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ANNUAL REPORT

2018



WAN HAI LINES LTD.

WE CARRY, WE CARE.

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2018

ANNUAL REPORT

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Basic Information of ECB

None

CONTENTS

7	I. Letter to Shareholders 7
9	II. Company profile 9
10	III. Corporate Governance 10 3.1 Organization Structure 12 3.2 Information of Directors, President, Executive Vice President, Vice President, and the Chiefs of all the Company's Divisions and Branches 21 3.3 Implementation of Corporate Governance 43 3.4 Information on CPA professional fees 43 3.5 Information on replacement of CPA 43 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 44 3.7 Changes in Shareholdings of Directors, Managers and major shareholders in the past year and up to the annual report publishing date 45 3.8 Information Disclosing the Relationship between any of the Company's Top Ten shareholders 46 3.9 The comprehensive shareholdings of directors, presidents and direct or indirect controlling business on the same investing business
47	IV. Information on capital raising activities 47 4.1 Capital and Shares 53 4.2 Status of Corporate Bond 54 4.3 Status of Preferred stock 54 4.4 Status of Global Depositary Receipt 54 4.5 Status of Employee Stock options 54 4.6 Status of New Shares Issuance in Connection with Mergers and Acquisition 55 4.7 Financing Plans and Implementation
56	V. Condition of the Business Operation 56 5.1 Business Profile 59 5.2 General Situation of Market and Sales 65 5.3 Human Resources Statistics 66 5.4 Disbursements for environmental protection 67 5.5 Labor Relations 71 5.6 Significant Contracts

74

VI 、 Financial Highlights

- 74 6.1 Summarized financial statements for the past 5 years
- 79 6.2 Summarized financial analysis for the past 5 years
- 83 6.3 Audit Committee's Review Report for Fiscal Year 2018
- 85 6.4 Financial Statements for Fiscal Year 2018
- 178 6.5 Consolidated Financial Statements for Fiscal Year 2018
- 261 6.6 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date

262

VII 、 Review of Financial Conditions, Operating Results, and Risk Management

- 262 7.1 Analysis of Financial Status
- 263 7.2 Analysis of operation results
- 264 7.3 Analysis of Cash Flow
- 265 7.4 Major Capital Expenditure Items
- 265 7.5 The main reasons of profits and losses of the investment plans in the last year, improvement plans and investment plans for the coming year
- 265 7.6 Analysis regarding risk items for the past year and up to the annual report publishing date
- 267 7.7 Other significant information

268

VIII 、 Special Disclosure

- 268 8.1 Related Parties Information
- 275 8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report
- 275 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
- 275 8.4 Other necessary disclosure
- 275 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

WAN HAI HISTORY

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.	1992	OCT ▶ Established WAN HAI Thailand branch office. ▶ Commenced Manila, Thailand and Indonesia service with YML.
1966	Bought the first log vessel with 5,000 DWT from Japan christened "WAN SHOU".	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.
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.	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.
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.	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. ▶ The Storage yard of Pier 17 West, Port of Keelung, was leased as an exclusive container yard of WAN HAI.
1978	DEC ▶ WAN HAI Kaohsiung office was founded.	1996	APR ▶ Commenced Vietnam / Haiphong service. 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.
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.	1997	MAR ▶ Commenced Japan / Singapore / Malaysia Super Express service with APL and HMM. APR ▶ Commenced the Cross Space Charter Agreement with Uniglory Marine Co. APR ▶ Obtained permission to run the Xiamen / Kaohsiung "Offshore Shipping Centers" business. AUG ▶ Commenced Taiwan / Hong Kong / Xiamen service. DEC ▶ WAN HAI Taichung was upgraded from liaison office to branch.
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.	1998	APR ▶ Commenced Middle East service with HMM. NOV ▶ Inaugurated Middle East II service.
1985	JUN ▶ M/V Fu Chun maiden call to Port of Taichung provides first liner service to Taichung.	1999	JUL ▶ Commenced China / Middle East service with OOCL. AUG ▶ Commenced Haiphong II service.
1987	JUL ▶ Kaohsiung berth #42 was leased as WanHai's dedicated terminal.	2000	MAY ▶ Commenced American West Coast service.
1988	OCT ▶ Commenced Taiwan / Korea service.	2001	MAY ▶ Commenced China / Southeast Asia service. JUN ▶ Commenced China / American West Coast 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.		

