our quality commitment. We would like to give special thanks to all the efforts of every Wan Hai Lines employee and show our gratitude for the full support from every shareholder in achieving the outstanding performance.

In 2018, people are generally optimistic about the global economic performance. The market demand growth is expected to outperform that of the previous year. At the same time, however, a considerable number of new ultra-large container ships are set to be delivered this year in succession, and the market will continue to be plagued by overcapacity. The price of bunker fuel has risen persistently since the third quarter of last year. Bunker price fluctuations and increased operating costs due to sulfur emission control are the pressure that must be faced by shipping companies. The upturning economy is a golden opportunity for the long-depressed shipping industry. However, the increased capacity brought on by the delivery of new large vessels, the rising bunker fuel costs and restrictions imposed by environmental regulations are challenges to the shipping companies. Wan Hai Lines' decisions have always been made on the basis of a "stable and steady" operation. We will continue to place strict controls on operating costs to optimize company value. Regarding route deployment, we will cultivate the near sea shipping line network and exploit the niche markets, and simultaneously expand our mid to far sea and ocean-going shipping lines for customers to enjoy a more comprehensive shipping service and further enhance our market share.

In the spirit of "quality service, team work and growth", Wan Hai Lines has been devoted to provide customers with the best service. The Company's operation will gradually expand through excellent team work. In the coming year, we will persist relentlessly to live up to the expectations of all shareholders and partners!

Sincerely yours,

Chairman

Shihlin Paper Corporation



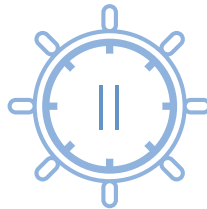
Representative

Po-Ting Chen



April, 29, 2018





## Company Profile

**Date of Establishment** February 24, 1965

**Main Activities**

- ◆ Marine transportation
- ◆ Shipping agency
- ◆ Purchasing & selling of vessels and containers
- ◆ Container Freight Station Business
- ◆ Leasing of vessels and containers

### Major Event of Corporate History

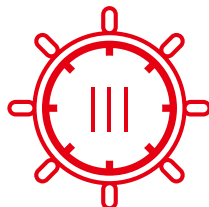
Founded on February 24, 1965, Wan Hai started as a log carrier servicing Taiwan, Japan, and Southeast Asia. Recognizing the coming trend of containerization, Wan Hai purchased its very first full container ship "M.V. MING CHUN" in July 1976 and began the container shipping service to Japan. The Company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

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

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

In addition to its commitment in providing superior and comprehensive services, Wan Hai also dedicates itself to environmental protection and is recognized by the government, domestic and abroad, for its collaborative endeavor. In recent years, Wan Hai won the "Best Shipping Agent, Customer Service for Colombo - Intra Asia Sector" award from ICS; and the "Container Shipping Line of The Year India-Far East Trade Lane" for the sixth year from 2017 MALA. As such, Wan Hai becomes a recognized corporate brand in shipping industry.

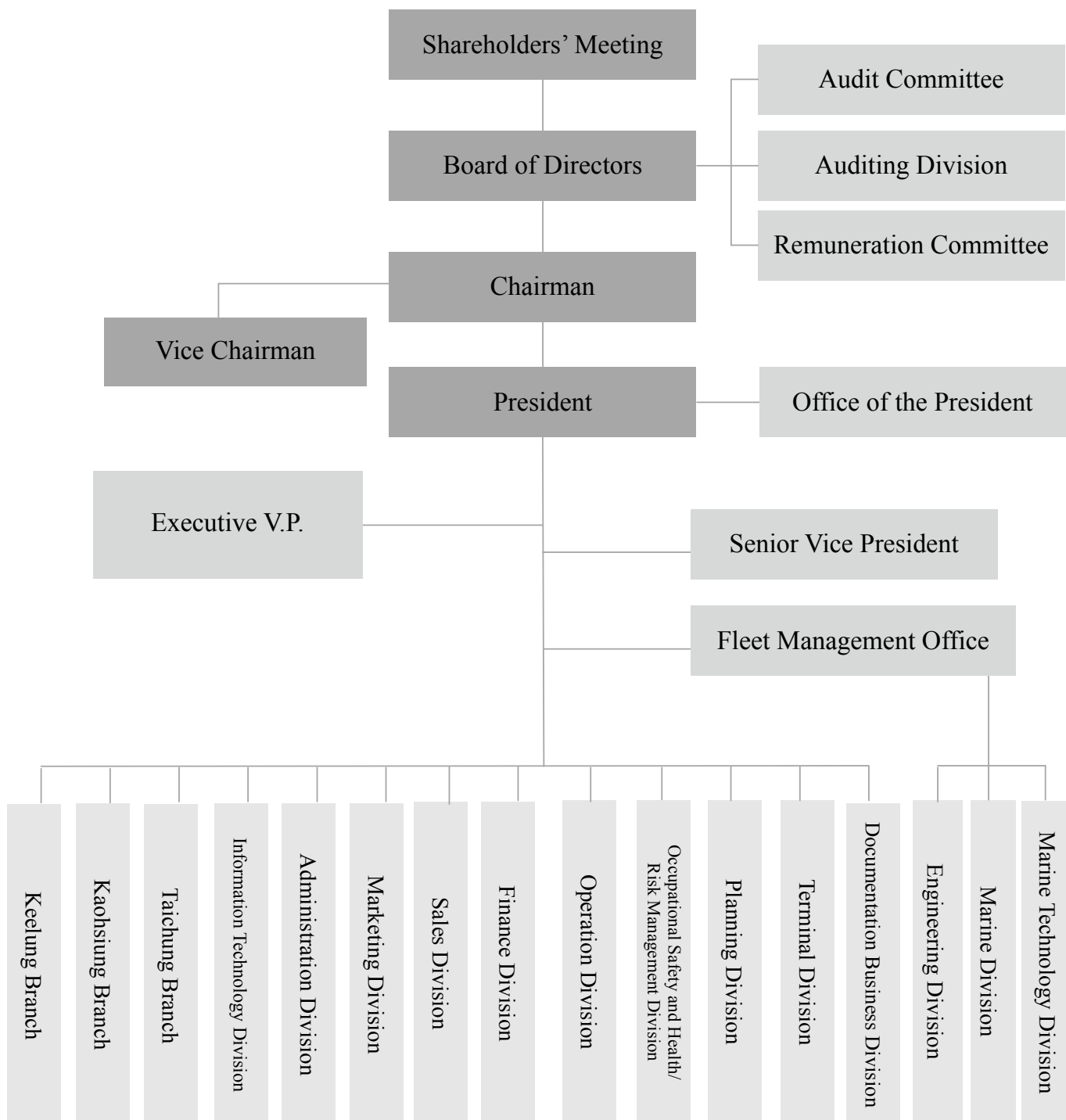
Driven by the corporate culture of "Quality Service, Team Work, and Growth" and the philosophy of "Customer First, Full Participation, Environmental Protection, and Business Continuity," Wan Hai continues to provide a dense and complete transportation network, and continues to enhance service quality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



# Corporate Governance

## 3.1 Organization Structure

### 3.1.1 Organization Chart



### 3.1.2 Description of each division's operation under the company

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

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

### 3.2.1 Director and Supervisors

#### 1. The list of Directors and Supervisors

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

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

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

### The list of Directors and Supervisors The 20th Board of Directors (2017/6/22~)

| Title                                                                                             |               | Chairman                                                                                                                                                                                                                                                                                                                                           |                              | Vice Chairman                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                            | Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                | Director                                                                                                                                                                                                                           |                              |
|---------------------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Nationality                                                                                       |               | R.O.C.                                                                                                                                                                                                                                                                                                                                             | R.O.C.                       | R.O.C.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | U.S.A.                     | R.O.C.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | R.O.C.                         | R.O.C.                                                                                                                                                                                                                             | R.O.C.                       |
| Name                                                                                              |               | SHIHLIN PAPER CORP.                                                                                                                                                                                                                                                                                                                                | Representative: Po-Ting Chen | Taili Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Representative: Randy Chen | Chen-Yung Foundation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Representative: Chih-Chao Chen | Sunshine Construction Co., Ltd                                                                                                                                                                                                     | Representative: Chiu-Ling Wu |
| Gender                                                                                            |               |                                                                                                                                                                                                                                                                                                                                                    | Male                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Male                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Male                           |                                                                                                                                                                                                                                    | Female                       |
| Date elected                                                                                      |               | Jun 22,2017                                                                                                                                                                                                                                                                                                                                        |                              | Jun 22,2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                            | Jun 22,2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                | Jun 22,2017                                                                                                                                                                                                                        |                              |
| Tenure                                                                                            |               | 3 years                                                                                                                                                                                                                                                                                                                                            |                              | 3 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                            | 3 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                | 3 years                                                                                                                                                                                                                            |                              |
| Date first elected                                                                                |               | May 6,1999                                                                                                                                                                                                                                                                                                                                         |                              | June 24, 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                            | June 24, 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                | Jun 22,2017                                                                                                                                                                                                                        |                              |
| Shareholding on date elected                                                                      | No. of shares | 29,933,031<br>9,603,548                                                                                                                                                                                                                                                                                                                            |                              | 5,469,256<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            | 31,902,176<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                | 26,487,607<br>0                                                                                                                                                                                                                    |                              |
|                                                                                                   | Holding Ratio | 1.34%<br>0.43%                                                                                                                                                                                                                                                                                                                                     |                              | 0.25%<br>0.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            | 1.44%<br>0.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                | 1.19%<br>0.00%                                                                                                                                                                                                                     |                              |
| Current Shareholding                                                                              | No. of shares | 29,933,031<br>9,603,548                                                                                                                                                                                                                                                                                                                            |                              | 5,469,256<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            | 31,902,176<br>7,700,283                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                | 26,487,607<br>15,275,878                                                                                                                                                                                                           |                              |
|                                                                                                   | Holding Ratio | 1.34%<br>0.43%                                                                                                                                                                                                                                                                                                                                     |                              | 0.25%<br>0.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            | 1.44%<br>0.34%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                | 1.19%<br>0.69%                                                                                                                                                                                                                     |                              |
| Current shareholding of Spouse and Minor Children                                                 | No. of shares | 0                                                                                                                                                                                                                                                                                                                                                  |                              | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                | 0                                                                                                                                                                                                                                  |                              |
|                                                                                                   | Holding Ratio | 0%                                                                                                                                                                                                                                                                                                                                                 |                              | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                            | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                | 0%                                                                                                                                                                                                                                 |                              |
| Shareholding under other names                                                                    | No. of shares | 0                                                                                                                                                                                                                                                                                                                                                  |                              | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                | 0                                                                                                                                                                                                                                  |                              |
|                                                                                                   | Holding Ratio | 0%                                                                                                                                                                                                                                                                                                                                                 |                              | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                            | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                | 0%                                                                                                                                                                                                                                 |                              |
| Major Academic qualification and professional experience                                          |               | Master of Business Administration, University of San Francisco                                                                                                                                                                                                                                                                                     |                              | Master of Business Administration MIT SLOAN School of Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                            | City University of New York                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                | DE LIN Institute of Technology                                                                                                                                                                                                     |                              |
| Positions held in the Company and other companies                                                 |               | FORMOSA WONDERWORLD Co., Ltd. Chairman<br>SHIHLIN PAPER CORP. Representative Director for legal entity/Chairman<br>SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/Vice Chairman<br>ASIA PACIFIC LOGISTICS INTERNATIONAL Co., Ltd. Consultant<br>WAN HAI LINES(UAE)L.L.C Representative Director for legal entity |                              | EVERVALIANT CORP. Director<br>WAN HAI LINES (PHILS) INC. Representative Director for legal entity/Chairman<br>WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity<br>WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity<br>SHIHLIN PAPER CORP. Representative Supervisor for legal entity<br>WAN HAI LINES PERU S.A.C. Representative Director for legal entity<br>WAN HAI LINES ECUADOR S.A. Representative Director for legal entity<br>WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity |                            | YI CHAO CORP. Chairman<br>WAN HAI LINES(AMERICA) LTD. Representative Director for legal entity<br>WAN HAI LINES(H.K.)LTD. Representative Director for legal entity<br>DAWIN LOGISTIC(INTERNATIONAL)LTD. Representative Director for legal entity<br>BAO SHENG SHIPPING AGENCY Co., Ltd. Representative Director for legal entity/Chairman<br>WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Director for legal entity<br>WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity |                                | SHIHLIN PAPER CORP. Representative Director for legal entity<br>YEE SING CO., LTD. Chairman<br>UNI COOPERATE INTERNATIONAL Co., Ltd. Director<br>YEE TZAO ENTERPRISE CO., LTD. Chairman<br>Sunshine Construction Co., Ltd Director |                              |
| officer, director, or supervisor held by spouse or relatives within two levels of blood relations | Title         | -                                                                                                                                                                                                                                                                                                                                                  |                              | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                | -                                                                                                                                                                                                                                  |                              |
|                                                                                                   | Name          | -                                                                                                                                                                                                                                                                                                                                                  |                              | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                | -                                                                                                                                                                                                                                  |                              |
|                                                                                                   | Relation      | -                                                                                                                                                                                                                                                                                                                                                  |                              | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                | -                                                                                                                                                                                                                                  |                              |

| Title                                                                                             |                | Independent Director                            | Independent Director                            | Independent Director                                        |
|---------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|
| Nationality                                                                                       |                | R.O.C.                                          | R.O.C.                                          | R.O.C.                                                      |
| Name                                                                                              |                | Ruei-Chuen Liu                                  | Rung-Nian Lai                                   | Chih-Chuan Chen                                             |
| Gender                                                                                            |                | Male                                            | Male                                            | Male                                                        |
| Date elected                                                                                      |                | Jun 22,2017                                     | Jun 22,2017                                     | Jun 22,2017                                                 |
| Tenure                                                                                            |                | 3 years                                         | 3 years                                         | 3 years                                                     |
| Date first elected                                                                                |                | Jun 18,2014                                     | Jun 18 2014                                     | Jun 22,2017                                                 |
| Shareholding on date elected                                                                      | No. of shares  | 525                                             | 0                                               | 0                                                           |
|                                                                                                   | Holding Ration | 0.00%                                           | 0.00%                                           | 0.00%                                                       |
| Current Shareholding                                                                              | No. of shares  | 525                                             | 0                                               | 0                                                           |
|                                                                                                   | Holding Ration | 0.00%                                           | 0.00%                                           | 0.00%                                                       |
| Current shareholding of Spouse and Minor Children                                                 | No. of shares  | 0                                               | 1,000                                           | 0                                                           |
|                                                                                                   | Holding Ratio  | 0%                                              | 0%                                              | 0%                                                          |
| Shareholding under other names                                                                    | No. of shares  | 0                                               | 0                                               | 0                                                           |
|                                                                                                   | Holding Ratio  | 0%                                              | 0%                                              | 0%                                                          |
| Major Academic qualification and professional experience                                          |                | College of law, National Chung Hsing University | College of Medicine, National Taiwan University | Master of Business Administration, Oklahoma City University |
| Positions held in the Company and other companies                                                 |                | Star travel Corp. Independent Director          |                                                 | SHIHLIN PAPER CORP. Independent Director                    |
|                                                                                                   |                |                                                 |                                                 |                                                             |
|                                                                                                   |                |                                                 |                                                 |                                                             |
|                                                                                                   |                |                                                 |                                                 |                                                             |
| officer, director, or supervisor held by spouse or relatives within two levels of blood relations | Title          | -                                               | -                                               | -                                                           |
|                                                                                                   | Name           | -                                               | -                                               | -                                                           |
|                                                                                                   | Relation       | -                                               | -                                               | -                                                           |

## 2. Major shareholders of corporation stockholders

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| Corporation shareholders            |                                      |                      | Major Shareholders and holdings %                |                                  |                                                    |                      |                                      |  |                                     |
|-------------------------------------|--------------------------------------|----------------------|--------------------------------------------------|----------------------------------|----------------------------------------------------|----------------------|--------------------------------------|--|-------------------------------------|
| Formosa Wonderworld Co., Ltd.       | Ta Hsing Investment Co.,Ltd 3.85%    |                      | Yuki Holdings Group Limited 17.86%               |                                  | Sunpark Investment Group Limited 17.92%            |                      | Blue Moon Investment Co., Ltd. 3.70% |  |                                     |
|                                     | Po-Ting Chen 14.38%                  |                      | Bank of Taipei trust account (Yu-Min Kao) 14.63% |                                  | Bank of Taipei trust account (I-Ming Chiang) 3.01% |                      | Evervaliant Corp. 1.23%              |  |                                     |
|                                     | Yin-Ru Chen 0.62%                    |                      | Mei-Ru Chen 1.36%                                |                                  | Yeong Yi (Asia) Corp. Ltd. 1.23%                   |                      | Huai-Ling Chen 20.21%                |  |                                     |
| Tai Li Corp.                        | Unimode Investment Co., Ltd. 90.821% |                      | Evervaliant Corp 9.116%                          |                                  | Ching-Chih Chen 0.034%                             |                      | Randy Chen 0.021%                    |  |                                     |
|                                     | Wen-Tsung Sue 0.002%                 |                      | Te-Ming Lin 0.002%                               |                                  | Hsiu-Wen Wang 0.002%                               |                      | An-Chou Lin 0.002%                   |  |                                     |
| Chen-Yung Foundation                |                                      |                      | None                                             |                                  |                                                    |                      |                                      |  |                                     |
| Yee Sing Co., Ltd.                  | I-Cheng, Lin 3.45%                   | Chiu-Ling, Wu 23.45% | Che-I, Lin 8.62%                                 | Chia-Chin, Lin 3.45%             | Yu-Syuan, Lin 8.62%                                | Chia-Ying, Lin 3.45% | Yee Tzao Enterprise Co., Ltd. 48.96% |  |                                     |
| Yi Teh Optical Technology Co., Ltd. | Chih-Yuan Chen 99.91%                |                      |                                                  | Yeong Yi (Asia) Corp. Ltd. 0.09% |                                                    |                      |                                      |  |                                     |
| ShihLin Paper Corp.                 | Wan Hai Charity Foundation 6.98%     |                      | Tai Chuan Investments Co., Ltd. 6.92%            |                                  | Shui-Cheng Tu 6.85%                                |                      | Yeong Yi (Asia) Co., Ltd. 6.35%      |  | Evervaliant Corp. 4.87%             |
|                                     | Ching-Chih Chen 3.89%                |                      | Zheng-Ti Cheng 3.47%                             |                                  | Liu He Investment, Inc. 3.38%                      |                      | Pictet & Cie (Europe) S.A. 3.36%     |  | Hwa-Mei LinYen 3.22%                |
| Sunshine Construction Co., Ltd      | Hwa-Mei LinYen 47.24%                |                      | Che-I, Lin 9.6%                                  |                                  | Yu-Syuan, Lin 8%                                   |                      | Cheng-Hsiung, Lin 7.68%              |  | Chia-Chin, Lin 4.96%                |
|                                     | Chia-Ying, Lin 4.96%                 |                      | I-Cheng, Lin 4.8%                                |                                  | Chiu-Ling, Wu 3.11%                                |                      | Yueh-Hsia, Lin 0.14%                 |  | Yee Tzao Enterprise Co., Ltd. 9.46% |
|                                     | Yu-Hua Lin 0.05%                     |                      |                                                  |                                  |                                                    |                      |                                      |  |                                     |

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

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| Corporation shareholders        |                                                                                                                                                                                                                                                                                           | Major shareholders of corporation shareholders |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|------------------------------------|--------------------|--|--------------------|--|
| UNIMODE INVESTMENT CO., LTD     | LY Investments Ltd. 100%                                                                                                                                                                                                                                                                  |                                                |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Evervaliant Corp.               | Taili Corporation 58.184%                                                                                                                                                                                                                                                                 |                                                | Yi Chun (Liberia) Shipping Co., Ltd. 25.46% |                                    | R&D Investments, Inc 9.386%         |                      |                      |                                    |                    |  |                    |  |
|                                 | Chen-Yung Foundation 4.845%                                                                                                                                                                                                                                                               |                                                |                                             | UNIMODE INVESTMENT CO., LTE 2.122% |                                     |                      |                      |                                    |                    |  |                    |  |
|                                 | Chao-Heng Chen 0.001%                                                                                                                                                                                                                                                                     |                                                | Ying-Hua Lin 0.001%                         |                                    | Ching-Chih Chen 0.001%              |                      |                      |                                    |                    |  |                    |  |
| Yuki Holdings Group Ltd.        | Woodwind Development Limited 100%                                                                                                                                                                                                                                                         |                                                |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Sunpark Investment Group Ltd.   | Wonder View Investments Ltd. 100%                                                                                                                                                                                                                                                         |                                                |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Yeong Yi (Asia) Corp. Ltd.      | Smithson Crowford Murrary Capital 32.165%、Hsin Feng Corp. 25.566%、Fon Tain Belon Co. Ltd. 24.517%、Skyway Industrial Limited 4.923%、Yichao Crop. 4.144%、Chen-Yung Foundation 3.436%、Chih-Chao Chen 1.947%、Sui shih sung Crop., 1.727%、Kang TuIndustrail Co., Ltd. 0.683%、Eyon Corp. 0.550% |                                                |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Ta Hsing Investment Co., Ltd.   | Dao Kuan Ltd 7.92%                                                                                                                                                                                                                                                                        |                                                | Hui-Ying Chen 10%                           |                                    | Po-Ting Chen 23.33%                 |                      | Yin-Ru Chen 0.83%    |                                    | Zhao-Di Chen 0.83% |  |                    |  |
|                                 | Mei-Ru Chen 0.83%                                                                                                                                                                                                                                                                         |                                                | Dao Qi Ltd 6.16%                            |                                    | Formosa Wonderworld Co., Ltd. 5.93% |                      |                      | Sun Trader Holding Corp. 41.67%    |                    |  |                    |  |
|                                 | Dao Pu Ltd 1.25%                                                                                                                                                                                                                                                                          |                                                | Dao Zhou Ltd 1.25%                          |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Blue Moon Investment Co., Ltd.  | Po-Ting Chen 72.3%                                                                                                                                                                                                                                                                        |                                                | Ta Hsing Investment Co., Ltd. 2%            |                                    | Dao Qi Ltd 3.4%                     |                      | Hui-Ying Chen 3%     |                                    | Mei-Ru Chen 3.8%   |  |                    |  |
|                                 | Zhao-Di Chen 0.3%                                                                                                                                                                                                                                                                         |                                                | Dao Kuan Ltd 5.2%                           |                                    | Yin-Ru Chen 3.8%                    |                      |                      | Formosa Wonderworld Co., Ltd. 3.8% |                    |  |                    |  |
|                                 | Dao Pu Ltd 1.2%                                                                                                                                                                                                                                                                           |                                                | Dao Zhou Ltd 1.2%                           |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Yee Tzao Enterprise Co., Ltd.   | Chiu-Ling, Wu 1.92%                                                                                                                                                                                                                                                                       | I-Cheng, Lin 0.2%                              | Chia-Ying, Lin 0.2%                         | Chia-Chin, Lin 5.28%               | Hwa-Mei LinYen 62%                  | Cheng-Hsiung, Lin 8% | Yueh-Hsia, Lin 22.4% |                                    |                    |  |                    |  |
| Wan Hai Charity Foundation      | None                                                                                                                                                                                                                                                                                      |                                                |                                             |                                    |                                     |                      |                      |                                    |                    |  |                    |  |
| Tai Chuan Investments Co., Ltd. | Dao Qi Ltd 2.95%                                                                                                                                                                                                                                                                          |                                                | Cheng-Zhi Cheng 10.1%                       |                                    | Zheng-Ti Cheng 9.85%                |                      | Dao Pu Ltd 2.94%     |                                    | Dao Kuan Ltd 2.95% |  | Dao Zhou Ltd 2.94% |  |
|                                 | Evervaliant Corp. 23.99%                                                                                                                                                                                                                                                                  |                                                |                                             | Yeong Yi (Asia) Co., Ltd. 21.72%   |                                     |                      |                      | Tai Shih Trading Co., Ltd 8.8%     |                    |  |                    |  |
| Liu He Investment, Inc.         | Mei-Ru Chen 0.02%                                                                                                                                                                                                                                                                         |                                                | Yin-Ru Chen 0.02%                           |                                    | Hui-Ying Chen 0.8%                  |                      | Zhao-Di Chen 0.02%   |                                    | Dao Kuan Ltd 0.61% |  | Po-Ting Chen 16.1% |  |
|                                 | Ta Hsin Investment Co., Ltd. 1.9%                                                                                                                                                                                                                                                         |                                                |                                             | Sun Trader Holding Corp. 80%       |                                     |                      |                      | Dao Qi Ltd 0.31%                   |                    |  |                    |  |
|                                 | Dao Pu Ltd 0.11%                                                                                                                                                                                                                                                                          |                                                |                                             | Dao Zhou Ltd 0.11%                 |                                     |                      |                      |                                    |                    |  |                    |  |

#### 4. Information of Directors and Supervisors

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| Names                                                                    | Conditions | Whether the directors and supervisors hold hands-on experience accumulated in the field for a minimum of five years and whether they meet the following professional qualification requirements: |                                                                                                                                                                                                                |                                                                                                                          | Consistent in the independence (note 1) |   |   |   |   |   |   |   |   |    | Number of other public companies where they are concurrently serving |
|--------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---|---|---|---|---|---|---|---|----|----------------------------------------------------------------------|
|                                                                          |            | Being an instructor or professor teaching Commerce, Law, Finance or other expertise required by the Company in public or private universities & colleges                                         | As a judge, prosecutor, lawyer, Certified Public Accountant or other professional or engineer in the expertise required by the Company, having successfully passed the National Examinations and held licenses | Having accumulated hands-on experiences in Commerce, Law, Finance, Accounting or other expertise required by the Company | 1                                       | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |                                                                      |
| The 19th Board of Directors(2014/6/18~2017/6/22)                         |            |                                                                                                                                                                                                  |                                                                                                                                                                                                                |                                                                                                                          |                                         |   |   |   |   |   |   |   |   |    |                                                                      |
| Po-Ting Chen                                                             |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   |   |   | ✓ |   | ✓ | ✓  | 0                                                                    |
| Formosa Wonderworld Co., Ltd.<br>Representative : Cheng-Hsien Lin        |            | ✓                                                                                                                                                                                                | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ |   |   |   | ✓ | ✓ |    | 0                                                                    |
| Taili Corporation<br>Representative : Randy Chen                         |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   |   |   | ✓ | ✓ | ✓ |    | 0                                                                    |
| ShihLin Paper Corp<br>Representative : Fur-Lung Hsieh                    |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓ |    | 0                                                                    |
| Chen-Yung Foundation<br>Representative : Chih-Chao Chen                  |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   | ✓ |   | ✓ | ✓ | ✓ |    | 0                                                                    |
| Ruei-Chuen Liu                                                           |            | ✓                                                                                                                                                                                                | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 1                                                                    |
| Rung-Nian Lai                                                            | ✓          |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0                                                                    |
| Yee Sing Co., Ltd.<br>Representative : Chiu-Ling Wu                      |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |    | 0                                                                    |
| Hwa-Mei LinYen                                                           |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       |   | ✓ | ✓ |   | ✓ | ✓ | ✓ | ✓ | ✓  | 0                                                                    |
| Yi Teh Optical Technology Co., Ltd.<br>Representative : Chih-Hsiang Chen |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       |   | ✓ |   | ✓ |   | ✓ |   | ✓ |    | 0                                                                    |
| The 20th Board of Directors(2017/6/22~)                                  |            |                                                                                                                                                                                                  |                                                                                                                                                                                                                |                                                                                                                          |                                         |   |   |   |   |   |   |   |   |    |                                                                      |
| ShihLin Paper Corp<br>Representative : Po-Ting Chen                      |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   |   |   | ✓ |   | ✓ | ✓  | 0                                                                    |
| Taili Corporation<br>Representative : Randy Chen                         |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   |   |   | ✓ | ✓ | ✓ |    | 0                                                                    |
| Chen-Yung Foundation<br>Representative : Chih-Chao Chen                  |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          |                                         |   | ✓ |   | ✓ |   | ✓ | ✓ | ✓ |    | 0                                                                    |
| Sun Shine Construction Co., Ltd<br>Representative : Chiu-Ling Wu         |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |    | 0                                                                    |
| Ruei-Chuen Liu                                                           |            | ✓                                                                                                                                                                                                | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 1                                                                    |
| Rung-Nian Lai                                                            | ✓          |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0                                                                    |
| Chih-Chuan Chen                                                          |            |                                                                                                                                                                                                  | ✓                                                                                                                                                                                                              |                                                                                                                          | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |    | 1                                                                    |

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

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

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

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| Title                         | Nationality | Name              | Gender | Position taken since | Shareholding |               | Spouse, minors shareholding |               | Shareholding with others name |               | Major academic qualifications                                                          | Position held in other company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Spouse or relative acts as other managerial officer |      |          |
|-------------------------------|-------------|-------------------|--------|----------------------|--------------|---------------|-----------------------------|---------------|-------------------------------|---------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------|----------|
|                               |             |                   |        |                      | Shares       | Holding ratio | Shares                      | Holding ratio | Shares                        | Holding ratio |                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Title                                               | Name | Relation |
| President                     | R.O.C.      | Fur-Lung Hsieh    | Male   | Jun 22, 2015         | 109,312      | 0.00%         | 86,720                      | 0.00%         | 0                             | 0.00%         | Department of Shipping and Transportation Management, National Taiwan Ocean University | WAN HAI LINES THAILAND LTD. Representative Director for legal entity<br>WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/<br>Chairman<br>WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity<br>WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity<br>YI CHUN SHIPPING AGENCIES SDN. BHD. Representative Director for legal entity<br>WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity<br>k.k. WH Corporation Representative Director for legal entity<br>WAN HANG TOURISM(SHANGHAI) Co., Ltd. Representative Supervisor for legal entity<br>WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity<br>WAN HAI LINES(UAE)L.L.C. Representative Director for legal entity<br>WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity | -                                                   | -    | -        |
| Executive Vice President      | R.O.C.      | Wen-Chau Yeh      | Male   | Nov 1, 2014          | 936          | 0.00%         | 22,332                      | 0.00%         | 0                             | 0.00%         | Department of Shipping and Transportation Management, National Taiwan Ocean University | DAWIN LOGISTIC (INTERNATIONAL) LTD. Representative Director for legal entity<br>WAN HAI LINES(H.K.) LTD. Representative Director for legal entity<br>TAIPEI PORT CONTAINER TERMINAL CORP. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                   | -    | -        |
| Senior Vice President         | R.O.C.      | Jen-Yee Huang     | Male   | Aug 1, 2008          | 10,838       | 0.00%         | 4,353                       | 0.00%         | 0                             | 0.00%         | Department of Business Administration, National Cheng Kung University                  | WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity<br>WAN HAI INTERNATIONAL PTE.LTD Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                                                   | -    | -        |
| Senior Vice President         | R.O.C.      | Li-Kuang Huang    | Male   | Mar 18, 2016         | 105,627      | 0.00%         | 11,536                      | 0.00%         | 0                             | 0.00%         | Master of Business Administration, State University of New York at Buffalo             | SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                                                   | -    | -        |
| Senior Project Vice President | R.O.C.      | Jeong-Shin Lin    | Male   | Oct 1, 2017          | 1,019        | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Merchant Marine, Chinese Culture University                              | CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity<br>WAN HANG TOURISM (SHANGHAI) Co., Ltd. Representative Director for legal entity/<br>Chairman<br>TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Kuo-Loong Kao     | Male   | Apr 1, 2007          | 92,195       | 0.00%         | 43,653                      | 0.00%         | 0                             | 0.00%         | Department of Merchant Marine, Chinese Culture University                              | TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity<br>SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Ming-Shan Huang   | Male   | Apr 1, 2007          | 17,545       | 0.00%         | 6,856                       | 0.00%         | 0                             | 0.00%         | Department of International Trade, Soochow University                                  | BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Juang-Jyh Juang   | Male   | Apr 1, 2007          | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Mechanical Engineering, China Junior College of Technology               | TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Wei-Chien Chuang  | Male   | Apr 1, 2007          | 9,370        | 0.00%         | 454                         | 0.00%         | 0                             | 0.00%         | Department of International Trade, National ChengChi University                        | BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity/<br>Chairman<br>TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Jen-Kai Wu        | Male   | Mar 18, 2016         | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Industrial and Information Management, National Cheng Kung University    | WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity<br>WAN HAI LINES KOREA LTD. Representative Director for legal entity/<br>Chairman                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Chien-Cheng Hsiao | Male   | Mar 18, 2016         | 5,000        | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of International Trade, Fu Jen Catholic University                          | Interasia Lines Ltd. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | -                                                   | -    | -        |
| Vice President                | R.O.C.      | Shen-Hsing Lo     | Male   | Jan 1, 2018          | 20,970       | 0.00%         | 10,000                      | 0.00%         | 0                             | 0.00%         | Department of Shipping and Transportation Management, National Taiwan Ocean University | WAN HAI LINES (PHILS) INC. Representative Director for legal entity/<br>President<br>WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity<br>WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                   | -    | -        |
| Project Vice President        | R.O.C.      | Wei-Shin Sheu     | Male   | Mar 26, 2018         | 64,513       | 0.00%         | 395                         | 0.00%         | 0                             | 0.00%         | Department of Electrical Engineering, Chung Yuan Christian University                  | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | -                                                   | -    | -        |
| Project Vice President        | R.O.C.      | Yen-Ru Chen       | Male   | Oct 24, 2011         | 65,951       | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Transportation and Navigation Science, National Taiwan Ocean University  | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | -                                                   | -    | -        |

| Title                            | Nationality | Name              | Gender | Position taken since | Shareholding |               | Spouse, minors shareholding |               | Shareholding with others name |               | Major academic qualifications                                                                             | Position held in other company                                                                                                                                                                                                                                                                                                                                     | Spouse or relative acts as other managerial officer |      |          |
|----------------------------------|-------------|-------------------|--------|----------------------|--------------|---------------|-----------------------------|---------------|-------------------------------|---------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------|----------|
|                                  |             |                   |        |                      | Shares       | Holding ratio | Shares                      | Holding ratio | Shares                        | Holding ratio |                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                    | Title                                               | Name | Relation |
| Vice President                   | R.O.C.      | Hung-Chuan Chien  | Male   | Aug 1, 2008          | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Transportation Technology & Management, Feng Chia University                                | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Vice President                   | R.O.C.      | Huey-Jang Chung   | Male   | Apr 1, 2007          | 176,297      | 0.01%         | 20,721                      | 0.00%         | 0                             | 0.00%         | Department of Shipping and Transportation Management, National Taiwan Ocean University                    | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Vice President                   | R.O.C.      | Li-Mei Su         | Female | Feb 16, 2009         | 1,212        | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of International Trade, National ChengChi University                                           | BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                       | -                                                   | -    | -        |
| Vice President (Finance officer) | R.O.C.      | Chih-Hsien Chen   | Male   | Mar 18, 2016         | 86,219       | 0.00%         | 51,348                      | 0.00%         | 0                             | 0.00%         | Department of Banking and Finance, Tamkang University                                                     | WAN HAI LINES (VIETNAM) Ltd. Representative Supervisor for legal entity BLUE OCEAN LOGISTICS CO.,LTD. Representative Supervisor for legal entity                                                                                                                                                                                                                   | -                                                   | -    | -        |
| Vice President                   | R.O.C.      | Chien-Feng Wu     | Male   | Mar 18, 2016         | 0            | 0.00%         | 5,324                       | 0.00%         | 0                             | 0.00%         | Department of Marine Transportation, National Taiwan University                                           | BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity                                                                                                                                                                                                                                                                                       | -                                                   | -    | -        |
| Vice President                   | R.O.C.      | Ching-Yin Wang    | Female | Mar 26, 2018         | 18,854       | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Forestry, National Taiwan University                                                        | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Project Vice President           | R.O.C.      | Cheng-Hsien Huang | Male   | Oct 1, 2017          | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Business Administration, National Sun Yat-sen University                                    | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Pei-Tai Kuo       | Male   | Jun 25, 2012         | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Economics, Chinese Culture University                                                       | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Tai-Feng Sun      | Male   | Oct 31, 2011         | 0            | 0.00%         | 420                         | 0.00%         | 0                             | 0.00%         | Master, Department of Merchant Marine, National Taiwan Ocean University                                   | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | I- Feng Lin       | Male   | Sep 15, 2012         | 135          | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Merchant Marine, Tamkang University                                                         | TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity                                                                                                                                                                                                         | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Shyue- Jih Ma     | Male   | Oct 1, 2015          | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Master, Department of Transportation and Communication Management Science, National Cheng Kung University | TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor BAO SHENG SHIPPING AGENCY CO., LTD. Supervisor Qingdao Port & Win International logistics Co., LTD. Representative Director for legal entity Hai Phong International Container Terminal Ltd Representative Director for legal entity WAN HANG TOURISM(SHANGHAI) Co., Ltd. Representative Director for legal entity | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Wei-Kai Huang     | Male   | Oct 1, 2017          | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Business Administration, Fu Jen Catholic University                                         | SHEN ZHEN YONG CHUN International Shipping Management Co., Ltd. Representative Director for Legal Entity                                                                                                                                                                                                                                                           | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Sheng-Chuan Chang | Male   | Feb 1, 2017          | 3,000        | 0.00%         | 2,000                       | 0.00%         | 0                             | 0.00%         | Department of Transportation Engineering and management, National Chiao Tung University                   | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Deputy Vice President            | R.O.C.      | Meng-Chuan Chang  | Female | Feb 1, 2017          | 15,150       | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Accounting and Statistics, National Taipei College of Business                              | WAN HAI LINES KOREA LTD. Representative Director for legal entity WAN HAI LINES PERU S.A.C. Representative Director for legal entity WAN HAI LINES ECUADOR S.A. Representative Director for legal entity                                                                                                                                                           | -                                                   | -    | -        |
| Assistant Vice President         | R.O.C.      | Mu-Jung Hsieh     | Male   | Jun 1, 2017          | 607          | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Political Science, National Taiwan University                                               | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| General Manager                  | R.O.C.      | Chih- Chung Chen  | Male   | Jan 22, 2018         | 0            | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Graduate Institute of Business and Management, Chang Gung University                                      | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |
| Accounting officer               | R.O.C.      | Chia-Yi Hsiao     | Female | Aug 13, 2007         | 1,363        | 0.00%         | 0                           | 0.00%         | 0                             | 0.00%         | Department of Accounting, National Chung Hsing University                                                 | -                                                                                                                                                                                                                                                                                                                                                                  | -                                                   | -    | -        |

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

#### 1. Remuneration to directors

Expressed in thousands of New Taiwan dollars

| Title                                                                    |                                                      |                | Chairman     | Chairman                                            | Director                                                 | Director                                           | Director                                                               | Director                                                 | Director                                                               | Independent Director | Independent Director | Independent Director |  |
|--------------------------------------------------------------------------|------------------------------------------------------|----------------|--------------|-----------------------------------------------------|----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------|----------------------|----------------------|----------------------|--|
| Name                                                                     |                                                      |                | Po-Ting Chen | ShihLin Paper Corp.<br>Representative: Po-Ting Chen | Chen-Yung<br>Fundation<br>Representative: Chih-Chao Chen | Taili<br>Corporation<br>Representative: Randy Chen | Sun Shine<br>Construction Co.,<br>Ltd.<br>Representative: Chiu-Lung Wu | ShihLin Paper<br>CORP.<br>Representative: Fur-Lung Hsieh | Formosa<br>Wonderworld Co.,<br>Ltd.<br>Representative: Cheng-Hsien Lin | Ruei-Chuen<br>Liu    | Rung-Nian<br>Lai     | Chih-Chuan<br>Chen   |  |
| Remuneration<br>to directors                                             | (A)<br>Allowance                                     | Unconsolidated | 8,549        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 8,549        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          | (B)<br>Retirement<br>pension                         | Unconsolidated | 0            |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 0            |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          | (C)<br>Remuneration<br>from retained<br>earnings     | Unconsolidated | 25,466       |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 25,466       |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          | (D)<br>Transportation<br>allowance                   | Unconsolidated | 1,978        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 1,978        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
| Percentage of (A+B+C+D) in<br>net income after tax                       |                                                      | Unconsolidated | 1.42%        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 1.42%        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
| Related<br>remuneration<br>for serving in<br>the company<br>concurrently | (E)<br>Salary, bonus<br>and specific<br>subsidy      | Unconsolidated | 4,137        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 15,276       |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          | (F)<br>Retirement<br>pension                         | Unconsolidated | 0            |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 158          |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          | (G)<br>Employee's<br>bonus from<br>retained earnings | Unconsolidated | Cash bonus   | 35                                                  |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      |                | Stock bonus  | 0                                                   |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | Cash bonus   | 35                                                  |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      |                | Stock bonus  | 0                                                   |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
| Percentage of<br>(A+B+C+D+E+F+G+H) in net<br>income after tax            |                                                      | Unconsolidated | 1.58%        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
|                                                                          |                                                      | Consolidated   | 2.02%        |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |
| Other income                                                             |                                                      |                | 278          |                                                     |                                                          |                                                    |                                                                        |                                                          |                                                                        |                      |                      |                      |  |

#### Levels of remuneration

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

## 2. Remuneration to supervisors

Expressed in thousands of New Taiwan dollars

| Title                                              |                                               |                | Supervisor                                         | Supervisor                                                                 | Supervisor     |
|----------------------------------------------------|-----------------------------------------------|----------------|----------------------------------------------------|----------------------------------------------------------------------------|----------------|
| Name                                               |                                               |                | Yee Sing Co., Ltd.<br>Representative: Chiu-Ling Wu | Yi Teh Optical Technology Co.,<br>Ltd. Representative: Chih Hsiang<br>Chen | Hwa-Mei LinYen |
| Remuneration to<br>supervisors                     | (A)<br>Allowance                              | Expense (c)    | 0                                                  |                                                                            |                |
|                                                    |                                               | Unconsolidated | 0                                                  |                                                                            |                |
|                                                    | (B)<br>Remuneration from<br>retained earnings | Unconsolidated | 5,485                                              |                                                                            |                |
|                                                    |                                               | Consolidated   | 5,485                                              |                                                                            |                |
|                                                    | Transportation<br>allowance                   | Unconsolidated | 180                                                |                                                                            |                |
|                                                    |                                               | Consolidated   | 180                                                |                                                                            |                |
| Percentage of (A+B+C+D) in net<br>income after tax |                                               | Unconsolidated | 0.22%                                              |                                                                            |                |
|                                                    |                                               | Consolidated   | 0.22%                                              |                                                                            |                |
| Other income                                       |                                               |                | 0                                                  |                                                                            |                |

## Levels of remuneration

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

## 3. Remuneration to President and Vice presidents

Expressed in thousands of New Taiwan dollars

Expressed in thousands of New Taiwan dollars

| Title                                           |                |             | President      | Executive Vice President |
|-------------------------------------------------|----------------|-------------|----------------|--------------------------|
| Name                                            |                |             | Fur-Lung Hsieh | Wen-Chau Yeh             |
| (A)<br>Salary                                   | Unconsolidated |             | 6,358          |                          |
|                                                 | Consolidated   |             | 6,358          |                          |
| (B)<br>Retirement pension                       | Unconsolidated |             | 0              |                          |
|                                                 | Consolidated   |             | 0              |                          |
| (C)<br>Bonus and specific subsidy, etc.         | Unconsolidated |             | 1,590          |                          |
|                                                 | Consolidated   |             | 1,590          |                          |
| (D)<br>Employee's bonus from retained earnings  | Unconsolidated | Cash bonus  | 70             |                          |
|                                                 |                | Stock bonus | 0              |                          |
|                                                 | Consolidated   | Cash bonus  | 70             |                          |
|                                                 |                | Stock bonus | 0              |                          |
| Percentage of (A+B+C+D) in net income after tax | Unconsolidated |             | 0.32%          |                          |
|                                                 | Consolidated   |             | 0.32%          |                          |
| Other income                                    |                |             | 184            |                          |

## Levels of remuneration

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

## 4. Bonus to Executives

Expressed in thousands of New Taiwan dollars

|            | Title                         | Name              | Stock Bonus | Cash Bonus | Total | Percentage in Net Income after tax |
|------------|-------------------------------|-------------------|-------------|------------|-------|------------------------------------|
| Executives | Vice Chairman                 | Randy Chen        | 0           | 774        | 774   | 0.03%                              |
|            | President                     | Fur-Lung Hsieh    |             |            |       |                                    |
|            | Executive Vice President      | Wen-Chau Yeh      |             |            |       |                                    |
|            | Senior Vice President         | Jen-Yee Huang     |             |            |       |                                    |
|            | Senior Vice President         | Li-Kuang Huang    |             |            |       |                                    |
|            | Vice President                | Kuo-Loong Kao     |             |            |       |                                    |
|            | Vice President                | Ming-Shan Huang   |             |            |       |                                    |
|            | Vice President                | Juang-Jyh Juang   |             |            |       |                                    |
|            | Vice President                | Wei-Chien Chuang  |             |            |       |                                    |
|            | Vice President                | Wei-Hsin Hsu      |             |            |       |                                    |
|            | Vice President                | Hui-Chang Chung   |             |            |       |                                    |
|            | Vice President                | Li-Mei Su         |             |            |       |                                    |
|            | Vice President                | Ren-Kai Wu        |             |            |       |                                    |
|            | Vice President                | Chien-Cheng Hsiao |             |            |       |                                    |
|            | Vice President                | Shen-Hsing Lo     |             |            |       |                                    |
|            | Vice President                | Chih-Hsien Chen   |             |            |       |                                    |
|            | Vice President                | Chien-Feng Wu     |             |            |       |                                    |
|            | Vice President                | Hung-Chuan Chien  |             |            |       |                                    |
|            | Project Senior Vice President | Jiong-Xin Lin     |             |            |       |                                    |
|            | Project Vice President        | Yen-Ju Chen       |             |            |       |                                    |
|            | Project Vice President        | Cheng-Hsien Huang |             |            |       |                                    |
|            | Assistant Vice President      | Chia-Yi Hsiao     |             |            |       |                                    |

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

|                                        | Percentage of total remuneration in net come after tax in 2017 |              | Percentage of total remuneration in net come after tax in 2016 |              | Description                                                                                                             |
|----------------------------------------|----------------------------------------------------------------|--------------|----------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------|
|                                        | Unconsolidated                                                 | Consolidated | Unconsolidated                                                 | Consolidated |                                                                                                                         |
| Directors                              | 1.58%                                                          | 2.02%        | 2.15%                                                          | 3.26%        | Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation. |
| Supervisors                            | 0.22%                                                          | 0.22%        | 0.53%                                                          | 0.53%        |                                                                                                                         |
| President and Executive vice president | 0.32%                                                          | 0.32%        | 2.30%                                                          | 2.30%        |                                                                                                                         |

## 3.3 Implementation of Corporate Governance

### 3.3.1 Information of Performance by the Board of Directors:

In recent year(s), the Board of Directors convened a total of 9th board of directors meetings. The directors and supervisors show the following facts of attendance:

2017.12.31

| Position                           | Name                                                                    | Number of actual participations (or as an observer) | Number of actual participations through a proxy | Rate of actual participations (or as an observer) (%) | Remarks |
|------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|-------------------------------------------------------|---------|
| <b>The 19th Board of Directors</b> |                                                                         |                                                     |                                                 |                                                       |         |
| Chairman                           | Po-Ting Chen                                                            | 3                                                   | 0                                               | 100%                                                  |         |
| Director                           | Taili Corporation<br>Representative: Randy Chen                         | 3                                                   | 0                                               | 100%                                                  |         |
| Director                           | ShihLin Paper Corp<br>Representative: Fur-Lung Hsieh                    | 2                                                   | 1                                               | 67%                                                   |         |
| Director                           | Formosa Wonderworld Co., Ltd.<br>Representative: Cheng-Hsien Lin        | 3                                                   | 0                                               | 100%                                                  |         |
| Director                           | Chen-Yung Foundation<br>Representative: Chih-Chao Chen                  | 2                                                   | 1                                               | 67%                                                   |         |
| Independent Director               | Ruei-Chuen Liu                                                          | 3                                                   | 0                                               | 100%                                                  |         |
| Independent Director               | Rung-Nian Lai                                                           | 2                                                   | 1                                               | 67%                                                   |         |
| Supervisor                         | Yee Sing Co., Ltd.<br>Representative: Chiu-Ling Wu                      | 3                                                   | 0                                               | 100%                                                  |         |
| Supervisor                         | Hwa-Mei LinYen                                                          | 3                                                   | 0                                               | 100%                                                  |         |
| Supervisor                         | Yi Teh Optical Technology Co., Ltd.<br>Representative: Chih-Hsiang Chen | 2                                                   | 0                                               | 67%                                                   |         |
| <b>The 20th Board of Directors</b> |                                                                         |                                                     |                                                 |                                                       |         |
| Chairman                           | ShihLin Paper Corp<br>Representative: Po-Ting Chen                      | 6                                                   | 0                                               | 100%                                                  |         |
| Director                           | Taili Corporation<br>Representative: Randy Chen                         | 5                                                   | 1                                               | 83%                                                   |         |
| Director                           | Chen-Yung Foundation<br>Representative: Chih-Chao Chen                  | 6                                                   | 0                                               | 100%                                                  |         |
| Director                           | Sun Shine Construction Co., Ltd<br>Representative: Chiu-Ling Wu         | 5                                                   | 1                                               | 83%                                                   |         |
| Independent Director               | Ruei-Chuen Liu                                                          | 6                                                   | 0                                               | 100%                                                  |         |
| Independent Director               | Rung-Nian Lai                                                           | 5                                                   | 1                                               | 83%                                                   |         |
| Independent Director               | Chih-Chuan Chen                                                         | 5                                                   | 1                                               | 83%                                                   |         |

## Other noteworthy items:

1. Article 14-3 of the Securities and Exchange Act states that when an independent director has a dissenting opinion or holds reservations, it shall be recorded, along with the date and term of the meeting, content of proposal, the opinion of all independent directors and how the opinion is dealt with by the Company. At each of the Board of Directors meetings this year, there were no objections or reservations with regards to the motions from the independent directors.
2. In the event of a recusal by one of the directors due to shared interests, a record of the name of the director, content of the proposal, cause of the recusal, and the resolution of the issue by participants shall be made.  
To provide assistance and care to the Formosa Fun Coast Colored Powder Explosion victims, the Company made a donation assigned to New Taipei City fund account for the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund."
- II. In situations where directors recuse themselves from any motion due to conflicts of interest, the names of directors, contents of motions, causes for the recusal, and participation in voting shall be specified:
  1. Remuneration to independent directors
    - (1) Director: Ruei-Chuen Liu (and acting as a proxy for independent director, Rung-Nian Lai)
    - (2) Motion: The 17th Board meeting of the 19th Board of Directors (March 16, 2017) - The Audit Committee shall comprise of independent directors. Upon evaluation, the Audit Committee's business scope broadened since the 20th Board of Directors. The Board would resolve the remuneration to Committee members based on market research and industry average.
    - (3) Causes for recusal: Pursuant to Paragraph 2, Article 11 of the Company's Memorandum of Association, independent directors shall not take part in earning distribution. Their remuneration shall be resolved by the Board of Directors.
    - (4) Participation in voting: The independent director Ruei-Chuen Liu recused himself as he was an independent director candidate of the coming term. The motion was passed unanimously by other Directors at the meeting.
  2. Appointment and remuneration of the 3rd "Remuneration Committee" members
    - (1) Directors: Ruei-Chuen Liu & Rung-Nian Lai
    - (2) Motion: The 2nd Board meeting of the 20th Board of Directors (August 11, 2017) - Pursuant to Article 4 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange", the appointment of Remuneration Committee members shall be resolved by the Board of Directors.
    - (3) Causes for recusal: Candidates of the 3rd Remuneration Committee.
    - (4) Participation in voting: Independent directors Ruei-Chuen Liu and Rung-Nian Lai recused themselves as they were candidates of the 3rd Remuneration Committee. The motion was passed unanimously by other Directors at the meeting.
  3. The donation of NT\$8 million from the investee, Wan Hai Lines (HK) Limited, to Wan Hai Charity Foundation.
    - (1) Director: Po-Ting Chen
    - (2) Motion: The 4th Board meeting of the 20th Board of Directors (December 13, 2017) - In line with the objectives of "emergency relief service and humanitarian care" and to fulfill the corporate social responsibility, Wan Hai Lines (HK) Limited proposed to donate NT\$8 million to Wan Hai Charity Foundation, allowing it to take a more active role, achieve sustainability and contribute to the community.
    - (3) Causes for recusal: He served as a director in the foundation.
    - (4) Participation in voting: Chairman Po-Ting Chen recused himself as he was a director of the foundation. The motion was passed unanimously by other Directors at the meeting.
3. Evaluation on the objective and performance of enhancement on the functions of Board of Directors in the current year and the most recent year: The Company plans to amend the Memorandum of Association and will elect independent directors upon expiration of the current directors' term of office, and will have election of independent directors after the expiry of the 19th Board of Directors in order to comply with the requirements defined by the competent authority.

## The attendance status of independent directors in the 2017 Board meetings:

## The 19th Board of independent directors

◎ : Attendance in Person; ☆ : By Proxy; ◇ Absence

| 2017           | First | Second | Third |
|----------------|-------|--------|-------|
| Ruei-Chuen Liu | ◎     | ◎      | ◎     |
| Rung-Nian Lai  | ☆     | ◎      | ◎     |

## The 20th Board of independent directors

◎ : Attendance in Person; ☆ : By Proxy; ◇ Absence

| 2017            | First | Second | Third | Fourth | Fifth | Sixth |
|-----------------|-------|--------|-------|--------|-------|-------|
| Ruei-Chuen Liu  | ◎     | ◎      | ◎     | ◎      | ◎     | ◎     |
| Rung-Nian Lai   | ◎     | ◎      | ◎     | ◎      | ◎     | ☆     |
| Chih-Chuan Chen | ◎     | ◎      | ◎     | ☆      | ◎     | ◎     |

### 3.3.2 Information on the operation of Audit Committee: The Company has established an Audit Committee in accordance with laws and regulations under the 20th Board of Directors in 2017.

There were six Audit Committee meetings in 2017. The attendance status of members were as follows:

December 31, 2017

| Position | Name            | Number of Attendance in Person (or as an Observer) | Number of Attendance by Proxy | Rate of Attendance (or as an Observer) (%) | Remarks |
|----------|-----------------|----------------------------------------------------|-------------------------------|--------------------------------------------|---------|
| Director | Ruei-Chuen Liu  | 6                                                  | 0                             | 100%                                       |         |
| Director | Rung-Nian Lai   | 4                                                  | 2                             | 67%                                        |         |
| Director | Chih-Chuan Chen | 4                                                  | 2                             | 67%                                        |         |

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

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

| Position                                   | Name                                                                    | Number of actual participations (or as an observer) | Rate of actual participations (or as an observer) (%) | Remarks |
|--------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|---------|
| <b>The 19th Board of Directors Meeting</b> |                                                                         |                                                     |                                                       |         |
| Supervisor                                 | Yee Sing Co., Ltd.<br>Representative: Chiu-Ling Wu                      | 3                                                   | 100%                                                  |         |
| Supervisor                                 | Hwa-Mei LinYen                                                          | 3                                                   | 100%                                                  |         |
| Supervisor                                 | Yi Teh Optical Technology Co., Ltd.<br>Representative: Chih-Hsiang Chen | 2                                                   | 67%                                                   |         |

Other remarks required:

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

(1) Communications between the supervisors and the Company's employees and shareholders (e.g. the channels, methods of communications) In excellent channels of communications. The Supervisors duly audit the Company's business operation and financial standing to exercise the supervisory powers independently.

(2) Communications between the supervisors and the Company's Chief Auditor and Certified Public Accountant (e.g. regarding the Company's financial standing, business operation, the methods and results):

A. On all occasions of the board of directors meeting, the Chief Auditor reported the performance and results of auditing and discussed with directors and supervisors all extensive issues.

B. The Internal Audit Report completed by the Audit Department as required under the Annual Operating Plan has been submitted to and reviewed by the Chairman and Supervisors.