- 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.
JUN ▶ Commenced China / North America Southern West Coast II (CTP II) service with CMA CGM & NORASIA.
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.

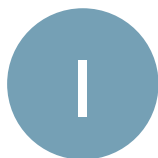
- 2014** MAR ▶ Launched Independent Mindanao Service.
JUN ▶ Launched Far East to Pakistan / Mundra Express Service with Coscon SEA, China Shipping and PIL.
OCT ▶ Awarded " Most Admired Company in Taiwan" 2014 in the shipping category " by Commonwealth Magazine.
DEC ▶ Awarded OHSAS 18001 Certificate at Taichung / Kaohsiung terminal.
- 2015** JAN ▶ Launched Independent Kansai / Haiphong Service II
FEB ▶ Awarded of "Best Shipping Agent, Customer Service for Colombo - Intra Asia Sector".
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.
JUN ▶ Wins the Award of "Asian Freight, Logistics and Supply Chain Awards 2015".
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 ▶ Award "Best Green Shipping Line" from 2016 AFLAS .
JUN ▶ Launch Mindanao / Malaysia / Belawan (MMS)Service.
DEC ▶ Join TBS Service with "K" Line.
- 2017** FEB ▶ Again tops the "Container Shipping Line of The Year - Far East Trade Lane" Award from Gujarat Junction 2017.
JUN ▶ Enhances China / Southeast Asia Service Network.
JUL ▶ Bought two 1,805 TEU vessels and were deployed in the same year.
AUG ▶ Tops container shipping schedule reliability in Q2.
AUG ▶ Launched Independent Cambodia Service.
- 2018** FEB ▶ Ranked No.1 in schedule reliability for the 2nd consecutive year 2016 & 2017.
FEB ▶ Launched Far East – Red Sea (AR1) Service.
MAR ▶ Launched New China to Vietnam Service.
APR ▶ Launched Japa-Korea-Haiphong (JKH) Service.
APR ▶ Launched Indonesia to Singapore / Malaysia Service.
APR ▶ NS 1 Service Kicks off.
MAY ▶ Grand Opening of Wan Hai Invested Hai Phong International Container Terminal.
SEP ▶ Awarded "Container Shipping Line of The Year India-Far East Trade Lane" for the seventh time in eight years.
NOV ▶ Confirmed Orders For 20 New Vessels.

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

SERVICE IS OUR MISSION ;
STABILITY IS OUR STRENGTH

- 1 TOP THE GLOBAL LINER SCHEDULE RELIABILITY SURVEY 2016-2018 FROM SEAINTEL
Real-time quality response with service commitments
- 2 SEVEN-TIME WINNER OF [CONTAINER SHIPPING LINE OF THE YEAR-FAR EAST TRADE LANE] FROM MARITIME AND LOGISTIC AWARDS, INDIA
No occasional but trust-worthy is the key to win the laurel year after year
- 3 FOUR-TIME WINNER OF [CONTAINER SHIPPING LINE OF THE YEAR] FROM LLOYD'S LIST MARITIME ASIA AWARD
A well-deserved honor granted by readers of the power and prestigious maritime magazine
- 4 WINNER OF [BEST SHIPPING LINE-INTRA ASIA] IN 2015 AND [BEST GREEN SHIPPING LINE] IN 2016 FROM ASIA CARGO NEWS, AFLAS
Honored by both operational efficiency and environmentally friendly
- 5 TWO-TIME WINNER OF [MOST ADMIRER COMPANY] IN MARITIME SHIPPING CATEGORY FROM COMMONWEALTH MAGAZINE
All-round business performance recognized by local influential publication
- 6 FOUR-TIME WINNER OF [GREEN FLAG] FROM PORT OF LONG BEACH, CA
Sparing no effort to achieve environmental sustainability
- 7 YOUNGER AVERAGE CONTAINER AGE(4.9 YEARS) THAN THAT OF THE INDUSTRY (6.6 YEARS) FROM DREWRY 2017
Our specialization is made by continuous improvements
- 8 WIDELY-RECOGNIZED WITH MOST COMPREHENSIVE SERVICE NETWORK IN INTRA-ASIA
Fast, convenient and far-reaching service
- 9 BALANCED FINANCIAL STRUCTURE AND STEADY OPERATING STATUS
Rest assured delivery
- 10 INTEGRITY AND PEOPLE-ORIENTED SERVICE
We fuse traditional principles with current practices as a way to achieve better developments