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

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

| Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Description of the operation                 |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Distinction from the operation and governance of those TSEC/GTSM listed companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Yes                                          | No | Remark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 1. Does the Company follow the "Corporate Governance Best Practice Principles" to establish and disclose its corporate governance principles?                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                              | ✓  | The Company has not yet established its own principles relating to the operation of the Company's corporate governance, please refer to "III. Corporate Governance" in the annual report for further information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Although the Company has not yet established its own corporate governance principles, it has established the relevant regulations for "Procedures for the Election of Directors and Supervisors", "Procedures for Board of Directors Meetings", "Internal Audit Organization and Operation", and the "Remuneration Committee Organization and Memorandum of Association". The Company has published this information on the Wan Hai website to facilitate inquiry by interested parties/individuals, and also established the "Internal Management Control for the Prevention of Insider Trading" to strengthen corporate governance.                                                                          |
| 2. Company's shares structure and shareholders right<br>(1) Company's dealings with shareholders suggestions and disputes<br><br>(2) The status of the roster of company's controlling shareholders and major shareholders<br><br>(3) Establishment of risk control mechanism and firewall between company and its affiliates<br><br>(4) Has the Company established internal standards in order to prohibit insider undisclosed information trading of securities on the market?                                                                                                                 | ✓<br><br><br><br>✓<br><br><br>✓<br><br><br>✓ |    | (1) The Company has designated a spokesperson and an acting spokesperson for handling matters in connection with shareholders suggestions or disputes.<br>(2) The Company has committed its stock affairs to Hua Nan Securities Co., Ltd. Registrar & Transfer Agency Dept. which in turn provides the latest share register of the Company including the controlling shareholders and major shareholders<br>(3) Risk control mechanism for trades, capital transaction, and information independence between the Company and its affiliates has already been established and strictly followed.<br>(4) The Company has established the "Internal Management Control for the Prevention of Insider Trading" and has already informed all directors, managers and staff, in order to avoid violations of insider trading. The Company also has annual educational training for all employees and managers to prevent insider trading.                                                                                                                                                                                                                                                                                           | No Difference                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3. The Board of Directors' composition and responsibilities<br>(1) Can the Board of Directors' members develop and implement diversified policies?<br><br>(2) In addition to being in accordance with the law for establishing a Remuneration Committee and an Audit Committee, is there any voluntary establishment of other functional committees?<br>(3) Has the Company defined its Board of Directors' evaluation performance appraisals, and are there regular annual performance appraisals?<br><br>(4) Does the Company regularly use an independent certified accountant for assessment? | ✓<br><br><br><br><br><br><br>✓               |    | (1) Members of the Board of Directors are elected by the shareholders, and independent directors are nominated. In addition to considering independence, the Company's required service needs are taken into account when the nominated professional and qualified candidates are elected by the shareholders. The Company is run in accordance with the directors' business, legal, accounting, and management experience. There is Company organization governance with diversified thought direction, which provides discussion and resolution for the Board of Directors' deliberations.<br>(2) The Company has legally established a Remuneration Committee. Audit committees and other types of functional committees will be separately assessed according to actual requirements.<br>(3) The Company currently has no written regulations to assess the Board of Directors' performance, but each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments.<br>(4) The result has been proposed to the board of directors at the meeting on March 26, 2018 for deliberation and has been adopted. | (1) No Difference<br><br>(2) In accordance with the law an Audit committee will be established by 2017.<br><br>(3) Although the Company has no written regulations to assess the Board of Directors' performance, each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments. The Board of Directors actively participates in training courses studying with competent authorities for relevant academic skills, and they engage with relevant think tanks on a regular basis. The Board of Directors occasionally engages in activities of outcome macro review.<br>(4) No Difference |
| 4. Has the TWSE/TPEX listed company set up a full or part-time corporate governance unit or designated personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings                                                                                                                                                                                                                                                                   |                                              | ✓  | The Company hasn't set up a full or part-time corporate governance unit now. For details of the Company's corporate governance operations, please refer to "III. Corporate Governance" in the Annual Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | The Company hasn't set up a full or part-time corporate governance unit now, related departments are in charge of corporate governance affairs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Item                                                                                                                                                                                                                                                | Description of the operation |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Distinction from the operation and governance of those TSEC/GTSM listed companies |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                     | Yes                          | No | Remark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                   |
| and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meetings)?                                                                          |                              |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                   |
| 5. Has the Company established a communication channel with interested parties/individuals, and an area for them on the Company's website, in order to respond appropriately to questions concerning the Company's corporate social responsibility? | ✓                            |    | <p>On the basis of rights for the interested parties/ individuals, the company has constructed an opinion area for them in company website to respond appropriately to questions concerning the Company's corporate social responsibility :</p> <p>1. Employees<br/> <u>Relevance of Significant Issues :</u><br/> Vision planning, operation principles, and industry outlook / Line service planning / Fleet security, risk awareness cultivation (precautions) and emergency response measures on board, report system (post processing) / Corporate governance / Competitive advantages / Integrity and ethical compliance / Financial information disclosure / Energy conservation and carbon reduction / Labor-employer relations, employee benefits / Workplace safety / Engagement of Wan Hai Charity Foundation in social charity events / Compliance with laws and regulations in different countries / Supply chain management<br/> <u>Communication Channels/Frequency :</u><br/> (1) HR system platform/real-time information inquiry<br/> (2) Management and strategy meetings/once every two weeks<br/> (3) Shipping safety seminar/every month<br/> (4) Section meeting, department meeting/once a month or convened on a non-scheduled basis depending on business conditions<br/> (5) Employee opinion and feedback surveys/once every six months<br/> (6) Employee welfare committee/at least once a year<br/> (7) Opinion survey form for ocean duty personnel/prior to disembarkation<br/> (8) Educational training for crews/prior to embarkation, every month, and every quarter<br/> (9) Educational training, course satisfaction questionnaire surveys, employee safety and health committee meetings/regularly or non-scheduled depending on business conditions<br/> (10) Internal company announcements, business department seminars, reports, labor-employer communication meetings, public E-mailbox for seafarer section, hotline, BBS for seafarers, and message boards/non-scheduled</p> <p>2. Customers<br/> <u>Relevance of Significant Issues :</u><br/> International political and economic situation / Information security / Ocean Freight / Risk control and management measures / Line service planning / Website maintenance, provision of real-time information on shipping schedules / Corporate governance / Competitive advantages / Integrity and ethical compliance / Joint operation and cooperation modes / Operation overview / Financial information disclosure / Energy conservation and carbon reduction / Labor-employer relations, employee benefits / Workplace safety / Customer satisfaction / Customer compensation/ Compliance with laws and regulations in different countries<br/> <u>Communication Channels/Frequency :</u><br/> (1) Customer hotline, customer E-mail (cs@wanhai.com), corporate website (http://www.wanhai.com.tw) available for customer feedback<br/> (2) Contract provisions/once a year on average<br/> (3) Customer satisfaction surveys, customer visits, meeting discussions/non-scheduled</p> <p>3. Suppliers :<br/> <u>Relevance of Significant Issues :</u><br/> Vision planning, operation principles, and industry outlook / Line service planning / Fleet security, risk awareness cultivation (precautions) and emergency response measures on board, report system (post processing) / Corporate governance / Competitive advantages / Integrity and ethical compliance / Joint operation and cooperation modes / Operation overview / Financial information disclosure / Green procurement / Labor-employer relations, employee benefits /</p> | No Difference                                                                     |

| Item | Description of the operation |    | Distinction from the operation and governance of those TSEC/GTSM listed companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------|------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | Yes                          | No |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|      |                              |    | <p>Workplace safety / Compliance with laws and regulations in different countries / Supply chain management / Media coverage</p> <p><u>Communication Channels/Frequency :</u></p> <p>(1) Seafarer education training administered by seafarer labor agents/quarterly or upon completion of a project</p> <p>(2) Agent evaluations, company evaluation and certification system, labor safety and health management of suppliers, and contract provision/ once a year</p> <p>(3) E-mail, hotline, meeting discussion, on-site visits and interviews, company website/non-scheduled</p> <p>4. Competent authority, Inspection institutions, Associations :</p> <p><u>Relevance of Significant Issues :</u></p> <p>Vision planning, operation principles, and industry outlook/ Information security / Fleet security, risk awareness cultivation (precautions) and emergency response measures on board, report system (post processing) / Website maintenance, provision of real-time information on shipping schedules / Corporate governance / Operation overview / Financial information disclosure / Energy conservation and carbon reduction / Fleet function management / Green procurement / Labor-employer relations, employee benefits / Customer satisfaction / Customer compensation / Engagement of Wan Hai Charity Foundation in social charity events / Compliance with laws and regulations in different countries / Supply chain management</p> <p><u>Communication Channels/Frequency :</u></p> <p>(1) Applications for seafarer IDs /once a month</p> <p>(2) Compliance with contract provisions /once a year</p> <p>(3) Document exchanges, seminars for the sharing of seafarer related matters, hotlines/non-scheduled</p> <p>5. Shareholders, creditors :</p> <p><u>Relevance of Significant Issues :</u></p> <p>Vision planning, operation principles, and industry outlook / Information security / Risk control and management measures / Line service planning / Corporate governance / Competitive advantages / Manager remuneration / Financial information disclosure / Investment planning / Customer compensation / Compliance with laws and regulations in different countries</p> <p><u>Communication Channels/Frequency :</u></p> <p>(1) Shareholders' meetings/once a year</p> <p>(2) Investors' conferences/at least once a year</p> <p>(3) Posting of important financial and business information on Market Observation Post System / compliance with regulations of the competent authority</p> <p>(4) Company website, shareholder service liaisons (hotline and E-mail)/ non-scheduled</p> <p>6. Media :</p> <p><u>Relevance of Significant Issues :</u></p> <p>International political and economic situation / Risk control and management measures / Competitive advantages / Economic contributions / Operation overview / Financial information disclosure / Energy conservation and carbon reduction / Fleet function management / Green procurement</p> <p><u>Communication Channels/Frequency :</u></p> <p>Press conferences, press releases, E-mail, hotline/non-scheduled</p> <p>7. Community groups, Social groups, NGOs :</p> <p><u>Relevance of Significant Issues :</u></p> <p>Economic contributions / Engagement of Wan Hai Charity Foundation in social charity events / Media coverage</p> <p><u>Communication Channels/Frequency :</u></p> <p>(1) Applications for seafarer IDs /once a month</p> <p>(2) Compliance with contract provisions /once a year</p> <p>(3) Document exchanges, seminars for the sharing of seafarer related matters, hotlines/non-scheduled</p> <p>(4) Volunteer care or charity events/once a month</p> <p>(5) Publication - "Bimonthly Journal of Wan Hai Charity Foundation"</p> |

| Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Description of the operation |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Distinction from the operation and governance of those TSEC/GTSM listed companies |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Yes                          | No | Remark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                              |    | (6) Official website bulletin, news and information, , E-mail, hotline, documents, visits and negotiations, internet social networks/ non-scheduled.<br><br>Except for the Company's corporate social responsibility area in website, the company has published corporate social responsibility report and reported to the board meeting every year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                   |
| 6. Has the company appointed a professional shareholder Services agency for shareholders affairs?                                                                                                                                                                                                                                                                                                                                                                                              | ✓                            |    | Hua Nan Securities Co., Ltd. Registrar & Transfer Agency Dept.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | No Difference                                                                     |
| 7. Disclosure of Information<br>(1) Has the company established a website disclosing financial operations and corporate governance information?<br><br>(2) Does the Company disclose information in other ways (such as an English website, a designated person responsible for the Company's collection and disclosure of information, a company spokesman system, or will the legal process descriptions be placed on the Company's website)?                                                | ✓<br><br>✓                   |    | (1) Company website (http://www.wanhai.com.tw)<br>A. Finance and business related information: investor relations and a related news area are on the website, as well as financial reports, shareholder and dividend stock price information and business news so that the public are informed about relevant information.<br>B. Corporate Governance Information: the investor relations area on the website shows the Company's Memorandum of Association to the general public, as well as the procedure for asset acquisition and disposal, the procedure for endorsements and guaranties, the procedure for capital financing and lending, the procedure for derivative financial products acquisition and disposal, internal auditing of organization, and the organizations and departments of the Company.<br>(2) The Company has designated a person responsible to collect and disclose company information, and also build the Chinese/English websites with PR mailbox system (PR@wanhai.com), IR mailbox system (IR@wanhai.com), stakeholders' opinion section and with a spokesperson as a clear communications channel with the interested parties/individuals. The Company's website also has an investor relations area which shows descriptions of investor conference.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | No Difference                                                                     |
| 8. Any other information that is beneficial to and may enhance the understanding of corporate governance (for example, employees right, employees welfare, investor relation, supplier relation, right of interested parties/individuals, continuing education for corporate directors and supervisors, risk management policy and risk assessment criteria and their execution, execution of customer policy, and purchase of liability insurance for company directors and supervisors, etc. | ✓                            |    | (1) The Company's Director/ Fur-Lung Hsieh had completed the workshop for Knowing mergers and acquisitions and contract focus by Taiwan Corporate Governance association held in Taipei.<br>(2) The Company's Director/ Fur-Lung Hsieh had completed the seminar for The Law Compliance of company and supervision obligations of Board of directors by Taiwan Corporate Governance association (Taiwan) held in Taipei.<br>(3) The Company's Independent Director/ Ruei-Chuen Liu had completed the workshop for Anti - tax Avoidance and Countermeasures of Taiwan and International Countries by Securities & Futures Institute (Taiwan) held in Taipei.<br>(4) The company was purchase of liability insurance for company directors, officers and staff.<br>(5) We keep going on the steps taken on the environmental protection even the office or vessels along with maintaining the certificated management system of ISO14001.<br>(6) We put emphasis on the on-site safety towards human beings and property with the framework such as occupational safety and hygiene management system, CNS15506 & OHSAS 18001.<br>(7) We take care of all employees' health, facilities like health center and baby caring room are especially set up for the female or pregnant ones. Also, we keep closed eyes on the physical exercising, fitness or hold the mental growth oriented workshop.<br>(8) Regularly organizing various health promotion activities: through providing health checks, holding health seminars and establishing company sports clubs, etc., and regularly sending occupational safety and health information, the Company strives to guide employees to pay attention to and take care of their own physical and mental health. Wan Hai was awarded "Badge of Accredited Healthy Workplace" by the Health Promotion Administration (HPA), Ministry of Health and welfare in 2017. | No Difference                                                                     |

| Item                                                                                                                                                                                                                                                                                                                                                                              | Description of the operation |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Distinction from the operation and governance of those TSEC/GTSM listed companies |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                   | Yes                          | No | Remark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                   |
| 9. Please provide information on the status of the improvements regarding the results of a corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies your company established as priorities for improvement. (Leave blank if your company was not evaluated.) | ✓                            |    | <p>The Company conducted the corporate governance self-assessment in response to the promotion of the corporate governance evaluation and prepared a report. The Corporate Governance Center publicized the results of the evaluation, according to which, the Company was able to comply with the major aspects of the standards.</p> <p>Results of the corporate governance evaluation:<br/>Ranked top 6% to 20% amid all TWSE listed companies from 2014 to 2017.</p> <p>Key points of the improvements include:<br/>1. Establish and disclose policies with respect to energy savings, reduction of carbon and greenhouse gas emissions, water savings and other waste management.<br/>2. Create sections such as “Corporate Social Responsibility Section” and “Stakeholders’ Opinion Section” on the company’s website, allowing investors and stakeholders to browse information.</p> <p>Improvements not yet implemented:<br/>Disclose information on the implementation subsequent to resolutions reached at regular shareholders’ meetings; set up the Ethical Corporate Management Best Practice Principles; disclose the Corporate Governance Best Practice Principles, etc.</p> <p>Earnestly reinforce the efficacy of corporate governance in the future with the goal of providing transparent information for investors and stakeholders.</p> | No Difference                                                                     |

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

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

| Name           | Title                | Date        | Sponsor unit                            | Course                                                                          | Time (hr.) |
|----------------|----------------------|-------------|-----------------------------------------|---------------------------------------------------------------------------------|------------|
| Fur-Lung Hsieh | Director             | Apr 25,2017 | Taiwan Corporate Governance association | Knowing mergers and acquisitions and contract focus                             | 3          |
|                |                      | May 11,2017 | Taiwan Corporate Governance association | The Law Compliance of company and supervision obligations of Board of directors | 3          |
| Ruei-Chuen Liu | Independent Director | Aug 22,2017 | Securities & Futures Institute          | Anti - tax Avoidance and Countermeasures of Taiwan and International Countries  | 3          |

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

\*Taiwan CPA Association: Two individuals (Financial Division)

\*Taiwan CIA Association: One individual (Financial Division)

\* Continuing Education for Auditing Division personnel:

| Name        | Title            | Date        | Sponsor unit                                   | Course                                                                                                                                                        | Time (hr.) |
|-------------|------------------|-------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Pei-tai Kuo | Audit Supervisor | Mar 17,2017 | Accounting Research and Development Foundation | Internal Auditors Do a Good Job of "Computer Audit" Practice [Procurement and Payment Loops]                                                                  | 6          |
|             |                  | Aug 25,2017 | Accounting Research and Development Foundation | Internal auditors should give due consideration to the newly released norms related to "preventing money laundering and combating the financing of terrorism" | 6          |

\*Continuing Education/Training for the Financial Division personnel:

| Name            | Title                 | Date        | Sponsor unit                                   | Course                                                                                                                                                | Time (hr.) |
|-----------------|-----------------------|-------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Chia-Yi Hsiao   | Accounting Supervisor | Apr 07,2017 | Accounting Research and Development Foundation | The Latest Annual Profit-Making Business Tax Declaration Practice                                                                                     | 3          |
|                 |                       | May 23,2017 | Accounting Research and Development Foundation | The "Functional Committee" for Corporate Governance Sets The Essentials and Operational Practices                                                     | 3          |
|                 |                       | Nov 21,2017 | Securities and Futures Institute               | Latest Estate and Gift Tax Act-Shareholders and Senior Executives Invest in Financial and Policy Tax Advanced Class under New Estate and Gift Tax Act | 3          |
|                 |                       | Dec 01,2017 | Accounting Research and Development Foundation | Legal Compliance Issues and Relevant Legal Responsibilities in "Merger and Acquisition"                                                               | 3          |
| Chih-Hsien Chen | Financial Supervisor  | Mar 24,2017 | Accounting Research and Development Foundation | Evaluate The Performance of The Business from The Results of The Corporate Governance Appraisal                                                       | 3          |
|                 |                       | Mar 30,2017 | Accounting Research and Development Foundation | Compiling Consolidated Statement Common Missing Cases and Discussing Related Norms                                                                    | 3          |
|                 |                       | Sep 19,2017 | Securities and Futures Institute               | The New System of Money Laundering Prevention and The Development Trend of International Anti – Money Laundering                                      | 3          |
|                 |                       | Nov 01,2017 | Accounting Research and Development Foundation | Legal Responsibility and Case Analysis of Economic Crimes                                                                                             | 3          |

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

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

| Items                                                                                                                                                                   | Status of Work |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference |
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|                                                                                                                                                                         | Y              | N | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                  |
| <p>I. Policies implemented and promoted by the Company:</p> <p>(1) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness.</p> | ✓              |   | <p>(1) In 2015 the Company completed the preparation of its Corporate Social Responsibility code, which was implemented through the Board of Directors. The code covers the Company and all operational activities of the Company's subsidiary businesses. Contents include: implementation of corporate governance, sustainable development and the environment, social welfare maintenance, a focus on employee care, improved customer services, strengthening supplier management, and corporate social responsibility information disclosure.</p> <p>(2) The implementation results were as follows:</p> <p>A. In line with our philosophy to care for disadvantaged groups, our Taiwan offices recruited 10 employees with disabilities (7 males and 3 females) by the end of 2017, which accounted for over 1% of the local personnel.</p> <p>B. The Taipei, Taichung, and Kaohsiung offices organized their own employee weight challenges. The total weight loss was 167 kg, which was an outstanding result.</p> <p>C. In 2017, the Company provided short-term on-board internships to 25 students.</p> <p>D. Energy efficiency and carbon reduction measures:</p> <p>(a) Vessel equipment</p> <p>i. To enhance the efficiency of propulsion, the stern shaft sealing system adopted the new gas-sealed design. 69 vessels were modified by the end of 2017, which accounted for 95.8% of self-owned vessels.</p> <p>ii. The main diesel engines adopted the new electric lubricator system, i.e. the Alpha lubricator and slide valves. 53 vessels adopted the system by the end of 2017, which accounted for 73.6% of self-owned vessels.</p> <p>iii. Installation of PBCF. PBCF was installed on 67 vessels by the end of 2017, which accounted for 93% of self-owned vessels.</p> <p>(b) Reduce fuel consumption</p> <p>i. The Turbo Charger Cut Out System was installed on WH23X, WH30X, WH31X, WH50X, and WH51X. 31 vessels were modified by the end of 2017, which accounted for 43.05% of self-owned vessels.</p> <p>ii. Installation of mass flow meters. 52 vessels were modified by the end of 2017, which accounted for 72% of self-owned vessels.</p> <p>(c) Reduce ship resistance</p> <p>i. Adoption of energy-saving bows (ES-BOW). 12 vessels were modified by the end of 2017, which accounted for 17% of self-owned vessels.</p> <p>ii. Adoption of energy-saving paint. 21 vessels used the paint by the end of 2017, which accounted for 29% of the self-owned vessels.</p> <p>E. Actively cooperated with the "Green Power Pilot Program" promoted by the Ministry of Economic Affairs and purchased 1.35 million kWh of green power again in 2017.</p> <p>F. Greenhouse gas emissions management:</p> <p>(a) Carbon dioxide (CO<sub>2</sub>) emissions: The CO<sub>2</sub> emissions of the Company fleets decreased by 0.89% in 2017 compared with 2016.</p> <p>(b) Nitrogen Oxide (NO<sub>x</sub>) emission analysis: The NO<sub>x</sub> emission rate of the Company fleets decreased by 3.4% in 2017 compared with 2016.</p> <p>G. The average fuel consumption per vessel decreased by 805.66 tons in 2017 compared with 2016.</p> <p>H. Taiwan offices followed the waste sorting principle and separated garbage into general and recycled waste. In 2017, the recycled waste was about 13,508 kg, a 2% decrease from the previous year.</p> <p>I. Investments in energy efficiency and carbon reduction measures amounted to NT\$19,375 thousand in 2017. These included an environmental protection investment expenditure on our terminal ports of NT\$18,142 thousand, an ISO 14001 environmental management system of NT\$345 thousand, and a green procurement of NT\$888 thousand.</p> <p>J. The social welfare expenditure of Wan Hai Lines totaled NT\$69,553 thousand in 2017 (including scholarship and financial aids to low-income students, volunteer service, disaster relief, social welfare, child welfare, juvenile welfare, women welfare, elderly welfare, physical and mental disability benefits, emergency assistance, etc.)</p> | No difference                                                                                                                    |
| <p>(2) The status of full and part-time work units established by the Company for promotion of corporate responsibility</p>                                             | ✓              |   | <p>(2) The Company's implementation of corporate social responsibility is through the organization of regular social responsibility education and training. In 2017 the implementation was as follows:</p> <p>201701 - Fire drill practice operation</p> <p>201704 - CPR+AED Training</p> <p>201704 - The first half of the year fire drill</p> <p>201704 - Women's health life</p> <p>201704 - Antitrust Law Compliance Lecture</p> <p>201705 - Environmental education videos (Water World)</p> <p>201705 - Gender equality policy</p> <p>201705 - Labor laws newly revised issues</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                  |

| Items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Status of Work |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference |
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| <p>(3) Does the company set up a unit to promote corporate social responsibility and authorized by the Board of Directors and report to the Board?</p> <p>(4) Does the company set a reasonable salary policies and employee performance appraisal system combined with corporate social responsibility, and establish clear and effective system of reward and punishment?</p>                                                                                                                                      | ✓              |   | <p>201706 – Lucky girl – sharing in Africa<br/>201706 – The importance of health inspection<br/>201708 – Menopausal physiological changes<br/>201710 – Nutritional choices when you eat outside<br/>201710 – First aid skills lecture<br/>201711 – Health care about cardiovascular<br/>201711 – Avoid human injury in office<br/>201712 – The second half of the year fire drill<br/>A 3-hour health advisory session with a doctor once every month</p> <p>(3)<br/>A. In order to integrate resources to promote CSR, the Company established a permanent Corporate Social Responsibility unit that is responsible for business operations in accordance with corporate social responsibility. This includes the approval of the annual target areas, implementation of the scope of the program, execution and review of tracking performance of the program, and the production of the Board of Directors report and Corporate Social Responsibility report. The Chairperson serves in the Corporate Social Responsibility unit as a joint steering committee member. The unit covers corporate governance, employee care, customer care, economic/ environmental care, and social/welfare groups.<br/>B. The Company has implemented the “Code of Conduct for Corporate Social Responsibilities of Wan Hai Lines Ltd.” after it was approved by the Board of Directors on November 11, 2015, and has set up an exclusively (or concurrently) dedicated corporate governance unit pursuant to Paragraph 1, Article 9 of Chapter 2 of the Code (please refer to <a href="http://www.wanhai.com/file/whl_tw/duty.pdf">http://www.wanhai.com/file/whl_tw/duty.pdf</a>). Details on the structure and positions of the unit can be found at (<a href="http://www.wanhai.com/file/whl_tw/CSR_Team.pdf">http://www.wanhai.com/file/whl_tw/CSR_Team.pdf</a>). Please also refer to Chapter 3 “Stakeholder Engagement and Management” of the annual corporate social responsibility report compiled in accordance with GRI 4.0 and then released. Moreover, the Company shall comply with Paragraph 1, Article 5 of Chapter 1 of the Code and submit CSR relevant matters to the Board of Directors for approval on a regular basis.</p> <p>(4) According to the company’s employee guide book: salary, performance appraisal, and incentives regulations chapters.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                  |
| <p>2. Developing a sustainable environment</p> <p>(1) The status of the Company devotion to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact</p> <p>(2) Whether the status of the establishment of an environmental management system suited to the special characteristics of our industry?</p> <p>(3) The status of the Company’s awareness of climate change’s effect on operation activities, and policies for reducing carbon emissions</p> | ✓              | ✓ | <p>(1) WHL has devoted itself to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact in the following ways:<br/>A. Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment<br/>B. Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life<br/>C. Current ships have been outfitted with a new type of oily water separator, purifying the discharge of waste water on ship, and avoiding any possible ocean pollution<br/>D. Starting in 2010, newly-built ships will be fitted with a water ballast treatment system, protecting the ocean ecology and avoiding the foreign organisms from being released via the water ballast, as well as environmental pollution<br/>E. Damaged or worn machines or fitting on vessels, if able to be repaired, are arranged to be reused by the manufacturer<br/>F. Instruction of manufacturers working on the ship to recycle and dispose of trash on shore</p> <p>(2) Current environmental management system employed by the company as related to the shipping industry is as follows:<br/>A. Both newly built and current vessels have been fitted with sewage and bilge water treatment system,<br/>B. Engines and generators on ships built after 2000 are all up to Tier 1 emissions standards,<br/>C. Waste oil from engine rooms discharged to the shore is recycled by a qualified company<br/>D. Bilge water from the engine room passes through a 15 PPM bilge water separator before being released, thus decreasing ocean pollution<br/>E. On-board bilge water passes through a bilge water separator where organic matter is filtered out before being released<br/>F. All engine room internal combustion engines, boilers, and incinerators comply with emissions laws and regulations<br/>G. Our vessels use low-sulfur fuel in the ECA (Emission Control Area) and carry out the changeover procedure in order to comply with the regulations of MARPOL Annex VI, EU Directive and special port states.<br/>H. Our vessels use low-sulfur fuel in the Hong Kong, the North American ECA region the Yangtze River Delta region, the Pearl River Delta region, and the Bohai Bay area in China.</p> <p>(3) WHL’s policies for achieving goals of carbon emission and greenhouse gas reduction are as follows:<br/>A. Reducing engine cylinder, speed shipping and setup PBCF to reduce fuel expenditure.<br/>B. Set up ES-BOW.<br/>C. Purchases low sulfur fuel to comply with the limit as required by MARPOL<br/>D. Vessels entering sulfur oxide emission control area (ECA): Hong Kong waters, the North American ECA region, the Yangtze River Delta region, the Pearl River Delta region, and the Bohai Bay area in China. The vessels use the fuel which meets the regulations and perform oil change procedures in these ECAs.<br/>E. In accordance with environmental policy, the resource reserving units are set up and make some strategies.</p> | No difference                                                                                                                    |

| Items                                                                                                                                                                                                                                                                          | Status of Work |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference |
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|                                                                                                                                                                                                                                                                                | Y              | N | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  |
|                                                                                                                                                                                                                                                                                |                |   | F. We started to purchase green power from the Taiwan Power Company since 2016. 1.35 million kWh was purchased in both 2016 and 2017.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                  |
| 3. Upholding Public Good                                                                                                                                                                                                                                                       |                |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                  |
| (1) The status of the Company's observance of relevant labor laws and international labor standards, protecting the legal rights of employees and against the employment discrimination, creation of appropriate methods and processes for a management system comply with it. | ✓              |   | (1) The company conducts itself according to the relevant labor laws and regulations, and protects the legal rights of its employees, and has set up an appropriate management process.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | No difference                                                                                                                    |
| (2) Are the company's employee complaint mechanisms and channels fit for purpose?                                                                                                                                                                                              | ✓              |   | (2) In compliance with the provisions of the Labor Inspection Act, the Company has drawn up a "Labor Complaints Form." Colleagues have statutory rights of appeal in relevant work areas or with Company Supervisors according to specified procedures. With regards to sexual harassment prevention, in addition to the company's normal complaints process, in order to protect of the rights and privacy of the parties involved, the company has developed an e-mail channel that sends sexual harassment complaints directly to a sexual harassment committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                  |
| (3) The status of the Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees.                                                                                               | ✓              |   | (3) The Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees is implemented as follows:<br>A. Worker health and safety education: apart from obtaining legally required certification and retraining, the Company also provides regular health and safety guidance, carries out fire and emergency drills, etc... At the same time, we also provide a yearly health inspection, health education counseling, health and safety class information, and other assistance. This provides employees with proper health and safety management.<br>B. We check concentration of CO2 and illumination for caring about employees' healthy behavior regularly.<br>C. Coordinate workplace safety and health policies: We arranged regular repair and maintenance for automated equipment pursuant to laws and regulations. Also, by holding meetings, we are able to increase safety and health awareness and implemented safety and health document management policies to promote the idea of safety and health, build a secure workplace and prevent occupational disasters.<br>D. Standard on-site pier working safety:<br>Aimed at the vendor management of pier, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies.<br>E. Health Improvement :<br>The Company has set health center and suckle room to promote the health for employees and motherhood.<br>F. We organized various health promotion activities, including regular physical examinations, health seminars, sports clubs, etc., on a regular basis and delivered occupational safety and health messages periodically. We care and strive to increase employees' awareness on physical and mental health. Wan Hai was awarded "Badge of Accredited Healthy Workplace" by the Health Promotion Administration (HPA), Ministry of Health and Welfare in 2017. |                                                                                                                                  |
| (4) Should the Company establish a regular communication mechanism with its employees, and in a reasonable manner inform employees that are likely to cause significant change that has an impact on work operations?                                                          | ✓              |   | (4) The company has established the Employee Benefits Committee which looks into matters of welfare concerns of the staff in terms of the implementation of proposed schemes. Recommendations for the Company can be raised by employees at any time during a formal meeting, as well as during the biannual performance appraisals, where the proposal will be sent to the relevant department for reference and response. The Company respectfully seeks the opinions of its employees as changes in work operations may result in a significant positive impact. Labor laws protect workers within the scope of the implantation of this policy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                  |
| (5) Should the Company establish an effective career training program for its employees?                                                                                                                                                                                       | ✓              |   | (5) The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. The training plan includes :<br>A. Newcomers Orientation<br>B. Professional training for general staff<br>C. Professional training for management associate<br>D. Professional training for supervisors<br>E. Courses sponsored by the Employee Benefits Committee<br>F. External training courses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                  |
| (6) The status of the Company's cooperation with suppliers to strive for and promote corporate responsibility.                                                                                                                                                                 | ✓              |   | (6)<br>A. The Company has instituted policies for the protections of consumers' rights and interests, and are recorded amongst the provisions on the back of the bill of lading.<br>B. The Company has established a website, <a href="http://www.wanhai.com">http://www.wanhai.com</a> (includes relevant announcement of business information and inquiry service), and has created a customer service email and a customer service hot line, providing an outlet for an expression of opinions and inquiries on the part of the customer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                  |
| (7) The status of the Company's use of business activities, material contributions, corporate volunteers service, or other free service, to                                                                                                                                    | ✓              |   | (7) In regards to the Company's goods and services – in order to protect the interests of customers, ships operating on fixed tariff routes exporting and importing into Taiwan all follow and gain approval from the shipping administration for "Regulations for Administrating Shipping Carriers," one month prior to shipping.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                  |

| Items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Status of Work |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Y              | N | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                  |
| participate in community development and philanthropic organizations.<br><br>(8) Should the Company assess its suppliers' past record of impacts on the environment and society?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | ✓              |   | The company and its related businesses are subject to US Federal Maritime Commission (FMC) for common carriers regulatory specifications, where tariff rates are shown online, and with the timely submission of customer transport service contracts to the FMC.<br><br>(8) In order to protect the environment and the health of our employees, the Company uses products conforming to environmental standards and green products and materials that are provided by suppliers. We also strive to use recyclable materials. Waste material that is able to be recycled is given priority, and the remainder is sent to an incinerator or legal waste burial group, thus reducing environmental harm. |                                                                                                                                  |
| (9) Should company contracts with its main suppliers contain a clause so that when suppliers violate corporate social responsibility policies, and have significant impact on the environment and society, the Company may at any time terminate the contract?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | ✓              |   | (9)<br>A. To ensure the that suppliers do not have a negative impact on the environment and society, only qualified licensed or chartered suppliers and products suppliers are selected, where products, materials, and manufacturing are all in compliance with regulatory standards.<br>B. Contractors shall comply with related occupational health and laws and regulations, and have third-party liability insurance and employers' accident liability insurance. Any waste disposal should comply with regulations to maintain safety and the environment.                                                                                                                                        |                                                                                                                                  |
| 4. Strengthening Provision of Information<br>(1) Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | ✓              |   | (1) Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS<br>A. The Company has already published a report detailing the implementation and results of corporate responsibility<br>B. The report on corporate responsibility has also been made public on the company's website                                                                                                                                                                                                                                                                                                                                   | No difference                                                                                                                    |
| 5. The Company has complied with the rules and regulations for corporate responsibility as laid out in "Practice and Regulations for Corporate Responsibility for Listed, OTC Companies." Please describe anything else that differs from the regulations described: No Difference.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  |
| 6. Any other important which may aid in the understanding of the actions taken to further promote corporate responsibility (such as the Company's policy and actions taken regarding the environment, participation in society, contributions to society, service to society, public good, consumers' rights, human rights, health and safety, and any other relevant activities):<br>(1) Received the "Outstanding Performance in Total Operating Revenue" recognition from the Ministry of Transportation and Communications.<br>(2) Won the "Sea Cargo Pre-shipment Declaration Scheme 2017 - Gold Award Certificate" issued by the Hong Kong Customs and Excise Department.<br>(3) Won the "Container Shipping Line of The Year India - Far East Trade Lane" from MALA for the sixth time.<br>(4) Received model maritime personnel award (screened by the ROC maritime shipping industry).<br>(5) Container Shipping Line of The Year - Far East Trade Lane<br>(6) SeaIntel ranked Wan Hai as number one in schedule reliability.<br>(7) The Company's Vice Chairman Chen was awarded the Seatrade Personality of the Year.<br>(8) Passed the Healthy Workplace Certification of the Ministry of Health and Welfare in 2017: The Taipei office received the Accreditation Badge for a Healthy Workplace. The Taichung and Kaohsiung branches received the Accreditation Badge for Health Initiatives.<br>(9) In December 2014, our terminal ports in Taichung and Kaohsiung were certified by the Occupational Safety and Health Management System. Our quest for the certification continued in 2017.<br>(10) Having being certified as the "Authorized Economic Operator" in 2015, our security and customer privacy items continue to comply with the official certification standards.<br>(11) Received the Excellence Award in Green Shipping Development from the Ministry of Transportation and Communications, recognizing our efforts and achievements in developing green shipping.<br>(12) The purchase of green power. Received the "Corporate Visionary Award" from the Ministry of Economic Affairs, demonstrating our commitment to the business philosophy of environmental protection and sustainability.<br>(13) Established and continued to promote the ISO 14001 environmental management system since 2004. |                |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  |
| 7. Description of accreditation given by relevant accrediting organizations the Company's products or corporate responsibility report may have received:None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  |

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

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

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

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

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

### 3.3.10 Internal Control System Execution Status

#### WAN HAI LINES LTD. The Declaration of Internal Control

March 26, 2018

Based on the self-assessment of Company's internal control system for year ended of 2017, we declare that:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and their compliance with applicable laws, regulations, and by laws.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in " Regulations Governing Establishment of Internal Control Systems by Public Companies " (called the " Regulations " below). The " Regulations " divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent contains several criteria. Please refer to the " Regulations " for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of assessment, the Company believes on Dec 31, 2017 that the design and implementation of its internal control system (including supervision and management of subsidiaries), consisting of understanding the effectiveness and efficiency of business operations, reliability, timeliness, transparency, and regulatory compliance of reporting and their compliance with applicable laws, regulations, and bylaws, are effective and reasonably assure the achievement of the aforementioned goals.
6. This Statement shall become a major part of the annual report of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the R.O.C. Securities & Exchange Law.
7. This Statement has been unanimously approved by 7 directors and objected by 0 directors of the Company present at the meeting held on Mar 26, 2018.

WAN HAI LINES LTD.

Chairman: Shihlin Paper Corporation

Representative: Po-Ting Chen

President: Fur-Lung Hsieh

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

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

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

| Date                                                 | Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------|----------|---------------------|----------|-------------------|----------|----------------------|----------|----------------------------------|----------------------|----------------|----------------------|---------------|----------------------|-----------------|
| 2017 General Shareholders Meeting<br>(June 22, 2017) | <p>Ratification items:</p> <p>I. Motion: The 2016 financial statements and business reports were submitted for ratification.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>II. Motion: The distribution of 2016 earnings was submitted for ratification.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>Election items:</p> <p>Motion: To elect the Company's 20th-term Board of Directors (including independent directors).</p> <table border="1"> <thead> <tr> <th>Job Title</th><th>Name</th></tr> </thead> <tbody> <tr> <td>Director</td><td>ShihLin Paper Corp.</td></tr> <tr> <td>Director</td><td>Taili Corporation</td></tr> <tr> <td>Director</td><td>Chen-Yung Foundation</td></tr> <tr> <td>Director</td><td>Sun Shine Construction Co., Ltd.</td></tr> <tr> <td>Independent director</td><td>Ruei-Chuen Liu</td></tr> <tr> <td>Independent director</td><td>Rung-Nian Lai</td></tr> <tr> <td>Independent director</td><td>Chih-Chuan Chen</td></tr> </tbody> </table> <p>Discussion items:</p> <p>I. Motion: Amendments to the Memorandum of Association of Wan Hai Lines Ltd. were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>II. Motion: Amendments to the Procedures for the Election of Directors and Supervisors of Wan Hai Lines Ltd. were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>III. Motion: Amendments to the Procedures for Acquisition or Disposal of Assets of Wan Hai Lines Ltd. and subsidiaries were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>IV. Motion: Amendments to the Procedures for Acquisition or Disposal of Derivative Products of Wan Hai Lines Ltd. and subsidiaries were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>V. Motion: Amendments to the Procedures for Lending Funds to Other Parties of Wan Hai Lines Ltd. and subsidiaries were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>VI. Motion: Amendments to the Procedures for Endorsements and Guarantees of Wan Hai Lines Ltd. and subsidiaries were submitted for discussion. Resolution: This motion was passed according to the e-voting and paper ballot results.</p> <p>VII. Motion: A proposal to release members of the Company's 19th Board of Directors from non-compete restrictions was submitted for discussion.<br/>Resolution:</p> <ol style="list-style-type: none"> <li>1. The motion to release Director, Po-Ting Chen, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> <li>2. The motion to release the representative of juristic-person Director, Randy Chen, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> <li>3. The motion to release the representative of juristic-person Director, Fur-Lung Hsieh, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> </ol> <p>VIII. Motion: A proposal to release the Company's newly-elected Directors from non-compete restrictions was submitted for discussion.<br/>Resolution:</p> <ol style="list-style-type: none"> <li>1. The motion to release the representative of juristic-person Director, Po-Ting Chen, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> <li>2. The motion to release the representative of juristic-person Director, Chih-Chao Chen, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> <li>3. The motion to release the representative of juristic-person Director, Randy Chen, from non-compete restrictions: Passed according to the e-voting and paper ballot results.</li> </ol> <p>IX. Motion: Amendments to the Rules and Procedures of Shareholders' Meeting of Wan Hai Lines Ltd. were submitted for discussion.<br/>Resolution: This motion was passed according to the e-voting and paper ballot results.</p> | Job Title | Name | Director | ShihLin Paper Corp. | Director | Taili Corporation | Director | Chen-Yung Foundation | Director | Sun Shine Construction Co., Ltd. | Independent director | Ruei-Chuen Liu | Independent director | Rung-Nian Lai | Independent director | Chih-Chuan Chen |
| Job Title                                            | Name                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Director                                             | ShihLin Paper Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Director                                             | Taili Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Director                                             | Chen-Yung Foundation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Director                                             | Sun Shine Construction Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Independent director                                 | Ruei-Chuen Liu                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Independent director                                 | Rung-Nian Lai                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |
| Independent director                                 | Chih-Chuan Chen                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |           |      |          |                     |          |                   |          |                      |          |                                  |                      |                |                      |               |                      |                 |

### \* Major resolutions of the Board of Directors

| Date                                                                              | Resolutions                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The 17th Board meeting of the 19th Board of Directors (March 16, 2017)            | Motion: The reasons set for calling the Company's 2017 General Shareholders Meeting were submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                        |
| The 17th Board meeting of the 19th Board of Directors (March 16, 2017)            | Motion: The upper limit for funds lent by the Company to the subsidiary, Wan Hai Lines (Singapore) Pte Ltd., was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                |
| The 18th Board meeting of the 19th Board of Directors (April 27, 2017)            | Motion: A proposal for the Company to issue domestic unsecured ordinary corporate bonds in order to repay loans and strengthen the financial structure was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                      |
| The 18th Board meeting of the 19th Board of Directors (April 27, 2017)            | Motion: The distribution of 2016 earnings was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                                                                   |
| The 18th Board meeting of the 19th Board of Directors (April 27, 2017)            | Motion: The change of reasons for calling the Company's 2017 General Shareholders Meeting was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                   |
| The 1st Board meeting of the 20th Board of Directors (June 22, 2017)              | Motion: The election of the 20th Chairman was submitted for discussion.<br>Resolution: ShihLin Paper Corp. (representative: Po-Ting Chen) was nominated as the 20th Chairman. All Directors present at the meeting passed the motion unanimously.                                                                                                        |
| The 1st Board meeting of the 20th Board of Directors (June 22, 2017)              | Motion: The election of the 20th Vice Chairman was submitted for discussion.<br>Resolution: Taili Corporation (representative: Randy Chen) was nominated as the 20th Vice Chairman. All Directors present at the meeting passed the motion unanimously.                                                                                                  |
| The 1st special Board meeting of the 20th Board of Directors (July 17, 2017)      | Motion: A proposal for the subsidiary, Wan Hai Lines (Singapore) Pte Ltd., to acquire two vessels was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                           |
| The 2nd Board meeting of the 20th Board of Directors (August 11, 2017)            | Motion: A proposal for the cancellation and termination of guarantee concerning the construction of new vessels by the significant subsidiary, Wan Hai Lines (Singapore) Pte Ltd., was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                          |
| The 2nd Board meeting of the 20th Board of Directors (August 11, 2017)            | Motion: The procurement of new shipping containers due to business needs in the second half of 2017 was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                         |
| The 2nd Board meeting of the 20th Board of Directors (August 11, 2017)            | Motion: The appointment and remuneration of the 3rd-term "Remuneration Committee" members were submitted for review.<br>Resolution: Independent Directors, Ruei-Chuen Liu and Rung-Nian Lai, recused themselves as they were candidates of the 3rd-term Remuneration Committee. The motion was passed unanimously by the other Directors at the meeting. |
| The 2nd Board meeting of the 20th Board of Directors (August 11, 2017)            | Motion: The ex-dividend date and cash dividend payment date for the Company's 2016 earnings distribution were submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                   |
| The 2nd special Board meeting of the 20th Board of Directors (September 29, 2017) | Motion: A proposal for investee, Wan Hai Lines (Arizona) LLC, to purchase office buildings in the United States was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                             |
| The 3rd Board meeting of the 20th Board of Directors (November 9, 2017)           | Motion: A proposal to release the Company's managers from non-compete restrictions was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                          |
| The 3rd Board meeting of the 20th Board of Directors (November 9, 2017)           | Motion: The procurement of new shipping containers due to business needs in 2018 was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                            |
| The 4th Board meeting of the 20th Board of Directors (December 13, 2017)          | Motion: The replacement and procurement of GC and RT for WHL terminals were submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                                     |
| The 4th Board meeting of the 20th Board of Directors (December 13, 2017)          | Motion: The capital increase by cash of investee, Wan Hai Lines (Arizona) LLC, was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                                              |
| The 4th Board meeting of the 20th Board of Directors (December 13, 2017)          | Motion: The upper limit for funds lent by the Company to the subsidiary, Wan Hai Lines (Singapore) Pte Ltd., was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                                                |

| Date                                                    | Resolutions                                                                                                                                                                                                                                                         |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The 5th Board meeting of the 20th-term (March 26, 2018) | Motion: A proposal for the Company to issue domestic unsecured ordinary corporate bonds in order to repay loans and strengthen the financial structure was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously. |
| The 5th Board meeting of the 20th-term (March 26, 2018) | Motion: The proposal of a draft of the reasons for convening the Company's 2018 shareholders' meeting was submitted for discussion.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                              |
| The 5th Board meeting of the 20th-term (March 26, 2018) | Motion: The distribution of 2017 earnings was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                                                                              |
| The 5th Board meeting of the 20th-term (March 26, 2018) | Motion: The appointment of directors of the Company's subsidiary, Wan Hai Lines (Singapore) Pte Ltd., was submitted for review.<br>Resolution: All Directors present at the meeting passed the motion unanimously.                                                  |

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

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

**3.3.15 Procedure for dealing with important internal information**

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

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

### **3.3.16 Discussion concerning the execution of the resolutions made in the 2017 Shareholders' Meeting**

1. Election items:

- (1) Election of the Company's 20th Board of Directors (including independent directors): The new Directors have taken office and completed the registration of changes.

2. Ratification items:

- (1) Ratification of the 2016 financial statements and business reports: Relevant documents have been submitted to the competent authorities pursuant to the Company Act and other relevant laws for reference and declaration.
- (2) Ratification of the 2016 earnings distribution: The cash dividend per share was NT\$0.4. The record date was September 5, 2017, and the distribution date was September 20, 2017.

3. Discussion items:

- (1) Amendments to the Memorandum of Association of Wan Hai Lines Ltd.: Amendments were approved by the Ministry of Economic Affairs on July 14, 2017 and posted on the Company's website.
- (2) Amendments to the Procedures for the Election of Directors and Supervisors of Wan Hai Lines Ltd.: They have been posted on the Company's website and executed accordingly.
- (3) Amendments to the Procedures for Acquisition or Disposal of Assets of Wan Hai Lines Ltd. and subsidiaries: They have been posted on the Company's website and executed accordingly.
- (4) Amendments to the Procedures for Acquisition or Disposal of Derivative Products of Wan Hai Lines Ltd. and subsidiaries: They have been posted on the Company's website and executed accordingly.
- (5) Amendments to the Procedures for Lending Funds to Other Parties of Wan Hai Lines Ltd. and subsidiaries: They have been posted on the Company's website and executed accordingly.
- (6) Amendments to the Procedures for Endorsements and Guarantees of Wan Hai Lines Ltd. and subsidiaries: They have been posted on the Company's website and executed accordingly.
- (7) Removal of non-compete restrictions for the Company's 19th Board of Directors: Actions were taken pursuant to the resolution.
- (8) Removal of non-compete restrictions for the Company's newly-elected Directors: Actions were taken pursuant to the resolution.
- (9) Amendments to the Rules and Procedures of Shareholders' Meeting of Wan Hai Lines Ltd.: They have been posted on the Company's website and executed accordingly.

### 3.3.17 Company Remuneration Committee

#### 1. Remuneration Committee Member Information

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

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

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

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

#### 2. Remuneration Committee operation

The tenure of 2<sup>nd</sup>-term members commenced on November 20, 2014 and expired on March 16, 2017 and the tenure of the 3<sup>rd</sup>-term commenced on March 16, 2017. The Remuneration Committee held two (A) meeting in 2017. The qualification and attendance of members is as follows:

| Position                                                            | Name           | Number of actual participations( B ) | Number of actual participations through a proxy | Rate of actual participations(%) ( B / A )(Note) | Remarks |
|---------------------------------------------------------------------|----------------|--------------------------------------|-------------------------------------------------|--------------------------------------------------|---------|
| The tenure of 2 <sup>nd</sup> -term members: (2014/11/20–2017/3/16) |                |                                      |                                                 |                                                  |         |
| Convener                                                            | Ruei-Chuen Liu | 1                                    | 0                                               | 100%                                             |         |
| Member                                                              | Rung-Nian Lai  | 0                                    | 1                                               | 0%                                               |         |
| Member                                                              | Ming-Zhu Chen  | 1                                    | 0                                               | 100%                                             |         |
| The tenure of 3 <sup>rd</sup> -term members: (2017/3/16~)           |                |                                      |                                                 |                                                  |         |
| Convener                                                            | Ruei-Chuen Liu | 1                                    | 0                                               | 100%                                             |         |
| Member                                                              | Rung-Nian Lai  | 1                                    | 0                                               | 100%                                             |         |
| Member                                                              | Ming-Zhu Chen  | 1                                    | 0                                               | 100%                                             |         |

Other information:

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

Note:

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

### 3.3.18 Corporate Conduct and Ethics Implementation

| Assessment Item                                                                                                                                                                                                                                                                                                                                       | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Discrepancy with industry standards and reasons                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                       | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>1. Establishment of corporate conduct and ethics policy and implementation measures</b><br>(1) Does the Company have regulations and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team? | ✓                     |    | (1) Although the corporate conduct and ethics policy has not yet been fully developed, the Company's documents are publicly available. The ideals of placing the customer first, full staff participation, environmental protection, and the sustainable business philosophy are being actively implemented by the Board of Directors and the management team. The development of a complete accounting system and internal control system, such as improving management systems, the internal management, and external business activities has also been implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented. |
| (2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, and complaint procedures in such policies?                                                                                                                         | ✓                     |    | (2) The Company places emphasis on its staff attitude and moral integrity, and has the staff abide by the code of practice and the established general rules, so the Company has essentially a fundamental spirit of corporate conduct and ethics which is implemented through management practices.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                      |
| (3) Does the Company establish appropriate compliance measures for the business activities as prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?                                          | ✓                     |    | (3) As expressed in the Company's work rules, employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>2. Ethical Management Practices</b><br>(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?                                                                                                                                 | ✓                     |    | (1) A. The Company conducts its business in a fair and transparent way. Before engaging in business, the Company considers the legality of and ethical recorders of agents, suppliers, customers or other business transactions in order to ascertain whether there is poor ethical conduct record, and then avoids engaging in business with those who have a poor ethical conduct record.<br>B. Although the Company's external documents had not included the Ethical Corporate Management Best Practice Principles, all suppliers were asked to sign the "Supplier Commitment" in 2017. The main content of the Commitment was as follows:<br>a. Comply with the principle of ethical corporate management and conduct business activities in a fair and transparent manner.<br>b. Respect intellectual property rights and comply with relevant laws and regulations.<br>c. Conform to safety and health regulations to reduce risk factors and prevent occupational disasters.<br>d. Comply with environmental protection laws and international conventions to improve energy efficiency.<br>e. Comply with labor laws and international human rights conventions.<br>In 2017, 520 total suppliers signed the preceding commitment. | Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented. |
| (2) Does the Company set up a unit which is dedicated to or tasked with promoting the company's ethical standards that reports directly to the Board of Directors with periodical updates on relevant matters?                                                                                                                                        | ✓                     |    | (2) The Company's management team actively promotes the implementation of ethical standards, the Company Directors uphold a high standard of discipline in conducting motions listed by the Board of Directors, the Company itself, and with represented interested parties/individuals. Where those posing a risk of causing harm to the interests of the Company are not allowed to join or vote in discussions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                      |
| (3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication, complaint channels, and implement such policies properly?                                                                                                                                                                                | ✓                     |    | (3) The company must abide by the Company Act, the Securities Exchange Act, the Business Entity Accounting Act, the business-related regulations for TWSE/GTSM Listed Companies, and other industry standard regulations to implement relevant policies on ethical conduct, which are implemented by the Directors and Supervisors and internal interested parties/individuals. Company work rules establish which actions constitute violation of the regulations and the disciplinary system, and if the investigation of the violation of the regulations is verified, depending on the seriousness of the violation, are dealt with in accordance with the relevant regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                      |
| (4) To implement relevant policies on ethical conduct, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?                                                                                                                                                        | ✓                     |    | (4) A stringent accounting system and a dedicated accounting unit has been established, and financial reports are confirmed by a CPA to ensure their fairness. Risk assessment plan auditing is performed in accordance with the annual auditing plan, and then approved by the Board of Directors before execution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Assessment Item                                                                                                                                                                                     | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Discrepancy with industry standards and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
|                                                                                                                                                                                                     | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                 |
| (5) Does the Company provide internal and external ethical conduct training programs on a regular basis?                                                                                            | ✓                     |    | <p>Projects are checked by auditors prior to execution. Once at the end of every month the audit report statement results are checked and recommendations for improvement are reported to the Company's President, Chairman, Supervisors and independent Directors. When a situation occurs, if anything is missing or abnormal, then recommendations are made to improve coordination, and there is a regular reminder to inspect the improved the situation.</p> <p>Supervisory internal units and subsidiary companies manage their own internal examinations at least once a year, and then the self-reviewed report is then audited. If the audit finds defects and irregularities in internal control then to improve the situation the Board of Directors and management team assess the overall internal control system effectiveness and issue a statement regarding the internal control system.</p> <p>The Company's internal audit documents all use the prescribed format according to the Financial Supervisory Commissions Internet information system reporting reference:</p> <p>Annual internal audit plan: before the end of each fiscal year.</p> <p>Previous year annual audit plan implementation: within two months after the end of the fiscal year.</p> <p>Previous year internal audit discovered internal control systems defects and irregularities: after the end of each fiscal year within five months.</p> <p>Previous year internal control system statement: within three months after the end of each fiscal year. In accordance with the regulations published in the annual reports, brochures and IPO prospectuses.</p> <p>(5) Company internal regularly new personnel training/management vocational training/in-service training courses are organized, and well as external training courses.</p> <p>The Company places emphasis on its staff attitude and moral integrity. In addition to having the staff abide by the code of practice and the established general rules, the Company will include work attitude and moral integrity performance evaluation indicators for all of its staff:</p> <p>A. The staff should be proud of being a part of Wan Hai Lines Ltd., and must abide by Wan Hai's various work environment, work attitude, and employee relations, notices and announcement requirements.</p> <p>B. The staff shall maintain official business services and commercial business secrets, whereby non-approved articles shall not be removed from the office (or sent by e-mail). If the above mentioned circumstances occur, in addition to the offending employee's dismissal punishment, and depending on the severity of the occurrence, also be prosecuted in accordance with the law.</p> <p>C. Company employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law.</p> <p>D. The Company's employees should respect and care for the credibility of the company, whereby personal opinions involving the company, if not authorized, may not be published. Except for Company specified tasks, the use of the Company name is not authorized.</p> <p>E. The staff should have a sincere, positive, and responsible attitude towards work, actively identify problems, and take the initiative to propose possible solutions.</p> |                                                 |
| 3. Implementation of complaints procedures                                                                                                                                                          |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                 |
| (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? | ✓                     |    | The Company has established an e-mail address in order to report cases of corporate conduct and ethics policy violations. If reported, a dedicated investigation team will investigate the event in accordance with procedures, and a personnel appraisal committee will consider the report's findings in accordance with the Company's relevant disciplinary regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | None                                            |
| (2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?                           | ✓                     |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                 |
| (3) Does the Company adopt proper measures to prevent a complainant from retaliation for filing a complaint?                                                                                        | ✓                     |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                 |

| Assessment Item                                                                                                                                                                                                                                    | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Discrepancy with industry standards and reasons                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                    | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>4. Information Disclosure</p> <p>(1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?</p>                          |                       | ✓  | <p>(1) The Company's website has a company profile and investor relations area that provides manufactures, customers, and other interested parties/individuals with an information platform to immediately understand our business status, Memorandum of Association, internal audit operations, and corporate social responsibility situation.</p> <p>(2) The Company had also built an English website for non-Chinese readers, where the Chinese web pages are instantly synchronized, which actively promotes indicators revealed by the ROC Securities and Futures Institute, enhances the Company's information transparency, and increases corporate value.</p> | <p>Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.</p> |
| 5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: None |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): None                                        |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                             |

### 3.4 Information on CPA professional fees

#### 1. Information on CPA professional fees scale range chart

| Name of CPA firm | Name of CPA     |              | Audit Period            | Remarks |
|------------------|-----------------|--------------|-------------------------|---------|
| KPMG             | Chung-Yi Chiang | Yi-Chun Chen | Jan. 1,2017~Dec.31,2017 |         |

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

Expressed in thousands of New Taiwan dollars

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

2. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: Non-audit fees was TWD 625 thousand, which included the transfer pricing reports and others.
3. During the past year, the CPA has not changed and there is no decrease in the amount or percentage of the auditing fee compared to the previous year: None
4. The auditing fee has not decreased by more than 15% compared to the previous year: None

### 3.5 Information on replacement of CPA:

#### 1. Regarding the former CPAs

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

#### 2. Regarding the successor CPAs

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

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

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

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

| Title (note1)                 | Name                                                                    | 2017/1/1~2017/12/31                   |                                              | 2018/1/1~2018/4/28                    |                                              | Remark            |
|-------------------------------|-------------------------------------------------------------------------|---------------------------------------|----------------------------------------------|---------------------------------------|----------------------------------------------|-------------------|
|                               |                                                                         | Increase (Decrease) in holding shares | Increase (Decrease) in pledge holding shares | Increase (Decrease) in holding shares | Increase (Decrease) in pledge holding shares |                   |
| Chairman                      | SHIHLIN PAPER CORP.<br>Representative: Po-Ting Chen                     | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice Chairman                 | TAILI Corporation<br>Representative: Randy Chen                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Director                      | CHEN-YUNG Foundation<br>Representative: Chih-Chao Chen                  | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Director                      | Sunshine Construction Co., Ltd<br>Representative: Chiu-Ling Wu          | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Independent Director          | Ruei-Chuen Liu                                                          | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Independent Director          | Rung-Nian Lai                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Independent Director          | Chih-Chuan Chen                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Main shareholder              | Yi Chun (Liberia) Shipping Co., Ltd.                                    | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Chairman                      | Po-Ting Chen                                                            | 0                                     | 0                                            | 0                                     | 0                                            | 2017.06.22 Resign |
| Director                      | Formosa Wonderland Co. Ltd.<br>Representative: Cheng-Hsien Lin          | 0                                     | 0                                            | 0                                     | 0                                            | 2017.06.22 Resign |
| Supervisor                    | Yee Sing Co., Ltd.<br>Representative: Chiu-Ling Wu                      | 0                                     | 0                                            | 0                                     | 0                                            | 2017.06.22 Resign |
| Supervisor                    | Yi The Optical Technology Co., Ltd.<br>Representative: Chih Hsiang Chen | 0                                     | 0                                            | 0                                     | 0                                            | 2017.06.22 Resign |
| Supervisor                    | Hwa Mei Lin Yen                                                         | 0                                     | 0                                            | 0                                     | 0                                            | 2017.06.22 Resign |
| President                     | Fur-Lung Hsieh                                                          | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Executive Vice President      | Wen-Chau Yeh                                                            | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Senior Vice President         | Jen-Yee Huang                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Senior Vice President         | Li- Kuang Huang                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Senior Project Vice President | Jeong-Shin Lin                                                          | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Kuo-Loong Kao                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Ming-Shan Huang                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Juang-Jyh Juang                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Wei-Chien Chuang                                                        | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Jen-Kai Wu                                                              | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Chien-Cheng Hsiao                                                       | 5,000                                 | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Shen-Hsing Lo                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Project Vice President        | Wei-Shin Sheu                                                           | -10,000                               | 0                                            | 0                                     | 0                                            |                   |
| Project Vice President        | Yen-Ru Chen                                                             | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Hung-Chuan Chien                                                        | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Huey-Jang Chung                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Li-Mei Su                                                               | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Chih-Hsien Chen                                                         | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Chien-Feng Wu                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Vice President                | Ching-Yin Wang                                                          | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Project Vice President        | Ching-Seng Huang                                                        | 0                                     | 0                                            | 0                                     | 0                                            |                   |
| Assistant Vice President      | Chia-Yi Hsiao                                                           | 0                                     | 0                                            | 0                                     | 0                                            |                   |

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

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

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

April 28, 2018

| Name                                                                      | Shareholding |               | Spouse and minors shareholding on current date |               | Shareholding in others name |               | The company's 10 largest shareholders are related parties |                                                                          | Remark |
|---------------------------------------------------------------------------|--------------|---------------|------------------------------------------------|---------------|-----------------------------|---------------|-----------------------------------------------------------|--------------------------------------------------------------------------|--------|
|                                                                           | Shares       | Holding ratio | Shares                                         | Holding ratio | Shares                      | Holding ratio | Name                                                      | Relation                                                                 |        |
| Yi Chun (Liberia) Shipping Co., Ltd.<br>Representative:<br>Chao-Heng Chen | 285,234,291  | 12.85%        | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 2,000,000    | 0.09%         | 1,878,000                                      | 0.08%         | 0                           | 0%            | Ching-Chih Chen<br>Chih-Yuan Chen                         | Relatives within the second degree<br>Relatives within the second degree | None   |
| TCE<br>Representative:<br>Hui-Ying Chen                                   | 170,902,859  | 7.70%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 0            | 0.00%         | 0                                              | 0%            | 0                           | 0%            | Po-Ting Chen                                              | Relatives within the second degree                                       | None   |
| CCE<br>Representative:<br>Randy Chen                                      | 170,902,859  | 7.70%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 0            | 0%            | 0                                              | 0%            | 0                           | 0%            | Ching-Chih Chen                                           | Relatives within the second degree                                       | None   |
| Asia Pacific Container Terminal Inc.<br>Representative:<br>Fur-Tian Huang | 144,556,398  | 6.51%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 0            | 0%            | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
| Evervaliant Corp.<br>Representative:<br>Ching-Chih Chen                   | 57,173,950   | 2.57%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 0            | 0%            | 9,095,335                                      | 0.41%         | 0                           | 0%            | Chao-Heng Chen<br>Randy Chen                              | Relatives within the second degree<br>Relatives within the second degree | None   |
| Chun-Shin Lin                                                             | 56,667,820   | 2.55%         | 39,713                                         | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
| Da Shin Investment, Inc.<br>Representative:<br>Yun-Yu Qiu                 | 49,010,219   | 2.20%         | 0                                              | 0%            | 0                           | 0%            | Liu He Investment, Inc.                                   | Director                                                                 | None   |
|                                                                           | 0            | 0%            | 0                                              | 0%            | 0                           | 0%            | Liu He Investment, Inc.                                   | Director                                                                 | None   |
| Pictet & Cie (Europe) S.A.                                                | 47,822,043   | 2.15%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
| Yeong Yi (Asia) Co., Ltd.<br>Representative:<br>Chih-Yuan Chen            | 47,617,724   | 2.14%         | 0                                              | 0%            | 0                           | 0%            | None                                                      | None                                                                     | None   |
|                                                                           | 15,378,552   | 0.69%         | 14,454,747                                     | 0.65%         | 0                           | 0%            | Chao-Heng Chen                                            | Relatives within the second degree                                       | None   |
| Liu He Investment, Inc.<br>Representative:<br>Yun-Yu Qiu                  | 32,977,554   | 1.48%         | 0                                              | 0%            | 0                           | 0%            | Da Shin Investment, Inc.                                  | Director                                                                 | None   |
|                                                                           | 0            | 0%            | 0                                              | 0%            | 0                           | 0%            | Da Shin Investment, Inc.                                  | Director                                                                 | None   |

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

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

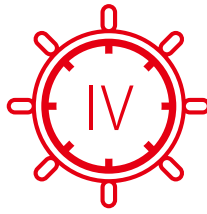
Note 3: Should disclose the relation between shareholders listed above including corporate shareholders and natural persons.

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

February 23rd, 2018;Unit: Shares,%

| Investing Business<br>(note)                                      | Investment of the<br>Company |           | Investment of Directors,<br>Supervisors, Presidents<br>and Direct or Indirect<br>Controlling Business |           | Comprehensive<br>Investment |           |
|-------------------------------------------------------------------|------------------------------|-----------|-------------------------------------------------------------------------------------------------------|-----------|-----------------------------|-----------|
|                                                                   | Shares                       | Holdings% | Shares                                                                                                | Holdings% | Shares                      | Holdings% |
| Wan Hai Lines (Phils.) Inc.                                       | 0                            | 0%        | 901,540                                                                                               | 100%      | 901,540                     | 100%      |
| Wan Hai Lines (HK) Limited                                        | 0                            | 0%        | 160,000,000                                                                                           | 100%      | 160,000,000                 | 100%      |
| WAN HAI LINES<br>(SINGAPORE) PTE LTD                              | 959,957,200                  | 100%      | 0                                                                                                     | 0%        | 959,957,200                 | 100%      |
| Wan Hai Lines (M) Sdn. Bhd.                                       | 0                            | 0%        | 500,000                                                                                               | 100%      | 500,000                     | 100%      |
| Yi chun Shipping<br>Agencies (M) Sdn. Bhd.                        | 0                            | 0%        | 200,000                                                                                               | 100%      | 200,000                     | 100%      |
| Wan Hai Lines (Korea) Ltd.                                        | 0                            | 0%        | 80,000                                                                                                | 100%      | 80,000                      | 100%      |
| Wan Hai Lines (America) Ltd.                                      | 280,000                      | 100%      | 0                                                                                                     | 0%        | 280,000                     | 100%      |
| Guangzhou Wan Hai Information<br>Technology Ltd.                  | No shares issued             | 0%        | No shares issued                                                                                      | 100%      | No shares issued            | 100%      |
| Wan Hai International Pte. Ltd.                                   | 0                            | 0%        | 10,312,460                                                                                            | 100%      | 10,312,460                  | 100%      |
| Wan Hai Lines (India) Pvt. Ltd.                                   | 0                            | 0%        | 10,000                                                                                                | 100%      | 10,000                      | 100%      |
| k.k. WH Corporation                                               | 500                          | 100%      | 0                                                                                                     | 0%        | 500                         | 100%      |
| Wan Hai Lines (Germany) GmbH                                      | No shares issued             | 100%      | No shares issued                                                                                      | 0%        | No shares issued            | 100%      |
| Wan Hai Lines (UAE.) LLC.                                         | 0                            | 0%        | 147                                                                                                   | 49%       | 147                         | 49%       |
| Wan Hai Lines (Peru) LLC.                                         | 0                            | 0%        | 104,040                                                                                               | 51%       | 104,040                     | 51%       |
| ShihLin Paper Co., Ltd.                                           | 5,419,088                    | 2.08%     | 7,293,454                                                                                             | 2.80%     | 12,712,542                  | 4.88%     |
| Taipei Port Container Terminal Corp.                              | 79,315,476                   | 15.25%    | 0                                                                                                     | 0%        | 79,315,476                  | 15.25%    |
| TK Logistics International Co., Ltd.                              | 14,300,000                   | 55%       | 0                                                                                                     | 0%        | 14,300,000                  | 55%       |
| Dawin Logistics (International) Limited                           | 0                            | 0%        | 144,640,000                                                                                           | 100%      | 144,640,000                 | 100%      |
| Wan Hang Tourism (ShangHai) Co., Ltd.                             | No shares issued             | 0%        | No shares issued                                                                                      | 50%       | No shares issued            | 50%       |
| Shenzhen Uniwin International<br>Logistics Ltd.                   | No shares issued             | 0%        | No shares issued                                                                                      | 100%      | No shares issued            | 100%      |
| Clipper International Shipping<br>Agency Ltd.                     | No shares issued             | 0%        | No shares issued                                                                                      | 49%       | No shares issued            | 49%       |
| BLUE OCEAN<br>LOGISTICS (SHANGHAI) LTD.                           | No shares issued             | 0%        | No shares issued                                                                                      | 100%      | No shares issued            | 100%      |
| Wan Hai Lines (Thailand) Ltd.                                     | 0                            | 0%        | 29,400                                                                                                | 49%       | 29,400                      | 49%       |
| United Stevedoring Corporation                                    | 781,250                      | 15.63%    | 0                                                                                                     | 0%        | 781,250                     | 15.63%    |
| Bao Sheng Shipping Agency Co., Ltd.                               | 3,000,000                    | 70.01%    | 0                                                                                                     | 0%        | 3,000,000                   | 70.01%    |
| Shenzhen Yong Chun International<br>Shipping Management Co., Ltd. | No shares issued             | 0%        | No shares issued                                                                                      | 90%       | No shares issued            | 90%       |
| Wan Hai (Vietnam) Ltd.                                            | No shares issued             | 0%        | No shares issued                                                                                      | 100%      | No shares issued            | 100%      |
| Tan Cang-Cai Mep International Terminal<br>Co., Ltd               | No shares issued             | 21.33%    | No shares issued                                                                                      | 0%        | No shares issued            | 21.33%    |
| Bravely International Pte. Ltd.                                   | 0                            | 0%        | 6,623,101                                                                                             | 100%      | 6,623,101                   | 100%      |
| Bravely (Myanmar) Transport and<br>Logistics Company Limited      | 0                            | 0%        | 3,000,000                                                                                             | 80%       | 3,000,000                   | 80%       |
| Qingdao Port & Win International<br>Logistics Co., LTD.           | No shares issued             | 0%        | No shares issued                                                                                      | 50%       | No shares issued            | 50%       |
| Wan Hai Lines Ecuador S.A.                                        | 0                            | 0%        | 51,000                                                                                                | 51%       | 51,000                      | 51%       |
| Infinite Marine Investment Co., Ltd.                              | 0                            | 0%        | 5,550,000                                                                                             | 100%      | 5,550,000                   | 100%      |
| Hai Phong International Container<br>Terminal Co. Ltd.            | No shares issued             | 16.5%     | No shares issued                                                                                      | 0%        | No shares issued            | 16.5%     |
| WAN HAI LINES (ARIZONA) LLC                                       | No shares issued             | 100%      | No shares issued                                                                                      | 0%        | No shares issued            | 100%      |

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



# Information on capital raising activities

## 4.1 Capital and Shares

### 4.1.1 Capital's Resource

| Date       | Issue Price | Authorized Capital |                | Issued Capital |                | Remark                                                                                                           |                                            |        |
|------------|-------------|--------------------|----------------|----------------|----------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------|
|            |             | Shares             | Amount         | Shares         | Amount         | Source of capital                                                                                                | Capital paid by property, rather than cash | Others |
| 1994.09.27 | 10          | 360,000,000        | 3,600,000,000  | 360,000,000    | 3,600,000,000  | Capital increment by retained earnings TWD 600,000,000                                                           | none                                       | Note1  |
| 1996.06.22 | 10          | 720,000,000        | 7,200,000,000  | 450,000,000    | 4,500,000,000  | Capital increment by retained earnings TWD 900,000,000                                                           | none                                       | Note2  |
| 1997.07.30 | 10          | 720,000,000        | 7,200,000,000  | 720,000,000    | 7,200,000,000  | Capital increment by cash TWD 675,000,000<br>Capital increment by retained earnings TWD 2,025,000,000            | none                                       | Note3  |
| 1998.06.25 | 10          | 1,200,000,000      | 12,000,000,000 | 900,000,000    | 9,000,000,000  | Capital increment by retained earnings TWD 1,080,000,000<br>Capital increment by capital reserve TWD 720,000,000 | none                                       | Note4  |
| 1999.06.25 | 10          | 1,200,000,000      | 12,000,000,000 | 1,080,000,000  | 10,800,000,000 | Capital increment by retained earnings TWD 1,350,000,000<br>Capital increment by capital reserve TWD 450,000,000 | none                                       | Note5  |
| 2000.07.15 | 10          | 1,500,000,000      | 15,000,000,000 | 1,296,000,000  | 12,960,000,000 | Capital increment by retained earnings TWD 874,800,000<br>Capital increment by capital reserve TWD 1,285,200,000 | none                                       | Note6  |
| 2001.07.20 | 10          | 1,500,000,000      | 15,000,000,000 | 1,316,736,000  | 13,167,360,000 | Capital increment by capital reserve TWD 207,360,000                                                             | none                                       | Note7  |
| 2003.07.09 | 10          | 2,000,000,000      | 20,000,000,000 | 1,511,612,928  | 15,116,129,280 | Capital increment by retained earnings TWD 1,948,769,280                                                         | none                                       | Note8  |
| 2004.07.08 | 10          | 2,000,000,000      | 20,000,000,000 | 1,587,193,574  | 15,871,935,740 | Capital increment by retained earnings TWD 755,806,460                                                           | none                                       | Note9  |
| 2004.11.02 | 10          | 2,000,000,000      | 20,000,000,000 | 1,587,543,305  | 15,875,433,050 | Convertible bonds converted to common stock TWD 3,497,310                                                        | none                                       | Note10 |
| 2005.02.22 | 10          | 2,000,000,000      | 20,000,000,000 | 1,600,746,843  | 16,007,468,430 | Convertible bonds converted to common stock TWD 132,035,380                                                      | none                                       | Note10 |
| 2005.05.04 | 10          | 2,000,000,000      | 20,000,000,000 | 1,678,951,738  | 16,789,517,380 | Convertible bonds converted to common stock TWD 782,048,950                                                      | none                                       | Note10 |
| 2005.08.03 | 10          | 2,000,000,000      | 20,000,000,000 | 1,699,236,239  | 16,992,362,390 | Convertible bonds converted to common stock TWD 202,845,010                                                      | none                                       | Note10 |
| 2005.09.28 | 10          | 2,000,000,000      | 20,000,000,000 | 1,868,839,275  | 18,688,392,750 | Capital increment by retained earnings TWD 1,611,228,840<br>Capital increment by capital reserve TWD 84,801,520  | none                                       | Note11 |
| 2005.10.13 | 10          | 2,000,000,000      | 20,000,000,000 | 1,870,086,655  | 18,700,866,550 | Convertible bonds converted to common stock TWD 12,473,800                                                       | none                                       | Note10 |
| 2006.10.12 | 10          | 2,500,000,000      | 25,000,000,000 | 2,057,095,321  | 20,570,953,210 | Capital increment by retained earnings TWD 1,870,086,660                                                         | none                                       | Note12 |
| 2007.07.27 | 10          | 2,500,000,000      | 25,000,000,000 | 2,057,307,642  | 20,573,076,420 | Convertible bonds converted to common stock TWD 2,123,210                                                        | none                                       | Note10 |
| 2007.10.12 | 10          | 2,500,000,000      | 25,000,000,000 | 2,068,227,049  | 20,682,270,490 | Convertible bonds converted to common stock TWD 109,194,070                                                      | none                                       | Note10 |
| 2008.01.14 | 10          | 2,500,000,000      | 25,000,000,000 | 2,072,291,486  | 20,722,914,860 | Convertible bonds converted to common stock TWD 40,644,370                                                       | none                                       | Note10 |

| Date       | Issue Price | Authorized Capital |                | Issued Capital |                | Remark                                                                |                                            |        |
|------------|-------------|--------------------|----------------|----------------|----------------|-----------------------------------------------------------------------|--------------------------------------------|--------|
|            |             | Shares             | Amount         | Shares         | Amount         | Source of capital                                                     | Capital paid by property, rather than cash | Others |
| 2008.04.18 | 10          | 2,500,000,000      | 25,000,000,000 | 2,078,357,829  | 20,783,578,290 | Convertible bonds converted to common stock TWD60,663,430             | none                                       | Note10 |
| 2008.09.05 | 10          | 2,500,000,000      | 25,000,000,000 | 2,182,275,721  | 21,822,757,210 | Capital increment by retained earnings TWD 1,039,178,920              | none                                       | Note13 |
| 2008.12.05 | 10          | 2,500,000,000      | 25,000,000,000 | 2,177,573,254  | 21,775,732,540 | Return of capital by merging Yi-Chun Express Co., Ltd. TWD 47,024,670 | none                                       | Note14 |
| 2009.01.12 | 10          | 2,500,000,000      | 25,000,000,000 | 2,155,751,254  | 21,557,512,540 | Retire Treasury Stock TWD 218,220,000                                 | none                                       | Note15 |
| 2009.03.11 | 10          | 2,500,000,000      | 25,000,000,000 | 2,146,606,254  | 21,466,062,540 | Retire Treasury Stock TWD 91,450,000                                  | none                                       | Note16 |
| 2009.05.11 | 10          | 2,500,000,000      | 25,000,000,000 | 2,117,533,254  | 21,175,332,540 | Retire Treasury Stock TWD 290,730,000                                 | none                                       | Note17 |
| 2009.08.13 | 10          | 2,500,000,000      | 25,000,000,000 | 2,112,664,254  | 21,126,642,540 | Retire Treasury Stock TWD 48,690,000                                  | none                                       | Note18 |
| 2011.09.02 | 10          | 2,500,000,000      | 25,000,000,000 | 2,218,297,466  | 22,182,974,660 | Capital increment by retained earnings TWD 1,056,332,120              | none                                       | Note19 |

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

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

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

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

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

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

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

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

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

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

Note11: Approved by SFB on July 12, 2005 with notice (94) No.0940128150

Note12: Approved by SFB on July 12, 2006 with notice No.0950130049

Note13: Approved by SFB on July 8, 2008 with notice No.0970033912

Note14: Approved by MOEA on December 5, 2008 with notice No.09701306840

Note15: Approved by SFB on October 31, 2008 with notice No.0970058655

Note16: Approved by SFB on January 8, 2009 with notice No.0970072104

Note17: Approved by SFB on March 18, 2009 with notice No.0980010596

Note18: Approved by SFB on May 20, 2009 with notice No.0980024236

Note19: Approved by SFB on July 21, 2011 with notice No. 1000032221

April 28, 2018

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

## 4.1.2 Shareholder's Composition

April 28, 2018

|                    | Government institution | Financial institution | Other Corporation | Individual  | Foreign institutes and corporation | Total         |
|--------------------|------------------------|-----------------------|-------------------|-------------|------------------------------------|---------------|
| Stockholder's No.  | 3                      | 17                    | 128               | 36,028      | 201                                | 36,377        |
| Holding shares     | 21,578,165             | 42,467,270            | 708,736,000       | 539,004,666 | 906,511,365                        | 2,218,297,466 |
| Holding percentage | 0.97%                  | 1.92%                 | 31.95%            | 24.26%      | 40.90%                             | 100.00%       |

### 4.1.3 Shares' Distribution

April 28, 2018

| Shares Level            | Stockholder's No. | Holding shares | Holding percentage |
|-------------------------|-------------------|----------------|--------------------|
| 1-----999               | 12,904            | 2,605,585      | 0.12%              |
| 1,000-----5,000         | 15,090            | 34,442,762     | 1.55%              |
| 5,001-----10,000        | 3,704             | 28,635,460     | 1.29%              |
| 10,001-----15,000       | 1,418             | 17,664,624     | 0.80%              |
| 15,001-----20,000       | 821               | 15,135,731     | 0.68%              |
| 20,001-----30,000       | 792               | 20,013,301     | 0.90%              |
| 30,001-----50,000       | 642               | 25,929,576     | 1.17%              |
| 50,001-----100,000      | 471               | 33,627,357     | 1.52%              |
| 100,001-----200,000     | 226               | 31,639,108     | 1.43%              |
| 200,001-----400,000     | 117               | 32,945,309     | 1.48%              |
| 400,001-----600,000     | 35                | 16,620,212     | 0.75%              |
| 600,001-----800,000     | 18                | 12,329,430     | 0.56%              |
| 800,001-----1,000,000   | 11                | 9,650,505      | 0.43%              |
| 1,000,001-----1,200,000 | 9                 | 9,761,158      | 0.44%              |
| 1,200,001-----1,400,000 | 10                | 13,103,957     | 0.59%              |
| 1,400,001-----1,600,000 | 5                 | 7,306,557      | 0.33%              |
| 1,600,001-----1,800,000 | 1                 | 1,652,137      | 0.07%              |
| 1,800,001-----2,000,000 | 8                 | 15,692,967     | 0.71%              |
| 2,000,001 and above     | 95                | 1,889,541,730  | 85.18%             |
| Total                   | 36,377            | 2,218,297,466  | 100.00%            |

### 4.1.4 Main share holders

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

April 28, 2018

| Main share holders                           | Holding Shares | Holding percentage |
|----------------------------------------------|----------------|--------------------|
| Yi Chun (Liberia) Shipping Co., Ltd.         | 285,234,291    | 12.85%             |
| Taiwan (Liberia) Container Express Co., Ltd. | 170,902,859    | 7.70%              |
| China (Liberia) Container Express Co., Ltd.  | 170,902,859    | 7.70%              |
| Asia Pacific Container Terminal Inc.         | 144,556,398    | 6.51%              |
| Evervaliant Corp.                            | 57,173,950     | 2.57%              |
| Chun-Hsing Lin                               | 56,667,820     | 2.55%              |
| Da Shi Investment, Inc.                      | 49,010,219     | 2.20%              |
| Pictet & Cie (Europe) S.A.                   | 47,822,043     | 2.15%              |
| Yeong Yi (Asia) Co., Ltd.                    | 47,617,724     | 2.14%              |
| Liu He Investment, Inc.                      | 32,977,554     | 1.48%              |

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

Unit: TWD and share

| Item                               |                                        | Year                             | 2017          | 2016          | 2018/01/01~2018/04/29 |
|------------------------------------|----------------------------------------|----------------------------------|---------------|---------------|-----------------------|
| Market Price per share<br>(Note 1) | Highest                                |                                  | 21.35         | 21.7          | 20.3                  |
|                                    | Lowest                                 |                                  | 16.3          | 14.6          | 16.9                  |
|                                    | Average                                |                                  | 18.6          | 17.71         | 18.56                 |
| Net Value per share<br>(note 2)    | Before Distribution                    |                                  | 15.31         | 15.38         | 15.10                 |
|                                    | After Distribution                     |                                  | (Note 4)      | 15.38         | -                     |
| Earnings per share                 | Weighted Average shares                |                                  | 2,218,297,466 | 2,218,297,466 | 2,218,297,466         |
|                                    | Earning Per Share (Note 3 & 4)         |                                  | 1.15          | 0.51          | 0.06                  |
| Dividend per share                 | Cash Dividend                          |                                  | 0.5           | 0.4           | -                     |
|                                    | Stock Dividend                         | Dividends from Retained Earnings | 0             | 0             | -                     |
|                                    |                                        | Dividends from Capital Surplus   | 0             | 0             | -                     |
|                                    | Accumulated dividend not paid (Note 5) |                                  | 0             | 0             | -                     |
| Return on Investment               | Price / Earning Ratio (Note 6)         |                                  | 16.17         | 34.73         | -                     |
|                                    | Price / Dividend Ratio (Note 7)        |                                  | 37.20         | 44.28         | -                     |
|                                    | Cash Dividend Yield Rate (Note 8)      |                                  | 0.03          | 0.02          | -                     |

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

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

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

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

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

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

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

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

### 4.1.6 Dividend Policy and Implementation Status

#### 1. Dividend policy

According to the Article 11 of the Company's article of Incorporation, 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.

## 2. Proposed Distribution of Dividend

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 this amount NT\$254,188,959, and the appropriation of special reserve was NT\$1,127,482,670, with the addition of beginning period undistributed earnings of NT\$2,687,751,306, and other comprehensive losses with a deduction of NT\$ 83,358,199 (the 2017 annual benefit scheme number was re-evaluated), the available undistributed earnings was NT\$3,764,611,071. In addition to the non-allocation at the beginning period of undistributed earnings, the 2017 annual earnings appropriation was NT\$1,109,148,733 for distribution to shareholders as cash dividend of NT\$0.5 per share.

### **4.1.7 Impact of Stock Dividends issuance on the Company's Business Performance and Earnings per Share: It is not applicable.**

### **4.1.8 Compensation of Employees, Directors and Supervisors**

1. Information Relating to Compensation of Employees, and Directors in the Articles of Incorporation: Please refer to 4.1.6 -1.
2. The basis for estimating the amount of employee, and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The estimated figures for the fiscal year of 2017 for employees compensation is NT\$30,951,215 and directors compensation is NT\$30,951,215. It is as same as distributed amount of the resolutions in the board of directors meeting.
3. Distribution of Compensation of Employees, and Directors for 2017 Approved in the Board of Directors Meeting:
  - (1) Recommended Distribution of Compensation of Employees and Directors: In 2017, the Company appropriated NT\$30,951,215 as directors compensation, and NT\$30,951,215 as employees compensation.
  - (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total employee compensation: There's no proposed distribution of employee compensation distributed in stocks in 2017.
  - (3) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employees, and directors compensation: Diluted earnings per share is NT\$1.14/share.
4. The actual distribution of Compensation of Employees, Directors and Supervisors of the previous year (including distributed shares, amount and market price). If the amounts distributed vary from the amount recognized, it should display the difference amount, reason and the status of handling procedure: The company distributed NT\$14,871,277 as directors' and supervisors' compensation, and NT\$14,871,277 as employee compensation of year 2016. The actual distribution was in line with the resolution of the board of directors.

### **4.1.9 Buyback of Common Stock: None.**

## 4.2 Status of Corporate Bond

| Bond Type                                        | 1 <sup>st</sup> Ordinary unsecured bond issuing of 2011 |                                         | 2 <sup>nd</sup> Ordinary unsecured bond issuing of 2011 | 1 <sup>st</sup> Ordinary unsecured bond issuing of 2014 |                                         |
|--------------------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
|                                                  | A                                                       | B                                       |                                                         | A                                                       | B                                       |
| Issue date                                       | June 22, 2011                                           | June 24, 2011                           | July 28, 2011                                           | Aug. 14, 2014                                           |                                         |
| Par value                                        | TWD1,000,000                                            |                                         | TWD1,000,000                                            | TWD1,000,000                                            |                                         |
| Place of listing                                 | At R. O. C.                                             |                                         | At R. O. C.                                             | At R. O. C.                                             |                                         |
| Issue price                                      | At Par value                                            |                                         | At Par value                                            | At Par value                                            |                                         |
| Total issue amounts                              | TWD3,000 million                                        | TWD4,500 million                        | TWD2,900 million                                        | TWD1,000 million                                        | TWD800 million                          |
| Coupon rate                                      | Fixed annual rate at 1.65%                              | Fixed annual rate at 1.85%              | Fixed annual rate at 1.75%                              | Fixed annual rate at 1.65%                              | Fixed annual rate at 1.95%              |
| Maturity date                                    | 5-year, Date of maturity: June 22, 2016                 | 7-year, Date of maturity: June 24, 2018 | 6-year, Date of maturity: July 28, 2017                 | 5-year, Date of maturity: Aug. 14, 2019                 | 7-year, Date of maturity: Aug. 14, 2021 |
| Guarantee institute                              | None                                                    |                                         | None                                                    | None                                                    |                                         |
| Trustee                                          | H.C.B. Trust Dept.                                      |                                         | H.C.B. Trust Dept.                                      | H.C.B. Trust Dept.                                      |                                         |
| Lead manager                                     | None                                                    |                                         | None                                                    | None                                                    |                                         |
| Endorsement lawyer                               | Modern Law office                                       |                                         | Modern Law office                                       | Modern Law office                                       |                                         |
| Endorsement accountant                           | KPMG                                                    |                                         | KPMG                                                    | KPMG                                                    |                                         |
| Redemption                                       | on the Maturity Date                                    |                                         | on the Maturity Date                                    | on the Maturity Date                                    |                                         |
| Outstanding amount                               | TWD7,500,000,000                                        |                                         | TWD2,900,000,000                                        | TWD1,800,000,000                                        |                                         |
| Redemption / Call option                         | None                                                    |                                         | None                                                    | None                                                    |                                         |
| Restriction covenants                            | None                                                    |                                         | None                                                    | None                                                    |                                         |
| Rating institute                                 | Taiwan Ratings                                          |                                         | Taiwan Ratings                                          | None                                                    |                                         |
| Rating date                                      | Sept. 28, 2017                                          |                                         | Sept. 28, 2017                                          |                                                         |                                         |
| Rating result of the bond                        | TWA-                                                    |                                         | TWA-                                                    |                                                         |                                         |
| Rights                                           | The amounts of bonds converted                          |                                         | None                                                    | None                                                    |                                         |
|                                                  | Terms and Conditions for issuance and conversion        |                                         | None                                                    | None                                                    |                                         |
| Terms and Conditions for issuance and conversion | None                                                    |                                         | None                                                    | None                                                    |                                         |
| Trustee for conversion                           | None                                                    |                                         | None                                                    | None                                                    |                                         |

| Bond Type                                        |                                                  | 1st Ordinary unsecured bond issuing of 2016 | 1st Ordinary unsecured bond issuing of 2017 |
|--------------------------------------------------|--------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Issue date                                       |                                                  | June 21, 2016                               | June 26, 2017                               |
| Par value                                        |                                                  | TWD1,000,000                                | TWD1,000,000                                |
| Place of listing                                 |                                                  | At R. O. C.                                 | At R. O. C.                                 |
| Issue price                                      |                                                  | At Par value                                | At Par value                                |
| Total issue amounts                              |                                                  | TWD3,000 million                            | TWD2,100 million                            |
| Coupon rate                                      |                                                  | Fixed annual rate at 1.18%                  | Fixed annual rate at 1.55%                  |
| Maturity date                                    |                                                  | 5-year, Date of maturity: June 21, 2021     | 5-year, Date of maturity: June 26, 2022     |
| Guarantee institute                              |                                                  | None                                        | None                                        |
| Trustee                                          |                                                  | H.C.B. Trust Dept.                          | H.C.B. Trust Dept.                          |
| Lead manager                                     |                                                  | Master link Securities                      | Yuanta Securities                           |
| Endorsement lawyer                               |                                                  | True Honesty International Law office       | True Honesty International Law office       |
| Endorsement accountant                           |                                                  | KPMG                                        | KPMG                                        |
| Redemption                                       |                                                  | on the Maturity Date                        | on the Maturity Date                        |
| Outstanding amount                               |                                                  | TWD3,000,000,000                            | TWD2,100,000,000                            |
| Redemption / Call option                         |                                                  | None                                        | None                                        |
| Restriction covenants                            |                                                  | None                                        | None                                        |
| Rating institute                                 |                                                  |                                             |                                             |
| Rating date                                      |                                                  | None                                        | None                                        |
| Rating result of the bond                        |                                                  |                                             |                                             |
| Rights                                           | The amounts of bonds converted                   |                                             | None                                        |
|                                                  | Terms and Conditions for issuance and conversion |                                             | None                                        |
| Terms and Conditions for issuance and conversion |                                                  | None                                        | None                                        |
| Trustee for conversion                           |                                                  | None                                        | None                                        |

Note: Due to operational requirements, on Mar. 26, 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 TWD 5 billion. The Chairman of the Board was authorized on the behalf of the Company, in accordance with market conditions, to determine the conditions of issue, which plans to repay loans and to strengthen financial structure.

### 4.3 Status of preferred stock: None.

### 4.4 Status of Global Depositary Receipt: None.

### 4.5 Status of Employee Stock Options: The company has not executed employee stock options.

### 4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

### 4.7 Financing Plans and Implementation.

Domestic ordinary corporate bonds capital status and planning:

A. 2011 Wan Hai domestic ordinary corporate bonds:

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

Unit: TWD thousand

| Program Item    | Execution Situation |         | Accumulated till<br>Dec. 31, 2017 | Reason for being ahead or behind schedule |
|-----------------|---------------------|---------|-----------------------------------|-------------------------------------------|
| Vessel purchase | Amount              | Program | 18,223,738                        | The project completed                     |
|                 |                     | Actual  | 18,223,738                        |                                           |
|                 | Progress            | Program | 100.00%                           |                                           |
|                 |                     | Actual  | 100.00%                           |                                           |

B. 2014 Wan Hai domestic ordinary corporate bonds:

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

Unit: TWD thousand

| Program Item            | Execution Situation |         | Accumulated till<br>Dec. 31, 2017 | Reason for being ahead or behind schedule |
|-------------------------|---------------------|---------|-----------------------------------|-------------------------------------------|
| Loan payment            | Amount              | Program | 4,538,478                         | The project completed                     |
|                         |                     | Actual  | 4,538,478                         |                                           |
|                         | Progress            | Program | 100.00%                           |                                           |
|                         |                     | Actual  | 100.00%                           |                                           |
| Increase operating fund | Amount              | Program | 461,522                           | The project completed                     |
|                         |                     | Actual  | 461,522                           |                                           |
|                         | Progress            | Program | 100.00%                           |                                           |
|                         |                     | Actual  | 100.00%                           |                                           |

C. 2016 Wan Hai domestic ordinary corporate bonds:

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

Unit: TWD thousand

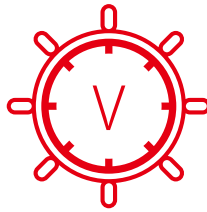
| Program Item | Execution Situation |         | Accumulated till<br>Dec. 31,2017 | Reason for being ahead or behind schedule |
|--------------|---------------------|---------|----------------------------------|-------------------------------------------|
| Loan payment | Amount              | Program | 3,000,000                        | The project completed                     |
|              |                     | Actual  | 3,000,000                        |                                           |
|              | Progress            | Program | 100.00%                          |                                           |
|              |                     | Actual  | 100.00%                          |                                           |

## D. 2017 Wan Hai domestic ordinary corporate bonds:

1. Total amount of fund required: NT\$2,100,000,000.
2. Funding: issue NT\$2,100,000,000 of domestic ordinary corporate bonds.
3. Implementation status as follows:

Unit: TWD thousand

| Program Item | Execution Situation |         | Accumulated till<br>DEC. 31,2017 | Reason for being ahead or behind schedule     |
|--------------|---------------------|---------|----------------------------------|-----------------------------------------------|
| Loan payment | Amount              | Program | 2,100,000                        | actual payment according to contract schedule |
|              |                     | Actual  | 2,100,000                        |                                               |
|              | Progress            | Program | 100.00%                          |                                               |
|              |                     | Actual  | 100.00%                          |                                               |



## *Condition of the Business Operation*

### **5.1 Business profile**

#### **5.1.1 Scope of business**

1. Marine transportation (96%)
2. Shipping agency (0.66%)
3. Purchase & sales of vessels and containers (0.26%)
4. Container freight station business (1.19%)
5. Leasing of vessels and containers (1.89%)

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

#### **5.1.2 General state of the industry**

##### **1. Industry Status and Development**

The global economic growth improved significantly over the past year as the job markets in United States and Eurozone improved, the industrial activities and domestic consumption picked up in Japan, and the economy of mainland China continued to expand. According to the forecasts of the International Monetary Fund (IMF), the global economic growth rate is 3.7% in 2017, an increase from that of 3.2% in 2016. The economic recovery continued to accelerate, prompting a similar growth in shipment.

The continual mergers and acquisitions between large container shipping companies and the continuous acceleration of vessel expansion plans in recent years have led to a persistent increase in global capacity. The freight rate could not support a stable profitability due to the long-term oversupply of freight space. Facing harsh external challenges, the Company managed to cut the operating costs with flexibility in ship composition through chartering and joint venture cooperation among other container shipping companies, in addition to the operational efficiency enhancement of its own fleet. Meanwhile, the Company was committed to improving the operational efficiency of its own fleet and studying the possibility of replacing the old ships, aiming at servicing customers with the belief of low cost and high quality in hopes of expanding the market share and improving profitability.

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

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

###### **(1) Upper stream:**

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

- (2) Midstream:
    - A. Terminal operators
    - B. Land carriers
    - C. Ocean Carriers in joint venture or slot exchange cooperation
  - (3) Downstream:
    - A. Branch line ship companies
    - B. Barge companies
    - C. Container yard
    - D. Truck companies
3. Container shipping industry trends and competition situation
- (1) Industry development trends:
    - A. The development trend for larger vessels:
 

To add freight spaces and enhance marginal effect, container shipping companies have gradually increased their ultra-large vessel orders to achieve economies of scale and lower the unit cost of operations. According to the statistics from Alphaliner, there were 388 large vessels with a capacity of more than 10,000 TEU, which accounted for 26% of total carrying capacity of all container ships by the end of 2016. By the end of 2017, the number of vessels increased to 453 and accounted for 29% of the overall carrying capacity. It is estimated that in 2018 the number of large vessels will increase again to 537, which will account for 33% of total carrying capacity of all container ships.
    - B. Development trend of green shipping:
 

Rapid climate changes have driven worldwide environmental protection to become the number one global issue. Shipping companies are required to reduce emissions at major international ports. Examples include that both Europe and the United States have begun to require ships to switch to low-sulfur fuels when entering the predetermined areas. Ships have also been asked to gradually adopt the onshore power supply system or the exhaust gas recovery system to reduce environmental pollution caused by exhaust emissions at ports. In response to global regulatory requirements and in line with future trends, the development of energy-efficient, low-pollution ship design has become the new trend in shipping vessel construction.
  - (2) Industry competition situation:
    - A. Large-scale shipping companies:
 

To expand fleet and operation scale and lower operational costs and the unit cost of operation, shipping companies continuously place orders for ultra-large vessels to increase the size of vessels in operation or quickly develop their fleets and operation through mergers to enhance operation competitiveness. For instance, in 2017, China COSCO Shipping acquired OOCL, the seventh largest shipping company. As the container shipping industry moves towards an ultra-large group business model, competitions among container shipping companies intensify even more. According to statistics from Alphaliner (as of January 31, 2018), the global shipping capacity has reached 21,731,591 TEU. The capacity of the top three shipping companies totals at 9,955,817 TEU, which accounts for about 45.81% of the total capacity, and the top 20 shipping companies accounted for as much as 87% of the total capacity. As the container shipping industry moves towards a large group business model, competition and cooperation between container carriers have become more intense.
    - B. The development trend towards larger strategic alliances:
 

As the vessels running the east-west main line move towards ultra-large scale, container shipping companies has sought for more efficient business models in order to reduce business risk. The world's major shipping companies have been forming strategic alliances. For instance, the world's top two shipping companies, APM-Maersk and Mediterranean Shipping Co., have formed the 2M alliance; CMA CGM, Cosco Container Lines, Evergreen and OOCL have formed the Ocean alliance, and Hapag-Lloyd, K Line, MOL, NYK and Yang Ming have formed the THE alliance. The major shipping companies create large strategic alliances to compete with one another.

### 5.1.3 General state of technology and development

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

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

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

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

| Year | Total expense  | Accomplishment                                                                                                                                                                                                                                               |
|------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016 | TWD 36,347,787 | 1.Optimal ships' routing with matched ship type<br>2.The niche market in Asia<br>3.The Central America services<br>4.Black Sea and Red Sea area<br>5.Promotion of E-commerce<br>6.Strengthening strategic alliance                                           |
| 2017 | TWD 37,793,319 | 1. Optimal ships' routing with matched ship type<br>2. Enhance Southeast Asia area niche markets<br>3. America area services<br>4. Optimal transit ports study<br>5. Promotion of e-commerce business<br>6. Strategic alliance to expand and develop service |

In addition, considering the industry the company belongs to, in order to enhance the company's competitiveness, cut cost, prevent loss that may be caused by natural disasters, maintain ship's port arrival and departure safely, the company has invested in R&D projects regarding fuel saving and typhoon preventing, and completed the upgrade of the fleet's satellite communications equipments to improve the ship-shore communication. The execution is as followed:

1. Typhoon preventing measures:

The Marine Technology Division issued the circular and provided guidelines to fleet to implement evading typhoon measures and plan.

(1) Shore-side countermeasures

The typhoon response team shall call a typhoon pre-meeting chaired by department head to check and review the current position of the fleet, and then assess vessels possibly influenced. The team would classify each vessel to a different risk level, offer the fleets the typhoon evading suggestion, and provide the most up-to-date typhoon information for fleet's reference.

(2) Ship-side countermeasures

- A. Once the ship at berth or waiting for berth, due to influence of typhoon and order by the port authority to be sail, the master shall collect all weather information and take necessary avoidance typhoon measurement for safety of the ship accordingly
- B. The master and all crewmembers should take all means to collect relevant weather information such as Navtex, Inmarsat-C, Weather fax, monitor the development of the typhoon closely, and take necessary action to avoid typhoon's influence as early as possible.
- C. If the typhoon is coming, the fleet master shall observe ISM PR-0705 to take proper action to avoid typhoon, to make sure crew, cargo and ship in safety.
- D. Make good use of the weather service's software to simulate and find out the optimal route.

2. Safety arrival and departure at port:

For safety, the company published a working manual together with the port arrival and departure checklist in the ISM procedure; also assign the competent crew to take charge of it.

- (1) The Master is responsible for confirming that all requirements relating to safety on board are in order before leaving or entering a port.
- (2) The Chief Engineer is responsible for confirming the completion of preparations in Engine department and reporting to the Master.

- (3) The Chief Officer is responsible for confirming the completion of preparations in Deck department and reporting to the Master.
- (4) The Duty Officer is responsible for completing the preparations on bridge and reporting to the Master.
- (5) The Duty Engineer is responsible for the completing the preparations in Engine department and reporting to the Chief Engineer.

### 3. Carbon Reduction Measures

- (1) Voyage plan monitoring: Before departure, the best voyage plan will be developed through consideration of a number of related factors, including water currents, monsoons, and weather changes. Appropriate changes in the passage will be made based on the real-time meteorological data, to achieve the best fuel efficiency.
- (2) Speed monitoring (punctual arrival at port of destination): while the ship is en route from the departure point to the next port, the captain will be according to the destination port operation PIC or BP sent by agent to develop a reasonable and the best permitted sailing speed. If there is ample sailing time, sailing with slow steaming speed will be selected in order to avoid premature arrival, also achieve fuel savings.
- (3) Proper loading of ballast water: when the ship is conducting loading and discharging operations in port, chief officer will coordinate with the local OP actively. A rational loading plan will be developed, to avoid frequently using the ballast pump to adjust the amount of ballast water and save motor fuel consumption. In order to ensure the ship stability under maximum loading, the ship should be properly adjusted to the minimum ballast water condition that can also reduce the main engine load to achieve fuel economy targets.
- (4) Trim adjustment: Trim optimization system has been installed on WH50 and 51 series. That system was built up by CFD database and provides a recommendation value according to ship speed and mean draft to adjust trim by cargo/ballast water arrangement, for ensuring maximum efficiency of navigation.
- (5) Management for fuel ROB: estimating voyage fuel consumption and selecting the favorable port on the route for bunker replenishment, so that the fuel ROB can be controlled and created more capacity for cargo loading.
- (6) Efficiency analysis on shell plate renewed and high-efficiency hull painting: 100% sandblasting on vertical side bottom & flat bottom while vessel is getting older, using senior level paint to protect the shell plate for reducing friction with the water and the hull.(The first year of fuel efficiency after docking is about 1-2%). This could maintain the fuel consumption after the docking and save the shell maintenance costs from the next docking as well.
- (7) Propeller polishing: Propeller blade polishing not only reduces M/E load% and fuel consumption, but also extends the life of M/E.
- (8) ES BOW: From the beginning of 2012, the global oil prices continued rising. There are total 12 ships in WH50/51 series being modified from 2013 (About 7-8% fuel saving).
- (9) Automatic data collecting: equipment retrofitted can do the data output automatically to onboard analysis system. It can directly show the present optimum efficiency results to the crew/officers to achieve the real-time monitoring purpose.
- (10) Improve personal operations:
  - A. Don't turn on the lights in the room during the daytime, turn off the lighting power while leaving the public place, and reduce the use of the elevator to save the generator fuel consumption.
  - B. To set the air temperature at 26 degrees in summer as far as possible, and adjust the air conditioner using depends on the climate situation.
  - C. Saving water and turning off the faucet after using.

Based on the above carbon reduction measures, the CO<sub>2</sub> emission rate of the fleet was 18.94 g/MT\*nm in 2017, which was decreased by 0.89% compared to 2016.

In 2017 and up to the printing of the annual report, the company is developing the above fuel-saving measures and typhoon evasion measures. The company's collaboration success and future technology plans are as follows:

1. Investment in research and development expenses in 2017 and up to printing of the annual report.

Upgrade Fleet Management System Project

Unit: TWD thousand

| Project                                       | 2017       | 2018 ending March 31st |
|-----------------------------------------------|------------|------------------------|
| R&D expenses                                  | 31,580     | 9,000                  |
| Consolidated net revenues                     | 60,769,645 | 14,918,238             |
| R&D expenses as a percentage of total revenue | 0.05%      | 0.06%                  |

## 2. R&D technology success in 2017 and up to the printing of the annual report.

| Project                       | Estimated project completion date | Achievement                                                                                                                                                                                                                                                                                           |
|-------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shore-based monitoring system | May 31, 2018                      | (1) Automatic feedback of machine data on board and abnormal alarm.<br>(2) Shore real-time monitoring and analysis provided to decision-makers.<br>(3) Eliminate crew typing error data to improve the correctness of the database.<br>(4) To achieve the ship and shore real-time monitoring target. |

### 5.1.4 Long-term and short-term business development plans

The short-term business development plans are to decrease operation costs and enhance operating effectiveness. The Company aims to expand niche markets in the near sea region while maintaining its close and convenient service network, and to focus on the timely new market expansion in the mid to far sea region. The Company also emphasizes service / port planning in response to demands from market development, upgrades vessel equipment to strengthen the fleets, and actively plans integration and enhances service competitiveness to create better operational efficiency.

The long-term business development plans are to expand the capacity of our vessel fleet, increase market share, expand the scope of business cooperation with other carriers, continue to develop niche markets, and maintain sustainable development.

## 5.2 General Situation of Market and sales

### 5.2.1 Operational Plan for 2018

Fleet: by the end of year 2018, Wan Hai has a total fleet of 97 vessels among which, 72 are self-owned vessels and 25 are chartered vessels.

Service Profile: Wan Hai's service can be categorized in three different types: A. Independent Service 19 strings; B. Joint Venture Services 24 strings; and C. Slot Charter 9 strings.

#### 1. Independent Services: 19 strings

- (1) China / Thailand/ Cambodia (CTK) deployed with two vessels  
South China / Thailand/ Cambodia
- (2) China / Vietnam (CV1) deployed with three vessels  
China – Vietnam
- (3) South China / Malaysia / Haiphong (CVM) deployed with two vessels  
South China –Malaysia – Haiphong
- (4) Taiwan to Fuzhou (FOC) deployed with one vessel  
Taiwan – Fuzhou / Jiangyin / Xiamen
- (5) Taiwan to Hong Kong I (HKG) deployed with one vessel  
Taiwan – Hong Kong
- (6) Taiwan to Hong Kong II (HKG III) deployed with one vessel  
Taiwan – Hong Kong
- (7) Taiwan to Haiphong I (HPH) deployed with one vessel.  
Taiwan – Haiphong
- (8) Japan / South China / Vietnam (JSH) deployed with three vessels  
Japan Kansai / Korea – Taiwan / Hong Kong / South China – Haiphong
- (9) Japan Kansai – Thailand service (JST) deployed with four vessels.  
Japan Kansai – Taiwan – Shekou – Thailand

- (10) Japan Kansai to Vietnam (JSV) deployed with three vessels.  
Japan Kansai / Korea – Taiwan / Vietnam
- (11) Japan Kanto to S.E.A (JTS) service deployed with four vessels.  
Japan Kanto – Taiwan – Hong Kong – Singapore – Malaysia
- (12) Japan Kanto to Thailand service (JTT) deployed with four vessels.  
Japan Kanto – Taiwan – Hong Kong – Thailand / Vietnam
- (13) Korea to South East Asia (KSS), deployed with four vessels  
Korea – Taiwan – Hong Kong / Shekou – South East Asia
- (14) Korea / Vietnam / S.E.A service (KVS) deployed with four vessels.  
Korea – Taiwan – Vietnam – Singapore / Malaysia
- (15) Mindanao/Hong Kong / Taiwan (MHT) deployed with two vessels  
Taiwan – Cebu – Mindanao – Hong Kong
- (16) Mindanao/Malaysia (MMS) deployed with two vessels  
Manila – Mindanao – Malaysia
- (17) South China to Philippines (TPF) deployed with one vessel  
South China-Philippines
- (18) Taiwan / Hong Kong / Indonesia service (TPI) deployed with three vessels  
Taiwan – Hong Kong / South China – Indonesia
- (19) Taiwan to Philippines I (TPS) deployed with one vessel  
Taiwan – Philippines

## 2. Joint Service: 24 stings

- (1) Taiwan / South & Central China / West Coast of South America (ASA), joint venture with EMC, COSCO, and PIL. WHL deploys five vessels, PIL, EMC and COSCO each deploy one vessel.  
South China – Central China – West Coast of South America
- (2) Japan / Singapore / Malaysia / India (CH3), joint venture with MOL. WHL deploys two vessels and MOL deploys five vessels.  
Japan – Singapore / Malaysia – India – Vietnam – South China
- (3) China / Singapore / Malaysia / India (CI2), joint venture with IAL and COSCO. WHL deploys three vessels, IAL deploys one vessel and COSCO deploys two vessels.  
China – Singapore / Malaysia – India
- (4) Taiwan to India (CIX), joint venture with EMC and Hapag-Lloyd. WHL deploys two vessels, and EMC and Hapag-Lloyd each deploys one vessel.  
Taiwan – South China – Singapore / Malaysia – India
- (5) China to Middle East I (CMS), joint venture with PIL. WHL deploys four vessels and PIL deploys two vessels.  
East China – Taiwan / Hong Kong / South China – Singapore / Malaysia – Middle East
- (6) China– Pacific 1 (CP1), joint venture with COSCO and PIL. WHL deploys one vessel, COSCO deploys three vessels, and PIL deploys two vessels.  
South China – Long Beach
- (7) China– Pacific 2 (CP2), joint venture with COSCO and PIL. WHL deploys two vessels, COSCO deploys one vessel, and PIL deploys three vessels.  
North China – Los Angeles – Oakland
- (8) China – Philippines feeder (CPF), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
- (9) North China / Thailand 1 (CT1), joint venture with COSCO. WHL deploys one vessel, COSCO deploys two vessels.  
North China– Hong Kong / South China – Thailand
- (10) Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.  
Japan – China – Hong Kong / South China – Vietnam
- (11) Japan / China / Vietnam 2 (JCV II), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.  
Japan – China – Hong Kong / South China – Vietnam
- (12) Japan / Taiwan / Haiphong (JH2), joint venture with EMC, WHL deploys two vessels and EMC deploys one vessel.  
Japan – Taiwan – Hong Kong / South China – Haiphong

- (13) Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.  
Japan Kansai –Taiwan – Hong Kong
- (14) Taiwan / South China / Singapore/ Malaysia / Indonesia (KCS), joint venture with APL. WHL deploys one vessel and APL deploys two vessels.  
Taiwan / South China – Singapore/ Malaysia – Indonesia
- (15) Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.  
Taiwan – North China
- (16) Taiwan to North China (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.  
Taiwan – North China
- (17) Japan to South East Asia III (NS3), joint venture with IAL, WHL deploys three vessels and IAL deploys one vessel.  
Japan – Taiwan / Hong Kong / South China– Singapore – Malaysia
- (18) Pakistan – Gulf (PGS), joint venture with Simatech, WHL and Simatech each deploy one vessel.  
Pakistan – Gulf
- (19) South China / Singapore / Malaysia / India / Pakistan 2 (PM2), joint venture with COSCO, PIL, and EMC, WHL, PIL and EMC each deploy one vessel and COSCO deploys two vessels.  
South China – Singapore / Malaysia – Pakistan – India
- (20) Central China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with COSCO, PIL, and K LINE. WHL, PIL and K LINE each deploy one vessel and COSCO deploys three vessels.  
Central China – Singapore / Malaysia – Pakistan – India
- (21) Pakistan / Saudi Arabia (PSX), joint venture with Simatech. WHL and Simatech each deploy one vessel.  
Pakistan – Saudi Arabia
- (22) Singapore / Malaysia / Chennai (SC1), joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.  
Singapore / Malaysia – Chennai (Madras)
- (23) Taiwan to Shanghai (SHA), joint venture with Shanghai Minsheng. WHL deploys one vessel and Shanghai Minsheng deploys one vessel.
- (24) Thailand – Belawan (TBS), joint venture with K LINE. WHL and KLINE each deploy one vessel.  
Thailand – Singapore – Indonesia

### 3. Fixed Slot Charter: 9 strings

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

## 5.2.2 Future Plans for service

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

### 5.2.3 Market Analysis

#### 1. Major service areas and ratio of market share

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

##### (1) Northeast Asia:

Benefiting from the global economic recovery, robust demand and depreciation of yen, Japan's economy continues to recover and the 2020 Olympic Games is expected to drive the growth of private investments. South Korea's economy was also boosted by the global economic recovery. It rebounded with strong momentum and the export volume continued to grow since the second half of the year, achieving excellent export performance. However, due to geopolitical instability and slowing economic expansion, in the medium and long term, whether the economic momentum will continue in the future still depends on global trade changes and whether China's domestic market would pick up. After operating in Northeast Asia for an extended period of time, the Company has established deep roots in the region. In response to the accelerated market integration and access and to meet market demand dynamics and strengthen competitiveness, the Company shall keep track with the economic pulses and market trends in the Northeast Asia, take the initiative in adjusting existing routes, and actively exchange freight spaces with joint venture partners to demonstrate the Company's adoption of more flexible business policies and the implementation of its customer-oriented business philosophy.

##### (2) Mainland China

Under Chinese government's stimulus measures, such as expanding infrastructure spending and encouraging credit spending, its economic growth exceeded expectations. However, increasing debts from public investment expansion posed risks to the economic growth. Thanks to the Company's comprehensive layout in China, we enjoy comparative advantages in competition. However, we continue to actively study the strategic routes connecting the Chinese market. Regarding cross-strait direct shipping, the volume has been growing year by year since its official launch. The Company has continually adjusted its business strategy in line with the market demands and grasped market pulse to satisfy operational needs and provide customers with a more convenient and faster service.

##### (3) Southeast Asia

Under the strong demand from China and Europe, the ASEAN countries maintained steady economic growth in 2017. The IMF estimates that the average economic growth rate in the five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) would be 5.3%. The respective economic growth rates are as follows: Indonesia 5.2%, Malaysia 5.4%, the Philippines 6.6%, Thailand 3.7%, and Vietnam 6.3%. The Company has cultivated the Southeast Asian routes, and actively researched and developed new routes. It also formed joint ventures and exchanged freight space with other Southeast Asia business partners to provide more complete, secure, and faster routes in order to enhance its competitiveness and market share in the Southeast Asia.

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

In India, despite the shortage of cash in the market due to banknote exchange problems, the economy is expected to grow steadily as the government increases spending. The domestic market of India will continue to grow under various economic reforms. IMF forecasts that the economic growth would be 6.7% in 2017 due to interference from reform measures and is expected to rebound to 7.4% in 2018. Although the emerging markets in the Middle East, such as a large number of Muslim countries, are affected by the OPEC-agreed extension of oil production cut to March 2018, the strong spending power in the region remains healthy. IMF forecasts economic growth in 2017 would slow down to 2.5%. However, it will rebound to 3.6% in 2018 on the basis of sound economic growth. To strengthen the services from Asia to India, Pakistan and the Middle East and to cope with the diversified international trade development of the Gulf countries, the Company has increased its routes from the Far East to India, Pakistan, and the Middle East through joint venture cooperation with other container shipping companies and strengthened its Middle East region business feeder services to create a complete route network that reduces cost, improves efficiency, and expands market share.

##### (5) The America:

Since the beginning of this year, the United States has benefited from continuous improvement in

the labor market, enhanced consumer confidence and sound economic growth. The Pan-Pacific routes operated by the Company are competitive and advantageous joint venture routes adjusted timely according to market demands to reduce operating costs and maintain stable and steady operations. The economy in the emerging market of developing Latin America slowly rebounds from recession and is expected to grow gradually in the future. Also, the economic growth remains positive for most emerging markets in the future. The Company maintains its operating advantages in the South America West Coast market and jointly operates the South American West Coast routes with the world's major shipping companies. With the flexibility to adjust to market demand by supplying freight spaces and stable and steady operation, the Company continued to strengthen its competitive advantage in the South American West Coast market.

2. Supply and Demand of the Market and Growth Prospects:

The global market is still flooded with many uncertainties, such as the slowdown in China's market growth, rapid changes in international crude oil prices and geopolitical risks around the world. Moreover, the increase in the scale of worldwide vessels leads to the persistent oversupply of freight spaces. The current freight rates are unable to sustain profitability. However, with the global economic and trade growth forecast indicators showing positive growth in the future, the global shipment is expected to continue its steady growth. The flexible business strategy of Wan Hai Lines allows the Company to face difficult challenges. Besides building a sound and lasting foundation in the Asia market, the Company will continue to extend its service network around the world, allowing for continued strong growth and sustainable development.

3. Strength, challenges, and action plans

(1) Strength:

- A. High market share in principal territory, comprehensive and intensive service network
- B. Stable growth in the emerging shipping markets of Asia and India
- C. Flexibility in container and fleet deployment
- D. Cost efficiency and risk diversification via strategic partnership with other carriers
- E. Enhanced vessel designs for higher efficiency and lower costs

(2) Challenges:

- A. Formation of large strategic alliances
- B. Risks involving new competitors
- C. Bunker fuel price volatility
- D. Foreign exchange volatility
- E. Growing tonnage of vessels

(3) Action plans:

The Company aims to respond timely to market dynamics in order to flexibly adjust the container and fleet deployment, research on vessel and route optimization continuously to enhance service competitiveness, promote flexible joint venture strategies to lower operational risks, and strengthen fleet control and operational safety to improve service quality and management efficiency.

## 5.2.4 Key features of major products and production procedures

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

1. Business representatives solicit business with importers and exporters based on the shipping charges and schedules offered by the Company. Upon customer's acceptance, the business representative will forward the designated S/O (shipping order) number to customer. The container yard releases empty container to the customer after verifying the S/O number with sales department.
2. Customer picks up the empty container and loads his cargo into the container, and then delivers the loaded container with the relevant cargo documents to the container yard prior to the cargo acceptance closing date. The container yard forwards the customer's documents to the Company for uploading of data into computer and production of bill of lading along with other forms required by Customs, and then forwards the documents to the unloading port.
3. Customer pays fees to the Company according to the S/O number and picks up his invoice and original copy of bill of lading.
4. As soon as the ships arrive at the port, the Company sends a trailer to pick up container from container yard to the ship's side for loading onto the ship. For imports, the Company arranges for a trailer to

pick up container from ship's side to the container yard for storage.

5. Upon receipt of export documents from the exporting port, the unloading port produces notice of cargo's arrival and notifies customers to pick up the cargo and pay the related charges. Customer presents the original copy of bill of lading and settles all expenses in exchange of delivery order, then presents the delivery order to the container yard to pick up the laden container.

### 5.2.5 Main materials supplier: Service industry; not applicable

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

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

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

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

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

### 5.2.8 Sales volume of last 2 years

|                                          | 2017           | 2016           |
|------------------------------------------|----------------|----------------|
| Consolidated Revenue(TWD)                | 60.77 billion  | 57.35 billion  |
| Operating Capacity (TEU)                 | 3,853 thousand | 3,633 thousand |
| Vessels in Operation (owned & chartered) | 93<br>(72+21)  | 89<br>(71+18)  |

## 5.3 Human Resources Statistics

| Location \ Year          |                   | 2017  | 2016  | 2018 as of Apr. 29 <sup>th</sup> |
|--------------------------|-------------------|-------|-------|----------------------------------|
| No. of Employees         | Offices           | 2,762 | 2,751 | 2,765                            |
|                          | Terminals         | 443   | 472   | 462                              |
|                          | Total             | 3,205 | 3,223 | 3,227                            |
| Average Age              |                   | 36.7  | 36.3  | 36.4                             |
| Average Years of Service |                   | 9.1   | 8.8   | 9.2                              |
| Level of Education       | Ph. D Degree      | 2     | 2     | 2                                |
|                          | Master's Degree   | 251   | 259   | 251                              |
|                          | College Degree    | 1,967 | 1,935 | 1,987                            |
|                          | Associate Degree  | 569   | 586   | 570                              |
|                          | High School       | 331   | 351   | 328                              |
|                          | Below High School | 85    | 90    | 89                               |

## 5.4 Disbursements for environmental protection

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

### 5.4.2 Currently preventative and corrective measures

1. All of our company's vessels have been insured against ship owner liability risks and equipped with or certified by the following:
  - (1) In accordance with revised MARPOL 73/78 Annex I- Regulations for the Prevention of Pollution by Oil, we have obtained the International Oil Prevention Certificate issued by Class Society approval.
  - (2) In order to enhance the separation of bilge water and attain the highest level of environmental standards, all of our vessels are equipped with bilge water separators and also have Bilge Water Primary tanks located in the engine rooms. The bilge water separator is equipped with automatic detected alarms (15ppm alarm) and automatic shut-off mechanisms for the three-way valve. Its functions satisfy and act in accordance with MARPOL 73/78 rules (the convention of International Oil Pollution Prevention in 1973, as amended in 1978).
  - (3) To process sanitary waste water, sewage treatment plans have been installed in all engine rooms. These plans have passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition as satisfied in MARPOL 73/78 Annex IV regulations.
  - (4) Each vessel of our company has satisfied the requirements of an subsequently received the International Air Pollution Prevent Certificate (IAPP). This certificate completely satisfies the 1997 resolution for the amended edition of MARPOL 73/78 Annex IV regulations.
  - (5) The main engine and auxiliary engine equipment for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturer-provided technical files and parameters of diesel engines have passed the relevant examinations. The Engine International Air Pollution Prevention Certificate (EIAPP) has been issued by the Classification Society after passing examinations in accordance with the amendment edition article 13, as satisfied in MARPOL 73/78 Annex IV.
  - (6) Engine rooms are equipped with incinerators (according to Reg. VI/16 (2)) approved by the Classification Society, in accordance with Regulation 16 requirement (Shipboard Incineration) in amendment edition of MARPOL 73/78 Annex VI regulations.
  - (7) To assist in on-shore discharging of waste oil and sludge, the discharging piping system and connecting system are compatible with international standard flanges for waste oil and sludge on shore side receiving facilities. These facilities and standards are based on the amendment edition article 17 as outlined in MARPOL 73/78 Annex I- Regulations for the Prevention of Pollution by Oil.
  - (8) Our company has received the International Pollution Prevention by Garbage Statement issued by the Classification Society. To comply with the amendment edition as satisfied in MARPOL 73/78 Annex V regulations, our company has enhanced the garbage disposal and trash treatment systems and records garbage incineration events in the garbage record book.
  - (9) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the pain maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society.
  - (10) In order to prevent oil leakage, oil collection coamings are installed in the pipe joints at the filling pipe system and air vent piping of the F.O. And the L.O. system on deck.
  - (11) The purchases of ship's bunker has complied with the sulfur content limit as required by MARPOL, and has also met with international and local regulations, such as ECA of Europe, and California of USA.
  - (12) As per the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunker Convention), we have furnished all vessels with the Bunker Convention Certificate

(BCC), which has covered the liability for pollution damage by bunker oil from our vessels.

- (13) In order compliance with the International Convention for the Control and Manage of Ship Ballast Water and Sediments, we already have prepared all vessels' Ballast Water Management Plan, and have been sent for Class approval. We also follow the local regulations for ballast water exchange with well-documented evidence in ballast water exchange as well as training records.
- (14) According to the requirements of the trading areas and port states, our vessels will use low sulphur content fuel oil in ECA (Emission Control Area): such as when sailing in/out of North America ECA, the Black Sea region, Hong Kong waters, China coastal Pearl River Delta, Yangtze River Delta and the Bohai Sea waters (Beijing-Tianjin-Hebei) of the ship emissions control zone implementation program etc. The fuel oil changeover procedure will be implemented strictly as required.
2. The estimated capital expenditure of environmental protection for the next three years:  
All pollution prevention facilities purchased in the future will correspond to MARPOL 73/78 rules. These pollution prevention facilities for oil, water, and air will be installed at the time of shipbuilding. Thus, the cost will be included into the overall cost of ship construction.
3. The influence of installed facilities to the Company:  
All of our vessels are equipped with anti-pollution facilities for the disposal of residue oil, bilge water, and polluted air to comply with the international environmental protection standards.

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

## **5.5 Labor Relations**

### **5.5.1 Major labor agreements currently being implemented**

1. Employee benefit program:  
The Company provides labor and health insurance in line with relevant laws and regulations. The Employee Benefit Committee was established in March 1989 and is charged with all matters concerning employee welfare. The major employee benefits are as follows:
  - (1) Employee benefit program: includes meal allowances, group insurance, provision of uniforms, employee's bonus from retained earnings, and regular health examinations.
  - (2) The Employee Benefit committee implements a benefit program that includes birthday parties, cash gifts for weddings, childbirth support, monetary condolence, aid for grave accidents, and leisure travel expense reimbursement.
2. Retirement plan:  
Pursuant to the Labor Standards Act and the Labor Pension Act, on July 1, 2005, the Company issued written inquiries to employees with respect to their selection of the new or old pension plan. The Company subsequently reported the results to the Bureau of Labor Insurance (BLI). Accordingly, the Company sets aside a sum equal to 15% of total monthly wage to the retirement funds of those who chose the old pension plan. A sum equal to 6% of total monthly wage is set aside for those who chose the new pension plan. These amounts are deposited into each employee's individual account with the BLI. The Company has also set aside the full amount covering the provisional difference between the new and old pension plans for those employees who chose to switch to the new pension plan. The Company has actuarial reports on file for such provisions prepared by qualified actuary.
3. Other major agreements  
The Company held labor-management meeting, maintains harmonious labor relations, and never has labor disputes.
4. Continuing education and training for employees  
The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. In total 1,591 classes were run in 2017, with a total of 25,819 participants.

| Class type                                           | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Time (hr.) | Number of Trainees | Total Cost   |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------|--------------|
| Newcomers Orientation                                | Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture ,the organization and function of each department<br>The program consists of:<br>1. Corporate culture: corporate culture and business ideals<br>2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization<br>3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site<br>4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers<br>5. On-site visit: a visit to Taipei harbor and TK Logistics International, guided tour of each floor of the company<br>6. General awareness: professional integrity and legal responsibilities | 540        | 197                | \$270,507    |
| Professional training for general staff              | 1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities<br>2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given<br>3. Seminars and other activities aimed at employees personal and professional development<br>4. Off-Job training:<br>(1) Time management for 2 classes                                                                                                                                                                                                                                                                                                                                                       | 1,579      | 23,504             | \$2,513,505  |
| Professional training for management associate       | Series courses for management associate to build human capital:<br>1. Advanced shipping industry knowledge<br>2. The experience of overseas operation and cross-cultural management<br>3. The practice of international etiquette<br>4. Business conversation and meeting English<br>5. Social English                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 50.25      | 728                | \$129,000    |
| Professional training for supervisors                | Series courses for middle-level managers and executive level managers:<br><Middle-level><br>1. Supervisor persuasion influence<br>2. Recruitment interview skills<br>3. Performance management and performance feedback<br>4. Problem analysis and solving of supervisor<br><Executive-level><br>1. International Political and Economic Trends<br>2. Strategy and experience sharing of Organizational Change and Innovation<br><Online Course><br>1. Lessons from a Great Leader- Marshall Goldsmith series I<br>2. Lessons from a Great Leader- Marshall Goldsmith series II                                                                                                                                                                                                                                                                                                                                                                          | 24         | 963                | \$586,094    |
| Courses sponsored by the Employee Benefits Committee | Every year the Employee Benefits Committee assists in the training of employees, the courses of this year included:<br>1. The Lecture of Fire and Life<br>2. How to Overcome Body Fat by Diet Controlling                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2.5        | 26                 | \$3,600      |
| External training courses                            | 1. As required by law, internal auditing personnel must complete a minimum of twelve hours of training related to their profession<br>2. Labor safety courses : Labor safety and sanity, fire safety training<br>3. Finance classes: IFRS, taxes in Mainland China<br>4. Information technology courses.<br>5. For the first-time supervisor courses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 3,776      | 401                | \$ 1,569,147 |
| TOTAL                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5,971.75   | 25,819             | \$5,071,853  |

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

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

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

### 5.5.3 Guidelines for employee behavior and morality:

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

#### 1. General requirements of work attitude and morality:

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

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

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

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

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

#### 1. Occupational safety and health training

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

#### 2. Policies for occupational safety and health coordination

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

3. Standard on-site pier working safety:

For safety management of onsite operations at docks, the Company has set up Occupational Safety and Health Committees in accordance with the law, formulated safety and health management plans, implemented operating environment monitoring, promoted workplace health promotion, implemented contractor safety and health management, and introduced occupational safety and health management systems and Authorized Economic Operators (AEO) mechanisms. By tracking monthly operation performance, Wan Hai is able to implement the effectiveness of safety and health management at docks, prevent the occurrence of safety accidents, and improve the safety and health management of onsite operations at docks.

## 5.6 Significant Contracts

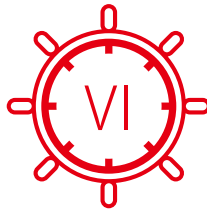
### 5.6.1 Joint Party Contracts

| Agreement     | Counterparty                                                                                                                                                                         | Period     |                       | Major Contents                      | Restrictions |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------|-------------------------------------|--------------|
|               |                                                                                                                                                                                      | From       | To                    |                                     |              |
| Joint Venture | PACIFIC INTERNATIONAL LINES (PTE) LTD                                                                                                                                                | 2008/11/02 | - 90 days pre-notice  | Far East to Middle East             | -            |
| Joint Venture | COSCO SHIPPING LINES CO., LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD                                                                                                               | 2017/4/1   | - 90 days pre-notice  | Trans-Pacific Trade                 | -            |
| Joint Venture | COSCO SHIPPING LINES CO., LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD                                                                                                               | 2017/4/1   | - 90 days pre-notice  | Trans-Pacific Trade                 | -            |
| Joint Venture | NEW GOLDEN SEA SHIPPING PTE LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD<br>EVERGREEN MARINE CORP. LTD                                                                               | 2016/8/28  | - 60 days pre-notice  | Far East to India & Pakistan        | -            |
| Joint Venture | NEW GOLDEN SEA SHIPPING PTE LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD<br>KAWASAKI KISEN KAISHA, LTD                                                                               | 2016/9/8   | - 60 days pre-notice  | Far East to India & Pakistan        | -            |
| Joint Venture | PACIFIC INTERNATIONAL LINES (PTE) LTD<br>KAWASAKI KISEN KAISHA, LTD<br>SHIPPING CORPORATON OF INDIA LTD<br>SIMATECH SHIPPING AND FORWARDING L.L.C.<br>COSCO CONTAINER LINES CO., LTD | 2010/4/30  | - 2017/6/23           | Far East to India                   | -            |
| Swap          | NEW GOLDEN SEA SHIPPING PTE LTD                                                                                                                                                      | 2012/9/2   | - 30 days pre-notice  | South east Asia                     | -            |
| Joint Venture |                                                                                                                                                                                      | 2017/7/14  | - 60 days pre-notice  | Asia to Southeast Asia              | -            |
| Swap          |                                                                                                                                                                                      | 2017/7/16  | - 60 days pre-notice  | Asia to Southeast Asia              | -            |
| Swap          | COSCO SHIPPING LINES CO., LTD                                                                                                                                                        | 2013/5/3   | - 90 days pre-notice  | Asia to West Coast of South America | -            |
| Swap          |                                                                                                                                                                                      | 2017/4/12  | - 60 days pre-notice  | Far East to Mid-East                | -            |
| Swap          |                                                                                                                                                                                      | 2017/4/1   | - 90 days pre-notice  | Trans-Pacific Trade                 | -            |
| Swap          |                                                                                                                                                                                      | 2016/5/11  | - 2017/3/31           | Trans-Pacific Trade                 | -            |
| Joint Venture | EVERGREEN MARINE CORP. LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD<br>COSCO SHIPPING LINES CO., LTD                                                                                 | 2013/5/3   | - 90 days pre-notice  | Asia to West Coast of South America | -            |
| Joint Venture | INTERASIA LINES, LTD<br>NEW GOLDEN SEA SHIPPING PTE LTD                                                                                                                              | 2016/2/26  | - 60 days pre-notice  | Far East to India                   | -            |
| Joint Venture | EVERGREEN MARINE CORP. LTD<br>HAPAG-LLOYD AKTIENGESELLSCHAFT                                                                                                                         | 2006/04/30 | - 90 days pre-notice  | Far East to India                   | -            |
| Joint Venture | APL CO. PTE LTD                                                                                                                                                                      | 2014/12/28 | - 90 days pre-notice  | Asia to Southeast Asia              | -            |
| Joint Venture | EVERGREEN MARINE CORP. LTD                                                                                                                                                           | 2002/09/01 | - 120 days pre-notice | Japan to South China                | -            |
| Joint Venture |                                                                                                                                                                                      | 2008/09/12 | - 2017/9/13           | Japan to South China & Philippine   | -            |
| Joint Venture |                                                                                                                                                                                      | 2017/9/13  | - 60 days pre-notice  | Japan to South China & Vietnam      | -            |
| Swap          |                                                                                                                                                                                      | 2016/3/28  | - 45 days pre-notice  | Intra Asia                          | -            |
| Swap          |                                                                                                                                                                                      | 2017/2/27  | - 45 days pre-notice  | Intra Asia                          | -            |
| Swap          |                                                                                                                                                                                      | 2017/9/13  | - 45 days pre-notice  | Intra Asia                          | -            |
| Swap          |                                                                                                                                                                                      | 2013/5/3   | - 90 days pre-notice  | Asia to the West Coast of America   | -            |
| Charter       |                                                                                                                                                                                      | 2014/9/3   | - 60 days pre-notice  | Korea to South East Asia            | -            |
| Joint Venture |                                                                                                                                                                                      | 2005/05/12 | - 90 days pre-notice  | Taiwan Cross-Strait Service I       | -            |
| Joint Venture |                                                                                                                                                                                      | 2012/01/4  | - 90 days pre-notice  | Taiwan Cross-Strait Service II      | -            |
| Swap          | SINOTRANS CONTAINER LINES CO., LTD.                                                                                                                                                  | 2010/02/14 | - 45 days pre-notice  | China to Southeast Asia             | -            |
| Joint Venture |                                                                                                                                                                                      | 2017/1/3   | - 60 days pre-notice  | China to Philippine                 | -            |
| Swap          |                                                                                                                                                                                      | 2017/9/24  | - 45 days pre-notice  | China to Philippine                 | -            |
| Swap          |                                                                                                                                                                                      | 2009/4/7   | - 45 days pre-notice  | Japan to Southeast Asia             | -            |
| Swap          |                                                                                                                                                                                      | 2016/10/9  | - 2017/3/26           | Far East to Middle East             | -            |
| Swap          | MITSUI O.S.K LINES, LTD                                                                                                                                                              | 2017/4/4   | - 90 days pre-notice  | Far East to Middle East             | -            |
| Charter       |                                                                                                                                                                                      | 2012/9/6   | - 45 days pre-notice  | Japan to Singapore & Malaysia       | -            |
| Joint Venture | MITSUI O.S.K LINES, LTD                                                                                                                                                              | 2014/3/5   | - 90 days pre-notice  | Japan to Singapore & Malaysia       | -            |
| Swap          | YANG MING MARINE TRANSPORT CORP.                                                                                                                                                     | 2014/5/9   | - 2017/3/23           | Intra Asia                          | -            |
| Swap          |                                                                                                                                                                                      | 2017/9/13  | - 30 days pre-notice  | Intra Asia                          | -            |
| Charter       |                                                                                                                                                                                      | 2017/7/7   | - 90 days pre-notice  | Asia to West Coast of South America | -            |
| Swap          |                                                                                                                                                                                      | 2017/7/7   | - 90 days pre-notice  | Asia to West Coast of South America | -            |

| Agreement     | Counterparty                                                        | Period     |                      | Major Contents                    | Restrictions |
|---------------|---------------------------------------------------------------------|------------|----------------------|-----------------------------------|--------------|
|               |                                                                     | From       | To                   |                                   |              |
| Joint Venture | YANG MING MARINE TRANSPORT CORP.<br>INTERASIA LINES, LTD            | 2014/6/17  | - 2017/1/17          | Southeast Asia                    | -            |
| Swap          | KAWASAKI KISEN KAISHA, LTD                                          | 2016/5/11  | - 2017/3/31          | Trans-Pacific Trade               | -            |
| Joint Venture |                                                                     | 2017/1/7   | - 60 days pre-notice | Southeast Asia                    | -            |
| Joint Venture | KAWASAKI KISEN KAISHA, LTD<br>PACIFIC INTERNATIONAL LINES (PTE) LTD | 2016/5/21  | - 2017/3/28          | Trans-Pacific Trade               | -            |
| Swap          | MINSHENG SHIPPING CO., LTD                                          | 2005/04/28 | - 60 days pre-notice | Taiwan Cross-Strait service       | -            |
| Charter       | INTERASIA LINES, LTD                                                | 2016/5/30  | - 90 days pre-notice | Japan to Singapore & Malaysia     | -            |
| Swap          |                                                                     | 2013/7/17  | - 45 days pre-notice | Intra Asia                        | -            |
| Charter       |                                                                     | 2015/9/9   | - 45 days pre-notice | Intra Asia                        | -            |
| Charter       |                                                                     | 2015/10/30 | - 45 days pre-notice | Intra Asia                        | -            |
| Charter       |                                                                     | 2017/8/3   | - 2017/12/7          | Intra Asia                        | -            |
| Charter       |                                                                     | 2013/9/22  | - 45 days pre-notice | Southeast Asia to India           | -            |
| Charter       |                                                                     | 2013/9/5   | - 45 days pre-notice | North east Asia to Southeast Asia | -            |
| Charter       |                                                                     | 2014/9/5   | - 45 days pre-notice | North east Asia to Southeast Asia | -            |
| Charter       |                                                                     | 2016/8/2   | - 2017/6/2           | Intra Asia                        | -            |
| Charter       |                                                                     | 2017/8/5   | - 45 days pre-notice | Intra Asia                        | -            |
| Charter       |                                                                     | 2017/11/27 | - 45 days pre-notice | North east Asia to Southeast Asia | -            |
| Swap          |                                                                     | 2009/11/9  | - 30 days pre-notice | Intra Asia                        | -            |
| Joint Venture |                                                                     | 2017/1/16  | - 90 days pre-notice | Japan to Vietnam                  | -            |
| Joint Venture |                                                                     | 2016/9/13  | - 2017/1/30          | Japan to Thailand                 | -            |
| Joint Venture |                                                                     | 2010/5/6   | - 90 days pre-notice | Intra Asia                        | -            |
| Joint Venture |                                                                     | 2011/9/11  | - 90 days pre-notice | Japan to Southeast Asia           | -            |
| Swap          | ORIENT OVERSEAS CONTAINER LINE LTD.                                 | 2016/7/31  | - 2017/3/26          | Far East to Middle East           | -            |
| Charter       | X-PRESS FEEDERS                                                     | 2010/7/1   | - 30 days pre-notice | Southeast Asia to West Asia       | -            |
| Swap          |                                                                     | 2017/8/13  | - 30 days pre-notice | Southeast Asia                    | -            |
| Swap          |                                                                     | 2010/11/7  | - 30 days pre-notice | Southeast Asia to India           | -            |
| Charter       | CHINA UNITED LINES LTD                                              | 2015/10/18 | - 30 days pre-notice | Taiwan Cross- Strait service      | -            |
| Charter       |                                                                     | 2014/7/9   | - 30 days pre-notice | Taiwan Cross- Strait service      | -            |
| Charter       |                                                                     | 2009/02/10 | - 30 days pre-notice | Taiwan Cross- Strait service      | -            |
| Joint Venture | BENGAL TIGER LINE PTE LTD                                           | 2009/5/20  | - 60 days pre-notice | Southeast Asia to India           | -            |
| Swap          |                                                                     | 2009/5/20  | - 60 days pre-notice | Southeast Asia to India           | -            |
| Swap          |                                                                     | 2017/4/24  | - 30 days pre-notice | India to Middle East              | -            |
| Swap          |                                                                     | 2015/12/21 | - 2017/4/10          | India to Middle East              | -            |
| Swap          | MCC TRANSPORT SINGAPORE PTE LTD.                                    | 2016/10/31 | - 30 days pre-notice | Intra Asia                        | -            |
| Charter       | SOVEREIGN BASE LOGISTICS HOLDINGS CO. LTD                           | 2011/5/8   | - 30 days pre-notice | Southeast Asia                    | -            |
| Swap          | ADVANCE CONTAINER LINES (PTE) LTD                                   | 2012/10/22 | - 2017/11/28         | Southeast Asia                    | -            |
| Swap          |                                                                     | 2015/4/19  | - 30 days pre-notice | Southeast Asia                    | -            |
| Charter       | QEL Shipping Services Sdn Bhd                                       | 2014/10/3  | - 2017/1/8           | Southeast Asia                    | -            |
| Swap          | SIMATECH SHIPPING AND FORWARDING L.L.C.                             | 2015/8/21  | - 30 days pre-notice | Asia to Southeast Asia            | -            |
| Swap          |                                                                     | 2016/9/30  | - 30 days pre-notice | Middle East                       | -            |
| Joint Venture |                                                                     | 2017/8/1   | - 60 days pre-notice | Middle East                       | -            |
| Joint Venture |                                                                     | 2016/5/13  | - 60 days pre-notice | Middle East                       | -            |
| Swap          | KOREA MARINE TRANSPORT CORPORATION                                  | 2015/12/2  | - 30 days pre-notice | Korea/North China to India        | -            |
| Swap          | MILAHA MARITIME & LOGISTICS                                         | 2015/12/21 | - 2017/6/3           | Middle East area                  | -            |
| Swap          | Hyundai Merchant Marine Co., Ltd.                                   | 2017/12/11 | - 30 days pre-notice | Intra Asia                        | -            |
| Charter       | NEW PORT CYPRESS JOINT STOCK COMPANY                                | 2015/10/4  | - 30 days pre-notice | Southeast Asia                    | -            |
| Charter       | SMART POINT SHIPPING LTD                                            | 2016/7/6   | - 30 days pre-notice | Taiwan Cross-Strait service       | -            |
| Swap          | SITC CONTAINER LINES CO., LTD.                                      | 2017/5/7   | - 30 days pre-notice | Intra Asia                        | -            |
| Charter       | RCL FEEDER PTE LTD                                                  | 2016/2/27  | - 2017/2/27          | Far East to India                 | -            |
| Swap          | Cheng Lie Navigation Co., Ltd. (CNC Line)                           | 2016/11/11 | - 2017/4/21          | Southeast Asia                    | -            |