Letter to Shareholders

To Our Shareholders,

The overall operating environment of the shipping industry has been tougher than the previous year, due to the instability of the external political and economic situation together with the impact of rising oil prices and charter hire in 2018. Even so, Wan Hai Lines was able to maintain profitable results thanks to the combined efforts of the management teams and all employees of the Company, under the spirit of "steady operations." Wan Hai Lines has chalked up many achievements, outlined as follows:

Maintain our base of operations in Asia while strengthening our route network

Wan Hai Lines has been deeply involved in the Asian shipping market for many years, and is actively expanding its market in order to provide customers with diversified choices. Last May, Wan Hai Lines entered into a joint venture agreement with Saigon New Port Co., Mitsui O.S.K. Lines, and Itochu Group to construct and operate Hai Phong International Container Terminal (HICT). This has reinforced our Asian regional operations. In respect to route services, numerous new routes have been established and this has strengthened the completeness of the route layout of the Company in Japan, Korea, China, Vietnam, Singapore, Malaysia, India, and the Red Sea region.

Steady growth of operational volume and revenues

The Company has been achieving great results in operational volume and revenues under the joint efforts of all Wan Hai Lines employees. Operating volume achieved 4.26 million teus in 2018, marking a 10.57% increase from 2017. Revenue attained TWD 66.77 billion, a 9.89% increase from 2017. Operational volume and revenues each set a new record for Wan Hai Lines in three years. The Company's operations are booming and its market share is steadily increasing.

Signed on 20 new ships to expand the fleet

Wan Hai Lines has confirmed an order of 20 container vessels with Japan Marine United Corporation (JMU) and Guangzhou Wenchong Shipyard Co., Ltd. (GWS) / China Shipbuilding Trading Company, Limited (CSTC) to improve its service quality and strengthen its route operations. The new ships will see gradual delivery from the end of 2020. These new ships are mainly for future operational needs. The Company will expand its own fleet with the continuous delivery of new ships, which will also improve the performance and scale of the fleet. In the future, these new ships will enable the Company to be more flexible in its route deployments, and the Company will be able to provide customers with better services.

Recognition of quality

The schedule reliability of the Wan Hai Lines fleet was ranked No.1 in the "Global Liner Performance Report" published by Seatrade, a Danish maritime research institute. The Company has received recognition for three consecutive years since 2016. The schedule reliability of the Wan Hai Lines fleet is widely recognized. In addition, Wan Hai Lines again honored the "Container Shipping Line of The Year India-Far East Trade Lane" by 2018 MALA (Maritime And Logistics Awards). It is the seventh time Wan Hai Lines has won the same award. The Company has always valued the Indian market, and sevenfold recognition shows that Wan Hai Lines has been successful in penetrating this market!

Financial performance

Consolidated annual operating income of Wan Hai Lines was TWD 66.77 billion in 2018, for an increase of TWD 6.9 billion from 2017. Consolidated net profit after tax was TWD 1.1 billion, showing an approximate decrease of TWD 1.4 billion from 2017. In terms of profitability, shareholder return on equity in 2018 was 3.3% with a net profit ratio of 1.7%, as earnings per share came in at TWD 0.5.