### 5.6.2. Long –Term Loan

| Name of contract   | Party                                                        | Contract Period          | Primary content                                                                                                                                                                          | Financial covenant  |
|--------------------|--------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Bank Mortgage Loan | Taiwan Cooperative Bank Cheng-Tung Branch                    | Jul.20,2012~Jul.20,2022  | The principal shall be repaid in 20 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Taiwan Cooperative Bank Cheng-Tung Branch                    | Jul.9,2013~Jul.9,2018    | The principal shall be repaid in 5 successive semiannual installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Taiwan Cooperative Bank Cheng-Tung Branch                    | Jan.29,2014~Jul.9,2018   | The principal shall be repaid in 5 successive semiannual installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Taiwan Cooperative Bank Cheng-Tung Branch                    | Nov.25,2014~Nov.25,2019  | The principal shall be repaid in 5 successive semiannual installments.                                                                                                                   | -                   |
| Bank Credit Loan   | Bank SinoPac Banking Division                                | Jun.28,2017~Jun.28,2020  | The principal shall be repaid a time.                                                                                                                                                    | -                   |
| Bank Credit Loan   | Taishin International Bank Corporate Banking Division        | Dec.25,2017~Dec.25,2020  | The principal shall be repaid a time.                                                                                                                                                    | -                   |
| Bank Mortgage Loan | Mizuho Bank Taipei Branch                                    | May.9, 2014~May.9,2018   | The principal shall be repaid in 7 successive semiannual installment with 20% of the principal for the first two installments and with 12% of the principal for the rest 5 installments. | -                   |
| Bank Mortgage Loan | Mizuho Bank Taipei Branch                                    | Jul.15, 2015~Jul.15,2020 | The principal shall be repaid in 10 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Mizuho Bank Taipei Branch                                    | Dec.25, 2017~Dec.25,2022 | The principal shall be repaid in 10 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Chang Hwa Bank Chilin Branch                                 | Aug.31,2015~Aug.31,2020  | The principal shall be repaid in 6 successive semiannual installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Chang Hwa Bank Chilin Branch                                 | Jul.28, 2016~Jul.28,2021 | The principal shall be repaid in 6 successive semiannual installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Chang Hwa Bank Chilin Branch                                 | Dec.21,2016~Dec.21,2021  | The principal shall be repaid in 6 successive semiannual installments.                                                                                                                   | -                   |
| Commercial Paper   | China Bills Finance Corporation                              | Dec.27, 2016~Dec.27,2019 | The principal shall be repaid a time.                                                                                                                                                    | -                   |
| Commercial Paper   | Mega Bills Finance Co. Ltd                                   | Dec.27,2016~Dec.27,2019  | The principal shall be repaid a time.                                                                                                                                                    | -                   |
| Commercial Paper   | Mega Bills Finance Co. Ltd                                   | Jun.23,2017~Jun.23,2020  | The principal shall be repaid a time.                                                                                                                                                    | -                   |
| Bank Mortgage Loan | Mega International Commercial Bank head office-foreign dept. | Aug.8,2016~Aug.8,2021    | The principal shall be repaid in 15 successive quarterly installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Mega International Commercial Bank head office-foreign dept. | Oct.23,2017~Oct.23,2022  | The principal shall be repaid in 15 successive quarterly installments.                                                                                                                   | -                   |
| Bank Credit Loan   | Bank of Taipei Chang-an Branch                               | Dec.21,2017~Dec.21,2022  | The principal shall be repaid in 16 successive quarterly installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Mega International Commercial Bank Singapore Branch          | Jan.31,2012~Jan.31,2019  | The principal shall be repaid in 11 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Mega International Commercial Bank Singapore Branch          | May.23,2012~May.23,2019  | The principal shall be repaid in 21 successive quarterly installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Mega International Commercial Bank Singapore Branch          | Apr.18,2012~ Apr.18,2019 | The principal shall be repaid in 11 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Chang Hwa Bank Singapore Branch                              | Feb.14,2012~Dec.5,2018   | The principal shall be repaid in 11 successive semiannual installments.                                                                                                                  | -                   |
| Bank Mortgage Loan | Land Bank of Taiwan Changan Branch                           | Apr.12,2012~Apr.12,2022  | The principal shall be repaid in 28 successive quarterly installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | Land Bank of Taiwan Changan Branch                           | Aug.14,2013~Aug.14,2023  | The principal shall be repaid in 28 successive quarterly installments.                                                                                                                   | -                   |
| Bank Mortgage Loan | DBS Bank Ltd.                                                | May.14,2015~May.14,2020  | The principal shall be repaid in 10 successive semiannual installments.                                                                                                                  | Financial Covenants |
| Bank Mortgage Loan | ING Bank Ltd.                                                | Mar.16,2015~Jan.31,2023  | The principal shall be repaid in 16 successive semiannual installments.                                                                                                                  | Financial Covenants |
| Bank Mortgage Loan | First Bank Sao Chuan Tou Branch                              | May.11,2009~May.19,2020  | The principal shall be repaid in 14 successive semiannual installments.                                                                                                                  | -                   |
| Bank Credit Loan   | First Bank Sao Chuan Tou Branch                              | May.11,2009~May.19,2020  | The principal shall be repaid in 14 successive semiannual installments.                                                                                                                  | -                   |



## Financial Highlights

### 6.1 Summarized financial statements for the past 5 years

#### 6.1.1 Summarized consolidated balance sheets

Unit: TWD thousand

| Item \ Year                             |                     | Financial data in the past five years |            |            |            |             | 2018 as of Mar. 31 |
|-----------------------------------------|---------------------|---------------------------------------|------------|------------|------------|-------------|--------------------|
|                                         |                     | 2017                                  | 2016       | 2015       | 2014       | 2013        |                    |
| Current Assets                          |                     | 30,047,229                            | 29,398,146 | 30,822,014 | 37,328,054 | 30,621,006  | 23,665,230         |
| Property, Plant and Equipment           |                     | 42,680,442                            | 43,602,819 | 46,214,584 | 44,775,808 | 44,580,103  | 43,404,049         |
| Intangible Assets                       |                     | 53,262                                | 28,386     | 38,582     | 43,237     | 65,141      | 84,005             |
| Other Assets                            |                     | 3,732,871                             | 3,290,721  | 3,146,005  | 3,080,461  | 3,313,433   | 5,599,775          |
| Total Assets                            |                     | 76,513,804                            | 76,320,072 | 80,221,185 | 85,227,560 | 78,579,683  | 72,753,059         |
| Current Liabilities                     | Before distribution | 20,894,731                            | 15,526,398 | 17,770,176 | 21,720,427 | 13,739,272  | 19,565,646         |
|                                         | After distribution  | (Note 1)                              | 16,413,717 | 20,432,133 | 26,157,022 | 15,513,909  | (Note 1)           |
| Non-current Liabilities                 |                     | 21,439,456                            | 26,488,190 | 26,536,087 | 27,659,153 | 33,651,071  | 19,482,158         |
| Total Liabilities                       | Before distribution | 42,334,187                            | 42,014,588 | 44,306,263 | 49,379,580 | 47,390,343  | 39,047,804         |
|                                         | After distribution  | (Note 1)                              | 42,901,907 | 46,968,220 | 53,816,175 | 49,164,980  | (Note 1)           |
| Equity attributable to owners of parent |                     | 33,966,960                            | 34,107,950 | 35,733,130 | 35,607,478 | 31,014,750  | 33,506,142         |
| Common Stock                            |                     | 22,182,975                            | 22,182,975 | 22,182,975 | 22,182,975 | 22,182,975  | 22,182,975         |
| Capital surplus                         |                     | 1,261,681                             | 1,261,681  | 1,261,681  | 1,261,681  | 1,261,681   | 1,261,681          |
| Retained Earnings                       | Before distribution | 11,649,786                            | 10,078,574 | 11,719,102 | 12,226,543 | 8,687,097   | 12,065,067         |
|                                         | After distribution  | (Note 1)                              | 9,191,255  | 9,057,145  | 7,789,948  | 6,912,460   | (Note 1)           |
| Other Equity                            |                     | (1,127,482)                           | 584,720    | 569,372    | (63,721)   | (1,117,003) | (2,003,581)        |
| Treasury Stock                          |                     | 0                                     | 0          | 0          | 0          | 0           | 0                  |
| Non-Controlling Interest                |                     | 212,657                               | 197,534    | 181,792    | 240,502    | 174,590     | 199,113            |
| Total stockholders' equity              | Before distribution | 34,179,617                            | 34,305,484 | 35,914,922 | 35,847,980 | 31,189,340  | 33,705,255         |
|                                         | After distribution  | (Note 1)                              | 33,418,165 | 33,252,965 | 31,411,385 | 29,414,703  | (Note 1)           |

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

Note 2: The summarized financial data for 2013~2017 and the first quarter of 2018 have been certified by CPA.

### 6.1.2 Summarized consolidated comprehensive income statements

Unit: TWD thousand

| Item \ Year                                                                  | Financial data in the past five years |            |            |            |            | 2018 as of Mar. 31 |
|------------------------------------------------------------------------------|---------------------------------------|------------|------------|------------|------------|--------------------|
|                                                                              | 2017                                  | 2016       | 2015       | 2014       | 2013       |                    |
| Operating revenue                                                            | 60,769,645                            | 57,351,493 | 63,859,142 | 66,974,244 | 59,688,505 | 14,918,238         |
| Gross profit                                                                 | 7,115,417                             | 5,760,837  | 8,013,369  | 9,143,653  | 5,484,197  | 1,079,787          |
| Operating income                                                             | 3,141,810                             | 1,873,803  | 4,018,523  | 5,404,502  | 2,226,661  | 145,966            |
| Non-operating income & expense                                               | (22,769)                              | (374,297)  | 1,643,046  | 1,174,691  | 278,103    | 50,593             |
| Net income before income tax                                                 | 3,119,041                             | 1,499,506  | 5,661,569  | 6,579,193  | 2,504,764  | 196,559            |
| Profit after tax from continuing operations                                  | 2,558,975                             | 1,149,307  | 3,930,645  | 5,317,594  | 2,144,182  | 132,314            |
| Losses from discontinued segments                                            | 0                                     | 0          | 0          | 0          | 0          | 0                  |
| Profit (Loss) from this period                                               | 2,558,975                             | 1,149,307  | 3,930,645  | 5,317,594  | 2,144,182  | 132,314            |
| Other comprehensive profit and loss (Net value after tax)                    | (1,795,703)                           | (107,243)  | 616,276    | 1,118,185  | 578,012    | (362,307)          |
| Total Comprehensive profit and loss from this period                         | 763,272                               | 1,042,064  | 4,546,921  | 6,435,779  | 2,722,194  | (229,993)          |
| Net earnings attributable to owners of parent                                | 2,541,889                             | 1,141,680  | 3,942,909  | 5,254,074  | 2,129,108  | 143,898            |
| Net earnings attributable to non-controlling interest                        | 17,086                                | 7,627      | (12,264)   | 63,520     | 15,074     | (11,584)           |
| Total comprehensive profit and loss attributable to owners of parent         | 746,329                               | 1,036,777  | 4,562,247  | 6,367,365  | 2,709,594  | (219,471)          |
| Total comprehensive profit and loss attributable to non-controlling interest | 16,943                                | 5,287      | (15,326)   | 68,414     | 12,600     | (10,522)           |
| Earnings per share (Note1)                                                   | 1.15                                  | 0.51       | 1.78       | 2.37       | 0.96       | 0.06               |

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2013~2017 and the first quarter of 2018 have been certified by CPA.

### 6.1.3 Summarized balance sheets

Unit: TWD thousand

| Year<br><br>Item              |                     | Financial data in the past five years |            |            |            |             | 2018 as of<br>Mar. 31 |
|-------------------------------|---------------------|---------------------------------------|------------|------------|------------|-------------|-----------------------|
|                               |                     | 2017                                  | 2016       | 2015       | 2014       | 2013        |                       |
| Current Assets                |                     | 23,231,178                            | 23,834,182 | 33,570,265 | 36,714,935 | 30,573,198  | N/A                   |
| Property, Plant and Equipment |                     | 12,944,060                            | 9,642,608  | 8,289,467  | 8,064,091  | 7,776,229   |                       |
| Intangible Assets             |                     | 52,139                                | 27,009     | 36,862     | 41,488     | 64,933      |                       |
| Other Assets                  |                     | 28,305,282                            | 29,481,204 | 21,449,268 | 19,875,018 | 18,590,293  |                       |
| Total Assets                  |                     | 64,532,659                            | 62,985,003 | 63,345,862 | 64,695,532 | 57,004,653  |                       |
| Current Liabilities           | Before distribution | 15,409,683                            | 11,196,555 | 12,324,158 | 10,331,216 | 9,286,708   |                       |
|                               | After distribution  | (Note 1)                              | 12,083,874 | 14,986,115 | 14,767,811 | 11,061,345  |                       |
| Non-current Liabilities       |                     | 15,156,016                            | 17,680,498 | 15,288,574 | 18,756,838 | 16,703,195  |                       |
| Total Liabilities             | Before distribution | 30,565,699                            | 28,877,053 | 27,612,732 | 29,088,054 | 25,989,903  |                       |
|                               | After distribution  | (Note 1)                              | 29,764,372 | 30,274,689 | 33,524,649 | 27,767,540  |                       |
| Common Stock                  |                     | 22,182,975                            | 22,182,975 | 22,182,975 | 22,182,975 | 22,182,975  |                       |
| Capital surplus               |                     | 1,261,681                             | 1,261,681  | 1,261,681  | 1,261,681  | 1,261,681   |                       |
| Retained Earnings             | Before distribution | 11,649,786                            | 10,078,574 | 11,719,102 | 12,226,543 | 8,687,097   |                       |
|                               | After distribution  | (Note 1)                              | 9,191,255  | 9,057,145  | 7,889,948  | 6,912,460   |                       |
| Other Equity                  |                     | (1,127,482)                           | 584,720    | 569,372    | (63,721)   | (1,117,003) |                       |
| Treasury Stock                |                     | 0                                     | 0          | 0          | 0          | 0           |                       |
| Total stockholders' equity    | Before distribution | 33,966,960                            | 34,107,950 | 35,733,130 | 35,607,478 | 31,014,750  |                       |
|                               | After distribution  | (Note 1)                              | 33,220,631 | 33,071,173 | 31,270,883 | 29,240,113  |                       |

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

Note 2: The summarized financial data for 2013~2017 have been certified by CPA.

### 6.1.4 Summarized comprehensive income statements

Unit: TWD thousand

| Item \ Year                                               | Financial data in the past five years |             |            |            |            | 2018 as of<br>Mar. 31 |
|-----------------------------------------------------------|---------------------------------------|-------------|------------|------------|------------|-----------------------|
|                                                           | 2017                                  | 2016        | 2015       | 2014       | 2013       |                       |
| Operating revenue                                         | 50,300,722                            | 50,070,845  | 56,271,236 | 57,438,243 | 52,491,030 | N/A                   |
| Gross profit                                              | 4,454,136                             | 4,748,612   | 5,130,494  | 6,191,055  | 4,611,256  |                       |
| Operating income                                          | 2,346,116                             | 2,819,290   | 3,054,041  | 4,191,993  | 2,963,860  |                       |
| Non-operating income & expense                            | 687,103                               | (1,361,905) | 2,562,015  | 2,254,337  | (502,218)  |                       |
| Net income before income tax                              | 3,033,219                             | 1,457,385   | 5,616,056  | 6,446,330  | 2,461,642  |                       |
| Profit after tax from continuing operations               | 2,541,889                             | 1,141,680   | 3,942,909  | 5,254,074  | 2,129,108  |                       |
| Losses from discontinued segments                         | 0                                     | 0           | 0          | 0          | 0          |                       |
| Profit (Loss) from this period                            | 2,541,889                             | 1,141,680   | 3,942,909  | 5,254,074  | 2,129,108  |                       |
| Other comprehensive profit and loss (Net value after tax) | (1,795,560)                           | (104,903)   | 619,338    | 1,113,291  | 580,486    |                       |
| Total Comprehensive profit and loss from this period      | 746,329                               | 1,036,777   | 4,562,247  | 6,367,365  | 2,709,594  |                       |
| Earnings per share (Note1)                                | 1.15                                  | 0.51        | 1.78       | 2.37       | 0.96       |                       |

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2013~2017 have been certified by CPA.

### 6.1.5 CPA and Audit results for the past 5 years

| Year | CPA name                        | Audit results        |
|------|---------------------------------|----------------------|
| 2013 | Lily-Lu<br>Fu-Wei Chen          | Unqualified opinion. |
| 2014 | Chen Yi Chun<br>Chiang Chung Yi | Unqualified opinion. |
| 2015 | Chen Yi Chun<br>Chiang Chung Yi | Unqualified opinion. |
| 2016 | Chen Yi Chun<br>Chiang Chung Yi | Unqualified opinion. |
| 2017 | Chen Yi Chun<br>Chiang Chung Yi | Unqualified opinion. |

## 6.2 Summarized financial analysis for the past 5 years

### 6.2.1 Consolidated financial analysis

| Item \ Year             |                                                             | Financial analysis in the past five years |        |        |        |        | 2018 as of Mar. 31 |
|-------------------------|-------------------------------------------------------------|-------------------------------------------|--------|--------|--------|--------|--------------------|
|                         |                                                             | 2017                                      | 2016   | 2015   | 2014   | 2013   |                    |
| Financial structure (%) | Debt ratio                                                  | 55.33                                     | 55.05  | 55.23  | 57.94  | 60.31  | 53.67              |
|                         | Ratio of long-term capital to property, plant and equipment | 130.32                                    | 139.43 | 135.13 | 141.83 | 145.45 | 122.54             |
| Solvency                | Current ratio (%)                                           | 143.80 (Note 1)                           | 189.34 | 173.45 | 171.86 | 222.87 | 120.95             |
|                         | Quick ratio (%)                                             | 136.46 (Note 1)                           | 179.70 | 168.06 | 165.95 | 211.48 | 112.92             |
|                         | Times interest earned                                       | 6.98 (Note 2)                             | 3.88   | 9.32   | 9.02   | 4.10   | 2.52               |
| Operating Performance   | Accounts receivable turnover (turns)                        | 22.59                                     | 25.07  | 22.15  | 20.41  | 21.95  | 5.89               |
|                         | Average collection period                                   | 16.15                                     | 14.55  | 16.47  | 17.88  | 16.62  | 62.00              |
|                         | Inventory turnover (turns)                                  | -                                         | -      | -      | -      | -      | -                  |
|                         | Accounts payable turnover (turns)                           | 8.07                                      | 8.14   | 8.71   | 9.42   | 8.89   | 2.01               |
|                         | Average days in sales                                       | -                                         | -      | -      | -      | -      | -                  |
|                         | Fixed assets turnover (turns)                               | 1.41                                      | 1.28   | 1.40   | 1.50   | 1.44   | 0.35               |
|                         | Total assets turnover (turns)                               | 0.80                                      | 0.73   | 0.77   | 0.82   | 0.76   | 0.20               |
| Profitability           | Return on total assets (%)                                  | 3.92 (Note 3)                             | 2.02   | 5.43   | 7.32   | 3.60   | 0.32               |
|                         | Return on equity (%)                                        | 7.47 (Note 3)                             | 3.27   | 10.95  | 15.86  | 6.98   | 0.39               |
|                         | Ratio to issued capital of pre-tax income (%)               | 14.06 (Note 3)                            | 6.76   | 25.52  | 29.66  | 11.29  | 0.89               |
|                         | Profit ratio (%)                                            | 4.21 (Note 3)                             | 2.00   | 6.16   | 7.94   | 3.59   | 0.89               |
|                         | Earnings per share (\$)                                     | 1.15 (Note 3)                             | 0.51   | 1.78   | 2.37   | 0.96   | 0.06               |
| Cash flow (%)           | Cash flow ratio                                             | 33.88 (Note 4)                            | 26.66  | 49.14  | 56.86  | 51.62  | 2.90               |
|                         | Cash flow adequacy ratio                                    | 112.48                                    | 98.28  | 84.45  | 102.82 | 77.46  | 115.88             |
|                         | Cash reinvestment ratio                                     | 5.73 (Note 4)                             | 1.30   | 3.77   | 9.46   | 4.93   | 0.54               |
| Leverage                | Operating leverage                                          | 4.56 (Note 5)                             | 6.86   | 4.15   | 3.09   | 5.71   | 21.17              |
|                         | Financial leverage                                          | 1.20                                      | 1.38   | 1.20   | 1.18   | 1.57   | 8.98               |

Reasons for financial ratios of 2017 increased/decreased more than 20% comparing to 2016:

Note 1: Current ratio & quick ratio decreased since payables on equipment and long-term liabilities due within one year increased.

Note 2: Times interest earned increased since operating income increased.

Note 3: Return on total assets, return on equity, ratio to issued capital of pre-tax income, profit ratio & earnings per share increased since net income before tax increased.

Note 4: Cash flow ratio & cash reinvestment ratio increased since net cash provided by operating activities increased.

Note 5: Operating leverage decreased since operating income increased.

# 1. Financial structure

- (1) Debt ratio = total liabilities / total assets
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

# 2. Solvency

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

# 3. Operating performance

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

# 4. Profitability

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

# 5. Cash flow

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

# 6. Leverage

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

## 6.2.2 Financial analysis

| Item \ Year             |                                                             | Financial analysis in the past five years |        |        |        |        | 2018 as of<br>Mar. 31 |
|-------------------------|-------------------------------------------------------------|-------------------------------------------|--------|--------|--------|--------|-----------------------|
|                         |                                                             | 2017                                      | 2016   | 2015   | 2014   | 2013   |                       |
| Financial structure (%) | Debt ratio                                                  | 47.36                                     | 45.85  | 43.59  | 44.96  | 45.59  | N/A                   |
|                         | Ratio of long-term capital to property, plant and equipment | 379.50 (Note 1)                           | 537.08 | 615.50 | 674.15 | 613.64 |                       |
| Solvency                | Current ratio (%)                                           | 150.76 (Note 2)                           | 212.87 | 272.39 | 355.38 | 329.21 |                       |
|                         | Quick ratio (%)                                             | 143.42 (Note 2)                           | 203.01 | 267.17 | 346.38 | 317.13 |                       |
|                         | Times interest earned                                       | 10.29 (Note 3)                            | 5.62   | 19.06  | 22.66  | 9.76   |                       |
| Operating Performance   | Accounts receivable turnover (turns)                        | 29.37                                     | 33.48  | 29.52  | 26.74  | 26.54  |                       |
|                         | Average collection period                                   | 12.42                                     | 10.90  | 12.36  | 13.64  | 13.75  |                       |
|                         | Inventory turnover (turns)                                  | -                                         | -      | -      | -      | -      |                       |
|                         | Accounts payable turnover (turns)                           | 9.05                                      | 9.6    | 10.40  | 9.85   | 9.26   |                       |
|                         | Average days in sales                                       | -                                         | -      | -      | -      | -      |                       |
|                         | Fixed assets turnover (turns)                               | 4.45 (Note 4)                             | 5.58   | 6.88   | 7.25   | 7.44   |                       |
|                         | Total assets turnover (turns)                               | 0.79                                      | 0.79   | 0.88   | 0.94   | 0.92   |                       |
| Profitability           | Return on total assets (%)                                  | 4.41 (Note 5)                             | 2.22   | 6.56   | 9.04   | 4.16   |                       |
|                         | Return on equity (%)                                        | 7.47 (Note 5)                             | 3.27   | 11.05  | 15.77  | 6.97   |                       |
|                         | Ratio to issued capital of pre-tax income (%)               | 13.67 (Note 5)                            | 6.57   | 25.32  | 29.06  | 11.10  |                       |
|                         | Profit ratio (%)                                            | 5.05 (Note 5)                             | 2.28   | 7.01   | 9.15   | 4.06   |                       |
|                         | Earnings per share (\$)                                     | 1.15 (Note 5)                             | 0.51   | 1.78   | 2.37   | 0.96   |                       |
| Cash flow (%)           | Cash flow ratio                                             | 13.05 (Note 6)                            | 86.50  | 5.38   | 70.73  | 10.39  |                       |
|                         | Cash flow adequacy ratio                                    | 71.03                                     | 68.41  | 38.73  | 57.61  | 47.45  |                       |
|                         | Cash reinvestment ratio                                     | 1.72 (Note 6)                             | 10.29  | (5.57) | 7.69   | (1.25) |                       |
| Leverage                | Operating leverage                                          | 4.87 (Note 7)                             | 2.11   | 5.03   | 3.21   | 3.86   |                       |
|                         | Financial leverage                                          | 1.16                                      | 1.13   | 1.11   | 1.08   | 1.10   |                       |

Reasons for financial ratios of 2017 increased/decreased more than 20% comparing to 2016:

Note 1: Ratio of long-term capital to property, plant and equipment decreased since containers increased and bonds payable decreased.

Note 2: Current ratio & quick ratio decreased since payables on equipment and long-term liabilities due within one year increased.

Note 3: Times interest earned increased since share of profit of associates and joint ventures accounted for using equity method increased.

Note 4: Fixed assets turnover decreased since average net property, plant and equipment increased.

Note 5: Return on total assets, return on equity, ratio to issued capital of pre-tax income, profit ratio & earnings per share increased since net profit before tax increased.

Note 6: Cash flow ratio & cash reinvestment ratio decreased since net cash provided by other receivables decreased.

Note 7: Operating leverage increased since fixed cost and expense increased.

# 1. Financial structure

- (1) Debt ratio = total liabilities / total assets
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

# 2. Solvency

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

# 3. Operating performance

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

# 4. Profitability

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

# 5. Cash flow

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

# 6. Leverage

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

## 6.3 Audit Committee's Review Report for Fiscal Year 2017

### 6.3.1 Audit Committee's Review Report for Fiscal Year 2017

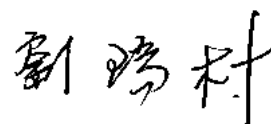
The Board of Directors has prepared the Company's financial statements for 2017, business report and earnings distribution. Of which, the Company's financial statements for 2017 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit report with unqualified 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



Mar.26, 2018

### 6.3.2 Audit Committee's Review Report for Fiscal Year 2017 (Consolidated)

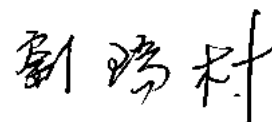
The Board of Directors has prepared the Company's consolidated financial statements for 2017 and consolidated business report for 2017. Of which, the Company's consolidated financial statements for 2017 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit 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



Mar.26, 2018

## 6.4 Financial Statement for Fiscal Year 2017

### 6.4.1 Independent Auditor's Report

#### Independent Auditors' Report

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

#### Opinion

We have audited the financial statements of Wan Hai Lines Ltd. ("the Company"), which comprise the statement of financial position as of December 31, 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)

|                        |                                                                                       | 2017.12.31    |      | 2016.12.31 |      |      | 2017.12.31                                                                            |     | 2016.12.31 |     |
|------------------------|---------------------------------------------------------------------------------------|---------------|------|------------|------|------|---------------------------------------------------------------------------------------|-----|------------|-----|
|                        |                                                                                       | Amount        | %    | Amount     | %    |      | Amount                                                                                | %   | Amount     | %   |
| <b>" Assets</b>        |                                                                                       |               |      |            |      |      |                                                                                       |     |            |     |
| <b>Current assets:</b> |                                                                                       |               |      |            |      |      |                                                                                       |     |            |     |
| 1100                   | " Cash and cash equivalents (notes (6)(a))                                            | \$ 12,850,798 | 20   | 14,072,884 | 22   | 2170 | " Accounts payable (notes (7))                                                        | 8   | 5,005,030  | 8   |
| 1125                   | " Available-for-sale financial assets — current (notes (6)(b))                        | 4,242,631     | 7    | 3,984,324  | 6    | 2200 | " Other payables (notes (6)(r) and (7))                                               | 3   | 498,020    | 1   |
| 1150                   | " Notes receivable, net (notes (6)(c))                                                | 23,207        | -    | 23,586     | -    | 2230 | " Current tax liabilities (notes (6)(l))                                              | -   | 50,860     | -   |
| 1170                   | " Accounts receivable, net (notes (6)(c) and (7))                                     | 1,940,208     | 3    | 1,438,307  | 2    | 2320 | " Current portion of long-term loans (notes (6)(h) and (i) and (9))                   | 11  | 3,990,325  | 6   |
| 1200                   | " Other receivables (notes (6)(c) and (7))                                            | 792,150       | 1    | 809,736    | 1    | 2350 | " Payable to agents (notes (7))                                                       | 1   | 1,493,568  | 3   |
| 1330                   | " Inventories, net (notes (6)(d))                                                     | 980,350       | 2    | 935,007    | 2    | 2300 | " Other current liabilities                                                           | -   | 158,752    | -   |
| 1475                   | " Receivables from agents (notes (6)(C) and (7))                                      | 1,551,315     | 2    | 1,624,191  | 3    | " "  |                                                                                       |     |            |     |
| 1479                   | " Other current assets (notes (8))                                                    | 850,519       | 1    | 946,147    | 2    |      |                                                                                       |     |            |     |
|                        |                                                                                       | 23,231,178    | 36   | 23,834,182 | 38   |      |                                                                                       |     |            |     |
|                        | <b>Non-current assets:</b>                                                            |               |      |            |      |      |                                                                                       |     |            |     |
| 1523                   | " Available-for-sale financial assets — non-current (notes (6)(b))                    | 177,746       | -    | 177,204    | -    | 2530 | " Bonds payable (note (6)(i))                                                         | 11  | 9,300,000  | 15  |
| 1543                   | " Financial assets measured at cost — non-current (notes (6)(b))                      | 708,967       | 1    | 708,967    | 1    | 2540 | " Long-term loans (notes (6)(h) and (8))                                              | 10  | 6,863,120  | 11  |
| 1546                   | " Bond portfolios with inactive market — non-current (notes (6)(b))                   | 1,187,200     | 2    | 1,288,800  | 2    | 2570 | " Deferred income tax liabilities (note (6)(l))                                       | 1   | 933,111    | 1   |
| 1550                   | " Long-term equity investments under equity method (notes (6)(c))                     | 25,905,948    | 40   | 26,902,602 | 43   |      | " Accrued pension liabilities (note (6)(k))                                           | 1   | 581,716    | 1   |
| 1600                   | " Property, plant and equipment (notes (6)(f) and (8) and (9))                        | 12,944,060    | 20   | 9,642,608  | 15   |      | " Guarantee deposits received                                                         | -   | 2,551      | -   |
| 1780                   | " Intangible assets (notes (6)(g))                                                    | 52,139        | -    | 27,009     | -    |      | " "                                                                                   |     |            |     |
| 1900                   | " Other non-current assets (notes (6)(r) and (8) and (9))                             | 325,421       | 1    | 403,631    | 1    |      | " Total liabilities                                                                   | 23  | 17,680,498 | 28  |
|                        |                                                                                       | 41,301,481    | 64   | 39,150,821 | 62   |      |                                                                                       |     |            |     |
|                        |                                                                                       |               |      |            |      |      |                                                                                       |     |            |     |
|                        | <b>Equity (notes (6)(m) and (n)):</b>                                                 |               |      |            |      |      |                                                                                       |     |            |     |
|                        | " Common stock                                                                        |               | 3100 |            | 3100 |      | " Common stock                                                                        | 34  | 22,182,975 | 35  |
|                        | " Capital surplus                                                                     |               | 3200 |            | 3200 |      | " Capital surplus                                                                     | 2   | 1,261,681  | 2   |
|                        | " Retained earnings:                                                                  |               |      |            |      |      | " Retained earnings:                                                                  |     |            |     |
|                        | " Legal reserve                                                                       |               | 3310 |            | 3310 |      | " Legal reserve                                                                       | 10  | 6,389,335  | 10  |
|                        | " Special reserve                                                                     |               | 3320 |            | 3320 |      | " Special reserve                                                                     | -   | 1,053,282  | 2   |
|                        | " Retained earnings — unappropriated                                                  |               | 3350 |            | 3350 |      | " Retained earnings — unappropriated                                                  | 8   | 2,635,957  | 4   |
|                        | " "                                                                                   |               |      |            |      |      | " "                                                                                   | 18  | 10,078,574 | 16  |
|                        | " Other equity interest:                                                              |               |      |            |      |      | " Other equity interest:                                                              |     |            |     |
|                        | " Foreign currency translation difference arising from foreign operations, net of tax |               | 3410 |            | 3410 |      | " Foreign currency translation difference arising from foreign operations, net of tax | (2) | 572,600    | 1   |
|                        | " Unrealized gains (losses) on available-for-sale financial assets                    |               | 3425 |            | 3425 |      | " Unrealized gains (losses) on available-for-sale financial assets                    | 1   | 12,120     | -   |
|                        | " "                                                                                   |               |      |            |      |      | " "                                                                                   | (1) | 584,720    | 1   |
|                        | " Total equity                                                                        |               |      |            |      |      | " Total equity                                                                        | 53  | 34,107,950 | 54  |
|                        | <b>Total liabilities and equity</b>                                                   |               |      |            |      |      | <b>Total liabilities and equity</b>                                                   | 100 | 62,985,003 | 100 |
|                        |                                                                                       | \$ 64,532,659 | 100  | 62,985,003 | 100  |      |                                                                                       |     |            |     |

See accompanying notes to financial statements.

(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 (notes (6)(o) and (7))                                                                                                                                                                       | \$ 50,300,722                    | 100 | 50,070,845  | 100 |
| 5000 | Operating costs (notes (6)(d) and (7))                                                                                                                                                                         | 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 (notes (6)(e) and (q)):                                                                                                                                                      |                                  |     |             |     |
| 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 (notes (6)(l))                                                                                                                                                                        | 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) (note (6)(n))                                                                                                                                                    | \$ 1.15                          |     | 0.51        |     |
|      | Diluted earnings per share (New Taiwan Dollars) (note (6)(n))                                                                                                                                                  | \$ 1.14                          |     | 0.51        |     |

Seeing accompanying notes to financial statements.

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

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

|                                        | Stock         | Retained Earnings |               |                 |                                    | Other Equity                                                                 |                                                                  |             |
|----------------------------------------|---------------|-------------------|---------------|-----------------|------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------|-------------|
|                                        | Common Stock  | Capital Surplus   | Legal reserve | Special reserve | Retained Earnings - Unappropriated | Foreign Currency Translation Differences Arising from Operations, Net of Tax | Unrealized Gains (losses) on Available-for-sale Financial Assets | Total       |
|                                        | \$ 22,182,975 | 1,261,681         | 5,995,044     | 1,117,003       | 4,607,055                          | 792,182                                                                      | (222,810)                                                        | 35,733,130  |
| <b>Balance as of January 1, 2016</b>   | -             | -                 | -             | -               | 1,141,680                          | -                                                                            | -                                                                | 1,141,680   |
| Net profit                             | -             | -                 | -             | -               | (120,251)                          | (219,582)                                                                    | 234,930                                                          | (104,903)   |
| Other comprehensive income             | -             | -                 | -             | -               | 1,021,429                          | (219,582)                                                                    | 234,930                                                          | 1,036,777   |
| Total comprehensive income             | -             | -                 | -             | -               | -                                  | -                                                                            | -                                                                | -           |
| 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                             | -                                                                            | -                                                                | -           |
| <b>Balance as of December 31, 2016</b> | 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                          | -                                                                            | -                                                                | -           |
| <b>Balance as of December 31, 2017</b> | 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 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.

See accompanying notes to financial statements.

(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       |
| <b>Cash flows from operating activities :</b>                                          |                                  |            |
| " 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  |

Seeing accompanying notes to financial statements.

(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)**

|                                                                  | <b>For the years ended December 31,</b> |                     |
|------------------------------------------------------------------|-----------------------------------------|---------------------|
|                                                                  | <b>2017</b>                             | <b>2016</b>         |
| <b>Cash flows from investing activities:</b>                     |                                         |                     |
| " 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             |
| " " <b>Net cash used in investing activities</b>                 | <b>(2,901,115)</b>                      | <b>(11,566,228)</b> |
| <b>Cash flows from financing activities:</b>                     |                                         |                     |
| " 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)           |
| " " <b>Net cash (used in) provided by financing activities</b>   | <b>(332,024)</b>                        | <b>(1,727,396)</b>  |
| <b>Net (decrease) increase in cash and cash equivalents</b>      | <b>(1,222,086)</b>                      | <b>(3,608,864)</b>  |
| <b>Cash and cash equivalents, beginning of period</b>            | <b>14,072,884</b>                       | <b>17,681,748</b>   |
| <b>Cash and cash equivalents, end of period</b>                  | <b>\$ 12,850,798</b>                    | <b>14,072,884</b>   |

Seeing accompanying notes to financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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

**(1) Organization and Business**

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

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

The Board of Directors approved and issued the financial statements on March 26, 2018.

**(3) New Standards and Interpretations Not Yet Adopted**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

| <b>New, Revised or Amended Standards and Interpretations</b>                                                       | <b>Effective date per IASB</b> |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"              | January 1, 2016                |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"                               | January 1, 2016                |
| IFRS 14 "Regulatory Deferral Accounts"                                                                             | January 1, 2016                |
| Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"                                    | January 1, 2016                |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"             | January 1, 2016                |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"                                                       | January 1, 2016                |
| Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"                                               | July 1, 2014                   |
| Amendment to IAS 27 "Equity Method in Separate Financial Statements"                                               | January 1, 2016                |
| Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets" | January 1, 2014                |
| Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"          | January 1, 2014                |
| Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle                                                   | July 1, 2014                   |
| Annual Improvements to IFRSs 2012–2014 Cycle                                                                       | January 1, 2016                |
| IFRIC 21 "Levies"                                                                                                  | January 1, 2014                |

The Company assessed that the adoption of the above IFRSs would not have any material impact on the financial statements.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

| <b>New, Revised or Amended Standards and Interpretations</b>                                 | <b>Effective date<br/>per IASB</b> |
|----------------------------------------------------------------------------------------------|------------------------------------|
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"     | January 1, 2018                    |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018                    |
| IFRS 9 "Financial Instruments"                                                               | January 1, 2018                    |
| IFRS 15 "Revenue from Contracts with Customers"                                              | January 1, 2018                    |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"                          | January 1, 2017                    |
| Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017                    |
| Amendments to IAS 40 "Transfers of Investment Property"                                      | January 1, 2018                    |
| Annual Improvements to IFRS Standards 2014–2016 Cycle:                                       |                                    |
| Amendments to IFRS 12                                                                        | January 1, 2017                    |
| Amendments to IFRS 1 and Amendments to IAS 28                                                | January 1, 2018                    |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration"                           | January 1, 2018                    |

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

1. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2017, the Company had equity investments classified as available-for-sale with a fair value of \$2,221,320 thousand and financial assets measured at cost of \$708,967 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. Part of equity investments classified as available-for-sale with a fair value of \$2,199,057 thousand are held for sales of strategic purposes. An initial application of IFRS 9, the Company has designated these investments as FVTPL. An initial classification of bond portfolios with in active market is \$1,187,200 thousand. Since the cash flow of these investments are not just payment of principal and interest, the Company has designated these investments as FVTPL when initially application of IFRS 9. The Company estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of \$513,035 thousand in the reserves, as well as the increase of \$271,383 thousand and decrease of \$241,652 thousand in retained earnings and assets, respectively.

#### 2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company does not believe that impairment losses will have a material impact in the scope of the IFRS 9 impairment model.

#### 3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

### 4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

### 2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

#### 1) Rendering of services

The Company is involved in managing forest resources, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

Based on the Company's assessment, the fair value and the stand-alone selling prices of the services. Since these amounts are broadly similar, the Company does not expect significant differences in the timing of revenue recognition for these services.

#### 2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application ( i.e. 1 January 2018) will not be restated.

The Company estimates the adoption of IFRS 15, resulting in the increase of \$637,329 thousand and \$187,454 thousand in contract assets and contract liabilities, respectively; and a decrease of \$637,329 thousand and \$187,454 thousand in accounts receivable and advance sales receipts (recognized as under other current liabilities), respectively, on January 1, 2018.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

| <b>New, Revised or Amended Standards and Interpretations</b>                                                             | <b>Effective date per IASB</b>          |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Effective date to be determined by IASB |
| IFRS 16 "Leases"                                                                                                         | January 1, 2019                         |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2021                         |
| IFRIC 23 "Uncertainty over Income Tax Treatments"                                                                        | January 1, 2019                         |
| Amendments to IFRS 9 "Prepayment features with negative compensation"                                                    | January 1, 2019                         |
| Amendments to IAS 28 "Long-term interests in associates and joint ventures"                                              | January 1, 2019                         |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                                                                    | January 1, 2019                         |
| Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"                                                         | January 1, 2019                         |

Those which may be relevant to The Company are set out below:

| <b>Issuance / Release Dates</b> | <b>Standards or Interpretations</b>                                                                                      | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 11, 2014              | Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | <p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b> | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 13, 2016                    | IFRS 16 "Leases"                        | <p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                  |
| May 18, 2016                        | IFRS 17 "Insurance Contracts"           | <p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Recognition: the beginning of the coverage period of the Company of contracts, the date when the first payment from a policyholder in the Company becomes due and when the group becomes onerous shall recognize a Company of insurance contracts it issues from the earliest.</li> <li>• Measurement: on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.</li> <li>• Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.</li> </ul> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                                           | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| June 7, 2017                        | IFRIC 23 "Uncertainty over<br>Income Tax Treatments"                              | <ul style="list-style-type: none"> <li>• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>• If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul> |
| October 12, 2017                    | Amendments to IAS 28<br>"Long-term interests in<br>associates and joint ventures" | The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                                                                                                                                                                                                        | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 12, 2017                   | <p>Annual Improvements to IFRS Standards 2015–2017 Cycle:</p> <ul style="list-style-type: none"> <li>• IFRS 3 Business Combinations and IFRS 11 Joint Arrangements</li> <li>• IAS 12 Income Taxes</li> <li>• IAS 23 Borrowing Costs</li> </ul> | <ul style="list-style-type: none"> <li>• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. <ul style="list-style-type: none"> <li>– If a party maintain joint control, then the previously held interest is not remeasured.</li> <li>– If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.</li> </ul> </li> <li>• Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.</li> <li>• Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.</li> </ul> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| Issuance / Release<br>Dates | Standards or<br>Interpretations                                  | Content of amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| February 7, 2018            | Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | <p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>• on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and</li> <li>• the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognised in other comprehensive income.</li> </ul> |

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

**(4) Summary of Significant Accounting Policies**

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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

**(a) Statement of compliance**

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

**(b) Basis of preparation**

**1. Basis of measurement**

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profits or losses are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value;
- 3) The net defined benefit liability (asset) is recognized as the fair value of plan assets, less the present value of the defined benefit obligation.

**2. Functional and presentation currency**

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(c) Foreign currency ”

1. Foreign currency transactions

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

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

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

2. Foreign operations

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

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

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

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

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

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents ”

Cash and cash equivalents comprise cash on hand and saving accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. The time deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

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

(f) Financial instruments ”

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

1. Financial assets

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

1) Financial assets at fair value through profit or loss

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

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**2) Available-for sale financial assets**

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

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

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

**3) Loans and receivables**

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

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

Interest income is recognized in profit or loss, and it is included in “other income” of non-operating income and expenses.

**4) Impairment of financial assets**

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in "other gains and losses" of non-operating income and expenses.

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

### 5) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is included in “other gains and losses” of non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

## 2. Financial liabilities and equity instruments

### 1) Classification of debt or equity

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

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

### 2) Financial liabilities at fair value through profit or loss

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

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

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in “other gains and losses” of non-operating income and expenses.

### 3) Other financial liabilities

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

### 4) Derecognition of financial liabilities

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

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### 5) Offsetting of financial assets and liabilities

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

#### (g) Inventories "

Fuels purchased by the Company are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs incurred in bringing them to their existing location and condition. Inventory cost is calculated using the first-in first-out principle.

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

#### (h) Investment in associates

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

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

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

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

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

#### (i) Subsidiaries

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

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

#### (j) Property, plant, and equipment "

##### 1. Recognition and measurement

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

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

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

### 2. Subsequent cost

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

### 3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

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

|                            | <u>The Company</u> |
|----------------------------|--------------------|
| Buildings                  | 23~ 57 years       |
| Vessels                    | 2~ 25 years        |
| Containers                 | 3~ 10 years        |
| Privileged wharf equipment | 2~ 10 years        |
| Other equipment            | 4~ 16 years        |

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimates.

### (k) Leases

#### 1. Lessee

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

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(l) Intangible assets ”

1. Intangible assets

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

2. Subsequent expenditure

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

3. Amortization

The amortizable amount is the cost of an asset, less its residual value.

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

|            |             |
|------------|-------------|
| Software   | 2~ 5 years  |
| Trademarks | 5~ 10 years |

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

(m) Impairment – non-financial assets ”

The carrying amounts of the Company’s nonfinancial assets, other than inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset’s cash generating unit (CGU).

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

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

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

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

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

(n) Revenue ”

1. Freight Revenue

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

2. Rental Revenue

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

3. Terminal operating revenue

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

4. Other service revenue

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

(o) Employee benefits ”

1. Defined contribution plans

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

2. Defined benefit plans

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

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

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any resulting change in the fair value of plan assets any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

#### 3. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

#### 4. Short-term employee benefits

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

#### (p) Income taxes "

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

(q) Earnings per share ”

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

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

(r) Operating segments ”

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

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

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

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Revenue recognition

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

**(6) " Explanation to Significant Accounts "**

(a) Cash and cash equivalents

|                                                      | <u>2017.12.31</u>    | <u>2016.12.31</u> |
|------------------------------------------------------|----------------------|-------------------|
| Cash on hand                                         | \$ 48,292            | 42,780            |
| Savings accounts                                     | 180,999              | 194,296           |
| Time deposits                                        | <u>12,621,507</u>    | <u>13,835,808</u> |
| Cash and cash equivalents in statement of cash flows | <u>\$ 12,850,798</u> | <u>14,072,884</u> |

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

(b) Financial assets "

1. Details of financial assets:

|                                      | <u>2017.12.31</u>   | <u>2016.12.31</u> |
|--------------------------------------|---------------------|-------------------|
| Available-for-sale financial assets  | \$ 4,420,377        | 4,161,528         |
| Financial assets measured at cost    | 708,967             | 708,967           |
| Bond portfolios with inactive market | <u>1,187,200</u>    | <u>1,288,800</u>  |
| Total                                | <u>\$ 6,316,544</u> | <u>6,159,295</u>  |
| Current                              | \$ 4,242,631        | 3,984,324         |
| Non-current                          | <u>2,073,913</u>    | <u>2,174,971</u>  |
| Total                                | <u>\$ 6,316,544</u> | <u>6,159,295</u>  |

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

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

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

As of December 31, 2017 and 2016, the Company's financial assets were not pledged as collateral.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

2. Sensitivity analysis-equity price risk:

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

| Equity price at reporting date | 2017                                 |                         | 2016                                 |                         |
|--------------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                                | After-tax other comprehensive income | After-tax profit (loss) | After-tax other comprehensive income | After-tax profit (loss) |
| Increase 1%                    | \$ <u>44,204</u>                     | <u>-</u>                | <u>41,615</u>                        | <u>-</u>                |
| Decrease 1%                    | \$ <u>(44,204)</u>                   | <u>-</u>                | <u>(41,615)</u>                      | <u>-</u>                |

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

|                                          | 2017.12.31          | 2016.12.31       |
|------------------------------------------|---------------------|------------------|
| Notes receivable                         | \$ 23,207           | 23,586           |
| Accounts receivable                      | 1,940,566           | 1,438,665        |
| Other receivables                        | 792,150             | 809,736          |
| Receivables from agents                  | 1,551,315           | 1,624,191        |
| Less: Allowance for doubtful receivables | <u>(358)</u>        | <u>(358)</u>     |
|                                          | <u>\$ 4,306,880</u> | <u>3,895,820</u> |

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

|                             | 2017.12.31        | 2016.12.31     |
|-----------------------------|-------------------|----------------|
| Over due 0-30 days          | \$ 126,531        | 82,633         |
| Over due 31-120 days        | 12,216            | 21,179         |
| Over due 121-365 days       | 33,098            | 1,034          |
| Over due more than 365 days | <u>3</u>          | <u>606</u>     |
|                             | <u>\$ 171,848</u> | <u>105,452</u> |

The movement in the allowance for notes receivables, accounts receivables, other receivables, and receivable from agents for the years ended December 31, 2017 and 2016 were as follows:

|                                 | Individually assessed impairment | Collectively assessed impairment | Total      |
|---------------------------------|----------------------------------|----------------------------------|------------|
| Balance as of January 1, 2017   | \$ -                             | 358                              | 358        |
| Balance as of December 31, 2017 | <u>\$ -</u>                      | <u>358</u>                       | <u>358</u> |
| Balance as of January 1, 2016   | \$ -                             | 364                              | 364        |
| Reversal/write-off              | <u>-</u>                         | <u>(6)</u>                       | <u>(6)</u> |
| Balance as of December 31, 2016 | <u>\$ -</u>                      | <u>358</u>                       | <u>358</u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(d) Inventories "

|                                                                 | <b>2017.12.31</b>        | <b>2016.12.31</b>     |
|-----------------------------------------------------------------|--------------------------|-----------------------|
| Marine diesel oil                                               | \$ 99,086                | 99,011                |
| Marine residual fuel oil                                        | 876,343                  | 829,215               |
| Fresh lubricating oil                                           | <u>4,921</u>             | <u>6,820</u>          |
| Sub total                                                       | 980,350                  | 935,046               |
| Less: Allowance for inventory valuation and obsolescence losses | -                        | (39)                  |
| Total                                                           | <u><u>\$ 980,350</u></u> | <u><u>935,007</u></u> |

In 2017 and 2016, the reversal of write-downs amounted to \$39 thousand and \$41,381 thousand due to the elimination of the write-down factor.

As of December 31, 2017 and 2016, the Company's did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

|              | <b>2017.12.31</b>           | <b>2016.12.31</b>        |
|--------------|-----------------------------|--------------------------|
| Subsidiaries | \$ 25,402,429               | 26,624,295               |
| Associates   | <u>503,519</u>              | <u>278,307</u>           |
|              | <u><u>\$ 25,905,948</u></u> | <u><u>26,902,602</u></u> |

1. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2017.

2. Associates

For the first quarter of 2017, the Company acquired 16.50% of the shares of Hai Phong International Container Terminal Company Limited (HICT) for USD6,459 thousand in cash, and has significant influence on it.

The financial information for investments accounted for using the equity method that are individually insignificant were as follows:

|                                                                 | <b>2017.12.31</b>        | <b>2016.12.31</b>     |
|-----------------------------------------------------------------|--------------------------|-----------------------|
| Carrying amount of individually insignificant associates equity | <u><u>\$ 503,519</u></u> | <u><u>278,307</u></u> |
|                                                                 | <b>2017</b>              | <b>2016</b>           |
| Comprehensive income attributable to owners of parent:          |                          |                       |
| Net income loss/after tax from continuing operations            | \$ 78,930                | 46,720                |
| Total comprehensive income                                      | <u><u>\$ 78,930</u></u>  | <u><u>46,720</u></u>  |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3. Collaterals**

As of December 31, 2017 and 2016, the Company's did not provide any investment accounted for using equity method as collaterals.

**(f) Property, plant and equipment "**

The cost, depreciation and impairment of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016, were as follows:

|                                   | <u>Land</u>       | <u>Buildings</u> | <u>Vessels</u>   | <u>Containers</u> | <u>Other equipment</u> | <u>Privileged wharf equipment</u> | <u>Total</u>      |
|-----------------------------------|-------------------|------------------|------------------|-------------------|------------------------|-----------------------------------|-------------------|
| Cost:                             |                   |                  |                  |                   |                        |                                   |                   |
| " Balance at January 1, 2017      | \$ 620,477        | 123,736          | 4,168,225        | 18,729,900        | 1,083,744              | 1,405,783                         | 26,131,865        |
| " Additions                       | -                 | -                | 36,019           | 4,110,318         | 28,206                 | 39,256                            | 4,213,799         |
| " Reclassification                | -                 | -                | 58,924           | -                 | -                      | 79,161                            | 138,085           |
| " Disposals                       | -                 | -                | -                | (626,883)         | (484,693)              | -                                 | (1,111,576)       |
| " Balance at December 31, 2017    | <u>\$ 620,477</u> | <u>123,736</u>   | <u>4,263,168</u> | <u>22,213,335</u> | <u>627,257</u>         | <u>1,524,200</u>                  | <u>29,372,173</u> |
| " Balance at January 1, 2016      | \$ 620,477        | 123,736          | 3,638,080        | 18,543,014        | 976,813                | 1,182,800                         | 25,084,920        |
| " Additions                       | -                 | -                | 530,145          | 1,492,030         | 74,532                 | 111,805                           | 2,208,512         |
| " Reclassification                | -                 | -                | -                | -                 | 44,558                 | 111,178                           | 155,736           |
| " Disposals                       | -                 | -                | -                | (1,305,144)       | (12,159)               | -                                 | (1,317,303)       |
| " Balance at December 31, 2016    | <u>\$ 620,477</u> | <u>123,736</u>   | <u>4,168,225</u> | <u>18,729,900</u> | <u>1,083,744</u>       | <u>1,405,783</u>                  | <u>26,131,865</u> |
| Depreciation and impairment loss: |                   |                  |                  |                   |                        |                                   |                   |
| " Balance at January 1, 2017      | \$ -              | 63,889           | 3,331,655        | 11,700,481        | 720,108                | 673,124                           | 16,489,257        |
| " Depreciation for the year       | -                 | 2,726            | 184,528          | 670,293           | 74,887                 | 77,251                            | 1,009,685         |
| " Disposals                       | -                 | -                | -                | (586,136)         | (484,693)              | -                                 | (1,070,829)       |
| " Balance at December 31, 2017    | <u>\$ -</u>       | <u>66,615</u>    | <u>3,516,183</u> | <u>11,784,638</u> | <u>310,302</u>         | <u>750,375</u>                    | <u>16,428,113</u> |
| " Balance at January 1, 2016      | \$ -              | 61,162           | 3,178,303        | 12,292,944        | 651,375                | 611,669                           | 16,795,453        |
| " Depreciation for the year       | -                 | 2,727            | 153,352          | 611,420           | 80,892                 | 61,455                            | 909,846           |
| " Disposals                       | -                 | -                | -                | (1,203,883)       | (12,159)               | -                                 | (1,216,042)       |
| " Balance at December 31, 2016    | <u>\$ -</u>       | <u>63,889</u>    | <u>3,331,655</u> | <u>11,700,481</u> | <u>720,108</u>         | <u>673,124</u>                    | <u>16,489,257</u> |
| Carrying amounts:                 |                   |                  |                  |                   |                        |                                   |                   |
| " Balance at December 31, 2017    | <u>\$ 620,477</u> | <u>57,121</u>    | <u>746,985</u>   | <u>10,428,697</u> | <u>316,955</u>         | <u>773,825</u>                    | <u>12,944,060</u> |
| " Balance at December 31, 2016    | <u>\$ 620,477</u> | <u>59,847</u>    | <u>836,570</u>   | <u>7,029,419</u>  | <u>363,636</u>         | <u>732,659</u>                    | <u>9,642,608</u>  |
| " Balance at January 1, 2016      | <u>\$ 620,477</u> | <u>62,574</u>    | <u>459,777</u>   | <u>6,250,070</u>  | <u>325,438</u>         | <u>571,131</u>                    | <u>8,289,467</u>  |

As of December 31, 2017 and 2016, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings; please refer to note (8).

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(g) Intangible assets "

The costs and amortization of the intangible assets of the Company for the years ended December 31, 2017 and 2016, were as follows:

|                                   | <b>Computer<br/>software</b> | <b>Trademarks</b> | <b>Total</b>  |
|-----------------------------------|------------------------------|-------------------|---------------|
| Costs:                            |                              |                   |               |
| " Balance at January 1, 2017      | \$ 45,909                    | 4,773             | 50,682        |
| " Additions                       | 28,883                       | 98                | 28,981        |
| " Reclassification                | 17,452                       | 901               | 18,353        |
| " Disposals                       | (12,669)                     | -                 | (12,669)      |
| " Balance at December 31, 2017    | <u>\$ 79,575</u>             | <u>5,772</u>      | <u>85,347</u> |
| " Balance at January 1, 2016      | \$ 64,580                    | 1,913             | 66,493        |
| " Additions                       | 10,314                       | 385               | 10,699        |
| " Reclassification                | 1,086                        | 2,694             | 3,780         |
| " Disposals                       | (30,071)                     | (219)             | (30,290)      |
| " Balance at December 31, 2016    | <u>\$ 45,909</u>             | <u>4,773</u>      | <u>50,682</u> |
| Amortization and impairment loss: |                              |                   |               |
| " Balance at January 1, 2017      | \$ 21,594                    | 2,079             | 23,673        |
| " Amortization for the year       | 21,509                       | 695               | 22,204        |
| " Disposals                       | (12,669)                     | -                 | (12,669)      |
| " Balance at December 31, 2017    | <u>\$ 30,434</u>             | <u>2,774</u>      | <u>33,208</u> |
| " Balance at January 1, 2016      | \$ 28,892                    | 739               | 29,631        |
| " Amortization for the year       | 22,773                       | 1,559             | 24,332        |
| " Disposals                       | (30,071)                     | (219)             | (30,290)      |
| " Balance at December 31, 2016    | <u>\$ 21,594</u>             | <u>2,079</u>      | <u>23,673</u> |
| Carrying amounts:                 |                              |                   |               |
| " Balance at December 31, 2017    | <u>\$ 49,141</u>             | <u>2,998</u>      | <u>52,139</u> |
| " Balance at December 31, 2016    | <u>\$ 24,315</u>             | <u>2,694</u>      | <u>27,009</u> |
| " Balance at January 1, 2016      | <u>\$ 35,688</u>             | <u>1,174</u>      | <u>36,862</u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

1. Recognition of amortization and impairment

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

|                   | <u>2017</u>      | <u>2016</u>   |
|-------------------|------------------|---------------|
| Operating costs   | \$ <u>664</u>    | <u>495</u>    |
| Operating expense | \$ <u>21,540</u> | <u>23,837</u> |

(h) Term loans "

The borrowings were summarized as follows:

| <b>2017.12.31</b>                     |                 |                              |                           |                     |
|---------------------------------------|-----------------|------------------------------|---------------------------|---------------------|
|                                       | <u>Currency</u> | <u>Interest rate collars</u> | <u>Expiration</u>         | <u>Amount</u>       |
| Unsecured bank loans                  | USD             | 2.39%                        | 2022/12/21                | \$ 222,600          |
| Unsecured bank loans                  | TWD             | 0.96%~1.12%                  | 2018/01/03-<br>2018/01/25 | 900,000             |
| Secured bank loans                    | USD             | 1.67%~2.56%                  | 2018/05/09-<br>2022/12/25 | 4,983,866           |
| Secured bank loans                    | TWD             | 1.16%                        | 2021/12/21                | 500,000             |
| Commercial paper                      | TWD             | 0.59%~0.98%                  | 2019/12/27-<br>2020/06/22 | 2,600,000           |
|                                       |                 |                              |                           | <u>9,206,466</u>    |
| Less: Discount on<br>commercial paper |                 |                              |                           | (859)               |
| Current portion                       |                 |                              |                           | <u>(2,599,279)</u>  |
| Total                                 |                 |                              |                           | \$ <u>6,606,328</u> |
| Unused loan credit                    |                 |                              |                           | \$ <u>6,691,123</u> |

| <b>2016.12.31</b>                     |                 |                              |                           |                     |
|---------------------------------------|-----------------|------------------------------|---------------------------|---------------------|
|                                       | <u>Currency</u> | <u>Interest rate collars</u> | <u>Expiration</u>         | <u>Amount</u>       |
| Secured bank loans                    | USD             | 1.15%~2.04%                  | 2018/05/09-<br>2021/08/08 | \$ 5,856,308        |
| Secured bank loans                    | TWD             | 1.16%                        | 2021/12/21                | 500,000             |
| Commercial paper                      | TWD             | 0.86%~0.98%                  | 2019/12/27                | <u>1,600,000</u>    |
|                                       |                 |                              |                           | 7,956,308           |
| Less: Discount on<br>commercial paper |                 |                              |                           | (2,863)             |
| Current portion                       |                 |                              |                           | <u>(1,090,325)</u>  |
| Total                                 |                 |                              |                           | \$ <u>6,863,120</u> |
| Unused loan credit                    |                 |                              |                           | \$ <u>7,746,750</u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

For the collateral for borrowings, please refer to note 8.

(i) Bonds payable "

| <b>2017.12.31</b>                             |                 |                                  |                           |                             |
|-----------------------------------------------|-----------------|----------------------------------|---------------------------|-----------------------------|
|                                               | <b>Currency</b> | <b>Interest rate<br/>collars</b> | <b>Expiration</b>         | <b>Amount</b>               |
| Unsecured bank-2011 first domestic bond issue | TWD             | 1.85%                            | 2018/06/24                | \$ 4,500,000                |
| Unsecured bank-2014 first domestic bond issue | TWD             | 1.65%-1.95%                      | 2019/08/14-<br>2021/08/14 | 1,800,000                   |
| Unsecured bank-2016 first domestic bond issue | TWD             | 1.18%                            | 2021/06/21                | 3,000,000                   |
| Unsecured bank-2017 first domestic bond issue | TWD             | 1.55%                            | 2022/06/26                | 2,100,000                   |
| Total                                         |                 |                                  |                           | <u><u>\$ 11,400,000</u></u> |
| Current                                       |                 |                                  |                           | \$ 4,500,000                |
| Non-current                                   |                 |                                  |                           | <u>6,900,000</u>            |
| Total                                         |                 |                                  |                           | <u><u>\$ 11,400,000</u></u> |

| <b>2016.12.31</b>                              |                 |                                  |                           |                             |
|------------------------------------------------|-----------------|----------------------------------|---------------------------|-----------------------------|
|                                                | <b>Currency</b> | <b>Interest rate<br/>collars</b> | <b>Expiration</b>         | <b>Amount</b>               |
| Unsecured bank-2011 first domestic bond issue  | TWD             | 1.85%                            | 2018/06/24                | \$ 4,500,000                |
| Unsecured bank-2011 second domestic bond issue | TWD             | 1.75%                            | 2017/07/28                | 2,900,000                   |
| Unsecured bank-2014 first domestic bond issue  | TWD             | 1.65%-1.95%                      | 2019/08/14-<br>2021/08/14 | 1,800,000                   |
| Unsecured bank-2016 first domestic bond issue  | TWD             | 1.18%                            | 2021/06/21                | 3,000,000                   |
| Total                                          |                 |                                  |                           | <u><u>\$ 12,200,000</u></u> |
| Current                                        |                 |                                  |                           | \$ 2,900,000                |
| Non-current                                    |                 |                                  |                           | <u>9,300,000</u>            |
| Total                                          |                 |                                  |                           | <u><u>\$ 12,200,000</u></u> |

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

### 1. Unsecured bank-2011 first domestic bond issue

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

#### 1) Issue amount

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

#### 2) Nominal amount

Par value TWD1,000 thousand per unit.