Looking back on 2018, an initially optimistic economic outlook later took a turn for the worse due to the China-US trade conflict, the rise of global trade protectionism, and a resulting intensification of market uncertainties. In terms of shipping capacity supply, the annual capacity growth of the world container fleet grew 5.7% in comparison with 2017 according to Alphaliner statistics. However, global throughput growth increased only 4.4%. The overall market is still in an oversupply state, and the growth in freight rates is limited. The prices of international crude oil have been increasing since mid-2018 due to factors such as US sanctions on Iran, geopolitical uncertainties in the Middle East, and the decline of US crude oil production and stocks. Prices even spiked at a two-year high at one point. This has caused increases in bunker price and intensified shipping companies' operating costs. The performances of most shipping companies were not as good as in 2017 due to the negative environmental impacts. Wan Hai Lines upholds the spirit of "steady operations" and has worked harder in adversity to carefully assess the situation. The Company was still able to maintain profitable results even amid an unfavorable environment.

Operation plans for 2019

In 2019, the economic outlook trends toward pessimism, reflecting the China-US trade war and an unstable international political and economic situation. According to the IMF's World Economic Outlook, global economic growth should be 3.5% in 2019, marking a decrease from 3.7% in 2018. This shows that the current economic expansion trend has weakened. Alphaliner estimates that 2019 global throughput growth and cellular fleet capacity growth will be 3.8% and 3.5%, respectively. It appears that oversupply conditions may ease in the overall container shipping market. Nonetheless, the overall trend of the market is still full of variables under the influence of the external political and economic situation. The International Maritime Organization's 0.5% m/m global limit on the sulfur content of fuel oil will soon take effect in 2020. Some regions have even implemented this cap already, and all shipping companies must face additional costs arising from these regulations.

One can safely say this is going to be a challenging year given the external economic outlook and related environmental regulations. Wan Hai Lines will continue to uphold the spirit of "steady operations" and carefully evaluate the market trend. We will adjust and expand the layout of shipping routes to provide perfect route services to our customers, based on maintaining a close and convenient service network. In addition, we will strictly control related operating costs to create maximum benefits. In terms of self-owned fleets, we will continue to optimize the performances of our ships, ensure safe navigation, and achieve energy savings and carbon reduction to implement the environmental protection and sustainable development business philosophies of the Company.

All along the way, Wan Hai Lines has upheld the operational philosophies of "customer first, full participation, environmental protection, and sustainable management" and has grown at a steady pace. We will continue to strive for excellence, improve service quality, and create maximum profits in respect to route service, fleet performance, and cost control. In this way, we will not fail to meet the support and expectations of our customers and shareholders.

Sincerely yours,

Chairman

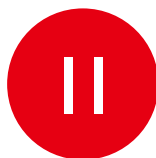
Shihlin Paper Co., Ltd.

Representative

Po-Ting Chen

April, 21, 2019





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 “明春輪” 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-four 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 seventh year from 2018 MALA. As such, Wan Hai becomes a recognized corporate brand in shipping industry.