#### 3) Issuance period

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

#### 4) Issued price: at par value

#### 5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

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

#### 7) Redemption on the maturity date

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

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

#### 9) Trustee

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

#### 10) Agency for payment of principal and interest

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

#### 11) Underwriter: None

#### 12) Announcement

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

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Unsecured bank-2014 first domestic bond issue

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

##### 1) Issue amount

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

##### 2) Nominal amount

Par value TWD 1,000 thousand per unit.

##### 3) Issuance period

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

##### 4) Issued price: at par value

##### 5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

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

##### 7) Redemption on the maturity date

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

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

##### 9) Trustee

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

##### 10) Agency for payment of principal and interest

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

##### 11) Underwriter: None.

##### 12) Announcement

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

3. Unsecured bank-2016 first domestic bond issue

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

1) Issue amount

TWD3,000,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

The issuance date is June 21, 2016; the maturity date is June 21, 2021 the maturity period is five years.

4) Issued price: at par value

5) Nominal interest rate: 1.18%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: MasterLink Securities Corporation.

12) Announcement

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

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Unsecured bank-2017 first domestic bond issue

The Company issued an unsecured corporate bond in June 2017. It was the Company's first domestic bond issue in 2017 and was effective upon submission to the regulatory authority on June 15, 2017. The issuance terms were as follows:

##### 1) Issue amount

TWD2,100,000 thousand.

##### 2) Nominal amount

Par value TWD1,000 thousand per unit.

##### 3) Issuance period

The issuance date is June 26, 2017; the maturity date is June 26, 2022; the maturity period is five years.

##### 4) Issued price: at par value

##### 5) Nominal interest rate: 1.55%

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

##### 7) Redemption on the maturity date

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

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

##### 9) Trustee

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

##### 10) Agency for payment of principal and interest

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

11) Underwriter: Yuanta Securities Corporation is the primary underwriter.

##### 12) Announcement

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(j) Operating leases "

1. Lease as lessee

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

|                            | <b>2017.12.31</b>    | <b>2016.12.31</b> |
|----------------------------|----------------------|-------------------|
| Less than one year         | \$ 7,759,814         | 5,765,480         |
| Between one and five years | 26,404,503           | 19,979,357        |
| More than five years       | 1,689,413            | 1,758,995         |
|                            | <b>\$ 35,853,730</b> | <b>27,503,832</b> |

The Company lease a number of offices and vessels under operating leases. The leases typically run for a period of 1 to 3 years.

(k) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value as follows:

|                                                  | <b>2017.12.31</b> | <b>2016.12.31</b> |
|--------------------------------------------------|-------------------|-------------------|
| Present value of the defined benefit obligations | \$ 1,142,297      | 1,094,909         |
| Fair value of plan assets                        | (582,772)         | (513,193)         |
| Present value of the defined benefit obligations | <b>\$ 559,525</b> | <b>581,716</b>    |

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to \$582,772 thousand as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

2) Movements in present value of the defined benefit obligations

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

|                                                                         | <b>2017</b>                | <b>2016</b>             |
|-------------------------------------------------------------------------|----------------------------|-------------------------|
| Defined benefit obligation at January 1                                 | \$ 1,094,909               | 1,105,961               |
| Current service costs and interest cost                                 | 28,288                     | 32,571                  |
| Remeasurement loss (gain)                                               |                            |                         |
| " — Actuarial loss (gain) arising from changes in financial assumptions | 52,055                     | 82,787                  |
| Benefits paid                                                           | (32,955)                   | (126,410)               |
| Defined benefit obligation at December 31                               | <u><u>\$ 1,142,297</u></u> | <u><u>1,094,909</u></u> |

3) Movements of defined benefit plan assets

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

|                                                        | <b>2017</b>              | <b>2016</b>           |
|--------------------------------------------------------|--------------------------|-----------------------|
| Fair value of plan assets at January 1                 | \$ 513,193               | 512,003               |
| Interest income                                        | 7,153                    | 8,580                 |
| Remeasurement loss (gain)                              |                          |                       |
| " — Return on plan assets (excluding current interest) | (1,936)                  | (4,859)               |
| Contribution paid by the employer                      | 78,132                   | 93,286                |
| Benefits paid                                          | (13,770)                 | (95,817)              |
| Fair value of plan assets at December 31               | <u><u>\$ 582,772</u></u> | <u><u>513,193</u></u> |

4) Expenses recognized in profit or loss

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

|                                                                         | <b>2017</b>             | <b>2016</b>          |
|-------------------------------------------------------------------------|-------------------------|----------------------|
| Current service costs                                                   | \$ 13,868               | 15,106               |
| Net interest of net liabilities (assets) for defined benefit obligation | 7,267                   | 8,886                |
|                                                                         | <u><u>\$ 21,135</u></u> | <u><u>23,992</u></u> |
| Operating costs                                                         | \$ 10,446               | 11,493               |
| Selling expenses                                                        | 10,689                  | 12,499               |
|                                                                         | <u><u>\$ 21,135</u></u> | <u><u>23,992</u></u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

5) Actuarial gains and losses recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the year ended December 31, 2017 and 2016, were as follows:

|                                   | <u>2017</u>                | <u>2016</u>            |
|-----------------------------------|----------------------------|------------------------|
| Accumulated amount at January 1   | \$ (47,804)                | 39,842                 |
| Recognized during the period      | (53,991)                   | (87,646)               |
| Accumulated amount at December 31 | <u><u>\$ (101,795)</u></u> | <u><u>(47,804)</u></u> |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

|                             | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------|-------------|
| Discount rate               | 1.15 %      | 1.32 %      |
| Future salary increase rate | 3.00 %      | 3.00 %      |

The Company will pay to the defined benefit plans which amounted to \$64,178 thousand within 1 year after the report day of 2017.

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

7) Sensitivity analysis

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

|                               | <u>Influences of defined benefit obligation</u> |                        |
|-------------------------------|-------------------------------------------------|------------------------|
|                               | <u>Increased 0.50%</u>                          | <u>Decreased 0.50%</u> |
| December 31, 2017             |                                                 |                        |
| Discount rate                 | \$ (60,587)                                     | 65,502                 |
| Future salary increasing rate | 58,147                                          | (54,557)               |
| December 31, 2016             |                                                 |                        |
| Discount rate                 | (60,374)                                        | 65,415                 |
| Future salary increasing rate | 58,408                                          | (54,681)               |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

2. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to \$46,392 thousand and \$43,516 thousand for the years ended December 31, 2017 and 2016, respectively.

(l) Income taxes

1. Income tax expense

|                                                   | <u>2017</u>       | <u>2016</u>     |
|---------------------------------------------------|-------------------|-----------------|
| Current income tax expense:                       |                   |                 |
| " Current period                                  | \$ 276,693        | 441,083         |
| " Adjustment for prior periods                    | <u>54,321</u>     | <u>(40,630)</u> |
|                                                   | <u>331,014</u>    | <u>400,453</u>  |
| Deferred tax expense:                             |                   |                 |
| Origination and reversal of temporary differences | <u>160,316</u>    | <u>(84,748)</u> |
| Income tax expense from continuing operations     | <u>\$ 491,330</u> | <u>315,705</u>  |

No income tax recognized directly in equity for 2017 and 2016.

The amount of income tax recognized in other comprehensive income for 2017 and 2016 were as follows:

|                                                                     | <u>2017</u>       | <u>2016</u>    |
|---------------------------------------------------------------------|-------------------|----------------|
| Items that will not be reclassified subsequently to profit or loss: |                   |                |
| " Actuarial losses and gains on defined benefit plans               | <u>\$ (9,178)</u> | <u>-</u>       |
| Items that will be reclassified subsequently to profit or loss:     |                   |                |
| " Exchange differences on translation of foreign operations         | <u>\$ (5,132)</u> | <u>(2,161)</u> |

Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

|                                                  | <u>2017</u>         | <u>2016</u>      |
|--------------------------------------------------|---------------------|------------------|
| Profit excluding income tax                      | <u>\$ 3,033,219</u> | <u>1,457,385</u> |
| Income tax using the Company's domestic tax rate | \$ 515,647          | 247,755          |
| Effect of tax rates in foreign jurisdiction      | -                   | (55)             |
| Non-deductible expense                           | 53,901              | 69,319           |
| Tax-exempt income                                | (104,027)           | (54,347)         |
| Under (Over) provision in prior periods          | 54,321              | (40,630)         |
| Income tax credit                                | (30,506)            | -                |
| 10% surtax on unappropriated earnings            | <u>1,994</u>        | <u>93,663</u>    |
| Total                                            | <u>\$ 491,330</u>   | <u>315,705</u>   |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

|                                                  | <b>Investment (loss)<br/>gain under the<br/>equity method</b> | <b>Deferred<br/>depreciation<br/>expense</b> | <b>Others</b>        | <b>Total</b>            |
|--------------------------------------------------|---------------------------------------------------------------|----------------------------------------------|----------------------|-------------------------|
| <b>Deferred Tax Liabilities:</b>                 |                                                               |                                              |                      |                         |
| Balance at January 1, 2017                       | \$ 664,068                                                    | 255,541                                      | 13,502               | 933,111                 |
| Debited (Credited) Income statement              | <u>40,443</u>                                                 | <u>128,876</u>                               | <u>(13,502)</u>      | <u>155,817</u>          |
| Balance at December 31, 2017                     | <u><b>\$ 704,511</b></u>                                      | <u><b>384,417</b></u>                        | <u><b>-</b></u>      | <u><b>1,088,928</b></u> |
| Balance at January 1, 2016                       | \$ 892,853                                                    | 153,644                                      | -                    | 1,046,497               |
| Debited (Credited) Income statement              | <u>(228,785)</u>                                              | <u>101,897</u>                               | <u>13,502</u>        | <u>(113,386)</u>        |
| Balance at December 31, 2016                     | <u><b>\$ 664,068</b></u>                                      | <u><b>255,541</b></u>                        | <u><b>13,502</b></u> | <u><b>933,111</b></u>   |
|                                                  | <b>Defined<br/>Benefit Plans</b>                              | <b>Loss Carry<br/>forward</b>                | <b>Others</b>        | <b>Total</b>            |
| <b>Deferred Tax Assets:</b>                      |                                                               |                                              |                      |                         |
| Balance at January 1, 2017                       | \$ 83,992                                                     | -                                            | 28,167               | 112,159                 |
| (Debited) Credited Income statement              | <u>(12,951)</u>                                               | <u>-</u>                                     | <u>8,452</u>         | <u>(4,499)</u>          |
| (Debited) Credited Other Comprehensive<br>Income | <u>9,178</u>                                                  | <u>-</u>                                     | <u>5,132</u>         | <u>14,310</u>           |
| Balance at December 31, 2017                     | <u><b>\$ 80,219</b></u>                                       | <u><b>-</b></u>                              | <u><b>41,751</b></u> | <u><b>121,970</b></u>   |
| Balance at January 1, 2016                       | \$ 100,973                                                    | -                                            | 37,663               | 138,636                 |
| (Debited) Credited Income statement              | <u>(16,981)</u>                                               | <u>-</u>                                     | <u>(11,657)</u>      | <u>(28,638)</u>         |
| (Debited) Credited Other Comprehensive<br>Income | <u>-</u>                                                      | <u>-</u>                                     | <u>2,161</u>         | <u>2,161</u>            |
| Balance at December 31, 2016                     | <u><b>\$ 83,992</b></u>                                       | <u><b>-</b></u>                              | <u><b>28,167</b></u> | <u><b>112,159</b></u>   |

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

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

|                                                                | <b>2017.12.31</b>       | <b>2016.12.31</b>          |
|----------------------------------------------------------------|-------------------------|----------------------------|
| Unappropriated earnings of 1998 and after                      | Note                    | <u><b>\$ 2,635,957</b></u> |
| Balance of imputation credit account (ICA)                     | Note                    | <u><b>\$ 1,134,120</b></u> |
|                                                                | <b>2017 (estimated)</b> | <b>2016 (actual)</b>       |
| Creditable ratio for earnings distribution<br>to ROC residents | Note                    | <u><b>30.16 %</b></u>      |

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

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(m) Capital and other equity "

As of December 31, 2017 and 2016, the Company's authorized capital consisted of 2,500,000 thousand shares, amounting to \$25,000,000 thousand, with par value of \$10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

1. Capital surplus

The balance of capital surplus was as follows:

|                                                                                | <u>2017.12.31</u>   | <u>2016.12.31</u> |
|--------------------------------------------------------------------------------|---------------------|-------------------|
| Premium on ordinary shares                                                     | \$ 22,839           | 22,839            |
| Paid-in capital in excess of par value through<br>conversion of corporate bond | 1,222,787           | 1,222,787         |
| Change in equity of subsidiaries accounted for<br>under equity method          | 16,055              | 16,055            |
|                                                                                | <u>\$ 1,261,681</u> | <u>1,261,681</u>  |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

2. Retained earnings

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

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

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The earnings distribution for 2016 and 2015 was decided by the general meeting of shareholders held on June 22, 2017 and June 29, 2016, respectively.

The relevant dividend distribution to shareholders was as follows:

|                                                | <b>2016</b>                    |                       | <b>2015</b>                    |                         |
|------------------------------------------------|--------------------------------|-----------------------|--------------------------------|-------------------------|
|                                                | <b>Dividend per share (\$)</b> | <b>Amount</b>         | <b>Dividend per share (\$)</b> | <b>Amount</b>           |
| Dividends distributed to ordinary shareholders |                                |                       |                                |                         |
| Cash                                           | \$ 0.40                        | <u><b>887,319</b></u> | 1.20                           | <u><b>2,661,957</b></u> |

3. Other equity (net of tax)

|                                                            | <b>Exchange differences on translation of foreign financial statements</b> | <b>Available for-sale investments</b> | <b>Total</b>              |
|------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------|---------------------------|
| Balance at January 1, 2017                                 | \$ 572,600                                                                 | 12,120                                | 584,720                   |
| Exchange differences on foreign operations                 | (2,052,858)                                                                | -                                     | (2,052,858)               |
| Unrealized gains (losses) on available-for-sale investment | -                                                                          | 340,656                               | 340,656                   |
| Balance at December 31, 2017                               | <u><b>\$ (1,480,258)</b></u>                                               | <u><b>352,776</b></u>                 | <u><b>(1,127,482)</b></u> |
| Balance at January 1, 2016                                 | \$ 792,182                                                                 | (222,810)                             | 569,372                   |
| Exchange differences on foreign operations                 | (219,582)                                                                  | -                                     | (219,582)                 |
| Unrealized gains (losses) on available-for-sale investment | -                                                                          | 234,930                               | 234,930                   |
| Balance at December 31, 2016                               | <u><b>\$ 572,600</b></u>                                                   | <u><b>12,120</b></u>                  | <u><b>584,720</b></u>     |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(n) Earnings per share "

The calculation of basic earnings per share and diluted earnings per share at December 31, 2017 and 2016 were as follows:

|                                                                                                                   | <u>2017</u>         | <u>2016</u>      |
|-------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| <b>Basic earnings per share</b>                                                                                   |                     |                  |
| Profit attributable to ordinary shareholders                                                                      | \$ <u>2,541,889</u> | <u>1,141,680</u> |
| Weighted-average number of ordinary shares                                                                        | <u>2,218,297</u>    | <u>2,218,297</u> |
| Basic earnings per share (In Dollars of New Taiwan Dollars)                                                       | \$ <u>1.15</u>      | <u>0.51</u>      |
| <b>Diluted earnings per share</b>                                                                                 |                     |                  |
| Profit attributable to ordinary shareholders (adjusted for the effects of all dilutive potential ordinary shares) | \$ <u>2,541,889</u> | <u>1,141,680</u> |
| Weighted-average number of ordinary shares                                                                        | 2,218,297           | 2,218,297        |
| Effects of all dilutive potential ordinary shares                                                                 | <u>1,778</u>        | <u>1,540</u>     |
| Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)   | <u>2,220,075</u>    | <u>2,219,837</u> |
| Diluted earnings per share (In Dollars of New Taiwan Dollars)                                                     | \$ <u>1.14</u>      | <u>0.51</u>      |

(o) Revenue "

The details of revenue for the years ended December 31, 2017 and 2016 were as follows:

|              | <u>Continuing Operations</u> |                   |
|--------------|------------------------------|-------------------|
|              | <u>2017</u>                  | <u>2016</u>       |
| Freight      | \$ 46,758,475                | 46,649,725        |
| Rentals      | 2,907,788                    | 2,809,499         |
| WHL terminal | 617,037                      | 595,160           |
| Others       | <u>17,422</u>                | <u>16,461</u>     |
|              | \$ <u>50,300,722</u>         | <u>50,070,845</u> |

(p) Rewards of employees, directors and supervisors "

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to \$30,951 thousand and \$14,871 thousand, and directors' and supervisors' remuneration amounting to \$30,951 thousand and \$14,871 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2017 and 2016.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(q) Non-operating income and expenses "

1. Other income

The details of other income for 2017 and 2016 were as follows:

|                   | <u>2017</u>       | <u>2016</u>    |
|-------------------|-------------------|----------------|
| Interest income:  |                   |                |
| " Bank deposit    | \$ 178,617        | 176,161        |
| " Others          | 35                | 120,361        |
| " Dividend income | <u>184,683</u>    | <u>170,284</u> |
|                   | <u>\$ 363,335</u> | <u>466,806</u> |

2. Other gains and losses

The details of other gains and losses for 2017 and 2016 were as follows:

|                                                                     | <u>2017</u>      | <u>2016</u>      |
|---------------------------------------------------------------------|------------------|------------------|
| Foreign exchange gains (losses)                                     | \$ (318,662)     | (576,023)        |
| Gains (losses) on disposal of investments and financial liabilities |                  |                  |
| Net gain or loss on disposal of available-for-sale financial assets | 52,817           | 8,884            |
| Impairment on financial assets                                      |                  |                  |
| Loss on impairment of financial assets measured at cost             | -                | (27,000)         |
| Loss on impairment of available for sale financial assets           | -                | (29,065)         |
| Gain on disposal of property, plant and equipment                   | 222,304          | 298,587          |
| Other                                                               | <u>55,083</u>    | <u>11,858</u>    |
|                                                                     | <u>\$ 11,542</u> | <u>(312,759)</u> |

3. Finance costs

The details of finance costs for 2017 and 2016 were as follows:

|                   | <u>2017</u>       | <u>2016</u>    |
|-------------------|-------------------|----------------|
| Interest expense: |                   |                |
| " Bank loans      | <u>\$ 326,530</u> | <u>315,297</u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(r) Financial instruments "

1. Financial instruments

Financial assets:

|                                                                                 | <b>2017.12.31</b>    | <b>2016.12.31</b> |
|---------------------------------------------------------------------------------|----------------------|-------------------|
| Available-for-sale financial assets (Include financial assets measured at cost) | \$ 5,129,344         | 4,870,495         |
| Loans and receivables:                                                          |                      |                   |
| " Cash and cash equivalents                                                     | 12,850,798           | 14,072,884        |
| " Bond portfolios with inactive market                                          | 1,187,200            | 1,288,800         |
| " Notes receivable, accounts receivable and other receivable                    | 2,755,565            | 2,271,629         |
| " Receivables from agents                                                       | 1,551,315            | 1,624,191         |
| Guarantee deposits paid (recorded in other non-current assets)                  | 130,270              | 126,867           |
| " sub-total                                                                     | 18,475,148           | 19,384,371        |
| " Total                                                                         | <b>\$ 23,604,492</b> | <b>24,254,866</b> |

Financial liabilities:

|                                                                | <b>2017.12.31</b>    | <b>2016.12.31</b> |
|----------------------------------------------------------------|----------------------|-------------------|
| Financial liabilities measured at cost:                        |                      |                   |
| " Accounts payable                                             | \$ 5,126,811         | 5,005,030         |
| " Other payable                                                | 2,026,626            | 498,020           |
| " Payables to agents                                           | 707,972              | 1,493,568         |
| " Other current liabilities                                    | 307,453              | 158,752           |
| " Bonds payable (Include current-portion of long-term loans)   | 11,400,000           | 12,200,000        |
| " Long-term loans (Include current-portion of long-term loans) | 9,205,607            | 7,953,445         |
| " Guarantee deposits received                                  | 1,235                | 2,551             |
| " Total                                                        | <b>\$ 28,775,704</b> | <b>27,311,366</b> |

2. Credit risks

1) Credit risks exposure

The carrying amount of financial assets represented the maximum amount exposed to credit risk.

2) Concentration of credit risk

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

# **WAN HAI LINES LTD.** **NOTES TO THE FINANCIAL STATEMENTS**

## 3. Liquidity risks

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

|                                              | <u>Carrying<br/>amount</u>  | <u>Contractual<br/>cash flows</u> | <u>Less than<br/>6 month</u> | <u>6 to 12<br/>months</u> | <u>1 to 2<br/>years</u> | <u>2 to 5<br/>years</u>  | <u>More than<br/>5 years</u> |
|----------------------------------------------|-----------------------------|-----------------------------------|------------------------------|---------------------------|-------------------------|--------------------------|------------------------------|
| <b>December 31, 2017</b>                     |                             |                                   |                              |                           |                         |                          |                              |
| <b>Non-derivative financial liabilities</b>  |                             |                                   |                              |                           |                         |                          |                              |
| " Secured bank loans                         | \$ 5,483,866                | 5,695,713                         | 933,385                      | 867,939                   | 1,754,490               | 2,139,899                | -                            |
| " Unsecured bank loans                       | 1,122,600                   | 1,139,355                         | 903,174                      | 2,704                     | 60,200                  | 173,277                  | -                            |
| " Commercial paper                           | 2,599,141                   | 2,670,583                         | 16,828                       | 17,825                    | 1,632,764               | 1,003,166                | -                            |
| " Account payables (Include related parties) | 5,126,811                   | 5,126,811                         | 5,126,811                    | -                         | -                       | -                        | -                            |
| " Other payables                             | 2,026,626                   | 2,026,626                         | 2,026,626                    | -                         | -                       | -                        | -                            |
| " Payables to agents                         | 707,972                     | 707,972                           | 707,972                      | -                         | -                       | -                        | -                            |
| " Other current liabilities                  | 307,453                     | 307,453                           | 307,453                      | -                         | -                       | -                        | -                            |
| " Bonds payable                              | 11,400,000                  | 11,883,000                        | 4,651,200                    | 32,100                    | 1,100,050               | 6,099,650                | -                            |
| " Guarantee deposits received                | 1,235                       | 1,235                             | 1,235                        | -                         | -                       | -                        | -                            |
|                                              | <u><u>\$ 28,775,704</u></u> | <u><u>29,558,748</u></u>          | <u><u>14,674,684</u></u>     | <u><u>920,568</u></u>     | <u><u>4,547,504</u></u> | <u><u>9,415,992</u></u>  | <u><u>-</u></u>              |
| <b>December 31, 2016</b>                     |                             |                                   |                              |                           |                         |                          |                              |
| <b>Non-derivative financial liabilities</b>  |                             |                                   |                              |                           |                         |                          |                              |
| " Secured bank loans                         | \$ 6,536,307                | 6,586,760                         | 474,353                      | 728,671                   | 1,864,412               | 3,519,324                | -                            |
| " Commercial paper                           | 1,597,137                   | 1,637,332                         | 4,336                        | 7,238                     | 14,437                  | 1,611,321                | -                            |
| " Account payables (Include related parties) | 5,005,030                   | 5,005,030                         | 5,005,030                    | -                         | -                       | -                        | -                            |
| " Other payables                             | 498,020                     | 498,020                           | 498,020                      | -                         | -                       | -                        | -                            |
| " Payables to agents                         | 1,493,568                   | 1,493,568                         | 1,493,568                    | -                         | -                       | -                        | -                            |
| " Other current liabilities                  | 158,752                     | 158,752                           | 158,752                      | -                         | -                       | -                        | -                            |
| " Bonds payable                              | 12,200,000                  | 12,721,750                        | 118,650                      | 2,982,850                 | 4,650,750               | 4,969,500                | -                            |
| " Guarantee deposits received                | 2,551                       | 2,551                             | 2,551                        | -                         | -                       | -                        | -                            |
|                                              | <u><u>\$ 27,491,365</u></u> | <u><u>28,103,763</u></u>          | <u><u>7,755,260</u></u>      | <u><u>3,718,759</u></u>   | <u><u>6,529,599</u></u> | <u><u>10,100,145</u></u> | <u><u>-</u></u>              |

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

## 4. Currency risk

### 1) Currency risk exposure

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

|                         | <b>2017.12.31</b>       |                      |            | <b>2016.12.31</b>       |                      |            |
|-------------------------|-------------------------|----------------------|------------|-------------------------|----------------------|------------|
|                         | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| <b>Financial assets</b> |                         |                      |            |                         |                      |            |
| <b>" Monetary items</b> |                         |                      |            |                         |                      |            |
| " USD                   | \$ 384,332              | 29.68                | 11,406,964 | 409,896                 | 32.22                | 13,206,840 |
| " JPY                   | 2,611,065               | 0.26                 | 687,818    | 2,434,772               | 0.28                 | 670,041    |
| " CNY                   | 363,694                 | 4.56                 | 1,656,857  | 324,576                 | 4.64                 | 1,504,745  |
| " HKD                   | 109,027                 | 3.80                 | 414,071    | 203,246                 | 4.15                 | 844,401    |
| " INR                   | 594,521                 | 0.46                 | 276,097    | 751,804                 | 0.47                 | 356,432    |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

|                              | 2017.12.31       |               |           | 2016.12.31       |               |           |
|------------------------------|------------------|---------------|-----------|------------------|---------------|-----------|
|                              | Foreign currency | Exchange rate | TWD       | Foreign currency | Exchange rate | TWD       |
| <b>Financial liabilities</b> |                  |               |           |                  |               |           |
| <b>Monetary items</b>        |                  |               |           |                  |               |           |
| " USD                        | 293,668          | 29.68         | 8,716,065 | 215,633          | 32.22         | 6,947,690 |
| " JPY                        | 3,272,397        | 0.26          | 862,029   | 2,912,710        | 0.28          | 801,567   |
| " CNY                        | 177,080          | 4.56          | 806,712   | 163,180          | 4.64          | 756,511   |
| " HKD                        | 165,328          | 3.80          | 627,895   | 367,285          | 4.15          | 1,525,913 |
| " MYR                        | 35,344           | 7.32          | 258,630   | 31,639           | 7.18          | 227,166   |
| " SGD                        | 13,907           | 22.20         | 308,777   | 9,104            | 22.26         | 202,693   |

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD, HKD and JPY as at December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by \$39,725 thousand and \$72,423 thousand. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017 and 2016.

3) Foreign exchange Gain or Loss on Monetary Items

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

|     | 2017                  |              | 2016                  |              |
|-----|-----------------------|--------------|-----------------------|--------------|
|     | Exchange gain or loss | Average Rate | Exchange gain or loss | Average Rate |
| TWD | \$ (318,662)          | -            | (576,023)             | -            |

5. Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases or decreases by 1%, the Company's net income will decrease or increase by \$92,065 thousand and \$79,563 thousand for the years ended 2017 and 2016, respectively. This is mainly due to the changes in the Company's variable rate instruments.

## WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

### 6. Fair value

#### 1) The Categories and Fair Values of Financial Instruments

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

|                                            |                     | December 31, 2017 |          |          |                  |
|--------------------------------------------|---------------------|-------------------|----------|----------|------------------|
|                                            |                     | Fair value        |          |          |                  |
|                                            | Book value          | Level 1           | Level 2  | Level 3  | Total            |
| <b>Available-for-sale financial assets</b> |                     |                   |          |          |                  |
| Domestic and foreign listed shares         | \$ <u>4,420,377</u> | <u>4,420,377</u>  | <u>-</u> | <u>-</u> | <u>4,420,377</u> |
|                                            |                     | December 31, 2016 |          |          |                  |
|                                            |                     | Fair value        |          |          |                  |
|                                            | Book value          | Level 1           | Level 2  | Level 3  | Total            |
| <b>Available-for-sale financial assets</b> |                     |                   |          |          |                  |
| Domestic and foreign listed shares         | \$ <u>4,161,528</u> | <u>4,161,528</u>  | <u>-</u> | <u>-</u> | <u>4,161,528</u> |

#### 2) Valuation Techniques for Financial Instruments Measured at Fair Value

##### A. Non-derivative Financial Instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

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

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

#### 3) For the years ended December 31, 2017 and 2016, there is no transferring of fair value hierarchy.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

(s) Financial risk management ”

1. Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring Company’s risk management policies.

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

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

**2) Investment**

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

**3) Guarantees**

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

**4. Liquidity risk**

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

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As to December 31, 2017, the Company has unused credit line were amounted to \$6,691,123 thousand.

**5. Market risk**

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

**1) Currency risk**

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

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

2) Interest rate risk

The Company's policy is to mitigate exposure to changes in interest rates on borrowings. There are 55.32% borrowings on fix-rate basis.

3) Other market price risk

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

(t) Capital management "

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

The debt-to-equity ratio at the end of the reporting period is as follow:

|                                 | <b>2017.12.31</b>    | <b>2016.12.31</b> |
|---------------------------------|----------------------|-------------------|
| Total liabilities               | \$ 30,565,699        | 28,877,053        |
| Less: cash and cash equivalents | (12,850,798)         | (14,072,884)      |
| Net debt                        | <b>\$ 17,714,901</b> | <b>14,804,169</b> |
| Total equity                    | \$ 33,966,960        | 34,107,950        |
| Adjusted capital                | <b>\$ 33,966,960</b> | <b>34,107,950</b> |
| Debt-to-adjusted-debt ratio     | <b>52.15 %</b>       | <b>43.40 %</b>    |

**(7)" Related-Party Transactions**

(a) Names and relationship with related parties

| <b>Name of related party</b>                        | <b>Relationship with the Companyt</b> |
|-----------------------------------------------------|---------------------------------------|
| Wan Hai Lines (Singapore) Pte. Ltd. (WHL Singapore) | Subsidiary                            |
| Wan Hai Lines (America) Ltd. (WHL America)          | Subsidiary                            |
| TK LOGISTICS INTERNATIONAL CO., LTD (TK)            | Subsidiary                            |
| k.k. WH Corporation(WH Corporation)                 | Subsidiary                            |
| Wan Hai Lines (Germany) GmbH (WHL Germany)          | Subsidiary                            |
| BAO SHENG SHIPPING AGENCY CO., LTD. (BS)            | Subsidiary                            |
| Wan Hai Lines (M) Sdn. Bhd. (WHL Malaysia)          | Indirect subsidiary                   |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| <b>Name of related party</b>                                                  | <b>Relationship with the Company<sup>1</sup></b> |
|-------------------------------------------------------------------------------|--------------------------------------------------|
| Wan Hai Lines (Hong Kong) Limited (WHL Hongkong)                              | Indirect subsidiary                              |
| Wan Hai Lines (Phils.), Inc. (WHL Phils.)                                     | Indirect subsidiary                              |
| Wan Hai Lines (Korea) Ltd. (WHL Korea)                                        | Indirect subsidiary                              |
| Wan Hai International Pte. Ltd. (WHL INTL.)                                   | Indirect subsidiary                              |
| Yi Chun Shipping Agencies Sdn. Bhd.(Yi Chun)                                  | Indirect subsidiary                              |
| Wan Hai (Vietnam) Ltd. (WHL Vietnam)                                          | Indirect subsidiary                              |
| Wan Hai Lines (Thailand) Limited (WHL Thailand)                               | Indirect subsidiary                              |
| Wan Hai Lines (Ecuador) S.A.                                                  | Indirect subsidiary                              |
| Wan Hai Lines (India) PVT Ltd. (WHL India)                                    | Indirect subsidiary                              |
| Bravely International Pte. Ltd. (Bravely)                                     | Indirect subsidiary                              |
| Infinite Marine Investment Co., Ltd.                                          | Indirect subsidiary                              |
| Bravely (Myanmar) Transport and Logistics Company Limited.(Bravely (Myannar)) | Indirect subsidiary                              |
| Guangzhou Wan Hai Informaton Technology Ltd. (GWHTT)                          | Indirect subsidiary                              |
| Dawin Logistics (International) Ltd.(Dawin)                                   | Indirect subsidiary                              |
| Shenzhen Uniwin International Logistics Ltd. (SUIL)                           | Indirect subsidiary                              |
| Blue Ocean Logistics (Shanghai) Ltd (BOL)                                     | Indirect subsidiary                              |
| Shanghai Clipper International Shipping Agency Ltd. (CISA)                    | Indirect subsidiary                              |
| Shenzhen Yong Chun International Shipping Managerment Co., Ltd.               | Indirect subsidiary                              |
| Wan Hai Lines (Arizona) LLC.                                                  | Indirect subsidiary                              |
| Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep)          | An associate                                     |
| Asia Pacific Container Terminal Inc. (APCT)                                   | Related party in substance                       |
| New World Container services Corporation                                      | Related party in substance                       |
| Universal Checker Co., Ltd.                                                   | Related party in substance                       |
| Express Container Terminal Corp. (ECTC)                                       | Related party in substance                       |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| <u>Name of related party</u>                         | <u>Relationship with the Companyt</u> |
|------------------------------------------------------|---------------------------------------|
| Lin & Associates Law Firm                            | Related party in substance (Note)     |
| New Sincere Transportation Corp. (NSTC)              | Related party in substance            |
| New Safety Transportation Corp. (NSaTC)              | Related party in substance            |
| An Chun Tally Co., Ltd.                              | Related party in substance            |
| Taipei Port Container Terminal Corp. (Taipei Port)   | Corporate director of the company     |
| Taian Insurance Co., Ltd.                            | Related party in substance            |
| Wan Chun International Corp. (WCIC)                  | Subsidiary of ECTC                    |
| Apezgo Digital Information Co., Ltd.                 | Subsidiary of APCT                    |
| AP PETROLEUM BUSINESS CO., LTD                       | Subsidiary of APCT                    |
| Formosa Wonderland Co., Ltd. (Formosa Wonderland)    | Same chairman with the Company        |
| Interasia Lines Taiwan, Ltd.                         | Related party in substance            |
| New Speed Transportation & Terminal Co., Ltd. (NS)   | Corporate director                    |
| Hyaline Shipping (HK) Co., Ltd. (Hyaline)            | Same director with the Company        |
| Wan Hai Lines (UAE) LLC. (WHL UAE)                   | Joint venture                         |
| Wan Hai Lines (Japan) Ltd. (WHL Japan)               | Same director with the Company        |
| Interasia Shipping Lines India Private Limited       | Related party in substance            |
| Interasia Lines Singapore Pte. Ltd. (IAL (S))        | Related party in substance            |
| INTERASIA LINES (M) SDN. BHD.                        | Related party in substance            |
| INTERASIA LINES (THAILAND) CO., LTD.                 | Related party in substance            |
| Qingdao port & Win International Logistics Co., Ltd. | Joint venture                         |

Note: After the elections for directors in the 2017 annual general shareholder's meeting, Lin & Associates Law Firm had ceased to be a related party in substance.

As a result, the disclosure on significant transactions with related parties only includes the information as of June 22, 2017.

(b) Significant transactions with related parties

1. Sales to related parties:

|                       | <u>2017</u>         | <u>2016</u>      |
|-----------------------|---------------------|------------------|
| Subsidiary            | \$ 2,015,085        | 1,732,413        |
| Other related parties | 534,991             | 606,765          |
|                       | <u>\$ 2,550,076</u> | <u>2,339,178</u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

2. Consideration for services related to the entity:

|                       | <u>2017</u>                 | <u>2016</u>             |
|-----------------------|-----------------------------|-------------------------|
| Subsidiary            |                             |                         |
| " WH Corporation      | \$ 5,416,810                | 5,569,559               |
| " Others              | 1,422,711                   | 1,356,764               |
| Associates            | 63,068                      | 110,012                 |
| Other related parties | <u>3,200,485</u>            | <u>2,859,218</u>        |
|                       | <u><b>\$ 10,103,074</b></u> | <u><b>9,895,553</b></u> |

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

3. Receivables from related parties

Receivables of the Company from related parties were as follows :

| Item                   | Related party categories | <u>2017.12.31</u>          | <u>2016.12.31</u>       |
|------------------------|--------------------------|----------------------------|-------------------------|
| Accounts receivable    | Subsidiary               | \$ 28,830                  | -                       |
| Accounts receivable    | Other related parties    | 10,860                     | 43,423                  |
|                        | Subsidiary:              |                            |                         |
| Other receivable       | WH Corporation           | 130,055                    | 77,930                  |
| Other receivable       | Others                   | 33,470                     | 21,586                  |
| Other receivable       | Associates               | 706                        | -                       |
| Other receivable       | Other related parties    | 3,732                      | 6,565                   |
|                        | Subsidiary:              |                            |                         |
| Receivable from agents | CISA                     | 429,332                    | 465,835                 |
| Receivable from agents | WHL India                | 244,036                    | 331,716                 |
| Receivable from agents | Others                   | 205,022                    | 130,574                 |
| Receivable from agents | Associates               | 26,686                     | -                       |
|                        | Other related parties    |                            |                         |
| Receivable from agents | WHL Japan                | 432,779                    | 509,524                 |
| Other current assets   | Subsidiary               | <u>17,421</u>              | <u>17,449</u>           |
|                        |                          | <u><b>\$ 1,562,929</b></u> | <u><b>1,604,602</b></u> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

4. Payables from related parties

Payable of the Company related parties were as follows :

| <b>Item</b>               | <b>Related party categories</b> | <b>2017.12.31</b>   | <b>2016.12.31</b> |
|---------------------------|---------------------------------|---------------------|-------------------|
| Accounts payable          | Subsidiary                      | \$ 177,911          | 230,212           |
| Accounts payable          | Other related parties           | 168,962             | 84,787            |
| Other payables            | Subsidiary                      | 3                   | 4                 |
| Other payables            | Other related parties           | 12,787              | 9,808             |
| Subsidiary:               |                                 |                     |                   |
| Payable to agents         | WHL Hong Kong                   | 347,372             | 1,019,760         |
| Payable to agents         | WHL INTL.                       | 180,209             | 82,949            |
| Payable to agents         | WHL Thailand                    | 118,761             | 145,844           |
| Payable to agents         | SUIL                            | -                   | 207,686           |
| Payable to agents         | Others                          | 57,686              | 16,281            |
| Payable to agents         | Associates                      | -                   | 10,142            |
| Other current liabilities | Subsidiary                      | 10,545              | 5,525             |
| Other current liabilities | Other related parties           | 925                 | 1,182             |
|                           |                                 | <b>\$ 1,075,161</b> | <b>1,814,180</b>  |

5. Property transactions

1) Acquisition of property, plant and equipment

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

|              | <b>2017</b> | <b>2016</b>    |
|--------------|-------------|----------------|
| Subsidiaries | \$ -        | <b>530,145</b> |

In June 2016, the Company purchased a vessel from its subsidiary. The purchasing price was USD 16,500 thousand (TWD 530,145 thousand) depending on the valuation report. The carrying value of the vessel was USD 19,428 thousand (TWD 626,128 thousand), and loss on disposal of property was \$95,983 thousand, but not entirely realized. As of December 31, 2017 and 2016, the unrealized loss was \$87,345 thousand and \$92,801 thousand depending on the useful life of the vessel, 18 years, as the induction of long-term equity investment under equity method.

2) Disposals of property, plant and equipment

From January to June 2006, the Company sold five vessels to its subsidiaries. The selling price was USD73,470 thousand (TWD2,386,986 thousand) depending on the valuation report. The carrying value of the five vessels was \$2,021,430 thousand, and gain on disposal of property was \$365,556 thousand, but not entirely realized. As of December 31, 2017 and 2016, the unrealized gain was recognized in the amount of \$3,157 thousand and \$22,240 thousand respectively. The amount was recognized depending on the useful life of the vessel, 18 years, as the deduction of long-term equity investments under equity method.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

The sales of fuels, property, plant and equipment to related parties are summarized as follows:

| <b>Related party categories</b> | <b>2017</b>           |                                  | <b>2016</b>           |                                  |
|---------------------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|
|                                 | <b>Disposal price</b> | <b>Gain (loss) from disposal</b> | <b>Disposal price</b> | <b>Gain (loss) from disposal</b> |
| Subsidiaries                    | \$ -                  | -                                | -                     | -                                |
| " WHL Singapore                 | 92,204                | -                                | 43,768                | -                                |
| " Others                        | 35                    | 35                               | -                     | -                                |
| Other related parties           | 81                    | 69                               | -                     | -                                |
|                                 | <b>\$ 92,320</b>      | <b>104</b>                       | <b>43,768</b>         | <b>-</b>                         |

6. Other related-party transactions

For the Years Ended December 31, 2017 and 2016, the company paid \$1,500 thousand and \$3,000 thousand of professional services fee to other related-party.

For the Years Ended December 31, 2017 and 2016, the company received payments of claims from related parties were \$53,338, and \$94,120 thousand.

7. Loans to Related Parties

The interest charged by the Company to related parties is based on the average interest rate charged by financial institutions on the Company's borrowings. The loans to related parties are unsecured. There are no provisions for doubtful debt required after the management's assessment.

8. Guarantees

Endorsement guarantees offered to related parties were as follows:

|              | <b>2017.12.31</b>   | <b>2016.12.31</b> |
|--------------|---------------------|-------------------|
| Subsidiaries | <b>\$ 2,915,664</b> | <b>10,581,909</b> |

(c) Key management personnel compensation

Key management personnel compensation comprised:

|                               | <b>2017</b>      | <b>2016</b>   |
|-------------------------------|------------------|---------------|
| Shorts-term employee benefits | \$ 46,332        | 32,939        |
| Post-employment benefits      | -                | 72            |
|                               | <b>\$ 46,332</b> | <b>33,011</b> |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(8)" Pledged Assets "**

The carrying values of pledged assets were as follows:

| <u>Assets</u>                                              | <u>Objective</u>                                                            | <u>2017.12.31</u>   | <u>2016.12.31</u> |
|------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------|-------------------|
| Time deposits (recorded in other current assets)           | Registration of container storage and truck lease contract                  | \$ 50,415           | 47,250            |
| Refundable deposits (recorded in other non-current assets) | Harbor bureau lease contract for wharf, building lease contract and lawsuit | 79,855              | 79,617            |
| Containers                                                 | Long-term loans                                                             | 5,022,444           | 4,920,404         |
| Buildings                                                  | Long-term loans                                                             | 15,177              | 15,731            |
| Terminal equipment                                         | Long-term loans                                                             | 353,496             | 398,149           |
|                                                            |                                                                             | <u>\$ 5,521,387</u> | <u>5,461,151</u>  |

**(9)" Significant Contingencies and Commitments**

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Company entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2017, the lease deposit amounted to ¥255,775,000 (TWD 67,371 thousand) and was recorded in refundable deposits.

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

(b) As of December 31, 2017, the total amount claimed to the Company was approximately \$16,721 thousand, and the related cases are under negotiation or under trial.

**(10)" Significant Catastrophic Losses: None.**

**(11)" Significant Subsequent Events**

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY 2018 corporate income tax return commencing. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$21,524 thousand and \$192,164 thousand, respectively.

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(12) Others**

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

| By item                      | By function | For the years ended December 31, 2017 |                   |           | For the years ended December 31, 2016 |                   |           |
|------------------------------|-------------|---------------------------------------|-------------------|-----------|---------------------------------------|-------------------|-----------|
|                              |             | Operating Cost                        | Operating Expense | Total     | Operating Cost                        | Operating Expense | Total     |
| Employee benefits            |             |                                       |                   |           |                                       |                   |           |
| " Salary                     |             | 435,320                               | 987,690           | 1,423,010 | 396,649                               | 778,877           | 1,175,526 |
| " Labor and health insurance |             | 22,182                                | 70,209            | 92,391    | 20,990                                | 67,500            | 88,490    |
| " Pension                    |             | 23,492                                | 44,035            | 67,527    | 23,793                                | 43,715            | 67,508    |
| " Others employee benefits   |             | 15,605                                | 51,693            | 67,298    | 15,490                                | 50,215            | 65,705    |
| Depreciation                 |             | 990,880                               | 18,805            | 1,009,685 | 889,669                               | 20,177            | 909,846   |
| Amortization                 |             | 664                                   | 21,540            | 22,204    | 495                                   | 23,837            | 24,332    |

As of December 31, 2017 and 2016, the Company had 1,087 and 1,075 employees, respectively.

**(13) Disclosures "**

- (a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2017:

1. Loans to other parties:

| Number | Name of lender | Name of borrower | Account name                      | Related party | Highest balance of financing to other party during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral      |           | Individual funding loan limits (Note 3) | Maximum limitation on fund financing (Note 3) |
|--------|----------------|------------------|-----------------------------------|---------------|---------------------------------------------------------------|----------------|---------------------------------------|-------------------------------------------|------------------------------------------------------|-----------------------------------------------------|----------------------------------|------------------------|-----------------|-----------|-----------------------------------------|-----------------------------------------------|
|        |                |                  |                                   |               |                                                               |                |                                       |                                           |                                                      |                                                     |                                  |                        | Name            | Value     |                                         |                                               |
| 0      | The Company    | WHL Singapore    | Other receivables related parties | Yes           | 12,490,000                                                    | 7,664,250      | -                                     | -                                         | 1                                                    | -                                                   | Note 2                           | -                      | Promissory note | 7,664,250 | 10,856,825                              | 13,586,784                                    |

Note 1: Short-term financing.

Note 2: Operating usage.

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

- Individual funding loan limits of financing for single borrower who has business with the lending company cannot exceed the total transaction amount of the current year.
- Individual funding loan limits for short-term borrower cannot exceed the lower of 40 percent of the lending company's net worth or 50 percent of borrower's net worth.
- An individual loaned amount between the foreign companies whose voting shares are wholly owned by the Company directly or indirectly shall not exceed 35 percent of the lending company's net worth.

Note 4: Eliminated in the consolidated financial statement.

2. Guarantees and endorsements for other parties: "

| Number | Name of the company | Counter-party of guarantee and endorsement |                                        | Limitation on amount of guarantees and endorsements for a specific enterprise (Note2) | Highest balance and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged on guarantees and endorsements (Amount) (Note 3) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (note2) | Parent company endorses/ guarantees to third parties on behalf of subsidiary | Subsidiary endorses/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|--------|---------------------|--------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
|        |                     | Name                                       | Relationship with the Company (Note 1) |                                                                                       |                                                    |                                                             |                                       |                                                                   |                                                                                                             |                                                        |                                                                              |                                                                              |                                                                                    |
| 0      | The Company         | WHL Singapore                              | 1                                      | 27,173,568                                                                            | 10,243,375                                         | 2,842,198                                                   | 2,842,198                             | -                                                                 | 8.37 %                                                                                                      | 67,933,919                                             | Y                                                                            |                                                                              |                                                                                    |

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

| Number | Name of the company | Counter-party of guarantee and endorsement |                                        | Limitation on amount of guarantees and endorsements for a specific enterprise (Note2) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged on guarantees and endorsements (Amount) (Note 3) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (note2) | Parent company endorses/ guarantees to third parties on behalf of subsidiary | Subsidiary endorses/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|--------|---------------------|--------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
|        |                     | Name                                       | Relationship with the Company (Note 1) |                                                                                       |                                                                   |                                                             |                                       |                                                                   |                                                                                                             |                                                        |                                                                              |                                                                              |                                                                                    |
| 0      | The Company         | TK                                         | 1                                      | 27,173,568                                                                            | 91,852                                                            | 73,466                                                      | 51,466                                | -                                                                 | 0.22 %                                                                                                      | 67,933,919                                             | Y                                                                            |                                                                              |                                                                                    |

Note 1: Relationship:

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

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement":

1. External endorsements and guarantees made by the Company may not exceed 200% of the Company's net worth.
2. Endorsements and guarantees made to a single enterprise may not exceed 40% of the Company or its subsidiaries' net worth.
3. The total amount of endorsements and guarantees of the Company and its subsidiaries as a whole may not exceed 250% of the Company's net worth.
4. Endorsements and guarantees made by the Company and its subsidiaries to a single enterprise may not exceed 50% of the Company's net worth.
5. Endorsements and guarantees made by the Company to the subsidiaries, or subsidiaries to the Company, are not subject to the above mentioned restrictions. However, the aggregate amount of endorsements/guarantees that the Company or its subsidiaries make for a single company may not exceed 80% of the net worth of the company providing guarantees.

Note 3: The Company provided a guarantee for TK's bank loan of \$82,700 thousand and had received a promissory note for that amount.

### 3. Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures): "

| Name of holder | Category and name of security                | Category and name of security | Account title                               | Ending balance   |            |                      |              | Notes |
|----------------|----------------------------------------------|-------------------------------|---------------------------------------------|------------------|------------|----------------------|--------------|-------|
|                |                                              |                               |                                             | Number of shares | Book value | Percentage of shares | Market value |       |
| The Company    | Domestic listed stocks:                      |                               |                                             |                  |            |                      |              |       |
|                | GREATWALL ENT                                | -                             | Available for sale financial assets—current | 9,478,752        | 318,012    | - %                  | 318,012      |       |
|                | Formosa Plastics Corporation                 | -                             | "                                           | 376,288          | 37,140     | - %                  | 37,140       |       |
|                | Formosa Chemicals & Fiber Corporation        | -                             | "                                           | 245,480          | 25,284     | - %                  | 25,284       |       |
|                | Tainan Spinning Co., Ltd                     | -                             | "                                           | 1,726,898        | 23,486     | - %                  | 23,486       |       |
|                | China Steel Corporation                      | -                             | "                                           | 2,291,162        | 56,706     | - %                  | 56,706       |       |
|                | Hon Hai Precision Ind. Co., Ltd.             | -                             | "                                           | 116,800          | 11,119     | - %                  | 11,119       |       |
|                | Chunghwa Telecom Co., Ltd.                   | -                             | "                                           | 19,279,000       | 2,043,574  | - %                  | 2,043,574    |       |
|                | Transcend Information, Inc.                  | -                             | "                                           | 89,111           | 7,369      | - %                  | 7,369        |       |
|                | Amtran Technology Co., Ltd.                  | -                             | "                                           | 984,058          | 16,089     | - %                  | 16,089       |       |
|                | Yang Ming Marine Transport Corp.             | -                             | "                                           | 957,526          | 11,012     | - %                  | 11,012       |       |
|                | China Airlines Ltd.                          | -                             | "                                           | 23,753,862       | 276,733    | - %                  | 276,733      |       |
|                | Chinese Maritime Transport Ltd.              | -                             | "                                           | 435,050          | 12,486     | - %                  | 12,486       |       |
|                | Mega Financial Holding Co., Ltd.             | -                             | "                                           | 8,676,646        | 208,673    | - %                  | 208,673      |       |
|                | Taishin Financial Holding Co., Ltd.          | -                             | "                                           | 16,071,005       | 222,583    | - %                  | 222,583      |       |
|                | First Financial Holding Co., Ltd.            | -                             | "                                           | 14,354,705       | 280,634    | - %                  | 280,634      |       |
|                | Kinsus Interconnect Technology Corp.         | -                             | "                                           | 334,627          | 18,137     | - %                  | 18,137       |       |
|                | Shih Wei Navigation Co., Ltd.                | -                             | "                                           | 1,029,345        | 9,460      | - %                  | 9,460        |       |
|                | Taiwan Cooperative Finance Holding Co., Ltd. | -                             | "                                           | 28,300,355       | 469,786    | - %                  | 469,786      |       |

# **WAN HAI LINES LTD.** **NOTES TO THE FINANCIAL STATEMENTS**

| Name of holder | Category and name of security        | Category and name of security | Account title                                    | Ending balance   |            |                      |              | Notes  |
|----------------|--------------------------------------|-------------------------------|--------------------------------------------------|------------------|------------|----------------------|--------------|--------|
|                |                                      |                               |                                                  | Number of shares | Book value | Percentage of shares | Market value |        |
| The Company    | Taiwan Secom Co., Ltd.               | -                             | Available for sale financial assets—current      | 1,853,000        | 169,735    | - %                  | 169,735      |        |
| "              | The Eslite Spectrum Corporation      | -                             | "                                                | 179,000          | 24,613     | - %                  | 24,613       |        |
|                | <u>Listed stocks</u>                 |                               |                                                  |                  |            |                      |              |        |
| "              | Shihlin Paper Co., Ltd.              | Related party in substance    | Available for sale financial assets—non-current  | 5,419,088        | 177,746    | 2.08 %               | 177,746      |        |
|                | <u>Unlisted stocks:</u>              |                               |                                                  |                  |            |                      |              |        |
| "              | Taipei Port Container Terminal Corp. | Related party in substance    | Financial assets measured at cost—non-current    | 79,315,476       | 701,154    | 15.25 %              | -            | Note 1 |
| "              | United Stevedoring Corporation       | -                             | "                                                | 781,250          | 7,813      | 15.63 %              | -            | Note 1 |
|                | <u>Bonds:</u>                        |                               |                                                  |                  |            |                      |              |        |
| "              | Royal Bank of Scotland PLC           | -                             | Bond portfolios with inactive market—non-current | -                | 1,187,200  | - %                  | -            | Note 2 |

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

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

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD\$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the capital stock: None. "
7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD\$100 million or 20% of the capital stock:

| Name of company | Name of Counter-party | Relationship                      | Transaction details                      |             |                                     |               | Reasons why and description of how the transaction conditions differ from general transactions |               | Account/note receivable (payable) |                                                                  | Notes |
|-----------------|-----------------------|-----------------------------------|------------------------------------------|-------------|-------------------------------------|---------------|------------------------------------------------------------------------------------------------|---------------|-----------------------------------|------------------------------------------------------------------|-------|
|                 |                       |                                   | Purchase/Sale                            | Amount      | Percentage of total purchases/sales | Credit period | Unit price                                                                                     | Credit period | Balance                           | Percentage of total accounts/notes receivable (payable) (Note 1) |       |
| The Company     | Taipei Port           | Corporate director of the company | Container fee, terminal handling charges | 815,390     | 1.78 %                              | 30 days       | -                                                                                              | -             | (3)                               | - %                                                              |       |
| "               | k.k. WH Corporation   | Subsidiary                        | Terminal port charges, rent expense      | 5,416,810   | 11.82 %                             | "             | -                                                                                              | -             | (67,043)                          | 1.15 %                                                           |       |
| "               | WHL Singapore         | Subsidiary                        | Rent income, commission revenue          | (2,014,158) | 4.00 %                              | "             | -                                                                                              | -             | 28,830                            | 0.82 %                                                           |       |
| "               | "                     | Subsidiary                        | Commission fee                           | 101,321     | 0.22 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | WHL Hong Kong         | Subsidiary                        | Commission fee                           | 225,834     | 0.49 %                              | "             | -                                                                                              | -             | (347,372)                         | 5.95 %                                                           |       |

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

| Name of company | Name of Counter-party                    | Relationship                   | Transaction details                                                 |           |                                     |               | Reasons why and description of how the transaction conditions differ from general transactions |               | Account/note receivable (payable) |                                                                  | Notes |
|-----------------|------------------------------------------|--------------------------------|---------------------------------------------------------------------|-----------|-------------------------------------|---------------|------------------------------------------------------------------------------------------------|---------------|-----------------------------------|------------------------------------------------------------------|-------|
|                 |                                          |                                | Purchase/Sale                                                       | Amount    | Percentage of total purchases/sales | Credit period | Unit price                                                                                     | Credit period | Balance                           | Percentage of total accounts/notes receivable (payable) (Note 1) |       |
| The Company     | CISA                                     | Subsidiary                     | Commission fee                                                      | 246,843   | 0.54 %                              |               | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | SUIL                                     | Subsidiary                     | Commission fee                                                      | 146,109   | 0.32 %                              |               | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | WHL (Japan)                              | Same director with the company | Commission fee                                                      | 209,612   | 0.46 %                              | 30 days       | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | IAL Singapore                            | Related party in substance     | Container rental revenue, commission revenue, joint venture revenue | (468,778) | 0.93 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | "                                        | Related party in substance     | Joint venture expense, container rental expense                     | 254,485   | 0.56 %                              | "             | -                                                                                              | -             | (31,550)                          | 0.54 %                                                           |       |
| "               | Hyaline Shipping (HK) Co., Ltd.          | Same director with the company | Commission fee                                                      | 595,296   | 1.30 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | APCT                                     | Related party in substance     | Container fee                                                       | 319,328   | 0.70 %                              | "             | -                                                                                              | -             | (29,828)                          | 0.51 %                                                           |       |
| "               | NSTC                                     | Related party in substance     | Tow charge                                                          | 386,615   | 0.84 %                              | "             | -                                                                                              | -             | (53,876)                          | 0.92 %                                                           |       |
| "               | TK                                       | Subsidiary                     | container fee, service fee, terminal handling charge                | 113,052   | 0.25 %                              | "             | -                                                                                              | -             | (9,958)                           | 0.17 %                                                           |       |
| "               | New World Container services Corporation | Related party in substance     | Container fee                                                       | 116,694   | 0.25 %                              | "             | -                                                                                              | -             | (9,943)                           | 0.17 %                                                           |       |
| "               | WHL (Malaysia)                           | Indirect subsidiary            | Commission fee                                                      | 102,606   | 0.22 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | WHL (Korea)                              | Indirect subsidiary            | Commission fee                                                      | 104,945   | 0.23 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |       |
| "               | WCIC                                     | Related party in substance     | Turnkey charges, terminal handling charge                           | 159,780   | 0.35 %                              | "             | -                                                                                              | -             | (13,512)                          | 0.23 %                                                           |       |
| "               | NSaTC                                    | Related party in substance     | Container fee, tow charge                                           | 140,961   | 0.31 %                              | "             | -                                                                                              | -             | (12,616)                          | 0.22 %                                                           |       |

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

# **WAN HAI LINES LTD.** **NOTES TO THE FINANCIAL STATEMENTS**

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: "

(In thousands of NTD)

| Name of related party | Counter-party | Relationship                   | Balance of receivables from related party | Turnover rate | Past-due receivables from related party |              | Subsequently received amount of receivables from related party | Allowances for bad debts |
|-----------------------|---------------|--------------------------------|-------------------------------------------|---------------|-----------------------------------------|--------------|----------------------------------------------------------------|--------------------------|
|                       |               |                                |                                           |               | Amount                                  | Action taken |                                                                |                          |
| The Company           | CISA          | Related party in substance     | 429,332                                   | - %           | -                                       |              | 356,986                                                        | -                        |
| "                     | WHL Japan     | Same director with the company | 432,779                                   | - %           | -                                       |              | 421,728                                                        | -                        |
| "                     | WHL India     | Related party in substance     | 244,036                                   | - %           | -                                       |              | 234,960                                                        | -                        |

9. Trading in derivative instruments: None. "

(b) Information on investees "

For the year 2017, the following is the information on investees (excluding investees in Mainland china):

(In thousands of NTD)

| Name of the investor | Name of investee                                     | Location   | Major operations                                                                                                                 | Initial investment amount |                   | Ending balance |                 |            | Net income (loss) of the investee | Investment income (losses) | Notes                  |
|----------------------|------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------|----------------|-----------------|------------|-----------------------------------|----------------------------|------------------------|
|                      |                                                      |            |                                                                                                                                  | Ending balance            | Beginning balance | Shares         | Ratio of shares | Book value |                                   |                            |                        |
| The Company          | Wan Hai Lines (Singapore) Pte Ltd                    | Singapore  | Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services | 21,546,395                | 21,546,395        | 959,957,200    | 100.00 %        | 24,808,532 | 543,822                           | 538,366                    | Subsidiary (Note 2)    |
|                      | Wan Hai Lines (America) Ltd.                         | America    | Transportation and shipping agency services                                                                                      | 401,460                   | 132,000           | 280,000        | 100.00 %        | 389,232    | 10,666                            | 10,666                     | Subsidiary             |
|                      | k.k. WH Corporation                                  | Japan      | Terminal operation and management service, and vessel rental service                                                             | 7,141                     | 7,141             | 500            | 100.00 %        | 16,979     | 1,467                             | 1,467                      | Subsidiary             |
|                      | Wan Hai Lines (Germany) GmbH                         | Germany    | Transportation and shipping agency services                                                                                      | 1,018                     | 1,018             | -              | 100.00 %        | 2,502      | 56                                | 56                         | Subsidiary (Note 1)    |
|                      | Tan Cang-Cai Mep International Terminal Co., Ltd.    | Vietnam    | Managing wharf and containers                                                                                                    | 259,917                   | 259,917           | -              | 21.33 %         | 313,359    | 367,902                           | 78,474                     | Associate (Note 1 + 4) |
|                      | T.K. Logistics International Co., Ltd.               | Taiwan     | Managing container terminals and storage facilities                                                                              | 143,000                   | 143,000           | 14,300,000     | 55.00 %         | 146,996    | 10,487                            | 5,768                      | Subsidiary             |
|                      | Bao Sheng Shipping Agency Co., Ltd.                  | Taiwan     | Acting as agent for transportation affair and contracting ocean shipping and related services.                                   | 30,000                    | 30,000            | 3,000,000      | 70.01 %         | 38,188     | 5,004                             | 3,503                      | Subsidiary             |
|                      | Hai Phong International Container Terminal Co., Ltd. | Vietnam    | Managing wharf and containers                                                                                                    | 202,896                   | -                 | -              | 16.50 %         | 190,160    | 2,764                             | 456                        | Associate (Note 1 + 4) |
|                      | WHL Singapore                                        |            |                                                                                                                                  |                           |                   |                |                 |            |                                   |                            |                        |
|                      | Wan Hai Lines (Phils.), Inc.                         | Philippine | Transportation and shipping agency services                                                                                      | 5,991                     | 5,991             | 901,540        | 100.00 %        | 10,676     | 1,636                             | 1,636                      | Indirect subsidiary    |
|                      | Wan Hai Lines (H.K.) Limited                         | Hong Kong  | Transportation and shipping agency services                                                                                      | 695,246                   | 695,246           | 160,000,000    | 100.00 %        | 3,112,593  | 290,335                           | 290,335                    | Indirect subsidiary    |
|                      | Wan Hai Lines (M) Sdn. Bhd.                          | Malaysia   | Transportation and shipping agency services                                                                                      | 4,613                     | 4,613             | 500,000        | 100.00 %        | 67,103     | (18,443)                          | (18,443)                   | Indirect subsidiary    |
|                      | Yi Chun Shipping Agencies Sdn. Bhd.                  | Malaysia   | ODD operations                                                                                                                   | 1,845                     | 1,845             | 200,000        | 100.00 %        | 1,873      | 6,620                             | 6,620                      | Indirect subsidiary    |
|                      | Wan Hai Lines (Korea) Ltd.                           | Korea      | Transportation and shipping agency services                                                                                      | 11,019                    | 11,019            | 80,000         | 100.00 %        | 15,364     | 12,805                            | 12,805                     | Indirect subsidiary    |
|                      | Wan Hai International Pte Ltd.                       | Singapore  | Transportation and shipping agency services                                                                                      | 239,979                   | 239,979           | 10,312,460     | 100.00 %        | 682,672    | (64,135)                          | (64,135)                   | Indirect subsidiary    |
|                      | Wan Hai Lines (Thailand) Limited                     | Thailand   | Transportation and shipping agency services                                                                                      | 2,805                     | 2,805             | 29,400         | 49.00 %         | 50,706     | 8,299                             | 4,066                      | Indirect subsidiary    |
|                      | Wan Hai (Vietnam) Ltd.                               | Vietnam    | Transportation and shipping agency services                                                                                      | 8,691                     | 8,691             | -              | 100.00 %        | 14,736     | 12,176                            | 12,176                     | Indirect subsidiary    |

## WAN HAI LINES LTD.

### NOTES TO THE FINANCIAL STATEMENTS

| Name of the investor           | Name of investee                                          | Location  | Major operations                                   | Initial investment amount |                   | Ending balance |                 |            | Net income (loss) of the investee | Investment income (losses) | Notes               |
|--------------------------------|-----------------------------------------------------------|-----------|----------------------------------------------------|---------------------------|-------------------|----------------|-----------------|------------|-----------------------------------|----------------------------|---------------------|
|                                |                                                           |           |                                                    | Ending balance            | Beginning balance | Shares         | Ratio of shares | Book value |                                   |                            |                     |
| WHL Singapore                  | Wan Hai Lines Peru S.A.C                                  | Peru      | Transportation and shipping agency services        | 1,007                     | 1,007             | 104,040        | 51.00 %         | 8,826      | 15,331                            | 7,819                      | Associate           |
|                                | Wan Hai Lines Ecuadora SA.                                | Ecuador   | Transportation and shipping agency services        | 1,627                     | 1,627             | 51,000         | 51.00 %         | 4,722      | 6,443                             | 3,286                      | Indirect subsidiary |
| WHL INTL.                      | Wan Hai Lines (UAE) LLC.                                  | Dubai     | Transportation and shipping agency services        | 1,365                     | 1,365             | 147            | 49.00 %         | 29,658     | 57,948                            | 28,394                     | Associate           |
|                                | Infinite Marine Investment Co., Ltd.                      | Cayman    | Investment                                         | 173,463                   | 173,463           | 5,550,000      | 100.00 %        | 164,196    | (235)                             | (235)                      | Indirect subsidiary |
|                                | Wan Hai Lines (India) PVT Ltd.                            | India     | Transportation and shipping agency services        | 69                        | 69                | 10,000         | 100.00 %        | 55,721     | 35,837                            | 35,837                     | Indirect subsidiary |
|                                | Bravely International Pte Ltd.                            | Singapore | Transportation and investment                      | 151,638                   | 90,998            | 6,623,101      | 100.00 %        | 45,273     | (112,214)                         | (112,214)                  | Indirect subsidiary |
| WHL Hong Kong                  | Dawin Logistics (International) Ltd.                      | Hong Kong | Transportation, storage services                   | 570,480                   | 570,480           | 144,640,000    | 100.00 %        | 891,223    | 31,093                            | 31,093                     | Indirect subsidiary |
| Bravely International Pte Ltd. | Bravely (Myanmar) Transport and Logistics Company Limited | Myanmar   | Managing container, storage and logistics services | 96,894                    | 96,894            | 3,000,000      | 80.00 %         | 70,753     | (2,750)                           | (2,200)                    | Indirect subsidiary |
| WHL-America                    | Wan Hai Lines (Arizona) LLC.                              | America   | House rental and management services               | 359,760                   | -                 | -              | 100.00 %        | 359,939    | 3,869                             | 3,869                      | Indirect subsidiary |

Note 1: Limited companies with no common shares issued.

Note 2: The difference is due to the unrealized gain /loss.

#### (c) Information on investment in Mainland China

- The names of investees in Mainland China, the main businesses and products, and other information: "

(In thousands of TWD)

| Name of the investee in Mainland China                         | Major operations                                                 | Issued capital | Method of investment | Beginning remittance balance - Cumulative investment (amount) from Taiwan | Current remittance/recoverable investment (amount) |                    | Ending remittance balance - Cumulative investment (amount) from Taiwan | Net income (loss) of the investee | Direct /indirect shareholding (%) by the Company | Current investment gains and losses (Note 2) | Carrying Amount | Accumulated Inward Remittance of Earnings |
|----------------------------------------------------------------|------------------------------------------------------------------|----------------|----------------------|---------------------------------------------------------------------------|----------------------------------------------------|--------------------|------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------------------|-----------------|-------------------------------------------|
|                                                                |                                                                  |                |                      |                                                                           | Remittance amount                                  | Recoverable amount |                                                                        |                                   |                                                  |                                              |                 |                                           |
| Guangzhou Wan Hai Information Technology Ltd.                  | Information software service                                     | 7,922          | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,487                             | 100.00 %                                         | 2,487                                        | 21,954          | -                                         |
| Shenzhen Uniwin International Logistics Ltd.                   | Freight transportation and agency services for transport affairs | 644,016        | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,534                             | 100.00 %                                         | 2,534                                        | 782,525         | -                                         |
| Clipper International Shipping Agency Ltd.                     | International shipping agency services                           | 4,070          | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 7,317                             | 49.00 %                                          | 3,585                                        | (1,676)         | -                                         |
| Blue Ocean Logistics (Shanghai) Ltd                            | Containers, storage and international transportation services    | 32,596         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 4,183                             | 100.00 %                                         | 4,183                                        | 63,322          | -                                         |
| Shenzhen Yong Chun International Shipping Management Co., Ltd. | International shipping management                                | 29,068         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,939                             | 90.00 %                                          | 2,645                                        | 24,967          | -                                         |
| Wan Hang Tours Co., Ltd.                                       | Retailing and catering management                                | 287,330        | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | (6,481)                           | 50.00 %                                          | (3,240)                                      | 120,511         | -                                         |
| Qingdao Port & Win International Logistics Co., Ltd.           | Container Depot                                                  | 50,188         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 37,537                            | 50.00 %                                          | 18,768                                       | 50,641          | -                                         |

Note 1: Indirectly invested in Mainland China through investees.

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

**WAN HAI LINES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

2. Limitation on investment in Mainland China: ”

| Aggregate investment amount<br>remitted from Taiwan to Mainland<br>China at the end of the period | Investment amount approved<br>by Investment Commission of<br>Ministry of Economic Affairs | Limitation on investment in<br>Mainland China by<br>Investment Commission of<br>Ministry of Economic Affairs |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| -                                                                                                 | 1,131,368                                                                                 | 20,380,176                                                                                                   |

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

3. Significant transactions: ”

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

**(14) Segment Information**

Please refer to the consolidated financial report for the year ended December 31, 2017.

**Wan Hai Lines Ltd.**  
**STATEMENT OF CASH AND CASH**  
**EQUIVALENTS**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                         | <b>Description</b> |         |            |       | <b>Amount</b>        |
|-------------------------------------|--------------------|---------|------------|-------|----------------------|
| Cash on hand                        |                    |         |            |       | \$ 48,292            |
| Saving accounts-NT                  |                    |         |            |       | 109,211              |
| Saving accounts-Foreign<br>currency | USD                | 422     | thousand @ | 29.68 | 71,788               |
|                                     | THB                | 59,554  | thousand @ | 0.91  |                      |
|                                     | KRW                | 96,472  | thousand @ | 0.03  |                      |
|                                     | CNY                | 524     | thousand @ | 4.56  |                      |
| Time deposits-NT                    |                    |         |            |       | 1,315,000            |
| Time deposits-Foreign<br>currency   | USD                | 342,474 | thousand @ | 29.68 | 11,306,507           |
|                                     | JPY                | 353,899 | thousand @ | 0.26  |                      |
|                                     | CNY                | 189,453 | thousand @ | 4.56  |                      |
|                                     | SGD                | 1,967   | thousand @ | 22.20 |                      |
|                                     | HKD                | 37,363  | thousand @ | 3.80  |                      |
| Total                               |                    |         |            |       | <u>\$ 12,850,798</u> |

**Wan Hai Lines Ltd.**  
**STATEMENT OF AVAILABLE-FOR-SALE FINANCIAL**  
**ASSETS**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

**Current:**

| Name of financial instruments                  | Description            | Shares         |            | Total Amount | Interest Rate | Acquisition Costs | Accumulated impairment loss | Market Value      |              | Notes |
|------------------------------------------------|------------------------|----------------|------------|--------------|---------------|-------------------|-----------------------------|-------------------|--------------|-------|
|                                                |                        | (In thousands) | Book Value |              |               |                   |                             | Unit Price (NT\$) | Total Amount |       |
| GREATWALLEN                                    | Domestic listed stocks | 9,479          | \$ -       | -            | - %           | 219,510           | -                           | 33.55             | 318,012      |       |
| Formosa Plastics Corporation                   | "                      | 376            | -          | -            | - %           | 29,619            | -                           | 98.70             | 37,140       |       |
| Formosa Chemicals & Fiber Corporation          | "                      | 245            | -          | -            | - %           | 17,917            | -                           | 103.00            | 25,284       |       |
| Tainan Spinning Co., Ltd.                      | "                      | 1,727          | -          | -            | - %           | 32,771            | -                           | 13.60             | 23,486       |       |
| China Steel Corporation                        | "                      | 2,291          | -          | -            | - %           | 57,287            | -                           | 24.75             | 56,706       |       |
| Hon Hai Precision Ind.Co., Ltd.                | "                      | 117            | -          | -            | - %           | 9,785             | -                           | 95.20             | 11,119       |       |
| Chunghwa Telecom Co., Ltd.                     | "                      | 19,279         | -          | -            | - %           | 1,776,728         | -                           | 106.00            | 2,043,574    |       |
| Transcend Information, Inc.                    | "                      | 89             | -          | -            | - %           | 9,530             | -                           | 82.70             | 7,369        |       |
| Amtran Technology Co., Ltd.                    | "                      | 984            | -          | -            | - %           | 35,642            | (20,143)                    | 16.35             | 16,089       |       |
| Yang Ming Marine Transport Corp.               | "                      | 958            | -          | -            | - %           | 38,942            | (29,065)                    | 11.50             | 11,012       |       |
| China Airlines Ltd.                            | "                      | 23,754         | -          | -            | - %           | 457,957           | -                           | 11.65             | 276,733      |       |
| Chinese Maritime Transport Ltd.                | "                      | 435            | -          | -            | - %           | 51,519            | (40,841)                    | 28.70             | 12,486       |       |
| Mega Financial Holding Co., Ltd.               | "                      | 8,677          | -          | -            | - %           | 177,449           | -                           | 24.05             | 208,673      |       |
| Taishin Financial Holding Co., Ltd.            | "                      | 16,071         | -          | -            | - %           | 175,061           | -                           | 13.85             | 222,583      |       |
| First Financial Holding Co., Ltd.              | "                      | 14,355         | -          | -            | - %           | 216,016           | -                           | 19.55             | 280,634      |       |
| Kinsus Interconnect Technology Corp.           | "                      | 335            | -          | -            | - %           | 39,588            | -                           | 54.20             | 18,137       |       |
| Shih Wei Navigation Co., Ltd.                  | "                      | 1,029          | -          | -            | - %           | 60,607            | (48,255)                    | 9.19              | 9,460        |       |
| Taiwan Cooperative Financial Holding Co., Ltd. | "                      | 28,300         | -          | -            | - %           | 442,739           | -                           | 16.60             | 469,786      |       |
| Taiwan Secom Co., Ltd.                         | "                      | 1,853          | -          | -            | - %           | 164,923           | -                           | 91.60             | 169,735      |       |
| The Eslite Spectrum Corporation                | "                      | 179            | -          | -            | - %           | 24,560            | -                           | 137.50            | 24,613       |       |
|                                                |                        |                |            | -            |               | 4,038,150         | (138,304)                   |                   | 4,242,631    |       |

**Non-current:**

| Name of financial instruments | Description            | Shares         |            | Total Amount | Interest Rate | Acquisition Costs | Accumulated impairment loss | Market Value      |              | Notes |
|-------------------------------|------------------------|----------------|------------|--------------|---------------|-------------------|-----------------------------|-------------------|--------------|-------|
|                               |                        | (In thousands) | Book Value |              |               |                   |                             | Unit Price (NT\$) | Total Amount |       |
| Shihlin Paper Co., Ltd.       | Domestic listed stocks | 5,419          | \$ -       | -            | - %           | 401,464           | (234,014)                   | 32.80             | 177,746      |       |

**Wan Hai Lines Ltd.**

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

| <u>Client Name</u>                                                               | <u>Description</u>                     | <u>Amount</u>              | <u>Notes</u> |
|----------------------------------------------------------------------------------|----------------------------------------|----------------------------|--------------|
| Accounts receivable-joint service:                                               |                                        |                            |              |
| Non-Related parties:                                                             |                                        | \$                         |              |
| Others (Note 1)                                                                  |                                        | <u>89,003</u>              |              |
| Accounts receivable-freight, additional fee and<br>container loading / discharge |                                        |                            |              |
| Related parties:                                                                 |                                        |                            |              |
| Others (Note 1)                                                                  |                                        | <u>39,690</u>              |              |
| Non-Related parties:                                                             |                                        |                            |              |
| Formosa Chemicals & Fiber Corporation                                            | "                                      | 99,113                     |              |
| Others (Note 1)                                                                  | Freight and additional<br>fees revenue | 1,712,760                  |              |
|                                                                                  |                                        | <u>1,940,566</u>           |              |
| Less: Allowance for doubtful receivables                                         |                                        | <u>(358)</u>               |              |
| Total                                                                            |                                        | <u><u>\$ 1,940,208</u></u> |              |

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

**Wan Hai Lines Ltd.**  
**STATEMENT OF OTHER RECEIVABLES**  
**DECEMBER 31, 2017**  
**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                                  | <b>Description</b>                                                                      | <b>Amount</b>            | <b>Note</b> |
|----------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------|-------------|
| Related parties:                             |                                                                                         |                          |             |
| Accounts receivable-<br>disposal of assets   | Revenue from sale of containers                                                         | \$ 1,884                 |             |
| Accounts receivable-vessel<br>rental revenue | Revenue from charters of the<br>remaining fuel at the end of<br>rental period or others | 105,231                  |             |
| Other                                        |                                                                                         | <u>60,848</u>            |             |
| Sub total                                    |                                                                                         | <u>167,963</u>           |             |
| Non-Related parties:                         |                                                                                         |                          |             |
| Receivables                                  | Discount on expense of<br>containers loading / discharge                                | 204,464                  |             |
| Indemnity income<br>receivables              | Receivables of insurance                                                                | 308,133                  |             |
| Other                                        |                                                                                         | <u>111,590</u>           |             |
| Sub total                                    |                                                                                         | <u>624,187</u>           |             |
| Total                                        |                                                                                         | <u><u>\$ 792,150</u></u> |             |

**STATEMENT OF INVENTORIES**

| <b>Item</b>              | <b>Amount</b>            |                                 | <b>Note</b> |
|--------------------------|--------------------------|---------------------------------|-------------|
|                          | <b>Cost</b>              | <b>Net Realizable<br/>Value</b> |             |
| Marine diesel oil        | \$ 99,086                | 107,228                         |             |
| Marine residual fuel oil | 876,343                  | 910,001                         |             |
| Fresh lubricating oil    | <u>4,921</u>             | <u>5,085</u>                    |             |
|                          | <u><u>\$ 980,350</u></u> | <u><u>1,022,314</u></u>         |             |

**Wan Hai Lines Ltd.**

**STATEMENT OF OTHER CURRENT ASSETS**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                                                              | <b>Description</b>                                                                               | <b>Amount</b>            | <b>Note</b> |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Prepaid expenses:                                                        |                                                                                                  |                          |             |
| Prepaid rent expense                                                     | Rent expenses of vessels and office                                                              | \$ 32,790                |             |
| Prepaid insurance expense                                                | Insurance expenses of containers, fire disaster, public liability insurance and mutual insurance | 11,767                   |             |
| Prepaid expenses from agents                                             |                                                                                                  | 33,888                   |             |
| Others (The individual account does not exceed 5% of the amount balance) |                                                                                                  | <u>71,096</u>            |             |
| Sub total                                                                |                                                                                                  | <u>149,541</u>           |             |
| Payment on behalf of others:                                             |                                                                                                  |                          |             |
| Payment on behalf of others-charters                                     | Payment of fuel expense, accommodation fee, medical expense and others                           | 565,763                  |             |
| Others (The individual account does not exceed 5% of the amount balance) |                                                                                                  | <u>135,215</u>           |             |
| Sub total                                                                |                                                                                                  | <u>700,978</u>           |             |
| Total                                                                    |                                                                                                  | <u><u>\$ 850,519</u></u> |             |

Wan Hai Lines Ltd.

STATEMENT OF CHANGES IN FINANCIAL ASSETS  
MEASURED AT COST

FOR THE YEAR ENDED IN DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

| Name                                 | Balance, January 1, 2017 |                   | Additions                |        | Decrease                 |        | Balance, December 31, 2017 |                   | Collateral | Note |
|--------------------------------------|--------------------------|-------------------|--------------------------|--------|--------------------------|--------|----------------------------|-------------------|------------|------|
|                                      | Shares<br>(In thousands) | Carrying<br>value | Shares<br>(In thousands) | Amount | Shares<br>(In thousands) | Amount | Shares<br>(In thousands)   | Carrying<br>value |            |      |
| Taipei Port Container Terminal Corp. | 79,315                   | \$ 701,154        | -                        | -      | -                        | -      | 79,315                     | 701,154           | None       |      |
| United Stereodoring Corporation      | 781                      | 7,813             | -                        | -      | -                        | -      | 781                        | 7,813             | "          |      |
| Total                                |                          | \$ 708,967        |                          | -      |                          | -      |                            | 708,967           |            |      |

Wan Hai Lines Ltd.

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

FOR THE YEAR ENDED IN DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

| Name                       | Balance, January 1, 2017 |                   | Additions                |        | Decrease                 |         | Balance, December 31, 2017 |                   | Collateral | Note |
|----------------------------|--------------------------|-------------------|--------------------------|--------|--------------------------|---------|----------------------------|-------------------|------------|------|
|                            | Shares<br>(In thousands) | Carrying<br>value | Shares<br>(In thousands) | Amount | Shares<br>(In thousands) | Amount  | Shares<br>(In thousands)   | Carrying<br>value |            |      |
| Royal Bank of Scotland PLC | -                        | \$ 1,288,800      | -                        | -      | -                        | 101,600 | -                          | 1,187,200         | None       |      |

Wan Hai Lines Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS  
ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED IN DECEMBER 31, 2017**

(In Thousands of New Taiwan Dollars)

| Name                                               | Balance, January 1, 2017 |                      | Additions |                | Decrease |                  | Balance, December 31, 2017 |          | Market Value or Net Assets |                   | Collateral | Note |
|----------------------------------------------------|--------------------------|----------------------|-----------|----------------|----------|------------------|----------------------------|----------|----------------------------|-------------------|------------|------|
|                                                    | Shares                   | Amount               | Shares    | Amount         | Shares   | Amount           | Shares                     | %        | Unit price                 | Total Amount      |            |      |
| Wan Hai Lines (Singapore) Pte Ltd                  | 959,957,200              | \$ 26,304,633        | -         | -              | -        | 1,496,101        | 959,957,200                | 100.00 % | 25.84                      | 24,808,532        | None       |      |
| Wan Hai Lines (America) Ltd.                       | 90,000                   | 121,255              | 190,000   | 267,977        | -        | -                | 280,000                    | 100.00 % | 1,390.11                   | 389,232           | "          |      |
| K.K. WH Corporation                                | 500                      | 16,248               | -         | -              | -        | -                | 500                        | 100.00 % | 33,958.00                  | 16,979            | "          |      |
| Wan Hai Lines (Germany) GmbH                       | Note 1                   | 2,333                | -         | 170            | -        | -                | Note 1                     | 100.00 % | -                          | 2,503             | "          |      |
| Tan Cang-Cai Mep International Terminal Co., Ltd.  | Note 1                   | 278,307              | -         | 35,052         | -        | -                | Note 1                     | 21.33 %  | -                          | 313,359           | "          |      |
| T.K. Logistics International Co., Ltd.             | 14,300,000               | 141,228              | -         | 5,767          | -        | -                | 14,300,000                 | 55.00 %  | 10.28                      | 146,995           | "          |      |
| Bao Sheng Shipping Agency Co., Ltd.                | 3,000,000                | 38,598               | -         | -              | -        | 410              | 3,000,000                  | 70.01 %  | 12.73                      | 38,188            | "          |      |
| Hai Phong International Container Terminal Co Ltd. | Note 1                   | -                    | -         | 190,160        | -        | -                | Note 1                     | 16.50 %  | -                          | 190,160           | "          |      |
|                                                    |                          | <u>\$ 26,902,602</u> |           | <u>499,857</u> |          | <u>1,496,511</u> |                            |          |                            | <u>25,905,948</u> |            |      |
|                                                    |                          |                      |           |                |          |                  |                            |          |                            | <u>25,905,948</u> |            |      |

Note 1: Limited companies with no common share issued.

**Wan Hai Lines Ltd.**  
**STATEMENT OF OTHER NON-CURRENT**  
**ASSET**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                     | <b>Description</b> | <b>Amount</b>            | <b>Note</b> |
|---------------------------------|--------------------|--------------------------|-------------|
| Deferred tax assets-non-current |                    | \$ 121,970               |             |
| Refundable deposits             |                    | 130,270                  |             |
| Others                          |                    | <u>73,181</u>            |             |
| Total                           |                    | <u><u>\$ 325,421</u></u> |             |

**STATEMENT OF ACCOUNTS PAYABLES**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

| <b>Client Name</b>                 | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|------------------------------------|--------------------|----------------------------|-------------|
| Accounts payable                   |                    |                            |             |
| Related parties:                   |                    |                            |             |
| Other (Note 1)                     |                    | \$ <u>346,873</u>          |             |
| Non-related parties                |                    |                            |             |
| Other (Note 1)                     |                    | <u>4,566,651</u>           |             |
| Accounts payable-agents commission |                    | 11,965                     |             |
| Accounts payable-containers fee    |                    | 107,071                    |             |
| Accounts payable-charters          |                    | 41,679                     |             |
| Accounts payable-joint service     |                    | <u>52,572</u>              |             |
| Total                              |                    | <u><u>\$ 5,126,811</u></u> |             |

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

**Wan Hai Lines Ltd.**  
**STATEMENT OF OTHER PAYABLES**  
**DECEMBER 31, 2017**  
**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                          | <b>Description</b> | <b>Amount</b>       |
|--------------------------------------|--------------------|---------------------|
| Accrued expense                      |                    | \$ 624,953          |
| Payable to acquisition of equipments |                    | 1,142,865           |
| Others                               |                    | 258,808             |
|                                      |                    | <u>\$ 2,026,626</u> |

**STATEMENT OF OTHER CURRENT LIABILITIES**

| <b>Item</b>                 | <b>Description</b>                                                                | <b>Amount</b>     | <b>Note</b> |
|-----------------------------|-----------------------------------------------------------------------------------|-------------------|-------------|
| Receipts in advance         | Revenue from disposal of containers or over payment                               | \$ 187,454        |             |
| Temporary collection-others | Receipts under custody of income tax expense and labor / health insurance expense | 105,967           |             |
| Payables to charters        | Receipts under custody of freight expense                                         | 11,887            |             |
| Guarantee deposits received | Deposit                                                                           | 2,145             |             |
| Total                       |                                                                                   | <u>\$ 307,453</u> |             |

Wan Hai Lines Ltd.

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

| Creditor                                              | Description | Balance, December 31,<br>2017 | Contract Period       | Range of Interest Rates | Collateral      | Note |
|-------------------------------------------------------|-------------|-------------------------------|-----------------------|-------------------------|-----------------|------|
| Taiwan cooperative Bank Chengdong Branch              |             | \$ 237,440                    | 2013.07.09~2018.07.09 | 1.67%~2.23%             | Containers      |      |
| "                                                     |             | 237,440                       | 2014.01.29~2018.07.09 | 1.83%~2.22%             | Containers      |      |
| "                                                     |             | 949,760                       | 2014.11.25~2019.11.25 | 2.04%~2.42%             | Containers      |      |
| Mizuho Bank Taipei Branch                             |             | 46,301                        | 2014.05.09~2018.05.09 | 1.97%~2.52%             | Equipment       |      |
| "                                                     |             | 10,685                        | 2014.12.16~2018.05.09 | 1.97%~2.52%             | Equipment       |      |
| "                                                     |             | 178,080                       | 2015.07.15~2020.07.15 | 1.83%~2.34%             | Containers      |      |
| "                                                     |             | 356,160                       | 2015.12.30~2020.07.15 | 1.83%~2.34%             | Containers      |      |
| "                                                     |             | 296,800                       | 2017.12.25~2022.12.25 | 2.56%                   | Containers      |      |
| Chang Hwa Bank Chilin Branch                          |             | 890,400                       | 2015.08.31~2020.08.31 | 1.87%~2.4%              | Containers      |      |
| "                                                     |             | 890,400                       | 2016.07.28~2021.07.28 | 1.78%~2.54%             | Containers      |      |
| "                                                     |             | 500,000                       | 2016.12.21~2021.12.21 | 1.16%                   | Buildings, land |      |
| Mega International Commercial Bank Foreign Department |             | 593,600                       | 2016.08.08~2021.08.08 | 1.79%~2.34%             | Containers      |      |
| "                                                     |             | 296,800                       | 2017.10.23~2022.10.23 | 2.06%                   | Containers      |      |
| China Bills Finance Corporation                       |             | 600,000                       | 2016.12.27~2019.12.27 | 0.59%~0.98%             | -               |      |
| Mega Bills Finance Corporation                        |             | 1,000,000                     | 2016.12.27~2019.12.27 | 0.76%~0.86%             | -               |      |
| "                                                     |             | 700,000                       | 2017.08.22~2020.06.22 | 0.76%                   | -               |      |
| "                                                     |             | 300,000                       | 2017.12.25~2020.06.22 | 0.74%                   | -               |      |
| Taishin International Bank Jianpei Branch             |             | 600,000                       | 2017.12.25~2018.01.25 | 1.12%                   | -               |      |
| Bank SinoPac Banking Division                         |             | 300,000                       | 2017.12.20~2018.01.03 | 0.96%                   | -               |      |
| Taipei Star Bank Changan Branch                       |             | 222,600                       | 2017.12.21~2022.12.21 | 2.39%                   | -               |      |
| Less: Current portion                                 |             | 9,206,466                     |                       |                         |                 |      |
| Discount on commercial paper                          |             | (2,599,279)                   |                       |                         |                 |      |
|                                                       |             | (859)                         |                       |                         |                 |      |
|                                                       |             | <u>\$ 6,606,328</u>           |                       |                         |                 |      |

**Wan Hai Lines Ltd.**  
**STATEMENT OF OPERATING REVENUE**  
**FOR THE YEAR ENDED IN DECEMBER 31, 2017**  
**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                        | <b>Numbers</b> | <b>Amount</b>               | <b>Note</b> |
|------------------------------------|----------------|-----------------------------|-------------|
| Freight revenue                    |                | \$ 39,813,651               |             |
| Additional freight revenue         |                | 2,191,190                   |             |
| Additional freight revenue-other   |                | 2,173,337                   |             |
| Slottage revenue                   |                | 1,898,551                   |             |
| Revenue from WHL terminal          |                | 617,059                     |             |
| Agency revenue                     |                | 17,423                      |             |
| Documentation revenue              |                | 2,757,713                   |             |
| Container rental revenue           |                | 996,080                     |             |
| Income for charter hire            |                | <u>13,159</u>               |             |
|                                    |                | 50,478,163                  |             |
| Less: Sales returns and allowances |                | <u>(177,441)</u>            |             |
| Net amount of operating revenue    |                | <u><u>\$ 50,300,722</u></u> |             |

## Wan Hai Lines Ltd.

**STATEMENT OF OPERATING COSTS**  
**FOR THE YEAR ENDED IN DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars)

| Item                        | Amount                      |
|-----------------------------|-----------------------------|
| Agency Service              | \$ 1,680,896                |
| Port charges                | 3,107,010                   |
| Stevedorage expense         | 16,795,449                  |
| Container expense           | 5,088,979                   |
| Vessel expense              | 1,600,227                   |
| Fuel Cost                   | 8,294,990                   |
| Loss on inventory valuation | (39)                        |
| Vessel rental expense       | 5,727,987                   |
| Slottage rental expense     | 1,045,073                   |
| WHL terminal expense        | 2,506,014                   |
|                             | <u><u>\$ 45,846,586</u></u> |

**STATEMENT OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED IN DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars)

| Item           | Description | Amount                     | Note                       |
|----------------|-------------|----------------------------|----------------------------|
| Salary         |             | \$ 987,690                 |                            |
| Entertainment  |             | 88,407                     |                            |
| Taxes          |             | 258,875                    |                            |
| Service fee    |             | 92,091                     |                            |
| Other expenses |             | 680,957                    | No single amount exceed 5% |
| Total          |             | <u><u>\$ 2,108,020</u></u> |                            |

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

## 6.5 Consolidated Financial Statements For Fiscal Year 2017

### 6.5.1 Independent Auditor's Report

#### Independent Auditors' Report

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

#### Opinion

We have audited the consolidated financial statements of Wan Hai Lines Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 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 for 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 BALANCE SHEETS**

**December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

|      | Assets                                                            | 2017.12.31    |     | 2016.12.31 |     |      | 2017.12.31                                                                  |               | 2016.12.31 |  |
|------|-------------------------------------------------------------------|---------------|-----|------------|-----|------|-----------------------------------------------------------------------------|---------------|------------|--|
|      |                                                                   | Amount        | %   | Amount     | %   |      | Amount                                                                      | %             |            |  |
|      | Current assets:                                                   |               |     |            |     |      | Liabilities and Equity                                                      |               |            |  |
|      |                                                                   |               |     |            |     |      | Current liabilities:                                                        |               |            |  |
| 1100 | Cash and cash equivalents (notes (6)(a))                          | \$ 19,245,440 | 25  | 19,327,191 | 26  | 2100 | Short-term loans (notes (6)(i))                                             | \$ 60,000     | -          |  |
| 1125 | Available-for-sale financial assets — current (notes (6)(b))      | 4,242,631     | 5   | 3,984,324  | 5   | 2170 | Accounts payable (notes (7))                                                | 6,890,826     | 9          |  |
| 1150 | Notes receivable, net (notes (6)(c))                              | 25,430        | -   | 26,123     | -   | 2200 | Other payables (notes (6)(s) and (7))                                       | 3,150,037     | 4          |  |
| 1170 | Accounts receivable (notes (6)(c) and (7))                        | 2,941,263     | 4   | 2,387,070  | 3   | 2230 | Current tax liabilities (notes (6)(m))                                      | 186,208       | -          |  |
| 1200 | Other receivables (notes (6)(c) and (7))                          | 1,011,713     | 1   | 1,067,305  | 1   | 2320 | Current portion of long-term loans (notes (6)(i) and (j) and (9))           | 9,112,404     | 12         |  |
| 1330 | Inventories, net (notes (6)(d))                                   | 1,319,047     | 2   | 1,251,565  | 2   | 2350 | Payable to agents (notes (7))                                               | 3,552         | -          |  |
| 1475 | Receivables from agents (notes (6)(c) and (7))                    | 696,948       | 1   | 713,083    | 1   | 2300 | Other current liabilities                                                   | 1,491,704     | 2          |  |
| 1479 | Other current assets (notes (8))                                  | 564,757       | 1   | 641,485    | 1   |      |                                                                             | 20,894,731    | 27         |  |
|      |                                                                   | 30,047,229    | 39  | 29,398,146 | 39  |      | Non-Current liabilities:                                                    |               |            |  |
|      | Non-current assets:                                               |               |     |            |     | 2530 | Bonds payable (note (6)(j))                                                 | 6,900,000     | 9          |  |
| 1523 | Available-for-sale financial assets — non-current (notes (6)(b))  | 177,746       | -   | 177,204    | -   | 2540 | Long-term loans (notes (6)(i) and (8))                                      | 12,083,130    | 16         |  |
| 1543 | Financial assets measured at cost — non-current (notes (6)(b))    | 708,967       | 1   | 708,967    | 1   | 2570 | Deferred income tax liabilities (note (6)(m))                               | 1,095,901     | 1          |  |
| 1546 | Bond portfolios with inactive market — non-current (notes (6)(b)) | 1,187,200     | 2   | 1,288,800  | 2   | 2640 | Accrued pension liabilities (note (6)(l))                                   | 822,662       | 1          |  |
| 1550 | Long-term equity investments under equity method (notes (6)(e))   | 713,155       | 1   | 396,361    | -   | 2645 | Guarantee deposits received                                                 | 537,763       | 1          |  |
| 1600 | Property, plant and equipment (notes (6)(f) and (8) and (9))      | 42,680,442    | 56  | 43,602,819 | 57  |      |                                                                             | 21,439,456    | 28         |  |
| 1760 | Investment property, net (notes (6)(g))                           | 303,238       | -   | -          | -   |      | Total liabilities                                                           | 42,334,187    | 55         |  |
| 1780 | Intangible assets (notes (6)(h))                                  | 53,262        | -   | 28,386     | -   |      | Equity attributable to owners of parent (notes (6)(n) and (o)):             |               |            |  |
| 1900 | Other non-current assets (note (6)(s) and (8) and (9))            | 642,565       | 1   | 719,389    | 1   | 3100 | Common stock                                                                | 22,182,975    | 29         |  |
|      |                                                                   | 46,466,575    | 61  | 46,921,926 | 61  | 3200 | Capital surplus                                                             | 1,261,681     | 2          |  |
|      |                                                                   |               |     |            |     |      | Retained earnings:                                                          |               |            |  |
|      |                                                                   |               |     |            |     | 3310 | Legal reserve                                                               | 6,503,503     | 8          |  |
|      |                                                                   |               |     |            |     | 3320 | Special reserve                                                             | -             | 1,053,282  |  |
|      |                                                                   |               |     |            |     | 3350 | Retained earnings — unappropriated                                          | 5,146,283     | 7          |  |
|      |                                                                   |               |     |            |     |      |                                                                             | 11,649,786    | 15         |  |
|      |                                                                   |               |     |            |     |      | Other equity interest:                                                      |               |            |  |
|      |                                                                   |               |     |            |     | 3411 | Exchange differences on translation of foreign financial statements, parent | (1,480,258)   | (2)        |  |
|      |                                                                   |               |     |            |     | 3426 | Unrealized gains (losses) on available-for-sale financial assets, parent    | 352,776       | 1          |  |
|      |                                                                   |               |     |            |     |      |                                                                             | (1,127,482)   | (1)        |  |
|      |                                                                   |               |     |            |     |      | Total equity attributable to owners of parent:                              | 33,966,960    | 45         |  |
|      |                                                                   |               |     |            |     |      | Non-controlling interests                                                   | 212,657       | -          |  |
|      |                                                                   |               |     |            |     | 36XX | Total equity                                                                | 34,179,617    | 45         |  |
|      |                                                                   |               |     |            |     |      | Total liabilities and equity                                                | \$ 76,513,804 | 100        |  |
|      | Total assets                                                      | \$ 76,513,804 | 100 | 76,320,072 | 100 |      |                                                                             | \$ 76,320,072 | 100        |  |

See accompanying notes to financial statements.

(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)**

|      |                                                                                    | <b>For the Years Ended December 31,</b> |          |                  |          |
|------|------------------------------------------------------------------------------------|-----------------------------------------|----------|------------------|----------|
|      |                                                                                    | <b>2017</b>                             |          | <b>2016</b>      |          |
|      |                                                                                    | <b>Amount</b>                           | <b>%</b> | <b>Amount</b>    | <b>%</b> |
| 4000 | <b>Operating revenue (notes (6)(p) and (7))</b>                                    | \$ 60,769,645                           | 100      | 57,351,493       | 100      |
| 5000 | <b>Operating costs (notes (6)(d) and (7))</b>                                      | 53,654,228                              | 88       | 51,590,656       | 90       |
|      | <b>Gross profit</b>                                                                | 7,115,417                               | 12       | 5,760,837        | 10       |
| 6000 | <b>Operating expenses</b>                                                          | 3,973,607                               | 7        | 3,887,034        | 7        |
|      | <b>Income from operations</b>                                                      | 3,141,810                               | 5        | 1,873,803        | 3        |
|      | <b>Non-operating income and expenses (notes (6)(e) and (r)):</b>                   |                                         |          |                  |          |
| 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           | -        |
|      | <b>Total non-operating income and expenses</b>                                     | (22,769)                                | -        | (374,297)        | -        |
|      | <b>Profit before tax</b>                                                           | 3,119,041                               | 5        | 1,499,506        | 3        |
| 7950 | <b>Less: Income tax expense (notes (6)(m))</b>                                     | 560,066                                 | 1        | 350,199          | 1        |
|      | <b>Net profit</b>                                                                  | 2,558,975                               | 4        | 1,149,307        | 2        |
| 8300 | <b>Other comprehensive income:</b>                                                 |                                         |          |                  |          |
| 8310 | <b>Items that may not be reclassified subsequently to profit or loss</b>           |                                         |          |                  |          |
| 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 | <b>Items that may be reclassified subsequently to profit or loss</b>               |                                         |          |                  |          |
| 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 | <b>Other comprehensive income (loss), net of tax</b>                               | (1,795,703)                             | (3)      | (107,243)        | -        |
|      | <b>Total comprehensive income</b>                                                  | \$ <b>763,272</b>                       | <b>1</b> | <b>1,042,064</b> | <b>2</b> |
|      | <b>Profit attributable to:</b>                                                     |                                         |          |                  |          |
|      | Owners of the parent company                                                       | \$ 2,541,889                            | 4        | 1,141,680        | 2        |
|      | Non-controlling interest                                                           | 17,086                                  | -        | 7,627            | -        |
|      |                                                                                    | \$ <b>2,558,975</b>                     | <b>4</b> | <b>1,149,307</b> | <b>2</b> |
|      | <b>Comprehensive income attributable to:</b>                                       |                                         |          |                  |          |
|      | Owners of the parent company                                                       | \$ 746,329                              | 1        | 1,036,777        | 2        |
|      | Non-controlling interest                                                           | 16,943                                  | -        | 5,287            | -        |
|      |                                                                                    | \$ <b>763,272</b>                       | <b>1</b> | <b>1,042,064</b> | <b>2</b> |
|      | <b>Basic earnings per share (New Taiwan Dollars) (note (6)(o))</b>                 | \$ <b>1.15</b>                          |          | <b>0.51</b>      |          |
|      | <b>Diluted earnings per share (New Taiwan Dollars) (note (6)(o))</b>               | \$ <b>1.14</b>                          |          | <b>0.51</b>      |          |

Seeing accompanying notes to financial statements.

(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 |                 |               |                 |                   |                           |                        |                                                                  |                                               |                           |             |
|--------------------------------------|---------------------------------------------------------------------|-----------------|---------------|-----------------|-------------------|---------------------------|------------------------|------------------------------------------------------------------|-----------------------------------------------|---------------------------|-------------|
|                                      | Other Equity                                                        |                 |               |                 |                   |                           |                        |                                                                  |                                               |                           |             |
| Stock                                |                                                                     | Capital Surplus | Legal reserve | Special reserve | Retained Earnings | Earnings - Unappropriated | Operations, Net of Tax | Unrealized Gains (losses) on Available-for-sale Financial Assets | Total Equity Attributable to Owners of Parent | Non-controlling Interests | Total       |
| Common Stock                         |                                                                     |                 |               |                 |                   |                           |                        |                                                                  |                                               |                           |             |
| \$ 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                       | -                                                                   | -               | -             | -               | (63,721)          | (2,661,957)               | -                      | -                                                                | (2,661,957)                                   | -                         | (2,661,957) |
| Reversal of special reserve          | -                                                                   | -               | -             | -               | 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         | 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  |

See accompanying notes to financial statements.

(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             |
| <b>Cash flows from operating activities :</b>          |                                  |                  |
| Profit before income tax                               | \$ 3,119,041                     | 1,499,506        |
| <b>Adjustments:</b>                                    |                                  |                  |
| 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)           | 3,545,617                        | 3,785,531        |
| 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                                   | 80,464                           | (69,912)         |
| Total changes in operating assets, net                 | (466,251)                        | (640,093)        |
| 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                            | (78,922)                         | (99,623)         |
| Total changes in operating liabilities, net            | 1,176,672                        | 396,098          |
| Total changes in operating assets and liabilities, net | 710,421                          | (243,995)        |
| Total adjustments                                      | 4,256,038                        | 3,541,536        |
| Cash inflow generated from operations                  | 7,375,079                        | 5,041,042        |
| Income taxes paid                                      | (295,877)                        | (902,365)        |
| <b>Net cash operating by operating activities</b>      | <b>7,079,202</b>                 | <b>4,138,677</b> |

Seeing accompanying notes to financial statements.

(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)**

|                                                                | <b>For the years ended December 31,</b> |                    |
|----------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                | <b>2017</b>                             | <b>2016</b>        |
| <b>Cash flows from investing activities:</b>                   |                                         |                    |
| 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            |
| <b>Net cash used in investing activities</b>                   | <b>(4,420,977)</b>                      | <b>(2,411,658)</b> |
| <b>Cash flows from financing activities:</b>                   |                                         |                    |
| 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             |
| <b>Net cash used in financing activities</b>                   | <b>(2,542,164)</b>                      | <b>(4,658,320)</b> |
| <b>Foreign exchange rate effects</b>                           | <b>(197,812)</b>                        | <b>381,039</b>     |
| <b>Net (decrease) increase in cash and cash equivalents</b>    | <b>(81,751)</b>                         | <b>(2,550,262)</b> |
| <b>Cash and cash equivalents, beginning of period</b>          | <b>19,327,191</b>                       | <b>21,877,453</b>  |
| <b>Cash and cash equivalents, end of period</b>                | <b>\$ 19,245,440</b>                    | <b>19,327,191</b>  |

Seeing accompanying notes to financial statements.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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

**(1) Organization and Business**

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

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

The Board of Directors approved and issued the consolidated financial statements on March 26, 2018.

**(3) New Standards and Interpretations Not Yet Adopted**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

| <b>New, Revised or Amended Standards and Interpretations</b>                                                       | <b>Effective date per IASB</b> |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"              | January 1, 2016                |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"                               | January 1, 2016                |
| IFRS 14 "Regulatory Deferral Accounts"                                                                             | January 1, 2016                |
| Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"                                    | January 1, 2016                |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"             | January 1, 2016                |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"                                                       | January 1, 2016                |
| Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"                                               | July 1, 2014                   |
| Amendment to IAS 27 "Equity Method in Separate Financial Statements"                                               | January 1, 2016                |
| Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets" | January 1, 2014                |
| Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"          | January 1, 2014                |
| Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle                                                   | July 1, 2014                   |
| Annual Improvements to IFRSs 2012–2014 Cycle                                                                       | January 1, 2016                |
| IFRIC 21 "Levies"                                                                                                  | January 1, 2014                |

The Group assessed that the adoption of the above IFRSs would not have any material impact on the consolidated financial statements.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

| <b>New, Revised or Amended Standards and Interpretations</b>                                 | <b>Effective date per IASB</b> |
|----------------------------------------------------------------------------------------------|--------------------------------|
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"     | January 1, 2018                |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018                |
| IFRS 9 "Financial Instruments"                                                               | January 1, 2018                |
| IFRS 15 "Revenue from Contracts with Customers"                                              | January 1, 2018                |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"                          | January 1, 2017                |
| Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017                |
| Amendments to IAS 40 "Transfers of Investment Property"                                      | January 1, 2018                |
| Annual Improvements to IFRS Standards 2014–2016 Cycle:                                       |                                |
| Amendments to IFRS 12                                                                        | January 1, 2017                |
| Amendments to IFRS 1 and Amendments to IAS 28                                                | January 1, 2018                |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration"                           | January 1, 2018                |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

1. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$2,221,320 thousand and financial assets measured at cost of \$708,967 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. Part of equity investments classified as available-for-sale with a fair value of \$2,199,057 thousand are held for sales of strategic purposes. An initial application of IFRS 9, the Group has designated these investments as FVTPL. An initial classification of current bond investment with inactive market value is \$1,187,200 thousand. Since the cash flow of these investments are not just payment of principal and interest, the Group has designated these investments as FVTPL when initially application of IFRS 9. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of \$513,035 thousand in reserves, as well as the increase of \$271,383 thousand and decrease of \$241,652 thousand in retained earnings and assets, respectively.

#### 2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group does not believe that impairment losses will have a material impact in the scope of the IFRS 9 impairment model.

#### 3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

#### 2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

##### 1) Rendering of services

The Group is involved in managing forest resources, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services. Since these amounts are broadly similar, the Group does not expect significant differences in the timing of revenue recognition for these services.

##### 2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application ( i.e. 1 January 2018) will not be restated.

The Group estimates the adoption of IFRS 15, resulting in the increase of \$637,649 thousand and \$252,606 thousand in contract assets, and contract liabilities, respectively; and a decrease of \$637,649 thousand and \$252,606 thousand in accounts receivable and advance sales receipts (recognized as under other current liabilities), respectively, on January 1, 2018.

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

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

| <b>New, Revised or Amended Standards and Interpretations</b>                                                             | <b>Effective date<br/>per IASB</b>      |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Effective date to be determined by IASB |
| IFRS 16 "Leases"                                                                                                         | January 1, 2019                         |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2021                         |
| IFRIC 23 "Uncertainty over Income Tax Treatments"                                                                        | January 1, 2019                         |
| Amendments to IFRS 9 "Prepayment features with negative compensation"                                                    | January 1, 2019                         |
| Amendments to IAS 28 "Long-term interests in associates and joint ventures"                                              | January 1, 2019                         |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                                                                    | January 1, 2019                         |
| Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"                                                         | January 1, 2019                         |

Those which may be relevant to The Group are set out below:

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                                                                                  | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 11, 2014                  | Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | <p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> |

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

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b> | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 13, 2016                    | IFRS 16 "Leases"                        | <p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          |
| May 18, 2016                        | IFRS 17 "Insurance Contracts"           | <p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.</li> <li>• Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.</li> <li>• Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.</li> </ul> |

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

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                                           | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| June 7, 2017                        | IFRIC 23 "Uncertainty over<br>Income Tax Treatments"                              | <ul style="list-style-type: none"> <li>• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>• If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul> |
| October 12, 2017                    | Amendments to IAS 28<br>"Long-term interests in<br>associates and joint ventures" | The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                                                                                                                                                                                                        | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 12, 2017                   | <p>Annual Improvements to IFRS Standards 2015–2017 Cycle:</p> <ul style="list-style-type: none"> <li>• IFRS 3 Business Combinations and IFRS 11 Joint Arrangements</li> <li>• IAS 12 Income Taxes</li> <li>• IAS 23 Borrowing Costs</li> </ul> | <ul style="list-style-type: none"> <li>• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.                         <ul style="list-style-type: none"> <li>— If a party maintain joint control, then the previously held interest is not remeasured.</li> <li>— If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.</li> </ul> </li> <li>• Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.</li> <li>• Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.</li> </ul> |

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

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>                          | <b>Content of amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| February 7, 2018                    | Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | <p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>• on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and</li> <li>• the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.</li> </ul> |

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

**(4) Summary of Significant Accounting Policies**

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

**(b) Basis of preparation**

**1. Basis of measurement**

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

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Functional and presentation currency

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

#### (c) Business combination

##### 1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

##### 2. List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary                                  | Principal activity                                                                          | Shareholding % |            | Note |
|------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------------|----------------|------------|------|
|                  |                                                     |                                                                                             | 2017.12.31     | 2016.12.31 |      |
| The Company      | Wan Hai Lines (Singapore) Pte. Ltd. (WHL-Singapore) | International freight transportation, agency services for transport affairs, vessel leasing | 100.00 %       | 100.00 %   |      |
| The Company      | Wan Hai Lines (America) Ltd. (WHL America)          | International freight transportation and agency services for transport affairs              | 100.00 %       | 100.00 %   |      |
| The Company      | T.K. Logistics International Co., Ltd. (TK)         | Managing container terminals and storage facilities                                         | 55.00 %        | 55.00 %    |      |
| The Company      | k.k. WH Corporation (WH Corporation)                | Operating and managing container yard and vessel leasing                                    | 100.00 %       | 100.00 %   |      |
| The Company      | Wan Hai Lines (Germany) GmbH (WHL Germany)          | International freight transportation and agency services for transport affairs              | 100.00 %       | 100.00 %   |      |

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

| Name of investor | Name of subsidiary                            | Principal activity                                                                            | Shareholding % |            | Note                                                                                                                                                                                                                                                                        |
|------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------|----------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  |                                               |                                                                                               | 2017.12.31     | 2016.12.31 |                                                                                                                                                                                                                                                                             |
| The Company      | Bao Sheng Shipping Agency Co., Ltd. (BS)      | Agency services for transportation affair and contracting ocean shipping and related services | 70.01 %        | 70.01 %    |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai Line (M) Sdn. Bhd. (WHL Malaysia)     | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai Lines (HK) Ltd. (WHL Hongkong)        | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai Lines (Phils.), Inc. (WHL Phils.)     | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai Lines (Korea) Ltd. (WHL Korea)        | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai International Pte. Ltd. (WHL INTL.)   | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun) | ODD operation                                                                                 | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai (Vietnam) Ltd. (WHL Vietnam)          | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL-Singapore    | Wan Hai Lines (Thailand) Ltd. (WHL Thailand)  | International freight transportation and agency services for transport affairs                | 49.00 %        | 49.00 %    | The Company did not directly or indirectly hold over one half of the voting rights of WHL-Thailand; however, the subsidiary WHL Singapore occupies three of the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand. |
| WHL-Singapore    | Wan Hai Lines (Ecuador) S.A.                  | International freight transportation and agency services for transport affairs                | 51.00 %        | 51.00 %    |                                                                                                                                                                                                                                                                             |
| WHL America      | Wan Hai Lines (Arizona) LLC.                  | House rental and service Management                                                           | 100.00 %       | - %        |                                                                                                                                                                                                                                                                             |
| WHL-INTL.        | Wan Hai Lines (India) PVT Ltd. (WHL India)    | International freight transportation and agency services for transport affairs                | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |
| WHL INTL.        | Bravely International Pte. Ltd.               | International freight transportation and investment                                           | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                                             |

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

| Name of investor                | Name of subsidiary                                             | Principal activity                                               | Shareholding % |            | Note                                                                                                                                                                                                                                                 |
|---------------------------------|----------------------------------------------------------------|------------------------------------------------------------------|----------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 |                                                                |                                                                  | 2017.12.31     | 2016.12.31 |                                                                                                                                                                                                                                                      |
| WHL INTL.                       | Infinite Marine Investment Co., Ltd.                           | Investment                                                       | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                      |
| Bravely International Pte. Ltd. | Bravely (Myanmar) Transport and Logistics Company Limited      | Managing container, storage and logistics services               | 80.00 %        | 80.00 %    |                                                                                                                                                                                                                                                      |
| WHL-Hongkong                    | Guangzhou Wan Hai Information Technology Ltd. (GWHIT)          | Information software service                                     | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                      |
| WHL-Hongkong                    | Dawin Logistics (International) Ltd. (DL)                      | Transportation, storage and investment services                  | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                      |
| Dawin                           | Shenzhen Uniwin International Logistics Ltd. (SUIL)            | Freight transportation and agency services for transport affairs | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                      |
| Dawin                           | Blue Ocean Logistics (Shanghai) Ltd. (BOL)                     | Containers, storage and international transportation services    | 100.00 %       | 100.00 %   |                                                                                                                                                                                                                                                      |
| Shenzhen Uniwin                 | Shanghai Clipper International Shipping Agency Ltd. (CISA)     | International shipping agency services                           | 49.00 %        | 49.00 %    | The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA. |
| Shenzhen Uniwin                 | Shenzhen Yong Chun International Shipping Management Co., Ltd. | International shipping management                                | 90.00 %        | 90.00 %    |                                                                                                                                                                                                                                                      |

3. List of subsidiaries which are not included in the consolidated financial statements:  
None.

(d) Foreign currency

1. Foreign currency transactions

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign currency differences arising on retranslation are recognized in profit or loss which are recognized in other comprehensive income.

#### 2. Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

#### (e) Classification of current and non-current assets and liabilities

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

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and saving accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The saving deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

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

(g) Financial instruments

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

1. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

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

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

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

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

2) Available-for sale financial assets

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### 3) Loans and receivables

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

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

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

#### 4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

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

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

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

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

#### 5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is included in “other gains and losses” of non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

## 2. Financial liabilities and equity instruments

### 1) Classification of debt or equity

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 2) Financial liabilities at fair value through profit or loss

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

#### 3) Other financial liabilities

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

#### 4) Derecognition of financial liabilities

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

#### 5) Offsetting of financial assets and liabilities

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

#### (h) Inventories

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

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

#### (i) Investment in associates

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

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

#### (j) Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the participants are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in "jointly controlled entities" to "joint ventures". Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect on the recognized assets, liabilities, and other comprehensive income.

#### (k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

#### (I) Property, plant, and equipment

##### 1. Recognition and measurement

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of that significant part are the same as those of another significant part of that same item.

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

##### 2. Subsequent cost

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

##### 3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

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

|                            | <b>The Group</b> |
|----------------------------|------------------|
| Buildings                  | 23~ 57 years     |
| Vessels                    | 2~ 25 years      |
| Containers                 | 2~ 16 years      |
| Privileged wharf equipment | 2~ 15 years      |
| Other equipment            | 2~ 30 years      |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimates.

#### (m) Leases

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

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

#### (n) Intangible assets

##### 1. Intangible assets

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

##### 2. Subsequent expenditure

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

##### 3. Amortization

The amortizable amount is the cost of an asset less its residual value.

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

|            |             |
|------------|-------------|
| Software   | 2~ 5 years  |
| Trademarks | 5~ 10 years |

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

#### (o) Impairment – non-financial assets

The carrying amounts of the Group's nonfinancial assets, other than inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

#### (p) Revenue

##### 1. Freight Revenue

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

##### 2. Rental Revenue

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

##### 3. Terminal operating revenue

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

##### 4. Other service revenue

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

#### (q) Employee benefits

##### 1. Defined contribution plans

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

##### 2. Defined benefit plans

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

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

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

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

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

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises from any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation and any related actuarial gains or losses and past service cost which had not previously been recognized.

**3. Termination benefits**

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group is required to recognize the termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**4. Short-term employee benefits**

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

**(r) Income taxes**

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

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

#### (s) Earnings per share

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

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

#### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Information about assumptions and estimation uncertainties that have the most significant effects on the amount recognized in the financial statement is as follows:

##### (a) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments by considering the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

##### (b) Revenue recognition

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

#### (6) Explanation to Significant Accounts

##### (a) Cash and cash equivalents

|                                                      | <u>2017.12.31</u>    | <u>2016.12.31</u> |
|------------------------------------------------------|----------------------|-------------------|
| Cash                                                 | \$ 58,695            | 49,118            |
| Savings accounts                                     | 2,959,674            | 2,208,466         |
| Time deposits                                        | <u>16,227,071</u>    | <u>17,069,607</u> |
| Cash and cash equivalents in statement of cash flows | <u>\$ 19,245,440</u> | <u>19,327,191</u> |

Please refer to Note 6(s) for the interest rate analysis of financial assets and liabilities.

##### (b) Financial assets

###### 1. Details of financial assets:

|                                      | <u>2017.12.31</u>   | <u>2016.12.31</u> |
|--------------------------------------|---------------------|-------------------|
| Available-for-sale financial assets  | \$ 4,420,377        | 4,161,528         |
| Financial assets measured at cost    | 708,967             | 708,967           |
| Bond portfolios with inactive market | <u>1,187,200</u>    | <u>1,288,800</u>  |
| Total                                | <u>\$ 6,316,544</u> | <u>6,159,295</u>  |

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|             | <u>2017.12.31</u>          | <u>2016.12.31</u>       |
|-------------|----------------------------|-------------------------|
| Current     | \$ 4,242,631               | 3,984,324               |
| Non-current | <u>2,073,913</u>           | <u>2,174,971</u>        |
| Total       | <u><u>\$ 6,316,544</u></u> | <u><u>6,159,295</u></u> |

Based on the Group's assessment, the impairment losses of \$0 thousand and \$29,065 thousand are recognized on the available-for-sale financial assets for the years ended December 31, 2017 and 2016.

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2017 the impairment loss was \$27,000 thousand.

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

As of December 31, 2017 and 2016, the Group's financial assets were not pledged as collateral.

2. Sensitivity analysis-equity price risk:

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

|                                       | <u>2017</u>                                 |                                | <u>2016</u>                                 |                                |
|---------------------------------------|---------------------------------------------|--------------------------------|---------------------------------------------|--------------------------------|
| <u>Equity price at reporting date</u> | <u>After-tax other comprehensive income</u> | <u>After-tax profit (loss)</u> | <u>After-tax other comprehensive income</u> | <u>After-tax profit (loss)</u> |
| Increase 1%                           | \$ <u>44,204</u>                            | <u>-</u>                       | <u>41,615</u>                               | <u>-</u>                       |
| Decrease 1%                           | \$ <u>(44,204)</u>                          | <u>-</u>                       | <u>(41,615)</u>                             | <u>-</u>                       |

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

|                                          | <u>2017.12.31</u>          | <u>2016.12.31</u>       |
|------------------------------------------|----------------------------|-------------------------|
| Notes receivable                         | \$ 25,430                  | 26,123                  |
| Accounts receivable                      | 2,941,621                  | 2,387,428               |
| Other receivables                        | 1,011,713                  | 1,067,305               |
| Receivables from agents                  | 696,948                    | 713,083                 |
| Less: Allowance for doubtful receivables | <u>(358)</u>               | <u>(358)</u>            |
|                                          | <u><u>\$ 4,675,354</u></u> | <u><u>4,193,581</u></u> |

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The aging analysis of notes and trade receivable and other receivables and receivables from agents which were past due but not impaired was as follows:

|                            | <b>2017.12.31</b>        | <b>2016.12.31</b>     |
|----------------------------|--------------------------|-----------------------|
| Overdue 0-30 days          | \$ 560,271               | 438,148               |
| Overdue 31-120 days        | 44,670                   | 90,807                |
| Overdue 121-365 days       | 45,353                   | 6,551                 |
| Overdue more than 365 days | <u>1,517</u>             | <u>3,347</u>          |
|                            | <b><u>\$ 651,811</u></b> | <b><u>538,853</u></b> |

The movement in the allowance for notes and trade receivable and other receivables and receivables from agents was as follows:

|                                 | <b>Individually<br/>assessed<br/>impairment</b> | <b>Collectively<br/>assessed<br/>impairment</b> | <b>Total</b>      |
|---------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------|
| Balance as of January 1, 2017   | \$ -                                            | 358                                             | 358               |
| Impairment loss recognized      | -                                               | 72                                              | 72                |
| Amounts written off             | <u>-</u>                                        | <u>(72)</u>                                     | <u>(72)</u>       |
| Balance as of December 31, 2017 | <b><u>\$ -</u></b>                              | <b><u>358</u></b>                               | <b><u>358</u></b> |
| Balance as of January 1, 2016   | \$ -                                            | 364                                             | 364               |
| Amounts written off             | <u>-</u>                                        | <u>(6)</u>                                      | <u>(6)</u>        |
| Balance as of December 31, 2016 | <b><u>\$ -</u></b>                              | <b><u>358</u></b>                               | <b><u>358</u></b> |

Please refer to (6)(s) for the credit risks and the currency risks of the notes and trade receivables and other receivables of the Group.

As of December 31, 2017 and 2016, the notes and trade receivable and other receivables of the Group had not been pledged as collateral.

(d) Inventories

|                                                                    | <b>2017.12.31</b>          | <b>2016.12.31</b>       |
|--------------------------------------------------------------------|----------------------------|-------------------------|
| Marine diesel oil                                                  | \$ 129,463                 | 119,260                 |
| Marine residual fuel oil                                           | 1,075,871                  | 998,030                 |
| Fresh lubricating oil                                              | <u>113,806</u>             | <u>134,314</u>          |
| Subtotal                                                           | 1,319,140                  | 1,251,604               |
| Less: Allowance for inventory valuation and<br>obsolescence losses | <u>(93)</u>                | <u>(39)</u>             |
| Total                                                              | <b><u>\$ 1,319,047</u></b> | <b><u>1,251,565</u></b> |

In 2017, the write-down of inventories to net realizable value amounted to \$56 thousand respectively. The write-downs are included in cost of sales.

In 2016, the reversal of write-downs amounted to \$103,114 thousand due to the elimination of the write-down factor.

As of December 31, 2017 and 2016, the Group's inventories were not pledged as collateral.

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(e) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

|               | <b>2017.12.31</b> | <b>2016.12.31</b> |
|---------------|-------------------|-------------------|
| Associates    | \$ 533,177        | 296,078           |
| Joint venture | 179,978           | 100,283           |
|               | <b>\$ 713,155</b> | <b>396,361</b>    |

1. Associates

For the first quarter of 2017, the Group acquired 16.5% of the shares of Hai Phong International Container Terminal Company Limited (HICT) for USD6,459 thousand in cash. The Group get one of HICT's directors, and participated its finance and operating policy decision. Therefore, the Group has significant influence on it.

The financial information of individually non-significant equity method associates included in the consolidated financial statements were as follows:

|                                                                        | <b>2017.12.31</b> | <b>2016.12.31</b> |
|------------------------------------------------------------------------|-------------------|-------------------|
| The carrying amount of individually non-significant associates' equity | \$ <u>533,177</u> | <u>296,078</u>    |
|                                                                        | <b>2017</b>       | <b>2016</b>       |
| Attributable to the Group:                                             |                   |                   |
| Profit (loss) from continuing operations                               | \$ 107,324        | 62,499            |
| Total comprehensive income                                             | <u>\$ 107,324</u> | <u>62,499</u>     |

2. Joint venture

The financial information of individually non-significant equity method joint venture included in the consolidated financial statements were as follows:

|                                                                          | <b>2017.12.31</b> | <b>2016.12.31</b> |
|--------------------------------------------------------------------------|-------------------|-------------------|
| The carrying amount of individually non-significant joint venture equity | \$ <u>179,978</u> | <u>100,283</u>    |
|                                                                          | <b>2017</b>       | <b>2016</b>       |
| Attributable to the Group:                                               |                   |                   |
| Profit (loss) from continuing operations                                 | \$ <u>23,347</u>  | <u>13,032</u>     |

3. Collateral

As of December 31, 2017 and 2016, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

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(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, were as follows:

|                                       | <u>Land</u>       | <u>Buildings</u> | <u>Vessels</u>    | <u>Containers</u> | <u>Other equipment</u> | <u>Privileged wharf equipment</u> | <u>Total</u>      |
|---------------------------------------|-------------------|------------------|-------------------|-------------------|------------------------|-----------------------------------|-------------------|
| Cost:                                 |                   |                  |                   |                   |                        |                                   |                   |
| Balance at January 1, 2017            | \$ 662,241        | 1,693,085        | 71,690,832        | 18,729,935        | 1,945,368              | 1,733,663                         | 96,455,124        |
| Additions                             | -                 | 826              | 1,413,247         | 4,110,318         | 89,731                 | 49,122                            | 5,663,244         |
| Reclassification                      | -                 | -                | 79,063            | -                 | (1,802)                | 81,775                            | 159,036           |
| Disposals                             | -                 | -                | (248,222)         | (626,883)         | (507,223)              | -                                 | (1,382,328)       |
| Effect of movements in exchange rates | (3,293)           | (89,372)         | (5,305,490)       | (2)               | (18,876)               | 811                               | (5,416,222)       |
| Balance at December 31, 2017          | <u>\$ 658,948</u> | <u>1,604,539</u> | <u>67,629,430</u> | <u>22,213,368</u> | <u>1,507,198</u>       | <u>1,865,371</u>                  | <u>95,478,854</u> |
| Balance at January 1, 2016            | \$ 663,096        | 1,726,710        | 73,589,436        | 18,543,050        | 1,842,388              | 1,502,634                         | 97,867,314        |
| Additions                             | -                 | 43,540           | 525,984           | 1,492,030         | 130,274                | 121,324                           | 2,313,152         |
| Reclassification                      | -                 | -                | -                 | -                 | 44,542                 | 111,178                           | 155,720           |
| Disposals                             | -                 | -                | (1,019,843)       | (1,305,144)       | (41,600)               | -                                 | (2,366,587)       |
| Effect of movements in exchange rates | (855)             | (77,165)         | (1,404,745)       | (1)               | (30,236)               | (1,473)                           | (1,514,475)       |
| Balance at December 31, 2016          | <u>\$ 662,241</u> | <u>1,693,085</u> | <u>71,690,832</u> | <u>18,729,935</u> | <u>1,945,368</u>       | <u>1,733,663</u>                  | <u>96,455,124</u> |
| Depreciation and impairment loss:     |                   |                  |                   |                   |                        |                                   |                   |
| Balance at January 1, 2017            | \$ -              | 384,086          | 38,764,414        | 11,700,516        | 1,173,851              | 829,438                           | 52,852,305        |
| Depreciation                          | -                 | 42,905           | 3,146,585         | 670,294           | 130,176                | 99,676                            | 4,089,636         |
| Reclassification                      | -                 | -                | -                 | -                 | (1,729)                | 1,729                             | -                 |
| Disposals                             | -                 | -                | (203,540)         | (586,136)         | (506,806)              | -                                 | (1,296,482)       |
| Effect of movements in exchange rates | -                 | (20,186)         | (2,814,168)       | (3)               | (12,891)               | 201                               | (2,847,047)       |
| Balance at December 31, 2017          | <u>\$ -</u>       | <u>406,805</u>   | <u>38,893,291</u> | <u>11,784,671</u> | <u>782,601</u>         | <u>931,044</u>                    | <u>52,798,412</u> |
| Balance at January 1, 2016            | \$ -              | 347,873          | 37,169,317        | 12,292,979        | 1,095,988              | 746,573                           | 51,652,730        |
| Depreciation                          | -                 | 45,425           | 3,261,408         | 611,421           | 137,996                | 82,967                            | 4,139,217         |
| Disposals                             | -                 | -                | (1,037,738)       | (1,203,883)       | (40,642)               | -                                 | (2,282,263)       |
| Effect of movements in exchange rates | -                 | (9,212)          | (628,573)         | (1)               | (19,491)               | (102)                             | (657,379)         |
| Balance at December 31, 2016          | <u>\$ -</u>       | <u>384,086</u>   | <u>38,764,414</u> | <u>11,700,516</u> | <u>1,173,851</u>       | <u>829,438</u>                    | <u>52,852,305</u> |
| Carrying amounts:                     |                   |                  |                   |                   |                        |                                   |                   |
| Balance at December 31, 2017          | <u>\$ 658,948</u> | <u>1,197,734</u> | <u>28,736,139</u> | <u>10,428,697</u> | <u>724,597</u>         | <u>934,327</u>                    | <u>42,680,442</u> |
| Balance at December 31, 2016          | <u>\$ 662,241</u> | <u>1,308,999</u> | <u>32,926,418</u> | <u>7,029,419</u>  | <u>771,517</u>         | <u>904,225</u>                    | <u>43,602,819</u> |
| Balance at January 1, 2016            | <u>\$ 663,096</u> | <u>1,378,837</u> | <u>36,420,119</u> | <u>6,250,071</u>  | <u>746,400</u>         | <u>756,061</u>                    | <u>46,214,584</u> |

As of December 31, 2017 and 2016, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note (8).