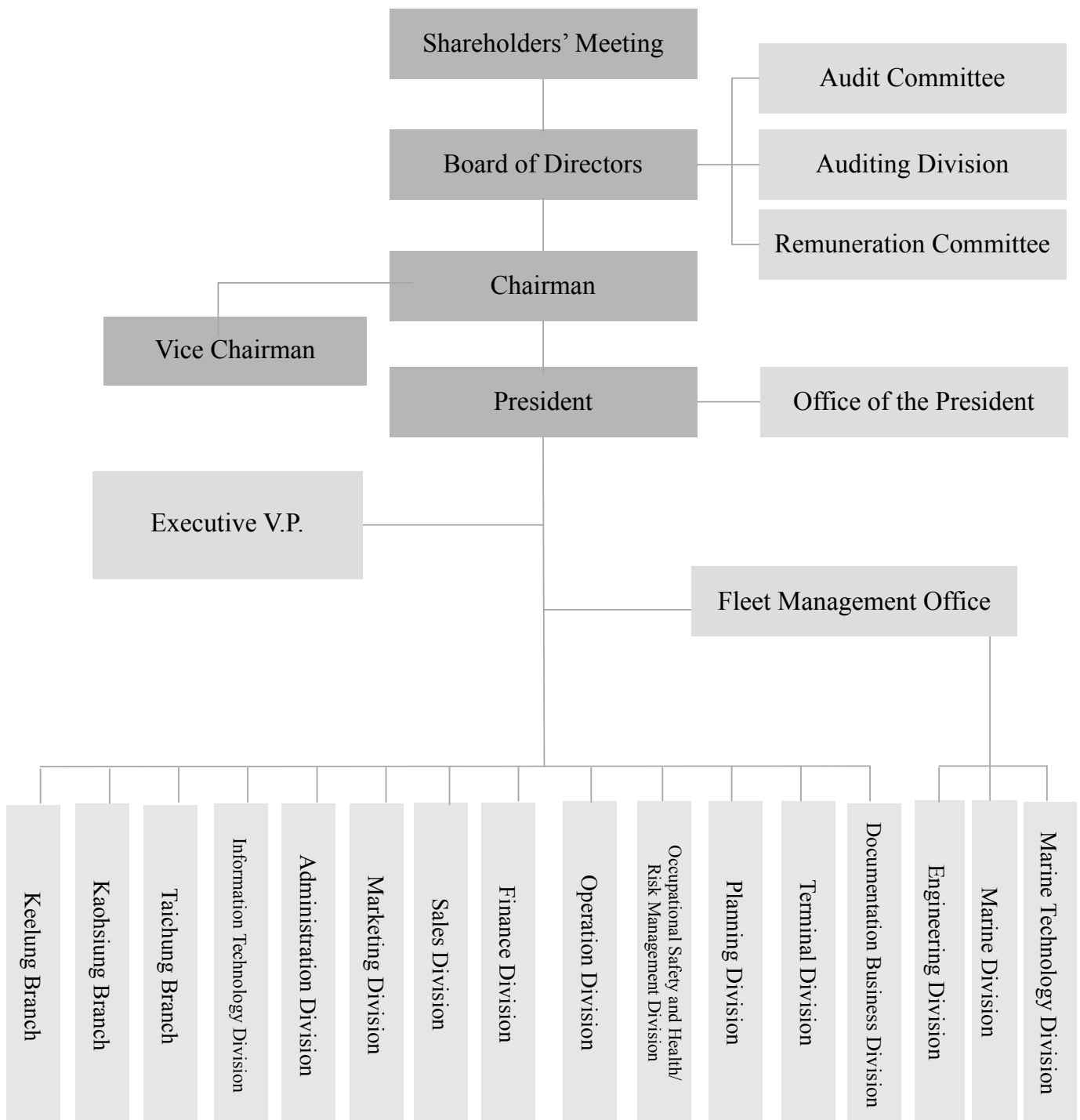
Driven by the corporate culture of “Quality Service, Team Work, and Growth” and the philosophy of “Customer First, Full Participation, Environmental Protection, and Business Continuity,” Wan Hai continues to provide a dense and complete transportation network, and continues to enhance service quality 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, and implementing effective corporate legal compliance programs.
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, project research and corporate governance affairs.
Fleet Management Office	In charge of safety control and efficiency evaluation of fleet management.
Marine Technology Division	In charge of maritime safety control measures and fleet navigation efficiency.
Marine Division	Supervision of crew, and the evaluation; purchase of fuel; other matters relevant to marine operation.
Engineering Division	Planning and supervision of new ship construction; routine and annual maintenance of vessel fleet.
Documentation Business Division	Issuance and payment of shipping documents; collections of shipping tariffs and service fees.
Terminal Division	Supervision and management of the operation of domestic and overseas terminals, container yards, and warehouses; evaluation of investment results of terminals; business solicitation and promotion; maintaining customer relations; establishing proposals and plans for terminal construction.
Planning Division	Research and construction of business strategies; planning of mid to long-term business operations.
Occupational Safety and Health/ Risk Management Division	Compliance with all relevant occupational safety and health laws and regulations and in charge of relevant legal affairs, litigation cases, reviewing agreements / contracts and handling the issue of cargo claim etc.
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 Offices	Responsible for local shipping business; issuance of shipping documents; arrangement of vessels and containers.