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(g) Investment property

|                                                  | <u>Land and<br/>improvements</u> | <u>Buildings</u> | <u>Total</u>      |
|--------------------------------------------------|----------------------------------|------------------|-------------------|
| Cost:                                            |                                  |                  |                   |
| Balance at January 1, 2017                       | \$ -                             | -                | -                 |
| Purchases                                        | 141,821                          | 168,885          | 310,706           |
| Effect of changes in foreign exchange rates      | <u>(3,328)</u>                   | <u>(3,964)</u>   | <u>(7,292)</u>    |
| Balance at December 31, 2017                     | <u>\$ 138,493</u>                | <u>164,921</u>   | <u>303,414</u>    |
| Accumulated Depreciation and impairment losses : |                                  |                  |                   |
| Balance at January 1, 2017                       | \$ -                             | -                | -                 |
| Depreciation                                     | -                                | 181              | 181               |
| Effect of changes in foreign exchange rates      | <u>-</u>                         | <u>(5)</u>       | <u>(5)</u>        |
| Balance at December 31, 2017                     | <u>\$ -</u>                      | <u>176</u>       | <u>176</u>        |
| Carrying amount:                                 |                                  |                  |                   |
| Balance at December 31, 2017                     | <u>\$ 138,493</u>                | <u>164,745</u>   | <u>303,238</u>    |
| Fair value:                                      |                                  |                  |                   |
| Balance at January 1, 2017                       |                                  |                  | <u>\$ 296,800</u> |

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The range of yields applied to the net annual rentals used to determine the fair value of properties was as follows.

| <u>Location</u> | <u>2017</u> |
|-----------------|-------------|
| America         | 6.9%~7.3%   |

The investment property is a commercial real estate which was bought for operation planning on December 31, 2017. That property has been transferred from property, plant and equipment to investment property. No contingent rents are charged. The rent revenue is \$4,899 thousand for the year 2016.

As of December 31, 2017 and 2016, the investment property of the Group had not been pledged as collateral.

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(h) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group in 2017 and 2016 were as follows:

|                                      | <b>Computer<br/>software</b> | <b>Trademarks</b> | <b>Total</b>  |
|--------------------------------------|------------------------------|-------------------|---------------|
| Costs:                               |                              |                   |               |
| Balance at January 1, 2017           | \$ 52,657                    | 4,773             | 57,430        |
| Additions                            | 29,382                       | 98                | 29,480        |
| Reclassification                     | 17,452                       | 901               | 18,353        |
| Disposals                            | (12,669)                     | -                 | (12,669)      |
| Effect of movement in exchange rates | 88                           | -                 | 88            |
| Balance at December 31, 2017         | <u>\$ 86,910</u>             | <u>5,772</u>      | <u>92,682</u> |
| Balance at January 1, 2016           | \$ 70,746                    | 1,913             | 72,659        |
| Additions                            | 11,140                       | 385               | 11,525        |
| Reclassification                     | 1,086                        | 2,694             | 3,780         |
| Disposals                            | (30,071)                     | (219)             | (30,290)      |
| Effect of movement in exchange rates | (244)                        | -                 | (244)         |
| Balance at December 31, 2016         | <u>\$ 52,657</u>             | <u>4,773</u>      | <u>57,430</u> |
| Amortization and impairment loss:    |                              |                   |               |
| Balance at January 1, 2017           | \$ 26,965                    | 2,079             | 29,044        |
| Amortization for the year            | 22,232                       | 695               | 22,927        |
| Disposals                            | (12,669)                     | -                 | (12,669)      |
| Effect of movement in exchange rates | 118                          | -                 | 118           |
| Balance at December 31, 2017         | <u>\$ 36,646</u>             | <u>2,774</u>      | <u>39,420</u> |
| Balance at January 1, 2016           | \$ 33,337                    | 740               | 34,077        |
| Amortization for the year            | 23,875                       | 1,558             | 25,433        |
| Disposals                            | (30,071)                     | (219)             | (30,290)      |
| Effect of movement in exchange rates | (176)                        | -                 | (176)         |
| Balance at December 31, 2016         | <u>\$ 26,965</u>             | <u>2,079</u>      | <u>29,044</u> |
| Carrying amounts:                    |                              |                   |               |
| Balance at December 31, 2017         | <u>\$ 50,264</u>             | <u>2,998</u>      | <u>53,262</u> |
| Balance at December 31, 2016         | <u>\$ 25,692</u>             | <u>2,694</u>      | <u>28,386</u> |
| Balance at January 1, 2016           | <u>\$ 37,409</u>             | <u>1,173</u>      | <u>38,582</u> |

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1. Recognition of amortization and impairment

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

|                   | 2017             | 2016             |
|-------------------|------------------|------------------|
| Operating costs   | \$ <u>664</u>    | \$ <u>495</u>    |
| Operating expense | \$ <u>22,263</u> | \$ <u>24,938</u> |

(i) Term loans

Details of borrowings were as follows:

| 2017.12.31                         |          |                       |                           |                      |
|------------------------------------|----------|-----------------------|---------------------------|----------------------|
|                                    | Currency | Interest rate collars | Expiration                | Amount               |
| Unsecured bank loans               | TWD      | 0.96%~1.67%           | 2018/01/03-<br>2020/05/19 | \$ 1,007,325         |
| Secured bank loans                 | TWD      | 1.16%~1.67%           | 2020/05/19-<br>2021/12/21 | 536,250              |
| Unsecured bank loans               | USD      | 2.39%                 | 2022/12/21                | 222,600              |
| Secured bank loans                 | USD      | 1.67%~2.66%           | 2018/05/09-<br>2023/8/14  | 12,390,218           |
| Commercial paper                   | TWD      | 0.59%~0.98%           | 2019/12/27-<br>2020/06/22 | 2,600,000            |
|                                    |          |                       |                           | <u>16,756,393</u>    |
| Less: Discount on commercial paper |          |                       |                           | (859)                |
| Current portion                    |          |                       |                           | <u>(4,672,404)</u>   |
| Total                              |          |                       |                           | \$ <u>12,083,130</u> |
| Unused loan credit                 |          |                       |                           | \$ <u>6,741,123</u>  |

| 2016.12.31                         |          |                       |                          |                      |
|------------------------------------|----------|-----------------------|--------------------------|----------------------|
|                                    | Currency | Interest rate collars | Expiration               | Amount               |
| Unsecured bank loans               | TWD      | 1.51%-1.67%           | 2017/1/17-<br>2020/5/19  | \$ 129,254           |
| Secured bank loans                 | TWD      | 1.16%-1.67%           | 2020/5/19-<br>2021/12/21 | 550,750              |
| Secured bank loans                 | USD      | 1.15%-2.10%           | 2018/5/9-<br>2023/8/14   | 16,050,659           |
| Commercial paper                   | TWD      | 0.86%-0.98%           | 2019/12/27               | 1,600,000            |
|                                    |          |                       |                          | <u>18,330,663</u>    |
| Less: Discount on commercial paper |          |                       |                          | (2,863)              |
| Current portion                    |          |                       |                          | <u>(3,365,208)</u>   |
| Total                              |          |                       |                          | \$ <u>14,962,592</u> |
| Unused loan credit                 |          |                       |                          | \$ <u>7,791,889</u>  |

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For information on the Group's interest risk, currency risk, and liquidity risk, please refer to note 6(s).

1. Securities for bank loan

For the collateral for loans, please refer to note (8).

2. A subsidiary, Wan Hai Lines (Singapore) Pte Ltd., entered into syndicated credit agreements with financial institutions, under which, this subsidiary and the Group shall maintain certain financial ratios (i.e. equity ratio, security ratio, etc.) on balance sheet date. Otherwise, the loan will be payable immediately if the financial institution consider the loan shall be due.

(j) Bonds payable

| <b>2017.12.31</b>                              |                 |                                  |                           |                             |
|------------------------------------------------|-----------------|----------------------------------|---------------------------|-----------------------------|
|                                                | <b>Currency</b> | <b>Interest rate<br/>collars</b> | <b>Expiration</b>         | <b>Amount</b>               |
| Unsecured bank-2011 first domestic bond issue  | TWD             | 1.85%                            | 2018/06/24                | \$ 4,500,000                |
| Unsecured bank-2014 second domestic bond issue | TWD             | 1.65%-1.95%                      | 2019/08/14-<br>2021/08/14 | 1,800,000                   |
| Unsecured bank-2016 first domestic bond issue  | TWD             | 1.18%                            | 2021/06/21                | 3,000,000                   |
| Unsecured bank-2017 first domestic bond issue  | TWD             | 1.55%                            | 2022/06/26                | 2,100,000                   |
| Total                                          |                 |                                  |                           | <u><u>\$ 11,400,000</u></u> |
| Current                                        |                 |                                  |                           | \$ 4,500,000                |
| Non-current                                    |                 |                                  |                           | <u>6,900,000</u>            |
| Total                                          |                 |                                  |                           | <u><u>\$ 11,400,000</u></u> |

| <b>2016.12.31</b>                              |                 |                                  |                           |                             |
|------------------------------------------------|-----------------|----------------------------------|---------------------------|-----------------------------|
|                                                | <b>Currency</b> | <b>Interest rate<br/>collars</b> | <b>Expiration</b>         | <b>Amount</b>               |
| Unsecured bank-2011 first domestic bond issue  | TWD             | 1.85%                            | 2018/06/24                | \$ 4,500,000                |
| Unsecured bank-2011 second domestic bond issue | TWD             | 1.75%                            | 2017/7/28                 | 2,900,000                   |
| Unsecured bank-2014 first domestic bond issue  | TWD             | 1.65%-1.95%                      | 2019/08/14-<br>2021/08/14 | 1,800,000                   |
| Unsecured bank-2016 first domestic bond issue  | TWD             | 1.18%                            | 2021/06/21                | 3,000,000                   |
| Total                                          |                 |                                  |                           | <u><u>\$ 12,200,000</u></u> |
| Current                                        |                 |                                  |                           | \$ 2,900,000                |
| Non-current                                    |                 |                                  |                           | <u>9,300,000</u>            |
| Total                                          |                 |                                  |                           | <u><u>\$ 12,200,000</u></u> |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Unsecured bank-2011 first domestic bond issue

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

##### 1) Issue amount

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

##### 2) Nominal amount

Par value TWD1,000 thousand per unit.

##### 3) Issuance period

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

##### 4) Issued price: at par value

##### 5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

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

##### 7) Redemption on the maturity date

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

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

##### 9) Trustee

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

##### 10) Agency for payment of principal and interest

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

##### 11) Underwriter: None

##### 12) Announcement

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Unsecured bank-2014 first domestic bond issue

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

##### 1) Issue amount

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

##### 2) Nominal amount

Par value TWD 1,000 thousand per unit.

##### 3) Issuance period

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

##### 4) Issued price: at par value

##### 5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

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

##### 7) Redemption on the maturity date

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

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

##### 9) Trustee

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

##### 10) Agency for payment of principal and interest

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

##### 11) Underwriter: None.

##### 12) Announcement

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Unsecured bank-2016 first domestic bond issue

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

##### 1) Issue amount

TWD3,000,000 thousand.

##### 2) Nominal amount

Par value TWD1,000 thousand per unit.

##### 3) Issuance period

The issuance date is June 21, 2016; the maturity date is June 21, 2021; the maturity period is five years.

##### 4) Issued price: at par value

##### 5) Nominal interest rate: 1.18%

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

##### 7) Redemption on the maturity date

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

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

##### 9) Trustee

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

##### 10) Agency for payment of principal and interest

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

##### 11) Underwriter: MasterLink Securities Corporation.

##### 12) Announcement

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Unsecured bank-2017 first domestic bond issue

The Company issued an unsecured corporate bond in June 2017. It was the Company's first domestic bond issue in 2017 and was effective upon submission to the regulatory authority on June 15, 2017. The issuance terms were as follows:

1) Issue amount

TWD2,100,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

The issuance date is June 26, 2017; the maturity date is June 26, 2022; the maturity period is five years.

4) Issued price: at par value

5) Nominal interest rate: 1.55%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: Yuanta Securities Corporation is the primary underwriter.

12) Announcement

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

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

(k) Operating leases

Non-cancellable operating lease rentals payable were as follows:

|                            | <b>2017.12.31</b>          | <b>2016.12.31</b>       |
|----------------------------|----------------------------|-------------------------|
| Less than one year         | \$ 1,967,008               | 1,261,583               |
| Between one and five years | 1,935,547                  | 1,417,985               |
| More than five years       | <u>2,302,815</u>           | <u>2,409,073</u>        |
|                            | <b><u>\$ 6,205,370</u></b> | <b><u>5,088,641</u></b> |

(l) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

|                                                        | <b>2017.12.31</b>        | <b>2016.12.31</b>     |
|--------------------------------------------------------|--------------------------|-----------------------|
| Present value of defined benefit obligation            | \$ 1,405,434             | 1,322,241             |
| Fair value of plan assets                              | <u>(582,772)</u>         | <u>(513,193)</u>      |
| Recognized liabilities for defined benefit obligations | <b><u>\$ 822,662</u></b> | <b><u>809,048</u></b> |

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's pension reserve account balance amounted to \$582,772 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

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

2) Movements in present value of the defined benefit obligations

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

|                                                                       | <b>2017</b>                | <b>2016</b>             |
|-----------------------------------------------------------------------|----------------------------|-------------------------|
| Defined benefit obligation at January 1                               | \$ 1,322,241               | 1,300,423               |
| Current service costs and interest cost                               | 73,625                     | 70,224                  |
| Remeasurement on the net defined benefit liability                    |                            |                         |
| — Actuarial loss (gain) arising from changes in financial assumptions | 90,600                     | 115,392                 |
| Benefit paid                                                          | (81,032)                   | (163,798)               |
| Defined benefit obligation at December 31                             | <u><u>\$ 1,405,434</u></u> | <u><u>1,322,241</u></u> |

3) Movements of defined benefit plan assets

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

|                                                      | <b>2017</b>              | <b>2016</b>           |
|------------------------------------------------------|--------------------------|-----------------------|
| Fair value of plan assets at January 1               | \$ 513,193               | 512,003               |
| Interest income                                      | 7,153                    | 8,580                 |
| Remeasurement on the net defined benefit liability   |                          |                       |
| — Return on plan assets (excluding current interest) | (1,936)                  | (4,859)               |
| Contribution paid by employer                        | 78,132                   | 93,286                |
| Benefit paid                                         | (13,770)                 | (95,817)              |
| Fair value of plan assets at December 31             | <u><u>\$ 582,772</u></u> | <u><u>513,193</u></u> |

4) Expenses recognized in profit or loss

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

|                                                                         | <b>2017</b>             | <b>2016</b>          |
|-------------------------------------------------------------------------|-------------------------|----------------------|
| Current service costs                                                   | \$ 56,750               | 50,331               |
| Net interest of net liabilities (assets) for defined benefit obligation | 9,722                   | 11,313               |
|                                                                         | <u><u>\$ 66,472</u></u> | <u><u>61,644</u></u> |
| Operating costs                                                         | \$ 55,783               | 49,145               |
| Selling expenses                                                        | 10,689                  | 12,499               |
|                                                                         | <u><u>\$ 66,472</u></u> | <u><u>61,644</u></u> |

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

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2017 and 2016, was as follows:

|                                   | <u>2017</u>        | <u>2016</u>   |
|-----------------------------------|--------------------|---------------|
| Accumulated amount at January 1   | \$ 77,730          | 197,981       |
| Recognized during the period      | (92,536)           | (120,251)     |
| Accumulated amount at December 31 | <u>\$ (14,806)</u> | <u>77,730</u> |

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

|                             | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------|-------------|
| Discount rate               | 1.15 %      | 1.32 %      |
| Future salary increase rate | 3.00 %      | 3.00 %      |

The Group will pay to the defined benefit plans which amounted to \$64,178 thousand within 1 year after the report day of 2017.

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

7) Sensitivity analysis

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

|                               | <u>Influences of defined benefit obligation</u> |                        |
|-------------------------------|-------------------------------------------------|------------------------|
|                               | <u>Increased 0.50%</u>                          | <u>Decreased 0.50%</u> |
| December 31, 2017             |                                                 |                        |
| Discount rate                 | \$ (71,886)                                     | 77,819                 |
| Future salary increasing rate | 68,987                                          | (64,628)               |
| December 31, 2016             |                                                 |                        |
| Discount rate                 | (68,983)                                        | 74,769                 |
| Future salary increasing rate | 66,642                                          | (62,358)               |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

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

2. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$50,263 and \$47,236 for the years ended December 31, 2017 and 2016, respectively.

3. The foreign Group's pension costs under the local law were \$28,193 thousand and \$47,491 thousand for the years ended December 31, 2017 and 2016, respectively.

(m) Income taxes

1. Income tax expense

The components of income tax in the years 2017 and 2016 were as follows:

|                                                   | <u>2017</u>              | <u>2016</u>           |
|---------------------------------------------------|--------------------------|-----------------------|
| Current income tax expense:                       |                          |                       |
| Current period                                    | \$ 344,391               | 474,762               |
| Adjustment for prior periods                      | <u>50,028</u>            | <u>(38,984)</u>       |
|                                                   | <u>394,419</u>           | <u>435,778</u>        |
| Deferred tax expense (benefit):                   |                          |                       |
| Origination and reversal of temporary differences | <u>165,647</u>           | <u>(85,579)</u>       |
|                                                   | <u>165,647</u>           | <u>(85,579)</u>       |
| Income tax expense from continuing operations     | <u><u>\$ 560,066</u></u> | <u><u>350,199</u></u> |

No income tax recognized directly in equity for 2017 and 2016.

The amount of income tax recognized in other comprehensive income for 2017 and 2016 were as follows:

|                                                                     | <u>2017</u>              | <u>2016</u>           |
|---------------------------------------------------------------------|--------------------------|-----------------------|
| Items that will not be reclassified subsequently to profit or loss: |                          |                       |
| Remeasurement from defined benefit plans                            | <u><u>\$ (9,178)</u></u> | <u><u>-</u></u>       |
| Items that will be reclassified subsequently to profit or loss:     |                          |                       |
| Exchange differences on translation of foreign operations           | <u><u>\$ (5,132)</u></u> | <u><u>(2,161)</u></u> |

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

The reconciliation of income tax and profit before tax for 2017 and 2016 was as follows:

|                                                                              | <b>2017</b>                | <b>2016</b>             |
|------------------------------------------------------------------------------|----------------------------|-------------------------|
| Profit excluding income tax                                                  | \$ <b><u>3,119,041</u></b> | <b><u>1,499,506</u></b> |
| Income tax using the Company's domestic tax rate                             | \$ 530,237                 | 254,916                 |
| Effect of tax rates in foreign jurisdiction                                  | 183,418                    | (219,779)               |
| Reduction in tax rate                                                        | (1,429)                    | -                       |
| Non-deductible expense                                                       | 560,559                    | 618,429                 |
| Tax-exempt income                                                            | (734,482)                  | (345,281)               |
| Tax incentive                                                                | (2,448)                    | (2,500)                 |
| Recognition of previously unrecognized tax losses                            | (1,699)                    | (10,246)                |
| Current-year losses for which unrecognized deferred tax asset was recognized | 673                        | 3,378                   |
| Change in unrecognized temporary difference                                  | 557                        | 362                     |
| Under (Over) provision in prior periods                                      | 53,214                     | (42,842)                |
| Income tax credit                                                            | (30,506)                   | -                       |
| Additional income tax on unappropriated earnings at a rate of 10%            | 1,994                      | 93,663                  |
| Others                                                                       | (22)                       | 99                      |
| Total                                                                        | \$ <b><u>560,066</u></b>   | <b><u>350,199</u></b>   |

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|                                                | <b>2017.12.31</b>        | <b>2016.12.31</b> |
|------------------------------------------------|--------------------------|-------------------|
| Tax effect of deductible temporary differences | \$ (1,637)               | 715               |
| Tax losses                                     | -                        | 153               |
|                                                | \$ <b><u>(1,637)</u></b> | <b><u>868</u></b> |

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

|                                                                | <b>Investment (loss)<br/>gain under the<br/>equity method</b> | <b>Deferred<br/>depreciation<br/>expense</b> | <b>Others</b>       | <b>Total</b>            |
|----------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------|---------------------|-------------------------|
| <b>Deferred Tax Liabilities:</b>                               |                                                               |                                              |                     |                         |
| Balance at January 1, 2017                                     | \$ 664,068                                                    | 262,054                                      | 13,722              | 939,844                 |
| Debited (Credited) Income statement                            | 40,443                                                        | 130,845                                      | (14,482)            | 156,806                 |
| Foreign currency translation difference for foreign operations | -                                                             | (680)                                        | (69)                | (749)                   |
| Balance at December 31, 2017                                   | \$ <b><u>704,511</u></b>                                      | <b><u>392,219</u></b>                        | <b><u>(829)</u></b> | <b><u>1,095,901</u></b> |

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

|                                                                   | <b>Investment (loss)<br/>gain under the<br/>equity method</b> | <b>Deferred<br/>depreciation<br/>expense</b> | <b>Others</b>        | <b>Total</b>          |
|-------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------|----------------------|-----------------------|
| Balance at January 1, 2016                                        | \$ 892,853                                                    | 160,427                                      | 486                  | 1,053,766             |
| Debited (Credited) Income statement                               | (228,785)                                                     | 101,793                                      | 13,267               | (113,725)             |
| Foreign currency translation difference<br>for foreign operations | -                                                             | (166)                                        | (31)                 | (197)                 |
| Balance at December 31, 2016                                      | <u><u>\$ 664,068</u></u>                                      | <u><u>262,054</u></u>                        | <u><u>13,722</u></u> | <u><u>939,844</u></u> |
|                                                                   | <b>Defined<br/>Benefit Plans</b>                              | <b>Loss Carry<br/>forward</b>                | <b>Others</b>        | <b>Total</b>          |
| <b>Deferred Tax Assets:</b>                                       |                                                               |                                              |                      |                       |
| Balance at January 1, 2017                                        | \$ 89,555                                                     | -                                            | 38,844               | 128,399               |
| (Debited) Credited Income statement                               | (12,141)                                                      | -                                            | 3,300                | (8,841)               |
| (Debited) Credited Other Comprehensive<br>Income                  | 9,178                                                         | -                                            | 5,132                | 14,310                |
| Foreign currency translation difference<br>for foreign operations | (1,303)                                                       | -                                            | (390)                | (1,693)               |
| Balance at December 31, 2017                                      | <u><u>\$ 85,289</u></u>                                       | <u><u>-</u></u>                              | <u><u>46,886</u></u> | <u><u>132,175</u></u> |
| Balance at January 1, 2016                                        | \$ 105,863                                                    | -                                            | 48,843               | 154,706               |
| (Debited) Credited Income statement                               | (16,378)                                                      | -                                            | (11,768)             | (28,146)              |
| (Debited) Credited Other Comprehensive<br>Income                  | -                                                             | -                                            | 2,161                | 2,161                 |
| Foreign currency translation difference<br>for foreign operations | 70                                                            | -                                            | (392)                | (322)                 |
| Balance at December 31, 2016                                      | <u><u>\$ 89,555</u></u>                                       | <u><u>-</u></u>                              | <u><u>38,844</u></u> | <u><u>128,399</u></u> |

**3. Examination and Approval**

The Company's tax returns for the years through 2015 were examined and approved by the Taipei National Tax Administration.

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

|                                                                   | <b>2017.12.31</b>       | <b>2016.12.31</b>          |
|-------------------------------------------------------------------|-------------------------|----------------------------|
| Unappropriated earnings of 1998 and after                         | Note                    | <u><u>\$ 2,635,957</u></u> |
| Balance of imputation credit account (ICA)                        | Note                    | <u><u>\$ 1,134,120</u></u> |
|                                                                   | <b>2017 (estimated)</b> | <b>2016 (actual)</b>       |
| Creditable ratio for earnings distribution<br>to R.O.C. residents | Note                    | <u><u>30.16 %</u></u>      |

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

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### (n) Capital and other equity

As of December 31, 2017 and 2016, the Company's authorized capital consisted of 25,000,000 thousand shares, amounting to \$2,500,000 thousand, with par value of \$10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

##### 1. Capital surplus

The balance of capital surplus was as follows:

|                                                                             | <b>2017.12.31</b>   | <b>2016.12.31</b> |
|-----------------------------------------------------------------------------|---------------------|-------------------|
| Premium on ordinary shares                                                  | \$ 22,839           | 22,839            |
| Paid-in capital in excess of par value through conversion of corporate bond | 1,222,787           | 1,222,787         |
| Change in equity of subsidiaries accounted for under equity method          | 16,055              | 16,055            |
|                                                                             | <b>\$ 1,261,681</b> | <b>1,261,681</b>  |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

##### 2. Retained earnings

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

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

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The earnings distribution for 2016 and 2015 were determined by the shareholders' meeting held on June 22, 2017 and June 29, 2016, respectively, and were as follows:

|                                              | 2016                    |                | 2015                    |                  |
|----------------------------------------------|-------------------------|----------------|-------------------------|------------------|
|                                              | Dividend per share (\$) | Amount         | Dividend per share (\$) | Amount           |
| Dividends distributed to common stockholders |                         |                |                         |                  |
| Cash                                         | \$ 0.40                 | <u>887,319</u> | 1.20                    | <u>2,661,957</u> |

3. Other equity (net of tax)

|                                                                      | Exchange differences on translation of foreign financial statements | Available for-sale investments | Total              |
|----------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------|--------------------|
| Balance at January 1, 2017                                           | \$ 572,600                                                          | 12,120                         | 584,720            |
| Exchange differences on translation of foreign financial statements  | (2,052,858)                                                         | -                              | (2,052,858)        |
| Unrealized gains and losses from available-for-sale financial assets | -                                                                   | 340,656                        | 340,656            |
| Balance at December 31, 2017                                         | <u>\$ (1,480,258)</u>                                               | <u>352,776</u>                 | <u>(1,127,482)</u> |
| Balance at January 1, 2016                                           | \$ 792,182                                                          | (222,810)                      | 569,372            |
| Exchange differences on translation of foreign financial statements  | (219,582)                                                           | -                              | (219,582)          |
| Unrealized gains or losses from available-for-sale financial assets  | -                                                                   | 234,930                        | 234,930            |
| Balance at December 31, 2016                                         | <u>\$ 572,600</u>                                                   | <u>12,120</u>                  | <u>584,720</u>     |

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

4. Non-controlling interests

|                                                                    | <b>For the years ended December 31,</b> |                |
|--------------------------------------------------------------------|-----------------------------------------|----------------|
|                                                                    | <b>2017</b>                             | <b>2016</b>    |
| Balance of beginning                                               | \$ 197,534                              | 181,792        |
| The share attributed to non-controlling interests                  |                                         |                |
| Net profit                                                         | 17,086                                  | 7,627          |
| Exchange differences on translation of foreign financial statement | (143)                                   | (2,340)        |
| Cash dividends from subsidiaries paid to non-controlling interests | (1,820)                                 | (2,400)        |
| Increase in non-controlling interests                              | -                                       | 12,855         |
| Balance of ending                                                  | <u>\$ 212,657</u>                       | <u>197,534</u> |

(o) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2017 and 2016 are as follows:

|                                                                                                               | <b>2017</b>         | <b>2016</b>      |
|---------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| <b>Basic earnings per share</b>                                                                               |                     |                  |
| Profit attributable to common shareholders                                                                    | <u>\$ 2,541,889</u> | <u>1,141,680</u> |
| Weighted-average number of common shares                                                                      | <u>2,218,297</u>    | <u>2,218,297</u> |
| Basic earnings per share (In Dollars of New Taiwan Dollars)                                                   | <u>\$ 1.15</u>      | <u>0.51</u>      |
| <b>Diluted earnings per share</b>                                                                             |                     |                  |
| Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares) | <u>\$ 2,541,889</u> | <u>1,141,680</u> |
| Weighted-average number of common shares                                                                      | 2,218,297           | 2,218,297        |
| Effects of employee stock compensation                                                                        | <u>1,778</u>        | <u>1,540</u>     |
| Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)   | <u>2,220,075</u>    | <u>2,219,837</u> |
| Diluted earnings per share (In Dollars of New Taiwan Dollars)                                                 | <u>\$ 1.14</u>      | <u>0.51</u>      |

(p) Revenue

The details of revenue of the years ended December 31, 2017 and 2016 were as follows:

|              | <b>Continuing Operations</b> |                   |
|--------------|------------------------------|-------------------|
|              | <b>2017</b>                  | <b>2016</b>       |
| Freight      | \$ 58,349,011                | 54,751,707        |
| Rentals      | 1,147,637                    | 1,219,574         |
| WHL terminal | 722,043                      | 691,310           |
| Others       | <u>550,954</u>               | <u>688,902</u>    |
|              | <u>\$ 60,769,645</u>         | <u>57,351,493</u> |

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

(q) Remuneration of employees, directors and supervisors

In accordance with the Articles of incorporation the Group should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Group has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2017 and 2016, the Group estimated its employee remuneration amounting to \$30,951 thousand and \$14,871 thousand, and directors' and supervisors' remuneration amounting to \$30,951 thousand and \$14,871 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Group's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(r) Non-operating income and expenses

1. Other revenue

The details of other revenue of the years ended December 31, 2017 and 2016 were as follows:

|                  | <u>2017</u>       | <u>2016</u>    |
|------------------|-------------------|----------------|
| Interest income: |                   |                |
| Bank deposit     | \$ 226,754        | 206,360        |
| Dividend revenue | <u>184,683</u>    | <u>170,284</u> |
|                  | <u>\$ 411,437</u> | <u>376,644</u> |

2. Other gains and losses

The details of other gains and losses of the years ended December 31, 2017 and 2016 were as follows:

|                                                                       | <u>2017</u>        | <u>2016</u>      |
|-----------------------------------------------------------------------|--------------------|------------------|
| Foreign exchange gains (losses)                                       | \$ (365,793)       | (568,559)        |
| Gains (losses) on disposal of investments and financial liabilities   |                    |                  |
| Net gains (losses) on disposal of available-for-sale financial assets | 52,817             | 9,683            |
| Impairment loss on financial assets                                   | -                  | -                |
| Impairment losses on available-for-sale financial assets              | -                  | (29,065)         |
| Impairment losses on financial assets at amortized cost               | -                  | (27,000)         |
| Gains on disposal of property, plant and equipment                    | 158,683            | 268,490          |
| Other gains (losses)                                                  | <u>111,156</u>     | <u>40,218</u>    |
|                                                                       | <u>\$ (43,137)</u> | <u>(306,233)</u> |

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

3. Finance costs

The details of finance costs of the years ended December 31, 2017 and 2016 were as follows:

|                   | <u>2017</u>       | <u>2016</u>    |
|-------------------|-------------------|----------------|
| Interest expense: |                   |                |
| Bank loans        | \$ <u>521,740</u> | <u>520,239</u> |

(s) Financial instruments

1. Financial instruments

Financial assets:

|                                                                                 | <u>2017.12.31</u>    | <u>2016.12.31</u> |
|---------------------------------------------------------------------------------|----------------------|-------------------|
| Available-for-sale financial assets (Include financial assets measured at cost) | \$ <u>5,129,344</u>  | <u>4,870,495</u>  |
| Loans and receivables:                                                          |                      |                   |
| Cash and cash equivalents                                                       | 19,245,440           | 19,327,191        |
| Bond portfolios with inactive market                                            | 1,187,200            | 1,288,800         |
| Notes receivable, accounts receivable and other receivable                      | 3,978,406            | 3,480,498         |
| Receivables from agents                                                         | 696,948              | 713,083           |
| Guarantee deposits paid (recorded in other non-current assets)                  | 419,401              | 402,224           |
| sub-total                                                                       | <u>25,527,395</u>    | <u>25,211,796</u> |
| Total                                                                           | \$ <u>30,656,739</u> | <u>30,082,291</u> |

Financial liabilities:

|                                                              | <u>2017.12.31</u>    | <u>2016.12.31</u> |
|--------------------------------------------------------------|----------------------|-------------------|
| Financial liabilities measured at cost:                      |                      |                   |
| Short-term borrowings                                        | \$ 60,000            | 63,000            |
| Accounts payable                                             | 6,890,826            | 6,402,803         |
| Other payable                                                | 3,150,037            | 1,466,093         |
| Payables to agents                                           | 3,552                | 21,048            |
| Other current liabilities                                    | 1,491,704            | 1,287,087         |
| Bonds payable (Include current-portion of long-term loans)   | 11,400,000           | 12,200,000        |
| Long-term loans (Include current-portion of long-term loans) | 16,695,534           | 18,264,800        |
| Guarantee deposits received                                  | <u>537,763</u>       | <u>476,706</u>    |
| Total                                                        | \$ <u>40,229,416</u> | <u>40,181,537</u> |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Credit risks

##### 1) Credit risks exposure

The carrying amounts of financial assets represented the maximum amount exposed to credit risk.

##### 2) Concentration of credit risk

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

#### 3. Liquidity risks

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

|                                             | Carrying<br>amount   | Contractual<br>cash flows | Less than<br>6 month | 6 to 12<br>months | 1 to 2<br>years  | 2 to 5<br>years   | More than<br>5 years |
|---------------------------------------------|----------------------|---------------------------|----------------------|-------------------|------------------|-------------------|----------------------|
| <b>December 31, 2017</b>                    |                      |                           |                      |                   |                  |                   |                      |
| <b>Non-derivative financial liabilities</b> |                      |                           |                      |                   |                  |                   |                      |
| Short-term borrowings                       | \$ 60,000            | 60,087                    | 60,087               | -                 | -                | -                 | -                    |
| Secured bank loans                          | 12,926,468           | 13,572,845                | 2,021,591            | 1,944,653         | 3,533,492        | 5,735,204         | 337,905              |
| Unsecured bank loans                        | 1,169,925            | 1,187,865                 | 913,034              | 12,485            | 79,525           | 182,821           | -                    |
| Commercial paper                            | 2,599,141            | 2,670,583                 | 16,828               | 17,825            | 1,632,764        | 1,003,166         | -                    |
| Account payables (Include related parties)  | 6,890,826            | 6,890,826                 | 6,890,826            | -                 | -                | -                 | -                    |
| Other payables                              | 3,150,037            | 3,150,037                 | 3,150,037            | -                 | -                | -                 | -                    |
| Payables to agents                          | 3,552                | 3,552                     | 3,552                | -                 | -                | -                 | -                    |
| Other current liabilities                   | 1,491,704            | 1,491,704                 | 1,491,704            | -                 | -                | -                 | -                    |
| Bonds payable                               | 11,400,000           | 11,883,000                | 4,651,200            | 32,100            | 1,100,050        | 6,099,650         | -                    |
| Guarantee deposits received                 | 537,763              | 537,763                   | 537,763              | -                 | -                | -                 | -                    |
|                                             | <b>\$ 40,229,416</b> | <b>41,448,262</b>         | <b>19,736,622</b>    | <b>2,007,063</b>  | <b>6,345,831</b> | <b>13,020,841</b> | <b>337,905</b>       |
| <b>December 31, 2016</b>                    |                      |                           |                      |                   |                  |                   |                      |
| <b>Non-derivative financial liabilities</b> |                      |                           |                      |                   |                  |                   |                      |
| Short-term borrowings                       | \$ 63,000            | 63,047                    | 63,047               | -                 | -                | -                 | -                    |
| Secured bank loans                          | 16,601,409           | 17,396,020                | 1,657,213            | 1,901,563         | 4,177,653        | 8,172,581         | 1,487,010            |
| Unsecured bank loans                        | 66,254               | 68,467                    | 10,018               | 9,939             | 19,641           | 28,869            | -                    |
| Commercial paper                            | 1,597,137            | 1,637,332                 | 4,336                | 7,238             | 14,437           | 1,611,321         | -                    |
| Account payables (Include related parties)  | 6,402,803            | 6,402,803                 | 6,402,803            | -                 | -                | -                 | -                    |
| Other payables                              | 1,466,093            | 1,466,093                 | 1,466,093            | -                 | -                | -                 | -                    |
| Payables to agents                          | 21,048               | 21,048                    | 21,048               | -                 | -                | -                 | -                    |
| Other current liabilities                   | 1,287,087            | 1,287,087                 | 1,287,087            | -                 | -                | -                 | -                    |
| Bonds payable                               | 12,200,000           | 12,721,750                | 118,650              | 2,982,850         | 4,650,750        | 4,969,500         | -                    |
| Guarantee deposits received                 | 476,706              | 476,706                   | 476,706              | -                 | -                | -                 | -                    |
|                                             | <b>\$ 40,181,537</b> | <b>41,540,353</b>         | <b>11,507,001</b>    | <b>4,901,590</b>  | <b>8,862,481</b> | <b>14,782,271</b> | <b>1,487,010</b>     |

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Currency risk

##### 1) Currency risk exposure

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

|                              | 2017.12.31       |               |            | 2016.12.31       |               |            |
|------------------------------|------------------|---------------|------------|------------------|---------------|------------|
|                              | Foreign currency | Exchange rate | TWD        | Foreign currency | Exchange rate | TWD        |
| <b>Financial assets</b>      |                  |               |            |                  |               |            |
| <b>Monetary items</b>        |                  |               |            |                  |               |            |
| USD                          | \$ 449,450       | 29.68         | 13,339,670 | 472,395          | 32.22         | 15,220,576 |
| JPY                          | 2,611,065        | 0.26          | 687,818    | 2,434,772        | 0.28          | 670,041    |
| CNY                          | 535,605          | 4.56          | 2,440,023  | 478,800          | 4.64          | 2,219,735  |
| HKD                          | 109,027          | 3.80          | 414,071    | 203,246          | 4.15          | 844,401    |
| <b>Financial liabilities</b> |                  |               |            |                  |               |            |
| <b>Monetary items</b>        |                  |               |            |                  |               |            |
| USD                          | 290,556          | 29.68         | 8,623,693  | 249,389          | 32.22         | 8,035,310  |
| JPY                          | 3,272,397        | 0.26          | 862,029    | 2,900,635        | 0.28          | 798,244    |
| CNY                          | 249,497          | 4.56          | 1,136,617  | 228,132          | 4.64          | 1,057,627  |
| HKD                          | 54,193           | 3.80          | 205,818    | 121,830          | 4.15          | 506,154    |
| MYR                          | 33,985           | 7.32          | 248,684    | 31,639           | 7.18          | 227,166    |

##### 2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD, HKD and JPY as at December 31, 2017 and 2016, would have increased or decreased net income by \$69,474 thousand and \$93,929 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2017 and 2016.

##### 3) Foreign Exchange Gain or Loss on Monetary Items

Due to the variety of functional currency, the Group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gain or loss (include realized and unrealized) were \$(365,793) thousand and \$(568,559) thousand in 2017 and 2016, respectively.

#### 5. Interest rate analysis

Please refer to the notes on liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

If the interest rate increases or decreases by 1%, the Group's net profit will decrease or increase by \$167,564 thousand and \$183,307 thousand for the years ended 2017 and 2016, respectively. This is mainly due to the changes in the Group's variable rate instruments. This analysis assumes that all other variables remain constant.

#### 6. Fair value information

##### 1) The Categories and Fair Values of Financial Instruments

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

| December 31, 2017                          |                  |           |          |                  |
|--------------------------------------------|------------------|-----------|----------|------------------|
|                                            | Fair value       |           |          |                  |
| Book value                                 | Level 1          | Level 2   | Level 3  | Total            |
| <b>Available-for-sale financial assets</b> |                  |           |          |                  |
| Domestic and foreign listed shares \$      | 4,420,377        | 4,420,377 | -        | 4,420,377        |
|                                            | <u>4,420,377</u> | <u>-</u>  | <u>-</u> | <u>4,420,377</u> |
| December 31, 2016                          |                  |           |          |                  |
|                                            | Fair value       |           |          |                  |
| Book value                                 | Level 1          | Level 2   | Level 3  | Total            |
| <b>Available-for-sale financial assets</b> |                  |           |          |                  |
| Domestic and foreign listed shares \$      | 4,161,528        | 4,161,528 | -        | 4,161,528        |
|                                            | <u>4,161,528</u> | <u>-</u>  | <u>-</u> | <u>4,161,528</u> |

##### 2) Valuation Techniques for Financial Instruments Measured at Fair Value

###### A. Non-derivative Financial Instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

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

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

##### 3) For the years ended December 31, 2017 and 2016, there is no transferring of fair value hierarchy.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### (t) Financial risk management

##### 1. Overview

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

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

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

##### 2. Risk management framework

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

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

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

##### 3. Credit risk

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

##### 1) Accounts receivable and other receivables

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

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

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

#### 3) Guarantees

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

#### 4. Liquidity risk

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

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused credit line for \$6,741,123 thousand, as of December 31, 2017.

#### 5. Market risk

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

##### 1) Currency risk

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

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

##### 2) Interest rate risk

The Group adopts a policy of ensuring that 40.49% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3) Other market price risk

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

#### (u) Capital management

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

The debt-to-equity ratio is as follow:

|                                 | <b>2017.12.31</b>    | <b>2016.12.31</b> |
|---------------------------------|----------------------|-------------------|
| Total liabilities               | \$ 42,334,187        | 42,014,588        |
| Less: Cash and cash equivalents | (19,245,440)         | (19,327,191)      |
| Net debt                        | <b>\$ 23,088,747</b> | <b>22,687,397</b> |
| Total equity                    | \$ 34,179,617        | 34,305,484        |
| Adjusted capital                | <b>\$ 34,179,617</b> | <b>34,305,484</b> |
| Debt-to-equity ratio            | <b>67.55 %</b>       | <b>66.13 %</b>    |

#### (7) Related-Party Transactions

##### (a) Names and relationship with related parties

| <b>Name of related party</b>                                         | <b>Relationship with the Group</b> |
|----------------------------------------------------------------------|------------------------------------|
| Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep) | An associate                       |
| Asia Pacific Container Terminal Inc. (APCT)                          | Related party in substance         |
| New World Container services Corporation                             | Related party in substance         |
| Universal Checker Co., Ltd.                                          | Related party in substance         |
| Express Container Terminal Corp. (ECTC)                              | Related party in substance         |
| Lin & Associates Law Firm                                            | Related party in substance (Note)  |
| New Sincere Transportation Corp. (NSTC)                              | Related party in substance         |
| New Safety Transportation Corp. (NSaTC)                              | Related party in substance         |
| An Chun Tally Co., Ltd.                                              | Related party in substance         |
| Taipei Port Container Terminal Corp. (Taipei Port)                   | Corporate director of the company  |
| Taian Insurance Co., Ltd.                                            | Related party in substance         |
| Wan Chun International Corp. (WCIC)                                  | Subsidiary of ECTC                 |
| Apezgo Digital Information Co., Ltd.                                 | Subsidiary of APCT                 |
| AP PETROLEUM BUSINESS CO., LTD                                       | Subsidiary of APCT                 |
| Formosa Wonderworld Co., Ltd. (Formosa Wonderworld)                  | Same chairman with the Company     |

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

| <u>Name of related party</u>                         | <u>Relationship with the Group</u> |
|------------------------------------------------------|------------------------------------|
| Interasia Lines Taiwan, Ltd.                         | Related party in substance         |
| New Speed Transportation & Terminal Co., Ltd. (NS)   | Corporate director                 |
| Hyaline Shipping (HK) Co., Ltd. (Hyaline)            | Same director with the Company     |
| Wan Hai Lines (UAE) LLC. (WHL UAE)                   | Joint venture                      |
| Wan Hai Lines (Japan) Ltd. (WHL Japan)               | Same director with the Company     |
| Interasia Shipping Lines India Private Limited       | Related party in substance         |
| Interasia Lines Singapore Pte. Ltd. (IAL (S))        | Related party in substance         |
| INTERASIA LINES (M) SDN. BHD.                        | Related party in substance         |
| INTERASIA LINES (THAILAND) CO., LTD.                 | Related party in substance         |
| Qingdao port & Win International Logistics Co., Ltd. | Joint venture                      |

Note: After the elections for directors in the 2017 annual general shareholder's meeting, Lin & Associates Law Firm had ceased to be a related party in substance.

As a result, the disclosure on significant transactions with related parties only includes the information as of June 22, 2017.

(b) Significant transactions with related parties

1. Sales to related parties:

|                       | <u>2017</u>              | <u>2016</u>           |
|-----------------------|--------------------------|-----------------------|
| Other related parties | \$ <u><u>828,518</u></u> | <u><u>917,747</u></u> |

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

2. Consideration for services related to the entity:

|                     | <u>2017</u>                | <u>2016</u>             |
|---------------------|----------------------------|-------------------------|
| Associate           | \$ 63,068                  | 110,012                 |
| Other related party | <u>3,304,884</u>           | <u>3,016,547</u>        |
|                     | \$ <u><u>3,367,952</u></u> | <u><u>3,126,559</u></u> |

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

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

3. Receivables from related parties

Receivables of the Group from related parties were as follows :

| <b>Item</b>            | <b>Related party categories</b> | <b>2017.12.31</b> | <b>2016.12.31</b> |
|------------------------|---------------------------------|-------------------|-------------------|
| Accounts receivable    | Other related party             | \$ 13,167         | 45,138            |
| Other receivables      | Other related party             | 4,978             | 6,906             |
| Receivable from agents | Other related party-WHL Japan   | 432,779           | 509,524           |
| Receivable from agents | Associate                       | 26,686            | -                 |
| Other current assets   | Other related party             | -                 | 12,662            |
|                        |                                 | <b>\$ 477,610</b> | <b>574,230</b>    |

4. Payables from related parties

Payable of the Group related parties were as follows :

| <b>Item</b>               | <b>Related party categories</b> | <b>2017.12.31</b> | <b>2016.12.31</b> |
|---------------------------|---------------------------------|-------------------|-------------------|
| Accounts payable          | Other related party             | \$ 442,120        | 390,608           |
| Accounts payable          | Joint venture                   | 6,556             | -                 |
| Other payables            | Other related party             | 12,787            | 9,808             |
| Payables to agents        | Associate                       | -                 | 10,142            |
| Other current liabilities | Other related party             | 925               | 1,182             |
|                           |                                 | <b>\$ 462,388</b> | <b>411,740</b>    |

5. Other related-party transactions

For the years ended December 31, 2017 and 2016, the Group paid \$1,500 thousand and \$3,000 thousand of professional services fee to other related-party.

For the years ended December 31, 2017 and 2016, the Group received payments of claims from related parties were \$53,338 and \$94,120 thousand.

For the years ended December 31, 2017, the Group sold the property, plant and equipment as amount of \$81 thousand to the related party and gains on disposal of it were \$69 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

|                               | <b>2017</b>      | <b>2016</b>   |
|-------------------------------|------------------|---------------|
| Shorts-term employee benefits | \$ 57,627        | 45,408        |
| Post-employment benefits      | 158              | 274           |
|                               | <b>\$ 57,785</b> | <b>45,682</b> |

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

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

| Assets                                                         | Objective                                                         | 2017.12.31           | 2016.12.31        |
|----------------------------------------------------------------|-------------------------------------------------------------------|----------------------|-------------------|
| Time deposits (recorded in other current assets)               | Registration of container storage \$ and truck lease contract     | 5,842                | 5,715             |
| Time deposits (recorded in other non-current assets)           | Refundable deposits of harbor bureau and lease contract for wharf | 70,465               | 79,951            |
| Guarantee deposits paid (recorded in other non-current assets) | Lease contract for wharf, building lease contract and lawsuit     | 348,936              | 322,273           |
| Terminal privileged wharf                                      | Long-term loans                                                   | 455,942              | 513,400           |
| Containers                                                     | Long-term loans                                                   | 5,022,444            | 4,920,404         |
| Vessels                                                        | Long-term loans                                                   | 15,610,343           | 18,519,837        |
| Buildings                                                      | Long-term loans                                                   | 15,177               | 15,731            |
|                                                                |                                                                   | <u>\$ 21,529,149</u> | <u>24,377,311</u> |

**(9) Significant Contingencies and Commitments**

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Group entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2016, the lease deposit amounted to ¥255,775,000 (TWD 67,371 thousand) and was recorded in guarantee deposits paid.

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

The Group rented the W29 to W32 stacking yards from Keelung Harbor Bureau in February 2006, and the rental period is for 30 years beginning from the date of completion of inspection.

(b) As of December 31, 2017, the total amount claimed to the Group was approximately \$16,721 thousand, and the related cases are under negotiation or under trial.

**(10) Losses Due to Major Disasters: None.**

**(11) Significant Subsequent Events**

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY 2018 corporate income tax return commencing. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$21,524 thousand and \$192,164 thousand, respectively.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### (12) Others

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

| By item                    | By function | For the years ended December 31, 2017 |                   |           | For the years ended December 31, 2016 |                   |           |
|----------------------------|-------------|---------------------------------------|-------------------|-----------|---------------------------------------|-------------------|-----------|
|                            |             | Operating Cost                        | Operating Expense | Total     | Operating Cost                        | Operating Expense | Total     |
| Employee benefits          |             |                                       |                   |           |                                       |                   |           |
| Salary                     |             | 2,158,327                             | 2,067,003         | 4,225,330 | 2,189,499                             | 1,940,835         | 4,130,334 |
| Labor and health insurance |             | 25,934                                | 193,183           | 219,117   | 24,424                                | 195,854           | 220,278   |
| Pension                    |             | 70,746                                | 74,182            | 144,928   | 63,230                                | 93,141            | 156,371   |
| Others employee benefits   |             | 157,697                               | 81,295            | 238,992   | 157,988                               | 81,643            | 239,631   |
| Depreciation               |             | 3,992,983                             | 96,834            | 4,089,817 | 4,033,154                             | 106,063           | 4,139,217 |
| Amortization               |             | 664                                   | 22,263            | 22,927    | 495                                   | 24,938            | 25,433    |

#### (13) Other Disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2017:

##### 1. Fund financing to other parties:

(In thousands of TWD)

| Number | Name of lender | Name of borrower                | Account name                      | Related party | Highest balance of financing to other party during the period | Ending balance (Note 6) | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral      |           | Individual funding loan limits (Note 3) | Maximum limitation on fund financing (Note 3) |
|--------|----------------|---------------------------------|-----------------------------------|---------------|---------------------------------------------------------------|-------------------------|---------------------------------------|-------------------------------------------|------------------------------------------------------|-----------------------------------------------------|----------------------------------|------------------------|-----------------|-----------|-----------------------------------------|-----------------------------------------------|
|        |                |                                 |                                   |               |                                                               |                         |                                       |                                           |                                                      |                                                     |                                  |                        | Name            | Value     |                                         |                                               |
| 0      | The Company    | WHL Singapore                   | Other receivables related parties | Yes           | 12,490,000                                                    | 7,664,250               | -                                     | -                                         | 1                                                    | -                                                   | Note 2                           | -                      | Promissory note | 7,664,250 | 10,856,825                              | 13,586,784                                    |
| 1      | WHL INTL.      | WH India                        | Other receivables related parties | Yes           | 140,980                                                       | 140,980                 | 140,980                               | 5.00%                                     | 1                                                    | -                                                   | Note 3                           | -                      | Promissory note | 140,980   | 260,718                                 | 297,963                                       |
| 2      | WHL Singapore  | Yi Chun                         | Other receivables related parties | Yes           | 59,360                                                        | 59,360                  | 39,842                                | 2.34817~2.81331%                          | 1                                                    | -                                                   | Note 4                           | -                      | Promissory note | 59,360    | 7,599,778                               | 8,685,460                                     |
| 2      | WHL Singapore  | Bravely International Pte. Ltd. | Other receivables related parties | Yes           | 44,520                                                        | 29,680                  | -                                     | -                                         | 1                                                    | -                                                   | Note 4                           | -                      | Promissory note | 29,680    | 7,599,778                               | 8,685,460                                     |

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

Note 5: Financing amount shall not exceed 40 percent of the lending company's net worth and the following:

- Individual funding loan limits of financing for single borrower who has business with the lending company cannot exceed the total transaction amount of the current year.
- Individual funding loan limits for short-term borrower cannot exceed the lower of 40 percent of the lending company's net worth or 50 percent of borrower's net worth.
- An individual loaned amount between the foreign companies whose voting shares are wholly owned by the Company directly or indirectly shall not exceed 35 percent of the lending company's net worth.

Note 6: Eliminated in the consolidated financial statement.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Guarantees and endorsements for other parties:

(In thousands of TWD)

| Number | Name of the company | Counter-party of guarantee and endorsement |                                        | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period (Note 4) | Property pledged on guarantees and endorsements (Amount) (Note 3) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (note2) | Parent company endorses/ guarantees to third parties on behalf of subsidiary | Subsidiary endorses/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|--------|---------------------|--------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
|        |                     | Name                                       | Relationship with the Company (Note 1) |                                                                               |                                                                   |                                                             |                                                |                                                                   |                                                                                                             |                                                        |                                                                              |                                                                              |                                                                                    |
| 0      | The Company         | WHL Singapore                              | 1                                      | 27,173,568                                                                    | 10,243,375                                                        | 2,842,198                                                   | 2,842,198                                      | -                                                                 | 8.37 %                                                                                                      | 67,933,919                                             | Y                                                                            |                                                                              |                                                                                    |
| 0      | The Company         | TK                                         | 1                                      | 27,173,568                                                                    | 91,852                                                            | 73,466                                                      | 51,466                                         | -                                                                 | 0.22 %                                                                                                      | 67,933,919                                             | Y                                                                            |                                                                              |                                                                                    |

Note 1: Relationship:

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

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement":

1. External endorsements and guarantees made by the Company may not exceed 200% of the Company's net worth.
2. Endorsements and guarantees made to a single enterprise may not exceed 40% of the Company or its subsidiaries' net worth.
3. The total amount of endorsements and guarantees of the Company and its subsidiaries as a whole may not exceed 250% of the Company's net worth.
4. Endorsements and guarantees made by the Company and its subsidiaries to a single enterprise may not exceed 50% of the Company's net worth.
5. Endorsements and guarantees made by the Company to the subsidiaries, or subsidiaries to the Company, are not subject to the above mentioned restrictions. However, the aggregate amount of endorsements/guarantees that the Company or its subsidiaries make for a single company may not exceed 80% of the net worth of the company providing guarantees.

Note 3: The Company provided a guarantee for TK's bank loan of \$82,700 thousand and had received a promissory note for that amount.

Note 4: Eliminated in the consolidated financial statements.

#### 3. Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of TWD)

| Name of holder | Category and name of security           | Category and name of security | Account title                                | Ending balance   |            |                      |              | Notes |
|----------------|-----------------------------------------|-------------------------------|----------------------------------------------|------------------|------------|----------------------|--------------|-------|
|                |                                         |                               |                                              | Number of shares | Book value | Percentage of shares | Market value |       |
| The Company    | Domestic listed stocks:                 |                               |                                              |                  |            |                      |              |       |
|                | GREATWALL ENT                           | -                             | Available-for-sale financial assets— current | 9,478,752        | 318,012    | - %                  | 318,012      |       |
|                | " Formosa Plastics Corporation          | -                             | "                                            | 376,288          | 37,140     | - %                  | 37,140       |       |
|                | " Formosa Chemicals & Fiber Corporation | -                             | "                                            | 245,480          | 25,284     | - %                  | 25,284       |       |
|                | " Tainan Spinning Co., Ltd              | -                             | "                                            | 1,726,898        | 23,486     | - %                  | 23,486       |       |
|                | " China Steel Corporation               | -                             | "                                            | 2,291,162        | 56,706     | - %                  | 56,706       |       |
|                | " Hon Hai Precision Ind.Co., Ltd.       | -                             | "                                            | 116,800          | 11,119     | - %                  | 11,119       |       |
|                | " Chunghwa Telecom Co., Ltd.            | -                             | "                                            | 19,279,000       | 2,043,574  | - %                  | 2,043,574    |       |
|                | " Transcend Information, Inc.           | -                             | "                                            | 89,111           | 7,369      | - %                  | 7,369        |       |
|                | " Amtran Technology Co., Ltd.           | -                             | "                                            | 984,058          | 16,089     | - %                  | 16,089       |       |
|                | " Yang Ming Marine Transport Corp.      | -                             | "                                            | 957,526          | 11,012     | - %                  | 11,012       |       |
|                | " China Airlines Ltd.                   | -                             | "                                            | 23,753,862       | 276,733    | - %                  | 276,733      |       |
|                | " Chinese Maritime Transport Ltd.       | -                             | "                                            | 435,050          | 12,486     | - %                  | 12,486       |       |
|                | " Mega Financial Holding Co., Ltd.      | -                             | "                                            | 8,676,646        | 208,673    | - %                  | 208,673      |       |
|                | " Taishin Financial Holding Co., Ltd.   | -                             | "                                            | 16,071,005       | 222,583    | - %                  | 222,583      |       |
|                | " First Financial Holding Co., Ltd.     | -                             | "                                            | 14,354,705       | 280,634    | - %                  | 280,634      |       |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of holder | Category and name of security                            | Category and name of security | Account title                                      | Ending balance   |            |                      |              | Notes  |
|----------------|----------------------------------------------------------|-------------------------------|----------------------------------------------------|------------------|------------|----------------------|--------------|--------|
|                |                                                          |                               |                                                    | Number of shares | Book value | Percentage of shares | Market value |        |
| The Company    | Kinsus Interconnect Technology Corp.                     | -                             | Available-for-sale financial assets — current      | 334,627          | 18,137     | - %                  | 18,137       |        |
| "              | Shih Wei Navigation Co., Ltd.                            | -                             | "                                                  | 1,029,345        | 9,460      | - %                  | 9,460        |        |
| "              | Taiwan Cooperative Finance Holding Co., Ltd.             | -                             | "                                                  | 28,300,355       | 469,786    | - %                  | 469,786      |        |
| "              | Taiwan Secom Co., Ltd.                                   | -                             | "                                                  | 1,853,000        | 169,735    | - %                  | 169,735      |        |
| "              | The Eslite Spectrum Corporation                          | -                             | "                                                  | 179,000          | 24,613     | - %                  | 24,613       |        |
| "              | Shihlin Paper Co., Ltd.                                  | Related party in substance    | Available-for-sale financial assets — non-current  | 5,419,088        | 177,746    | 2.08 %               | 177,746      |        |
| "              | Unlisted stocks:<br>Taipei Port Container Terminal Corp. | Related party in substance    | Financial assets measured at cost — non-current    | 79,315,476       | 701,154    | 15.25 %              | -            | Note 1 |
| "              | United Stevedoring Corporation                           | -                             | "                                                  | 781,250          | 7,813      | 15.63 %              | -            | Note 1 |
| "              | Bonds:<br>Royal Bank of Scotland PLC                     | -                             | Bond portfolios with inactive market — non-current | -                | 1,187,200  | - %                  | -            | Note 2 |

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

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

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

5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital :

| Nome of Company             | Name of property  | Transaction/ Occurrence date | Transaction amount | Conditions of payment        | Counter-party                 | Relationship      | If the counter-party is a related party, disclose the precious transfer information |                               |               |        | References for determining price | Purpose for obtaining and usage status | Notes |
|-----------------------------|-------------------|------------------------------|--------------------|------------------------------|-------------------------------|-------------------|-------------------------------------------------------------------------------------|-------------------------------|---------------|--------|----------------------------------|----------------------------------------|-------|
|                             |                   |                              |                    |                              |                               |                   | Owner                                                                               | Relationship with the Company | Transfer date | Amount |                                  |                                        |       |
| Wan Hai Lines (Arizona) LLC | Land and building | 2017.12.15                   | USD 10,350,000     | According the contract terms | Perimeter Center Commons, LLC | Not related party | -                                                                                   | -                             | -             | -      | Market price                     | For operation                          | -     |

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

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

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

| Name of company | Name of Counter-party                    | Relationship                      | Transaction details                                                 |             |                                     |               | Reasons why and description of how the transaction conditions differ from general transactions |               | Account/note receivable (payable) |                                                                  | Notes  |
|-----------------|------------------------------------------|-----------------------------------|---------------------------------------------------------------------|-------------|-------------------------------------|---------------|------------------------------------------------------------------------------------------------|---------------|-----------------------------------|------------------------------------------------------------------|--------|
|                 |                                          |                                   | Purchase/Sale                                                       | Amount      | Percentage of total purchases/sales | Credit period | Unit price                                                                                     | Credit period | Balance                           | Percentage of total accounts/notes receivable (payable) (Note 1) |        |
| The Company     | Taipei Port                              | Corporate director of the company | Container fee, terminal handling charges                            | 815,390     | 1.78 %                              | 30 days       | -                                                                                              | -             | (3)                               | - %                                                              |        |
| "               | k.k. WH Corporation                      | Subsidiary                        | Terminal port charges, rent expense                                 | 5,416,810   | 11.82 %                             | "             | -                                                                                              | -             | (67,043)                          | 1.15 %                                                           |        |
| "               | WHL Singapore                            | Subsidiary                        | Rent income, commission revenue                                     | (2,014,158) | 4.00 %                              | "             | -                                                                                              | -             | 28,830                            | 0.82 %                                                           |        |
| "               | "                                        | Subsidiary                        | Commission fee                                                      | 101,321     | 0.22 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |        |
| "               | WHL Hongkong                             | Subsidiary                        | Commission fee                                                      | 225,834     | 0.49 %                              | "             | -                                                                                              | -             | (347,472)                         | 5.95 %                                                           |        |
| "               | CISA                                     | Subsidiary                        | Commission fee                                                      | 246,843     | 0.54 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| "               | SUIL                                     | Subsidiary                        | Commission fee                                                      | 146,109     | 0.32 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| "               | WHL (Japan)                              | Same director with the company    | Commission fee                                                      | 209,612     | 0.46 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |        |
| "               | IAL Singapore                            | Related party in substance        | Container rental revenue, commission revenue, joint venture revenue | (468,778)   | 0.93 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |        |
| "               | "                                        | Related party in substance        | Joint venture expense, container rental expense                     | 254,485     | 0.56 %                              | "             | -                                                                                              | -             | (31,550)                          | 0.54 %                                                           |        |
| "               | Hyaline Shipping (HK) Co., Ltd.          | Same director with the company    | Commission fee                                                      | 595,296     | 1.30 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |        |
| "               | APCT                                     | Related party in substance        | Container fee                                                       | 319,328     | 0.70 %                              | "             | -                                                                                              | -             | (29,828)                          | 0.51 %                                                           |        |
| "               | NSTC                                     | Related party in substance        | Tow charge                                                          | 386,615     | 0.84 %                              | "             | -                                                                                              | -             | (53,876)                          | 0.92 %                                                           |        |
| "               | TK                                       | Subsidiary                        | Container fee, handling charges, service fee                        | 113,052     | 0.25 %                              | "             | -                                                                                              | -             | (9,958)                           | 0.17 %                                                           |        |
| "               | New World Container services Corporation | Related party in substance        | container fee, service fee, terminal handling charge                | 116,694     | 0.25 %                              | "             | -                                                                                              | -             | (9,943)                           | 0.17 %                                                           |        |
| "               | WHL(Malaysia)                            | Indirect subsidiary               | Commission fee                                                      | 102,606     | 0.22 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              |        |
| "               | WHL(Korea)                               | Indirect subsidiary               | Commission fee                                                      | 104,945     | 0.23 %                              | -             | -                                                                                              | -             | -                                 | - %                                                              |        |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of company     | Name of Counter-party | Relationship                 | Transaction details                                           |             |                                     |               | Reasons why and description of how the transaction conditions differ from general transactions |               | Account/note receivable (payable) |                                                                  | Notes  |
|---------------------|-----------------------|------------------------------|---------------------------------------------------------------|-------------|-------------------------------------|---------------|------------------------------------------------------------------------------------------------|---------------|-----------------------------------|------------------------------------------------------------------|--------|
|                     |                       |                              | Purchase/Sale                                                 | Amount      | Percentage of total purchases/sales | Credit period | Unit price                                                                                     | Credit period | Balance                           | Percentage of total accounts/notes receivable (payable) (Note 1) |        |
| The Company         | WCIC                  | Related party in substance   | Turnkey charges, terminal handling charge                     | 159,780     | 0.35 %                              | -             | -                                                                                              | -             | (13,512)                          | 0.23 %                                                           |        |
| "                   | NSaTC                 | Related party in substance   | Container fee tow charge                                      | 140,961     | 0.31 %                              | "             | -                                                                                              | -             | (12,616)                          | 0.22 %                                                           |        |
| WHL-Singapore       | The Company           | Parent Company               | Rent expense, commission fee                                  | 2,014,158   | 12.72 %                             | 30 days       | -                                                                                              | -             | (28,830)                          | 2.02 %                                                           | Note 2 |
| "                   | k.k. WH Corporation   | Both are subsidiaries of WHL | Vessel rental revenue                                         | (4,425,238) | 24.25 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| CISA                | The Company           | Parent Company               | Commission revenue                                            | (246,843)   | 58.80 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| SUIL                | The Company           | Parent Company               | Commission revenue                                            | (146,109)   | 62.04 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| WHL Hongkong        | The Company           | Parent Company               | Commission revenue                                            | (225,834)   | 33.26 %                             | "             | -                                                                                              | -             | 347,372                           | 70.32 %                                                          | Note 2 |
| "                   | k.k. WH Corporation   | Both are subsidiaries of WHL | Rent income                                                   | (224,024)   | 32.99 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| k.k. WH Corporation | WHL Hongkong          | Both are subsidiaries of WHL | Rent expense                                                  | 224,024     | 4.16 %                              | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| "                   | The Company           | Parent Company               | Terminal port income, rent income                             | (5,416,810) | 99.65 %                             | "             | -                                                                                              | -             | 67,043                            | 11.71 %                                                          | Note 2 |
| "                   | WHL Singapore         | Both are subsidiaries of WHL | Rent expense                                                  | 4,425,238   | 82.20 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| TK                  | The Company           | Parent Company               | Container revenue, service revenue, terminal handling revenue | (113,052)   | 47.19 %                             | "             | -                                                                                              | -             | 9,958                             | 44.46 %                                                          | Note 2 |
| WHL (Malaysia)      | The Company           | Parent Company               | Commission revenue                                            | (102,606)   | 81.31 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |
| WHL (Korea)         | The Company           | Parent Company               | Commission revenue                                            | (104,945)   | 94.41 %                             | "             | -                                                                                              | -             | -                                 | - %                                                              | Note 2 |

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

Note 2: Eliminated in the consolidated financial statements.

#### 8. Accounts receivable from related parties for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

| Name of related party | Counter-party | Relationship                   | Balance of receivables from related party | Turnover rate | Past-due receivables from related party |              | Subsequently received amount of receivables from related party | Allowances for bad debts |
|-----------------------|---------------|--------------------------------|-------------------------------------------|---------------|-----------------------------------------|--------------|----------------------------------------------------------------|--------------------------|
|                       |               |                                |                                           |               | Amount                                  | Action taken |                                                                |                          |
| The Company           | CISA          | Indirect subsidiary            | 429,332                                   | - %           | -                                       |              | 356,986                                                        | -                        |
| "                     | WHL Japan     | Same director with the company | 432,779                                   | - %           | -                                       |              | 421,728                                                        | -                        |
| "                     | WHL India     | Indirect subsidiary            | 244,036                                   | - %           | -                                       |              | 234,960                                                        | -                        |

Note: Eliminated in the consolidated financial statements.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Derivative transactions: None.

10. Business relationships and significant inter-company transactions:

| Number<br>(Note 1) | Name of the<br>company | Name of the<br>counter-party          | Existing<br>relationship<br>with the<br>counter-party<br>(Note 2) | Transaction details during 2017        |           |                                           |                                                                                |
|--------------------|------------------------|---------------------------------------|-------------------------------------------------------------------|----------------------------------------|-----------|-------------------------------------------|--------------------------------------------------------------------------------|
|                    |                        |                                       |                                                                   | Account name                           | Amount    | Terms of trading                          | Percentage of the total<br>consolidated revenue<br>or total assets<br>(Note 3) |
| 0                  | The Company            | Wan Hai Lines<br>(Singapore) Pte Ltd  | 1                                                                 | Rent revenue,<br>commission<br>revenue | 2,014,158 | No significant<br>differences             | 3.31 %                                                                         |
| 0                  | "                      | k.k. WH Corporation                   | 1                                                                 | Rent expense on<br>vessels             | 4,644,416 | Rent vessels from<br>Singapore through kk | 7.64 %                                                                         |
| 0                  | "                      | WHL HongKong                          | 1                                                                 | Agency fee on<br>vessels               | 621,781   | No significant<br>differences             | 1.02 %                                                                         |
| 1                  | k.k. WH Corporation    | Wan Hai Lines<br>(Singapore) Pte Ltd. | 3                                                                 | Rent expense on<br>vessels             | 4,425,238 | Rent vessels from<br>Singapore through kk | 7.28 %                                                                         |

Note 1: numbers denote the following:

1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note 3: The disclosed amounts are above 1% of total assets for balance sheet accounts or 1% of total operating revenue for income statement accounts of the Group.

#### (b) Information on investees

For the years ended December 31, 2017, the following is the information on investees (excluding investees in Mainland china):

| Name of the<br>investor | Name of investee                                           | Location  | Major operations                                                                                                                             | Initial investment amount |                      | Ending balance |                    |            | Peak<br>Holding<br>Percentage | Net income<br>(loss) of the<br>investee | Investment<br>income<br>(losses) | Notes                              |
|-------------------------|------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|----------------|--------------------|------------|-------------------------------|-----------------------------------------|----------------------------------|------------------------------------|
|                         |                                                            |           |                                                                                                                                              | Ending<br>balance         | Beginning<br>balance | Shares         | Ratio of<br>shares | Book value |                               |                                         |                                  |                                    |
| The Company             | Wan Hai Lines<br>(Singapore) Pte Ltd                       | Singapore | Transportation and shipping<br>agency service, vessel rental<br>service, and international<br>transportation and shipping<br>agency services | 21,546,395                | 21,546,395           | 959,957,200    | 100.00 %           | 24,808,532 | 100.00 %                      | 543,822                                 | 538,366                          | Subsidiary<br>(Note 2 · 3)         |
|                         | Wan Hai Lines<br>(America) Ltd.                            | America   | Transportation and shipping<br>agency services                                                                                               | 401,460                   | 132,000              | 280,000        | 100.00 %           | 389,232    | 100.00 %                      | 10,666                                  | 10,666                           | Subsidiary<br>(Note 3)             |
|                         | k.k. WH Corporation                                        | Japan     | Terminal operation and<br>management service, and<br>vessel rental service                                                                   | 7,141                     | 7,141                | 500            | 100.00 %           | 16,979     | 100.00 %                      | 1,467                                   | 1,467                            | Subsidiary<br>(Note 3)             |
|                         | Wan Hai Lines<br>(Germany) GmbH                            | Germany   | Transportation and shipping<br>agency services                                                                                               | 1,018                     | 1,018                | -              | 100.00 %           | 2,502      | 100.00 %                      | 56                                      | 56                               | Subsidiary<br>(Note 1 · 3)         |
|                         | Tan Cang-Cai Mep<br>International Terminal<br>Co., Ltd.    | Vietnam   | Managing wharf and<br>containers                                                                                                             | 259,917                   | 259,917              | -              | 21.33 %            | 313,359    | 21.33 %                       | 367,902                                 | 78,474                           | Associate<br>(Note 1)              |
|                         | T.K. Logistics<br>International Co., Ltd.                  | Taiwan    | Managing container terminals<br>and storage facilities                                                                                       | 143,000                   | 143,000              | 14,300,000     | 55.00 %            | 146,996    | 55.00 %                       | 10,487                                  | 5,768                            | Indirect<br>subsidiary<br>(Note 3) |
|                         | Bao Sheng Shipping<br>Agency Co., Ltd.                     | Taiwan    | Acting as agent for<br>transportation affair and<br>contracting ocean shipping<br>and related services.                                      | 30,000                    | 30,000               | 3,000,000      | 70.01 %            | 38,188     | 70.01 %                       | 5,004                                   | 3,503                            | Indirect<br>subsidiary<br>(Note 3) |
|                         | Hai Phong International<br>Container Terminal Co.,<br>Ltd. | Vietnam   | Managing wharf and<br>containers                                                                                                             | 202,896                   | -                    | -              | 16.50 %            | 190,160    | 16.50 %                       | 2,764                                   | 456                              | Associate<br>(Note 1)              |

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of the investor           | Name of investee                                          | Location   | Major operations                                   | Initial investment amount |                   | Ending balance |                 |            | Peak Holding Percentage | Net income (loss) of the investee | Investment income (losses) | Notes                            |
|--------------------------------|-----------------------------------------------------------|------------|----------------------------------------------------|---------------------------|-------------------|----------------|-----------------|------------|-------------------------|-----------------------------------|----------------------------|----------------------------------|
|                                |                                                           |            |                                                    | Ending balance            | Beginning balance | Shares         | Ratio of shares | Book value |                         |                                   |                            |                                  |
| WHL Singapore                  | Wan Hai Lines (Phils.), Inc.                              | Philippine | Transportation and shipping agency services        | 5,991                     | 5,991             | 901,540        | 100.00 %        | 10,676     | 100.00 %                | 1,636                             | 1,636                      | Indirect subsidiary (Note 3)     |
|                                | Wan Hai Lines (H.K.) Limited                              | Hong Kong  | Transportation and shipping agency services        | 695,246                   | 695,246           | 160,000,000    | 100.00 %        | 3,112,593  | 100.00 %                | 290,335                           | 290,335                    | Indirect subsidiary (Note 3)     |
|                                | Wan Hai Lines (M) Sdn Bhd.                                | Malaysia   | Transportation and shipping agency services        | 4,613                     | 4,613             | 500,000        | 100.00 %        | 67,103     | 100.00 %                | (18,443)                          | (18,443)                   | Indirect subsidiary (Note 3)     |
|                                | Yi Chun Shipping Agencies Sdn. Bhd.                       | Malaysia   | ODD operations                                     | 1,845                     | 1,845             | 200,000        | 100.00 %        | 1,873      | 100.00 %                | 6,620                             | 6,620                      | Indirect subsidiary (Note 3)     |
|                                | Wan Hai Lines (Korea) Ltd.                                | Korea      | Transportation and shipping agency services        | 11,019                    | 11,019            | 80,000         | 100.00 %        | 15,364     | 100.00 %                | 12,805                            | 12,805                     | Indirect subsidiary (Note 3)     |
|                                | Wan Hai International Pte Ltd.                            | Singapore  | Transportation and shipping agency services        | 239,979                   | 239,979           | 10,312,460     | 100.00 %        | 682,672    | 100.00 %                | (64,135)                          | (64,135)                   | Indirect subsidiary (Note 3)     |
|                                | Wan Hai Lines (Thailand) Limited                          | Thailand   | Transportation and shipping agency services        | 2,805                     | 2,805             | 29,400         | 49.00 %         | 50,706     | 49.00 %                 | 8,299                             | 4,066                      | Indirect subsidiary (Note 3)     |
|                                | Wan Hai (Vietnam) Ltd.                                    | Vietnam    | Transportation and shipping agency services        | 8,691                     | 8,691             | -              | 100.00 %        | 14,736     | 100.00 %                | 12,176                            | 12,176                     | Indirect subsidiary (Note 1 - 3) |
|                                | Wan Hai Lines Peru S.A.C                                  | Peru       | Transportation and shipping agency services        | 1,007                     | 1,007             | 104,040        | 51.00 %         | 8,826      | 51.00 %                 | 15,331                            | 7,819                      | Associate                        |
|                                | Wan Hai Lines Ecuadora SA.                                | Ecuador    | Transportation and shipping agency services        | 1,627                     | 1,627             | 51,000         | 51.00 %         | 4,722      | 51.00 %                 | 6,443                             | 3,286                      | Indirect subsidiary (Note 3)     |
| WHL INTL.                      | Wan Hai Lines (UAE) LLC.                                  | Dubai      | Transportation and shipping agency services        | 1,365                     | 1,365             | 147            | 49.00 %         | 29,658     | 49.00 %                 | 57,948                            | 28,394                     | Associate                        |
|                                | Infinite Marine Investment Co., Ltd.                      | Cayman     | Investment                                         | 173,463                   | 173,463           | 5,550,000      | 100.00 %        | 164,196    | 100.00 %                | (235)                             | (235)                      | Indirect subsidiary (Note 3)     |
|                                | Wan Hai Lines (India) PVT Ltd.                            | India      | Transportation and shipping agency services        | 69                        | 69                | 10,000         | 100.00 %        | 55,721     | 100.00 %                | 35,837                            | 35,837                     | Indirect subsidiary (Note 3)     |
|                                | Bravely International Pte. Ltd.                           | Singapore  | Transportation and investment                      | 151,638                   | 90,998            | 6,623,101      | 100.00 %        | 45,273     | 100.00 %                | (112,214)                         | (112,214)                  | Indirect subsidiary (Note 3)     |
| WHL Hongkong                   | Dawin Logistics (International) Ltd.                      | Hong Kong  | Transportation, storage services                   | 570,480                   | 570,480           | 144,640,000    | 100.00 %        | 891,223    | 100.00 %                | 31,093                            | 31,093                     | Indirect subsidiary (Note 3)     |
| Bravely International Pte Ltd. | Bravely (Myanmar) Transport and Logistics Company Limited | Myanmar    | Managing container, storage and logistics services | 96,894                    | 96,894            | 3,000,000      | 80.00 %         | 70,753     | 80.00 %                 | (2,750)                           | (2,200)                    | Indirect subsidiary (Note 3)     |
| WHL-America                    | Wan Hai Lines (Arizona) LLC.                              | America    | House rental and management services               | 359,760                   | -                 | -              | 100.00 %        | 359,939    | 100.00 %                | 3,869                             | 3,869                      | Indirect subsidiary (Note 3)     |

Note 1: Limited companies with no common shares issued.

Note 2: The difference is due to the unrealized gain /loss.

Note 3: Eliminated in the consolidated financial statements.

## WAN HAI LINES LTD. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### (c) Information on investment in Mainland China

##### 1. Information on investment in Mainland China:

| Name of the investee in Mainland China                         | Major operations                                                 | Issued capital | Method of investment | Beginning remittance balance - Cumulative investment (amount) from Taiwan | Current remittance/recoverable investment (amount) |                    | Ending remittance balance - Cumulative investment (amount) from Taiwan | Net income (loss) of the investee | Direct /indirect shareholding (%) by the Company | Peak Holding Percentage | Current investment gains and losses (Note 2) | Carrying Amount | Accumulated Inward Remittance of Earnings |
|----------------------------------------------------------------|------------------------------------------------------------------|----------------|----------------------|---------------------------------------------------------------------------|----------------------------------------------------|--------------------|------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|-------------------------|----------------------------------------------|-----------------|-------------------------------------------|
|                                                                |                                                                  |                |                      |                                                                           | Remittance amount                                  | Recoverable amount |                                                                        |                                   |                                                  |                         |                                              |                 |                                           |
| Guangzhou Wan Hai Information Technology Ltd.                  | Information software service                                     | 7,922          | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,487                             | 100.00 %                                         | 100.00 %                | 2,487                                        | 21,954          | -                                         |
| Shenzhen Uniwin International Logistics Ltd.                   | Freight transportation and acting as agent for transport affairs | 644,016        | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,534                             | 100.00 %                                         | 100.00 %                | 2,534                                        | 782,525         | -                                         |
| Clipper International Shipping Agency Ltd.(Note 3)             | International shipping agency services                           | 4,070          | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 7,317                             | 49.00 %                                          | 49.00 %                 | 3,585                                        | (1,676)         | -                                         |
| Blue Ocean Logistics (Shanghai) Ltd                            | Containers, storage and international transportation services    | 32,596         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 4,183                             | 100.00 %                                         | 100.00 %                | 4,183                                        | 63,322          | -                                         |
| Shenzhen Yong Chun International Shipping Management Co., Ltd. | International shipping management                                | 29,068         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 2,939                             | 90.00 %                                          | 90.00 %                 | 2,645                                        | 24,967          | -                                         |
| Wan Hang Tours Co., Ltd.                                       | Retailing and Catering management                                | 287,330        | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | (6,481)                           | 50.00 %                                          | 50.00 %                 | (3,240)                                      | 120,511         | -                                         |
| Qingdao port & Win International Logistics Co., Ltd.           | Container Depot                                                  | 50,188         | (1)                  | -                                                                         | -                                                  | -                  | -                                                                      | 37,537                            | 50.00 %                                          | 50.00 %                 | 18,768                                       | 50,641          | -                                         |

Note 1: Indirectly invested in Mainland China through investees.

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

##### 2. Limitation on investment in Mainland China:

| Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period | Investment amount approved by Investment Commission of Ministry of Economic Affairs | Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| -                                                                                           | 1,131,368                                                                           | 20,380,176                                                                                          |

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

##### 3. Significant transactions:

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

#### (14) Segment Information

##### (a) General Information

The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources of the segment and to assess its performance for which the discrete financial information is available. Only one reportable segment of the Group was identified, and it's mainly associated with the shipping operations.

- (b) The Group has only one segment associated with shipping operations. Please refer to the Consolidated Balance Sheets and Consolidated Statements of comprehensive Income for its segment profit or loss, segment assets and segment liabilities.

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

(c) Entity — wide Information:

Geographical Areas:

The segments information of the Group that is identified based on geographical areas was as follow. Operating segments were identified based on the way in which revenues were classified according to customer's location, and non-current assets were classified according to the location of asset.

Revenues from external customers:

| <u>By region</u>                 | <u>2017</u>          | <u>2016</u>       |
|----------------------------------|----------------------|-------------------|
| Revenue from external customers: |                      |                   |
| Asia                             | \$ 38,017,490        | 38,265,755        |
| the Middle East                  | 6,587,430            | 4,883,467         |
| India                            | 6,958,124            | 5,946,339         |
| America                          | 5,159,343            | 4,785,798         |
| South America                    | 4,047,258            | 3,470,134         |
| Total                            | <u>\$ 60,769,645</u> | <u>57,351,493</u> |

| <u>By region</u>    | <u>2017.12.31</u>    | <u>2016.12.31</u> |
|---------------------|----------------------|-------------------|
| Non-current assets: |                      |                   |
| Asia                | \$ 43,156,078        | 44,104,793        |
| India               | 194,851              | 210,578           |
| America             | 328,578              | 35,223            |
| Total               | <u>\$ 43,679,507</u> | <u>44,350,594</u> |

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information about Major Customers:

The Group does not have more than 10% corporate income from single customer.

**6.6 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date: None**



# Review of Financial Conditions, Operating Results, and Risk Management

## 7.1 Analysis of Financial Status

Unit: TWD thousand; %

| Item \ Year                             | 2017        | 2016       | Difference  |          |
|-----------------------------------------|-------------|------------|-------------|----------|
|                                         |             |            | Amounts     | %        |
| Current assets                          | 30,047,229  | 29,398,146 | 649,083     | 2.21     |
| Property, Plant and Equipment           | 42,680,442  | 43,602,819 | (922,377)   | (2.12)   |
| Intangible Assets                       | 53,262      | 28,386     | 24,876      | 87.63    |
| Other Assets                            | 3,732,871   | 3,290,721  | 442,150     | 13.44    |
| Total Assets                            | 76,513,804  | 76,320,072 | 193,732     | 0.25     |
| Current Liabilities                     | 20,894,731  | 15,526,398 | 5,368,333   | 34.58    |
| Non-current Liabilities                 | 21,439,456  | 26,488,190 | (5,048,734) | (19.06)  |
| Total Liabilities                       | 42,334,187  | 42,014,588 | 319,599     | 0.76     |
| Equity attributable to owners of parent | 33,966,960  | 34,107,950 | (140,990)   | (0.41)   |
| Common Stock                            | 22,182,975  | 22,182,975 | 0           | 0.00     |
| Capital surplus                         | 1,261,681   | 1,261,681  | 0           | 0.00     |
| Retained Earnings                       | 11,649,786  | 10,078,574 | 1,571,212   | 15.59    |
| Other Equity                            | (1,127,482) | 584,720    | (1,712,202) | (292.82) |
| Treasury Stock                          | 0           | 0          | 0           | 0.00     |
| Non-Controlling Interest                | 212,657     | 197,534    | 15,123      | 7.66     |
| Total stockholders' equity              | 34,179,617  | 34,305,484 | (125,867)   | (0.37)   |

Note: Illustration for significant variance

1. The increase in intangible assets was mainly due to increase in software.
2. The decrease in other equity was mainly due to decrease in exchange differences on translation of foreign financial statements.

## 7.2 Analysis of operation results

Unit: TWD thousand; %

| Item \ Year                                                                  | 2017        | 2016       | Difference  |           |
|------------------------------------------------------------------------------|-------------|------------|-------------|-----------|
|                                                                              |             |            | Amounts     | %         |
| Operating revenue                                                            | 60,769,645  | 57,351,493 | 3,418,152   | 5.96      |
| Operating cost                                                               | 53,654,228  | 51,590,656 | 2,063,572   | 4.00      |
| Gross profit                                                                 | 7,115,417   | 5,760,837  | 1,354,580   | 23.51     |
| Operating expense                                                            | 3,973,607   | 3,887,034  | 86,573      | 2.23      |
| Operating income                                                             | 3,141,810   | 1,873,803  | 1,268,007   | 67.67     |
| Non-operating income and expenses                                            | (22,769)    | (374,297)  | 351,528     | 93.92     |
| Net income before income tax                                                 | 3,119,041   | 1,499,506  | 1,619,535   | 108.00    |
| Income tax                                                                   | 560,066     | 350,199    | 209,867     | 59.93     |
| Net income after income tax                                                  | 2,558,975   | 1,149,307  | 1,409,668   | 122.65    |
| Other comprehensive profit and loss (Net value after tax)                    | (1,795,703) | (107,243)  | (1,688,460) | (1574.42) |
| Total Comprehensive profit and loss from this period                         | 763,272     | 1,042,064  | (278,792)   | (26.75)   |
| Net earnings attributable to owners of parent                                | 2,541,889   | 1,141,680  | 1,400,209   | 122.64    |
| Net earnings attributable to non-controlling interest                        | 17,086      | 7,627      | 9,459       | 124.02    |
| Total comprehensive profit and loss attributable to owners of parent         | 746,329     | 1,036,777  | (290,448)   | (28.01)   |
| Total comprehensive profit and loss attributable to non-controlling interest | 16,943      | 5,287      | 11,656      | 220.47    |

Note: Illustration for significant variance

1. The increase in operating income and net income after income tax was mainly due to increase in both shipping volume and ocean freight price.
2. The increase in non-operating income and expenses was mainly due to decrease in exchange loss.
3. The increase in income tax was mainly due to increase in net income.
4. The decrease in other comprehensive profit and loss (net value after tax) was mainly due to decrease in foreign currency translation differences arising from foreign operations.

## 7.3 Analysis of cash flow

### 7.3.1 Analysis of short-term liquidity for the last two years

| Items \ Year                                                                                                                                                               | 2017   | 2016  | Increase(Decrease)(%) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------|-----------------------|
| Cash flow ratio                                                                                                                                                            | 33.88  | 26.66 | +27.1                 |
| Cash flow adequacy ratio                                                                                                                                                   | 112.48 | 98.28 | +14.4                 |
| Cash re-investment ratio                                                                                                                                                   | 5.73   | 1.3   | +440                  |
| Analysis of increase/decrease ratios:<br>Net cash flow provided by operating activities increase resulted in the increase of cash flow ratio and cash re-investment ratio. |        |       |                       |

### 7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

| Cash as of beginning of the year | Cash inflow from operating activities | Cash outflow for the whole year | cash surplus (inefficiency) | Projected countermeasures for the shortage of cash |                 |
|----------------------------------|---------------------------------------|---------------------------------|-----------------------------|----------------------------------------------------|-----------------|
|                                  |                                       |                                 |                             | Investment Plans                                   | Financial Plans |
| 19,245,440                       | 6,341,650                             | (8,064,213)                     | 17,522,877                  | -                                                  | -               |

- Analysis of cash flow for this year:
  - Operating activities: Expected demand and the average ocean freight rate will have a minor correction, so the Company estimated that the cash inflow from operating activities is TWD 6,341,650,000.
  - Investing activities: Planning to purchase the fixed assets in the next coming year, the Company estimated that the cash outflow from investment activities is TWD 3,674,146,000.
  - Financing activities: Under the influence of repaying loan in the next coming year, the Company estimated that the cash outflow from financing activities is TWD 4,390,067,000.
- Measures for insufficient cash and analysis for liquidity: Not applicable.

## 7.4 Major Capital Expenditure Items

### 7.4.1 The detail and funding source of significant capital expenditure

Unit: TWD thousand

| Project Item                                    | Actual or expected funding source | Actual or expected completion date                         | Total amounts needed | Actual or expected capital expenditure (Note1) |           |      |      |      |
|-------------------------------------------------|-----------------------------------|------------------------------------------------------------|----------------------|------------------------------------------------|-----------|------|------|------|
|                                                 |                                   |                                                            |                      | 2017                                           | 2018      | 2019 | 2020 | 2021 |
| Investing terminal                              | Loans                             | Purchasing vessels/ office building in Year 2017           | 7,629,131            | 4,031,872                                      | 3,597,259 | -    | -    | -    |
| Purchasing containers/ vessels/ office building | Internal funds                    | Investing terminal/ Purchasing container in Year 2017~2018 |                      |                                                |           |      |      |      |

Note 1: Including subsidiary company, Wan Hai Lines (Singapore) Pte Ltd., into the planning on actual / forecast of working capital.

### 7.4.2 Predicted benefits

The phase-in of brand new containers will enhance the container fleet, improve our service quality and reduce operating cost.

It's estimated to save about TWD2,000~3,000 per TEU of long term lease rental annually.

## **7.5 The main reasons for profits and losses of the investment plans in the last year, improvement plans and investment plans for the coming year**

In order to raise the quality of our customer service and grasp market trends, we have cut down on operating costs and invested in outstanding shipping related businesses, shipping agencies, and vessel rental companies. Our profit from investments in the past year totaled TWD 130,671,000, mainly comprised of documentary fee increase from companies we have invested in. Currently we have no plans for further investment in the coming year.

## **7.6 Analysis regarding risk items for the past year and up to the annual report publishing date**

### **7.6.1 The influences of interest rate variation, foreign exchange rate variation, and inflation on the net income of the company, and future responsive measures**

The United Fed has continued to raise interest rates this year. However, the cost of borrowing has not been significantly different than previous year because of The Company's debt structure adjustment. Although the company's income of USD is greater than its expenditures, consistent loans in USD, contained the risk exposure to exchange rate variations. In recent years, there has been no significant domestic inflation.

### **7.6.2 Policies and principal reasons for profits and losses regarding: high risk, high leverage investments, funds lent to other parties, endorsed guarantees, and derivative transactions**

The company has always taken a safe approach to its funds, with mobility being a priority, and thus has never engaged in high risk or high leverage investments. The only funds lent were to completely-owned subsidiaries. The company provides guarantees completely-owned subsidiaries. The company follows our guidelines for lending and endorsement and guarantees. The company has instituted a management procedure for the buying and selling of derivative products.

### **7.6.3 The estimated expenses for future research and development plans:**

The Company's development plans cover research and development of new markets and new services as follows:

For new markets, new services, and studies for improvement of market competitiveness, the estimated total amount of investment of manpower and cost would be approximately TWD 36,976,671. Studies conducted will cover the following subjects:

1. Optimal ships' routing with matched ship type
2. Enhance Southeast Asia area niche markets
3. East India area
4. America area
5. Promotion of e-commerce business
6. Strategic alliance to expand and develop service

### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

Changes in policy and law had no apparent influence on our company. We adhere to all rules and regulations set by the governing institutions.

### **7.6.5 Effects of and Response to Changes in Technology and Industry Relating to Corporate Finance and Sales**

Technology improves rapidly and based on business demand the Company is increasing IT capital expenditure and enhancing both hardware and software facilities. In consideration of efficiency and safety, the Company can effectively increase the financial managing ability and further work planning.

### **7.6.6 Any changes of company image that have influenced our corporate crisis management**

Our corporate image is good and we set up our official corporate website, the spokesman system and the finance department to disclose the material corporate information timely. We built up a clear and dependable communication system to protect and maintain our nice corporate image.

### **7.6.7 Anticipated benefits and possible risks from mergers and acquisitions: None.**

### **7.6.8 Anticipated benefit and possible risk from expanding factories: None.**

### **7.6.9 Risks from centralization of stocking or sales: None.**

### **7.6.10 The influence and risk from the share transfer and change from the company directors, supervisors, and major stockholders who hold over 10% of the company shares: None.**

### **7.6.11 The influence and risk from the change of company management: None**

### **7.6.12 For the company directors, supervisors, general managers, the substantial person in charge, and the main stockholders who hold company shares over 10%, the company should list out the decided or in process lawsuit issues which is significant in influencing the shareholders' interests or security prices. The enclosed details shall include the facts, amount, lawsuit starting date, the main parties, and the updated situation up to the annual report publishing date**

The litigation and non-litigation issues that our corporation currently involved are mostly due to the claim for the loss during the shipping service or the dispute about the operation of the ship. These kinds of issues and payment are all covered by our insurance and can be reimbursed from the insurance policy. Hence, all the related risks are under proper control and have no any material effect to our company.

### **7.6.13 Other important risks: None.**

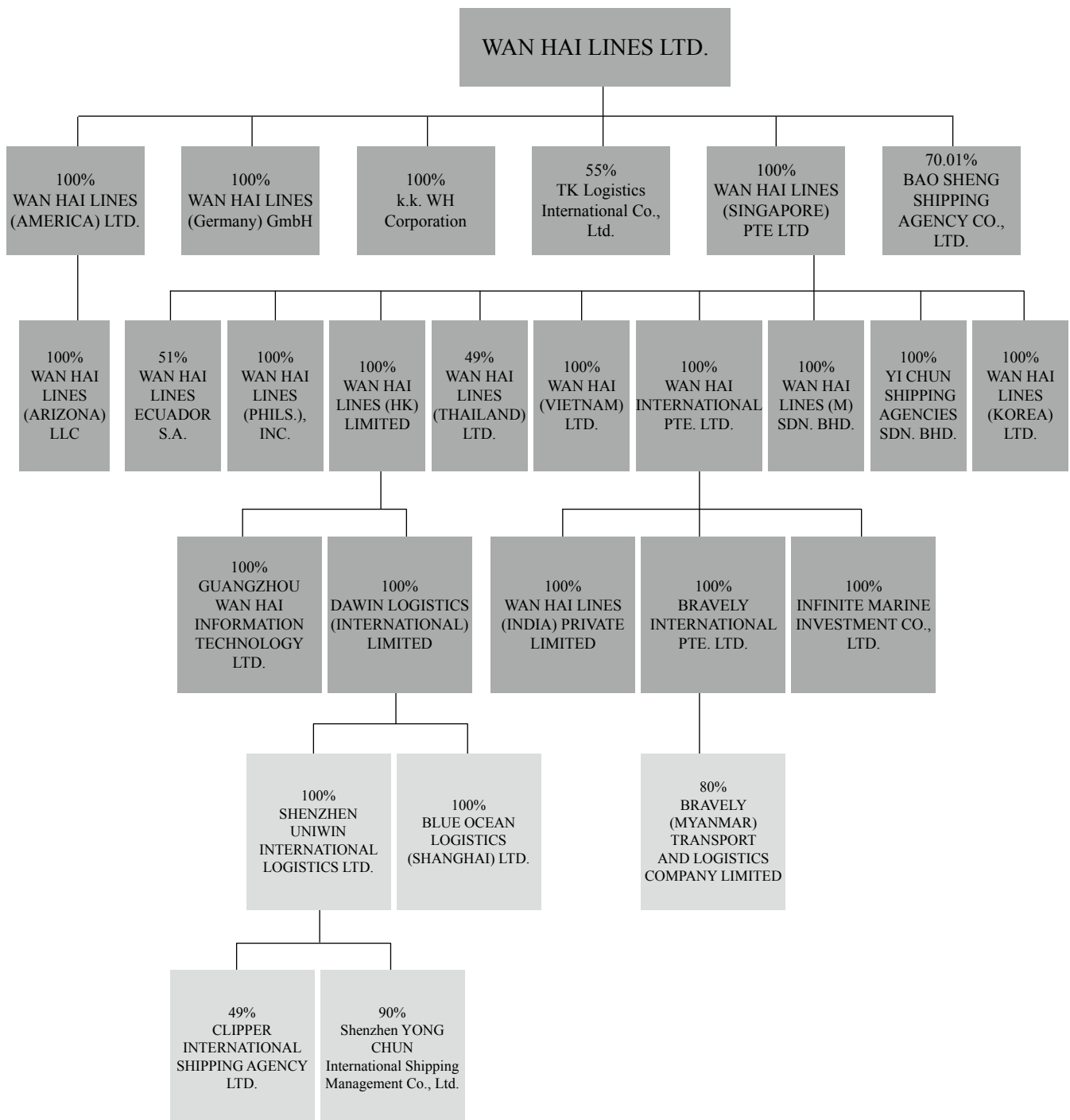
## **7.7 Other significant information: None.**



## Special Disclosure

### 8.1 Related Parties Information

#### 8.1.1 Consolidated Operation Report Related Parties Structure



## 8.1.2 Related Parties' Basic Information

| Company Name                                                   | Establish Date | Address                                                                                                      | Capital Amount                              | Nature of Business                                                                              |
|----------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------|
| WAN HAI LINES (PHILS.), INC.                                   | 2000.10.05     | 18/F Rufino Pacific Tower #6784 Ayala Ave., corner V.A. Rufino St. 1223 Makati City, Philippines             | 9,015,400(PHP)<br>EX rate: 49.95/ 29.68     | International sea transportation, operations, agencies for transport affairs                    |
| WAN HAI LINES (H K) LIMITED                                    | 1986.10.17     | 3F., Singga Commercial Centre,144-151. Connaught Road West, Hong Kong                                        | 160,000,000(HKD)<br>EX rate:7.8149/29.68    | International sea transportation, operations, agencies for transport affairs                    |
| WAN HAI LINES (SINGAPORE) PTE LTD                              | 1991.05.09     | 10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315                                                    | 700,190,794.86(USD)<br>EX rate:29.68        | International sea transportation, operations, agencies for transport affairs,leasing of vessels |
| WAN HAI LINES (M) SDN. BHD.                                    | 1992.02.28     | SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA | 500,000( MYR)<br>EX rate:4.056/29.68        | International sea transportation, operations, agencies for transport affairs                    |
| YI CHUN SHIPPING AGENCIES SDN. BHD.                            | 1992.10.30     | SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA | 200,000(MYR)<br>EX rate:4.056/29.68         | On Dock Depot operation                                                                         |
| Wan Hai Lines (Korea) Ltd.                                     | 2000.12.14     | 15F, 43, DADONG-GIL, JUNG-GU, SEOUL, KOREA, 04521                                                            | 400,000,000(WON)<br>EX rate: 1.068/ 29.68   | International sea transportation, operations, agencies for transport affairs                    |
| WAN HAI LINES (AMERICA) LTD.                                   | 2000.8.16      | 17200 N Perimeter Dr.,STE200,Scottsdale AZ 85255                                                             | 13,000,000(USD)<br>EX rate:29.68            | International sea transportation, operations, agencies for transport affairs                    |
| GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.                  | 2000.07.13     | 20FL. BAOLIZHONGJING, 406 HUASUI RD., GUANGZHOU,CHINA                                                        | 2,000,000(HKD)<br>EX rate:7.8149/29.68      | Information Software service                                                                    |
| WAN HAI INTERNATIONAL PTE. LTD.                                | 1992.09.01     | 10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315                                                    | 10,312,460 (SGD)<br>EX rate:1.3368/29.68    | International sea transportation, operations, agencies for transport affairs                    |
| BRAVELY INTERNATIONAL PTE. LTD.                                | 2014.05.26     | 10 Hoe Chiang Road #25-02, Keppel Towers Singapore 089315                                                    | 4,695,986.62(USD)<br>EX rate:29.68          | International sea transportation, Investment                                                    |
| INFINITE MARINE INVESTMENT CO., LTD.                           | 2016.06.17     | P.O. Box 10008, Willow House, Cricket Square/ Grand Cayman, KY1-1001, Cayman Islands                         | 5,550,000.00(USD)<br>EX rate:29.68          | Investment                                                                                      |
| WAN HAI LINES (INDIA) PRIVATE LIMITED                          | 2002.05.28     | A-102 & 103, The Qube, Near To International Airport, Marol Village,Andheri (East), Mumbai-400 059           | 100,000(INR)<br>EX rate: 63.91/ 29.68       | International sea transportation, operations, agencies for transport affairs                    |
| k.k. WH Corporation                                            | 2002.11.27     | OI New NO.5 Terminal Bldg. 4F 4-9, Yashio 2-Chome Shinagawa-Ku, Tokyo 140-0003, Japan                        | 25,000,000(YEN)<br>EX rate: 112.67/ 29.68   | Operation & Management of Terminal, Charter hire business                                       |
| Wan Hai Lines (Germany) GmbH                                   | 2004.04.29     | Fritz und Mark AG Wandsbeker Allee 77 22041 Hamburg, Germany                                                 | 25,000(EUR)<br>EX rate: 0.8365/29.68        | International sea transportation, operations, agencies for transport affairs                    |
| DAWIN LOGISTICS (INTERNATIONAL) LIMITED                        | 1980.11.18     | 2/F.,Singga Commercial Centre,144-151. Connaught Road,West, Hong Kong                                        | 144,640,000(HKD)<br>EX rate:7.8149/29.68    | Cargo handling, warehousing and investment service                                              |
| SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.                   | 2002.06.14     | 25C-25D, Tianmian City Tower,Middle Shennan Blvd, Shenzhen, China.                                           | 20,580,000(USD)<br>EX rate:6.5150/ 29.68    | Freight transportation and agency services for transport affairs                                |
| CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.                     | 2004.12.30     | 22/F HAITONG SECURITIES TOWER, NO.689 GUANGDONG ROAD, SHANGHAI                                               | 1,000,000(RMB)<br>EX rate:6.5150/ 29.68     | International sea transportation, operations, agencies for transport affairs                    |
| TK LOGISTICS INTERNATIONAL CO., LTD.                           | 2005.09.26     | No.28 Zhong Shan 4th Road Keelung City, Taiwan                                                               | 260,000,000(TWD)                            | Managing container terminals and storage facilities                                             |
| BAO SHENG SHIPPING AGENCY CO., LTD.                            | 2010.03.18     | 7F, No. 255, Ren 2nd Rd., Ren'ai District, Keelung City, Taiwan                                              | 42,850,000(TWD)                             | Acting as agent for transportation affair and contracting ocean shipping and related services   |
| BLUE OCEAN LOGISTICS (SHANGHAI) LTD.                           | 2006.09.21     | 9/F,No.118, East Bao Xing Road, HongKou District, Shangha                                                    | 7,824,000(RMB)<br>EX rate:6.5150/ 29.68     | Cargo handling, warehousing and international haulage service.                                  |
| WAN HAI LINES (THAILAND) LTD.                                  | 2006.05.01     | 21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand           | 6,000,000(THB)<br>EX rate:32.62/29.68       | International sea transportation, operations, agencies for transport affairs                    |
| SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. | 2010.07.20     | Room A , 26/F , Tianmian City Tower, Middle Shennan Blvd, Shenzhen, China.                                   | 6,000,000(RMB)<br>EX rate:6.5150/ 29.68     | International shipping management                                                               |
| Wan Hai (Vietnam) Ltd.                                         | 2012.07.02     | 9th Floor, MB Sunny Tower, 259 Tran Hung Dao , Dist 1st, Ho Chi minh City                                    | 6,300,000,000(VND)<br>EX rate: 22710/ 29.68 | International sea transportation, operations, agencies for transport affairs                    |
| BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED      | 2015.05.29     | #09-01,La Pyayt Wun Plaza, No.37, Alanpya Pagoda Road, Dagon Township,YANGON                                 | 4,863,500,000(MMK)<br>EX rate:1366/29.68    | Haulage service and barge business                                                              |
| WAN HAI LINES ECUADOR S.A.                                     | 2016.10.26     | Sky Building, Solar 1~2, MZ 57, Of.507, Bahia Norte, Parroquia Tarqui, Guayaquil                             | 100,000(USD)<br>EX rate:29.68               | International sea transportation, operations, agencies for transport affairs                    |
| WAN HAI LINES (ARIZONA) LLC                                    | 2017.10.16     | 17200 N Perimeter Dr.,STE200,Scottsdale AZ 85255                                                             | 12,000,000(USD)<br>EX rate:29.68            | Commercial real estate with tenants                                                             |

### 8.1.3 The companies presumed to have a relationship of control and subordination should be disclosed: Nil.

### 8.1.4 The industries covered by the business operated by the affiliates overall The whole relatives' operation includes marine transportation, warehouse, shipping agency, leasing of vessels and containers, All related parties operate in coordination.

### 8.1.5 Related Parties' Directors, Supervisors and Presidents

| Company Name                        | Title                | Name                                          | Holding shares on current date |         |
|-------------------------------------|----------------------|-----------------------------------------------|--------------------------------|---------|
|                                     |                      |                                               | shares                         | %       |
| WAN HAI LINES (PHILS.), INC.        | Chairman             | WH-SG Representative<br>Po-Ting Chen          | 901,540                        | 100.00% |
|                                     | Director & President | WH-SG Representative<br>Randy Chen            |                                |         |
|                                     | Director             | WH-SG Representative<br>Yu-Yen Chiu           |                                |         |
|                                     | Director             | WH-SG Representative<br>Valeriano Del Rosario |                                |         |
|                                     | Director             | WH-SG Representative<br>Cornelio T. Peralta   |                                |         |
| WAN HAI LINES (KOREA) LTD.          | Chairman             | WH-SG Representative<br>Po-Ting Chen          | 80,000                         | 100.00% |
|                                     | Director             | WH-SG Representative<br>Chung-Cheng Hsu       |                                |         |
|                                     | Director             | WH-SG Representative<br>Jen-Kai Wu            |                                |         |
|                                     | Supervisor           | WH-SG Representative<br>Fur-Lung Hsieh        |                                |         |
| WAN HAI LINES (M) SDN. BHD.         | Director             | WH-SG Representative<br>Po-Ting Chen          | 500,000                        | 100%    |
|                                     | Director             | WH-SG Representative<br>Charles C.Y. Chen     |                                |         |
|                                     | Director             | WH-SG Representative<br>Nien-Ger Weng         |                                |         |
|                                     | Director             | WH-SG Representative<br>Teck Leong Chua       |                                |         |
| YI CHUN SHIPPING AGENCIES SDN. BHD. | Director             | WH-SG Representative<br>Po-Ting Chen          | 200,000                        | 100%    |
|                                     | Director             | WH-SG Representative<br>Charles C.Y. Chen     |                                |         |
|                                     | Director             | WH-SG Representative<br>Teck Leong Chua       |                                |         |
|                                     | Director             | WH-SG Representative<br>Nien-Ger Weng         |                                |         |
| WAN HAI LINES (SINGAPORE) PTE. LTD  | Director             | WH-TPE Representative<br>Po-Ting Chen         | 959,957,200                    | 100%    |
|                                     | Director             | WH-TPE Representative<br>Chih-Yuan Chen       |                                |         |
|                                     | Director             | WH-TPE Representative<br>Randy Chen           |                                |         |
|                                     | Director             | WH-TPE Representative<br>Jen-Yee Huang        |                                |         |
| WAN HAI LINES (AMERICA) LTD.        | Director             | WH-TPE Representative<br>Chih-Chao Chen       | 280,000                        | 100%    |
|                                     | Director             | WH-TPE Representative<br>Po-Ting Chen         |                                |         |
|                                     | Director             | WH-TPE Representative<br>Fur-Lung Hsieh       |                                |         |
|                                     | Director             | WH-TPE Representative<br>Randy Chen           |                                |         |
| WAN HAI INTERNATIONAL PTE. LTD.     | Director             | WH-SG Representative<br>Po-Ting Chen          | 10,312,460                     | 100%    |
|                                     | Director             | WH-SG Representative<br>Huang Jen Yee         |                                |         |
|                                     | Director             | WH-SG Representative<br>Chih-Yuan Chen        |                                |         |

| Company Name                                  | Title          | Name                                           | Holding shares on current date |      |
|-----------------------------------------------|----------------|------------------------------------------------|--------------------------------|------|
|                                               |                |                                                | shares                         | %    |
| BRAVELY INTERNATIONAL PTE. LTD.               | Director       | WHI Representative<br>Loh Chi Hao              | 6,623,101                      | 100% |
|                                               | Director       | WHI Representative<br>Ang Eng Huat             |                                |      |
|                                               | Director       | WHI Representative<br>Chan Yong Hing           |                                |      |
|                                               | Director       | WHI Representative<br>Chiu I-Hsin              |                                |      |
| INFINITE MARINE INVESTMENT CO., LTD.          | Director       | WHI Representative<br>Yang Ya Ting             | 5,550,000                      | 100% |
|                                               | Director       | WHI Representative<br>Shieh Wei Chi            |                                |      |
|                                               | Director       | WHI Representative<br>Huang Tsai Jung          |                                |      |
| GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD. | Board chairman | WH-HK Representative<br>Chu Kwan-Wah           | -                              | 100% |
|                                               | Director       | WH-HK Representative<br>Tung Yung-Cheng        |                                |      |
|                                               | Director       | WH-HK Representative<br>Chan Yu-Man            |                                |      |
| WAN HAI LINES (H K) LIMITED                   | Director       | WH-SG Representative<br>Ching-Chih Chen        | 160,000,000                    | 100% |
|                                               | Director       | WH-SG Representative<br>Po-Ting Chen           |                                |      |
|                                               | Director       | WH-SG Representative<br>Chih-Chao Chen         |                                |      |
|                                               | Director       | WH-SG Representative<br>Huai-Lung Chen         |                                |      |
|                                               | Director       | WH-SG Representative<br>Wen-Chau Yeh           |                                |      |
|                                               | Director       | WH-SG Representative<br>Kwan-Wah Chu           |                                |      |
| DAWIN LOGISTICS (INTERNATIONAL) LIMITED       | Director       | WH-HK Representative<br>Ching-Chih Chen        | 144,640,000                    | 100% |
|                                               | Director       | WH-HK Representative<br>Po-Ting Chen           |                                |      |
|                                               | Director       | WH-HK Representative<br>Chih-Chao Chen         |                                |      |
|                                               | Director       | WH-HK Representative<br>Huai-Lung Chen         |                                |      |
|                                               | Director       | WH-HK Representative<br>Wen-Chau Yeh           |                                |      |
|                                               | Director       | WH-HK Representative<br>Kwan-Wah Chu           |                                |      |
| SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.  | Board chairman | DAWIN Representative<br>Chu Kwan-Wah           | -                              | 100% |
|                                               | Director       | DAWIN Representative<br>Huang Li-Kuang         |                                |      |
|                                               | Director       | DAWIN Representative<br>Wu Kae-Chang           |                                |      |
|                                               | Supervisor     | DAWIN Representative<br>Chan Yu-Man            |                                |      |
| CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.    | Chairman       | UNIWIN Representative<br>Wu,Kae-Chang          | -                              | 49%  |
|                                               | Director       | UNIWIN Representative<br>Lin,Jeong-Shin        |                                |      |
|                                               | Director       | UNIWIN Representative<br>Ju,Kuen-Hua           |                                |      |
|                                               | Director       | UNIWIN Representative<br>Chang,Tian-Hai        |                                |      |
|                                               | Supervisor     | UNIWIN Representative<br>Chan,Yu-Wan           |                                |      |
|                                               | Director       | ShenZhen TaiErXin Representative<br>Chan, Yuan |                                | 51%  |

| Company Name                          | Title                   | Name                                                        | Holding shares on current date |        |
|---------------------------------------|-------------------------|-------------------------------------------------------------|--------------------------------|--------|
|                                       |                         |                                                             | shares                         | %      |
| WAN HAI LINES (INDIA) PRIVATE LIMITED | Director                | Wan Hai International Pte.Ltd. Representative Po-Ting Chen  | 10,000                         | 100%   |
|                                       | Director                | Wan Hai International Pte.Ltd. Representative Wen Yueh Yang |                                |        |
|                                       | Director                | Wan Hai International Pte.Ltd. Representative Wei Liang Kao |                                |        |
| k.k. WH Corporation                   | Representative Director | WH-TPE Representative Ching-Chih Chen                       | 500                            | 100%   |
|                                       | Representative Director | WH-TPE Representative Wen-Yuan Chiang                       |                                |        |
|                                       | Director                | WH-TPE Representative Chao-Hon Chen                         |                                |        |
|                                       | Director                | WH-TPE Representative Po-Ting Chen                          |                                |        |
|                                       | Supervisor              | WH-TPE Representative Rex Huang                             |                                |        |
| Wan Hai Lines (Germany) GmbH          | President               | Chih Hsien ,Chen                                            | -                              | 100%   |
| TK LOGISTICS INTERNATIONAL CO., LTD.  | Chairman                | LUCKY OCEAN SHIPPING CO.,LTD<br>C.C.CHUANG                  | 2,600,000                      | 10.00% |
|                                       | Director                | NEW SPEED TRANSPORTATION & TERMINAL CORP<br>Jeffery Chen    | 2,600,000                      | 10.00% |
|                                       | Director                | ZANG CHUN ASSETS MANAGEMENT CO., LTD<br>Billy Chen          | 2,600,000                      | 10.00% |
|                                       | Director                | WH-TPE Representative Chuang-Chih Chuang                    | 14,300,000                     | 55.00% |
|                                       | Director                | WH-TPE Representative Kuo-Loong Kao                         |                                |        |
|                                       | Director                | WH-TPE Representative Jeong-Shin Lin                        |                                |        |
|                                       | Director                | WH-TPE Representative I-Feng Lin                            |                                |        |
|                                       | Supervisor              | Bryan Ma                                                    | -                              | -      |
|                                       | Supervisor              | Wei-Chien Chuang                                            | -                              | -      |
|                                       | President               | Chuang-Chih Chuang                                          | -                              | -      |
| BAO SHENG SHIPPING AGENCY CO., LTD.   | Chairman                | WH-TPE Representative Chih-Chao Chen                        | 3,000,000                      | 70.01% |
|                                       | Director                | WH-TPE Representative Chien-Feng Wu                         |                                |        |
|                                       | Director                | WH-TPE Representative Li-Mei Su                             |                                |        |
|                                       | Director                | WH-TPE Representative I-Feng Lin                            |                                |        |
|                                       | Supervisor              | WH-TPE Representative Bryan Ma                              | -                              | -      |
|                                       | Vice-Chairman           | C.C.CHUANG                                                  | 1,285,000                      | 29.99% |
|                                       | President               | Chen-Chu Lin                                                | -                              | -      |
| BLUE OCEAN LOGISTICS (SHANGHAI) LTD.  | Chairman                | DAWIN Representative Wei-Chien Chuang                       | -                              | 100%   |
|                                       | Director                | DAWIN Representative Ming-Shan Huang                        |                                |        |
|                                       | Director                | DAWIN Representative Kae-Chang Wu                           |                                |        |
|                                       | Supervisor              | DAWIN Representative Zhi-Xian, Chen                         |                                |        |
| WAN HAI LINES (THAILAND) LTD.         | Director                | WH-SG Representative Po-Ting Chen                           | 29,400                         | 49%    |
|                                       | Director                | WH-SG Representative Fur-Lung Hsieh                         |                                |        |
|                                       | Director                | WH-SG Representative Yi-Cheng Lin                           |                                |        |
|                                       | Director                | Sumate Lopinich                                             | 30,000                         | 50%    |
|                                       | Director                | Thanapol Thitipichetkul                                     | 600                            | 1%     |

| Company Name                                                   | Title               | Name                                                      | Holding shares on current date |         |
|----------------------------------------------------------------|---------------------|-----------------------------------------------------------|--------------------------------|---------|
|                                                                |                     |                                                           | shares                         | %       |
| SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. | Board chairman      | Unitrans Group Co., Ltd.<br>Chen Hong-Hui                 | -                              | 10%     |
|                                                                | Vice board chairman | Shenzhen Uniwin Representative<br>Chu Kwan-Wah            |                                | 90%     |
|                                                                | Director            | Shenzhen Uniwin Representative<br>Kao Kuo-Loong           |                                |         |
|                                                                | Director            | Shenzhen Uniwin Representative<br>Huang Chung-Ping        |                                |         |
|                                                                | Director            | Shenzhen Uniwin Representative<br>Huang Wei-Kai           |                                |         |
|                                                                | Supervisor          | Shenzhen Uniwin Representative<br>Chan Yu-Man             |                                |         |
| Wan Hai (Vietnam) Ltd.                                         | Chairman            | WH-SG Representative<br>Hsieh, Fur-Lung                   | -                              | 100.00% |
|                                                                | Director            | WH-SG Representative<br>Wu, Ren-Kai                       |                                |         |
|                                                                | Director            | WH-SG Representative<br>Chang, Wei-Lin                    |                                |         |
|                                                                | Supervisor          | WH-SG Representative<br>Chen, Chih-Hsien                  |                                |         |
| BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED      | Chairman            | Dr. Kyaw Win                                              | 750,000                        | 20.00%  |
|                                                                | Managing Director   | WHI Representative<br>Loh Chi Hao                         | 3,000,000                      | 80%     |
|                                                                | Director            | WHI Representative<br>Ang Eng Huat                        |                                |         |
|                                                                | Director            | WHI Representative<br>Chan Yong Hing                      |                                |         |
|                                                                | Director            | WHI Representative<br>Chiu I-Hsin                         |                                |         |
| WAN HAI LINES ECUADOR S.A.                                     | Director            | WH-SG Representative<br>Mr.Chen Po-Ting                   | 51,000                         | 51%     |
|                                                                | Director            | WH-SG Representative<br>Mr.Randy Chen                     |                                |         |
|                                                                | Director            | WH-SG Representative<br>Mr. Chu Han Peng                  |                                |         |
|                                                                | Director            | AGENCIAS UNIVERSALES S.A.<br>Jaime Donulo Ramirez Baquero | 29,000                         | 29%     |
|                                                                | Director            | GRUPA S.A.<br>Xavier Marcelo Ramirez Baquero              | 20,000                         | 20%     |
| WAN HAI LINES (ARIZONA) LLC                                    | Director            | WHUS Representative<br>Chih-Chao Chen                     | -                              | 100%    |
|                                                                | Director            | WHUS Representative<br>Po-Ting Chen                       |                                |         |
|                                                                | Director            | WHUS Representative<br>Fur-Lung Hsieh                     |                                |         |
|                                                                | Director            | WHUS Representative<br>Randy Chen                         |                                |         |

## 8.1.6 Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD  
2017.12.31

| Company Name                                                   | Capital Amount                     | Total Assets                        | Total Liabilities                 | Net Worth                         | Operating Income *                | Profit on Operating *            | Profit Loss *                    | Earning per Share           |
|----------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------|
| WAN HAI LINES (PHILS.), INC.                                   | 5,991<br>(PHP 9,015,400)           | 240,833<br>(PHP 405,309,419)        | 230,156<br>(PHP 387,342,138)      | 10,677<br>(PHP 17,967,281)        | 46,003<br>(PHP 75,303,407)        | 3,733<br>(PHP 6,109,834)         | 1,636<br>(PHP 2,678,102)         | 1.82<br>(PHP 2.97)          |
| WAN HAI LINES (H K) LIMITED                                    | 695,246<br>(HKD 160,000,000.00)    | 5,098,790<br>(HKD 1,342,538,223.53) | 1,985,167<br>(HKD 522,704,943.47) | 3,113,623<br>(HKD 819,833,280.06) | 1,564,788<br>(HKD 401,283,273.89) | 220,733<br>(HKD 56,605,953.68)   | 290,335<br>(HKD 74,455,082.58)   | 1.81<br>(HKD 0.47)          |
| GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.                  | 7,922<br>(RMB 2,125,450)           | 23,587<br>(RMB 5,278,815.55)        | 1,633<br>(RMB 365,530.2)          | 21,954<br>(RMB 4,913,285.35)      | 61,246<br>(RMB 13,698,078)        | 2,570<br>(RMB 574,812.35)        | 2,487<br>(RMB 556,212.05)        | N/A                         |
| DAWIN LOGISTICS (INTERNATIONAL) LIMITED                        | 570,480<br>(HKD 144,640,000.00)    | 2,189,783<br>(HKD 576,581,452.22)   | 1,297,531<br>(HKD 341,646,731.35) | 892,252<br>(HKD 234,934,720.87)   | 862,238<br>(HKD 221,117,381.88)   | 12,245<br>(HKD 3,140,213.84)     | 31,093<br>(HKD 7,973,607.22)     | 0.21<br>(HKD 0.06)          |
| SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.                   | 644,016<br>(RMB 132,615,268)       | 2,089,922<br>(RMB 467,732,595.12)   | 1,306,367<br>(RMB 292,370,093.29) | 783,554<br>(RMB 175,362,501.83)   | 217,611<br>(RMB 48,670,417.5)     | 7,209<br>(RMB 1,612,433.03)      | 2,534<br>(RMB 566,721.81)        | N/A                         |
| SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. | 29,068<br>(RMB 6,000,000)          | 30,792<br>(RMB 6,891,406.39)        | 3,051<br>(RMB 682,753.89)         | 27,741<br>(RMB 6,208,652.5)       | 29,566<br>(RMB 6,612,566.76)      | 3,501<br>(RMB 782,973.31)        | 2,939<br>(RMB 657,312.91)        | N/A                         |
| CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.                     | 4,070<br>(RMB 1,000,000)           | 1,278,870<br>(RMB 286,215,930.18)   | 1,282,290<br>(RMB 286,981,444.85) | (3,420)<br>(RMB -765,514.67)      | 419,787<br>(RMB 93,888,491.35)    | 8,191<br>(RMB 1,832,002.14)      | 7,317<br>(RMB 1,636,556.39)      | N/A                         |
| WAN HAI LINES (SINGAPORE) PTE LTD                              | 21,546,395<br>(USD 700,190,794.86) | 38,339,323<br>(USD 1,291,756,162)   | 13,474,705<br>(USD 453,999,479)   | 24,864,618<br>(USD 837,756,683)   | 18,251,807<br>(USD 600,520,726)   | 669,154<br>(USD 22,016,484)      | 543,822<br>(USD 17,892,822)      | 0.57<br>(USD 0.02)          |
| WAN HAI INTERNATIONAL PTE. LTD.                                | 239,979<br>(SGD 10,312,460)        | 1,689,567<br>(SGD 76,098,809.62)    | 989,207<br>(SGD 44,554,304.08)    | 700,360<br>(SGD 31,544,505.52)    | 486,831<br>(SGD 22,120,847.89)    | (61,718)<br>(SGD -2,804,366.32)  | (64,135)<br>(SGD -2,914,202.67)  | N/A                         |
| BRAVELY INTERNATIONAL PTE. LTD.                                | 151,638<br>(USD 4,695,986.62)      | 181,543<br>(USD 6,116,687.04)       | 118,582<br>(USD 3,995,346.15)     | 62,961<br>(USD 2,121,340.89)      | 147,215<br>(USD 4,843,670.29)     | (113,142)<br>(USD -3,722,583.46) | (112,214)<br>(USD -3,692,047.99) | N/A                         |
| INFINITE MARINE INVESTMENT CO., LTD.                           | 173,463<br>(USD 5,550,000.00)      | 164,196<br>(USD 5,532,225.80)       | 0<br>(USD 0.00)                   | 164,196<br>(USD 5,532,225.80)     | 0<br>(USD 0.00)                   | (235)<br>(USD -7,719.31)         | (235)<br>(USD -7,729.74)         | N/A                         |
| WAN HAI LINES (M) SDN. BHD.                                    | 4,613<br>(MYR 500,000)             | 480,403<br>(MYR 65,650,728.36)      | 414,958<br>(MYR 56,707,244.31)    | 65,444<br>(MYR 8,943,484.05)      | 102,751<br>(MYR 14,834,231.73)    | (14,288)<br>(MYR -2,062,776.13)  | (18,443)<br>(MYR -2,662,627.01)  | N/A                         |
| YI CHUN SHIPPING AGENCIES SDN. BHD.                            | 1,845<br>(MYR 200,000)             | 46,249<br>(MYR 6,320,346.15)        | 43,553<br>(MYR 5,951,809.77)      | 2,697<br>(MYR 368,536.38)         | 44,083<br>(MYR 6,364,271.7)       | 4,767<br>(MYR 688,167.82)        | 6,620<br>(MYR 955,704.38)        | 33.11<br>(MYR 4.78)         |
| Wan Hai Lines (Korea) Ltd.                                     | 11,019<br>(WON 400,000,000)        | 131,544<br>(WON 4,733,814,302)      | 116,180<br>(WON 4,180,900,200)    | 15,364<br>(WON 552,914,102)       | 111,154<br>(WON 4,063,527,862)    | 13,136<br>(WON 480,213,560)      | 12,805<br>(WON 468,107,351)      | 160.06<br>(WON 5,851)       |
| WAN HAI LINES (INDIA) PRIVATE LIMITED                          | 69<br>(INR 100,000)                | 592,160<br>(INR 1,275,098,770)      | 536,438<br>(INR 1,155,113,575)    | 55,722<br>(INR 119,985,195)       | 122,814<br>(INR 264,107,035)      | 51,676<br>(INR 111,127,752)      | 35,837<br>(INR 77,066,321)       | 3,583.72<br>(INR 7,706.63)  |
| WAN HAI LINES (AMERICA) LTD.                                   | 401,460<br>(USD13,000,000)         | 413,411<br>(USD 13,928,926.53)      | 24,179<br>(USD 814,650.84)        | 389,232<br>(USD 13,114,275.69)    | 115,795<br>(USD 3,809,886)        | 13,488<br>(USD 443,790.34)       | 10,666<br>(USD 350,936.50)       | 38.09<br>(USD 1.25)         |
| Wan Hai Lines (Germany) GmbH                                   | 1,018<br>(EUR 25,000)              | 2,661<br>(EUR75,005.03)             | 159<br>(EUR 4,472.29)             | 2,502<br>(EUR70,532.74)           | 0<br>(EUR0)                       | 0<br>(EUR0)                      | 56<br>EUR1,634.30                | N/A                         |
| k.k WH Corporation                                             | 7,141<br>(JPY 25,000,000)          | 625,455<br>(JPY2,374,325,271)       | 608,476<br>(JPY 2,309,870,043)    | 16,979<br>(JPY64,455,228)         | 5,435,953<br>(JPY 20,058,868,989) | 2,556<br>(JPY 9,430,304)         | 1,467<br>(JPY 5,413,177)         | 2,933.94<br>(JPY 10,826.35) |
| TK LOGISTICS INTERNATIONAL CO., LTD.                           | 260,000                            | 435,477                             | 168,213                           | 267,264                           | 239,569                           | 15,270                           | 10,487                           | 0.4                         |
| BAO SHENG SHIPPING AGENCY CO., LTD.                            | 42,850                             | 206,862                             | 152,317                           | 54,545                            | 54,351                            | 6,394                            | 5,004                            | 1.17                        |
| BLUE OCEAN LOGISTICS (SHANGHAI) LTD.                           | 32,596<br>(RMB 7,824,000)          | 80,136<br>(RMB 17,934,796.12)       | 16,814<br>(RMB 3,763,116.85)      | 63,322<br>(RMB 14,171,679.27)     | 153,712<br>(RMB 34,378,907.21)    | 6,657<br>(RMB 1,488,948.45)      | 4,183<br>(RMB 935,562.38)        | N/A                         |
| WAN HAI LINES (THAILAND) LTD.                                  | 5,725<br>(THB 6,000,000.00)        | 263,556<br>(THB 289,662,991.79)     | 160,074<br>(THB 175,929,990.83)   | 103,482<br>(THB 113,733,000.96)   | 84,515<br>(THB 93,932,690.71)     | 13,666<br>(THB 15,189,138.85)    | 8,299<br>(THB 9,224,258.07)      | 138.32<br>(THB 153.74)      |
| WAN HAI LINES (VIETNAM) LTD                                    | 8,691<br>(USD 300,000)             | 161,087<br>(VND 123,257,343,846)    | 146,351<br>(VND 111,982,112,360)  | 14,736<br>(VND 11,275,231,486)    | 83,660<br>(VND 66,484,776,154)    | 9,034<br>(VND 7,179,161,180)     | 12,176<br>(VND 9,676,102,578)    | N/A                         |
| BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED      | 121,118<br>(MMK4,863,500,000)      | 88,596<br>(MMK 4,077,587,791.80)    | 156<br>(MMK 7,169,541)            | 88,440<br>(MMK 4,070,418,250.80)  | 17,089<br>(MMK 803,243,658)       | (6,176)<br>(MMK -290,299,963.64) | (2,750)<br>(MMK -129,255,017.91) | N/A                         |
| WAN HAI LINES ECUADOR S.A.                                     | 3,176<br>(USD100,000)              | 35,232<br>(USD1,187,047.14)         | 25,972<br>(USD875,066.77)         | 9,260<br>(USD311,980.37)          | 37,074<br>(USD1,219,792.01)       | 13,715<br>(USD451,237.29)        | 6,443<br>(USD211,980.37)         | 64<br>(USD2.12)             |
| WAN HAI LINES (ARIZONA) LLC                                    | 359,760<br>(USD12,000,000)         | 362,125<br>(USD 12,200,979.27)      | 2,186<br>(USD 73,666.71)          | 359,939<br>(USD 12,127,312.56)    | 4,899<br>(USD 161,201.60)         | 3,869<br>(USD 127,303.25)        | 3,869<br>(USD 127,312.56)        | N/A                         |

(1) 20171231 CLOSE RATE  
USD/TWD :29.68 HKD/USD : 0.1280 USD/SGD : 1.3368 USD/MYR : 4.0560 USD/WON(KRW) : 1.068 USD/PHP : 49.95 USD/RMB : 6.5150 USD/INR : 63.9100 USD/MMK : 1366  
EUR/TWD : 35.4811 USD/THB : 32.6200 CNY/HKD : 1.1765 VND/TWD : 0.0013 HKD/TWD : 3.7979 YEN(JPY)/TWD : 0.2634 USD/VND : 22710

(2) 2017 AVERAGE RATE  
USD/TWD : 30.3933 HKD/USD : 0.1283 USD/SGD : 1.3810 USD/MYR : 4.3879 USD/WON(KRW) : 1111.11 USD/PHP : 49.75 USD/RMB : 6.5946 USD/INR : 65.3595 USD/MMK : 1428  
EUR/TWD : 34.3036 USD/THB : 33.78 CNY/HKD : 1.1466 VND/TWD : 0.0013 HKD/TWD : 3.9003 YEN(JPY)/TWD : 0.2710 USD/VND : 24154

(3) The capital amount was calculated by historical rate.

- 8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report: None.**
- 8.3 Summary of parent's shares held or disposed by subsidiaries over the last year and current year up to the publishing date of the annual report: None**
- 8.4 Other necessary disclosures: None.**
- 8.5 Events that have had substantial impact upon shareholder's equity or securities prices as described in Article 36 of the Securities and Exchange Act over the past year and current year up to the publishing date of the annual report: None.**

WAN HAI LINES LTD.



Chairman

Shihlin Paper Corporation



Representative

Po-Ting Chen



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