3.2 Information of Directors, President, Executive Vice President, Vice President, and the Chiefs of all the Company's Divisions and Branches

3.2.1 Director

1. The list of Directors

(1) The 20th Board of Directors (2017/6/22~)

2018.04.20

Title		Chairman		Vice Chairman		Director	
Nationality		R.O.C.	R.O.C.	R.O.C.	U.S.A.	R.O.C.	R.O.C.
Name		Shihlin Paper Co., Ltd.	Representative: Po-Ting Chen	Taili Corporation	Representative: Randy Chen	Chen-Yung Foundation	Representative: Chih-Chao 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		June 24, 2011		June 24, 2011	
Shareholding on date elected	No. of shares	29,933,031 0		5,469,256 0		31,902,176 0	
	Holding Ratio	1.34% 0%		0.25% 0.00%		1.44% 0.00%	
Current Shareholding	No. of shares	29,933,031 9,603,548		5,469,256 0		31,902,176 7,700,283	
	Holding Ratio	1.34% 0.43%		0.25% 0.00%		1.44% 0.34%	
Current shareholding of Spouse and Minor Children	No. of shares	0		0		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		Master of Business Administration, University of San Francisco		Master of Business Administration MIT SLOAN School of Management		City University of New York	
Positions held in the company and other companies		FORMOSA WONDERWORLD Co., Ltd. Chairman Shihlin Paper Co., Ltd. Representative Director for legal entity/Chairman SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/ Vice Chairman ASIA PACIFIC LOGISTICS INTERNATIONAL Co., Ltd. Consultant WAN HAI LINES(UAE)L.L.C Representative Director for legal entity		EVERVALIANT CORP. Director WAN HAI LINES (PHILS) INC. Representative Director for legal entity/Chairman WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES(AMERICA)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 WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity WAN HAI LINES(U.S.A) LTD Representative Director for legal entity		EXPRESS CONTAINER TERMINAL CORP. Chairman YI CHAO CORP. Chairman WAN HAI LINES(AMERICA) LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity DAWIN LOGISTIC(INTERNATIONAL)LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY Co., Ltd. Representative Director for legal entity/ Chairman WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Director for legal entity WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity WAN HAI LINES(U.S.A) LTD Representative Director for legal entity	
officer, director, or held by spouse or relatives within two levels of blood relations	Title	-		-		-	
	Name	-		-		-	
	Relation	-		-		-	

Title		Director		Independent Director	Independent Director	Independent Director
Nationality		R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Name		Sunshine Construction Co., Ltd	Representative: Chiu-Ling Wu	Ruei-Chuen Liu (Note 1)	Rung-Nian Lai	Chih-Chuan Chen (Note 2)
Gender			Female	Male	Male	Male
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		Jun 22, 2017		Jun 18, 2014	Jun 18, 2014	Jun 22, 2017
Shareholding on date elected	No. of shares	26,487,607 0		525	0	0
	Holding Ratio	1.19% 0.00%		0.00%	0.00%	0.00%
Current Shareholding	No. of shares	26,487,607 15,275,878		525	0	0
	Holding Ratio	1.19% 0.69%		0.00%	0.00%	0.00%
Current shareholding of Spouse and Minor Children	No. of shares	0		0	1,000	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		DE LIN Institute of Technology		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		Shihlin Paper Co., Ltd. Representative Director for legal entity YEE SING CO., LTD. Chairman UNI COOPERATE INTERNATIONAL Co., Ltd. Director YEE TZAO ENTERPRISE CO., LTD. Chairman Sunshine Construction Co., Ltd Director		Star travel Corp. Independent Director		Shihlin Paper Co., Ltd. Independent Director
officer, director held by spouse or relatives within two levels of blood relations	Title	-		-	-	-
	Name	-		-	-	-
	Relation	-		-	-	-

Note 1: 2019-04-13 Dismissal
Note 2: 2018-10-29 Resignation

2. Major shareholders of corporation stockholders

2019.04.20

Corporation shareholders		Major Shareholders and holdings %			
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				
Shihlin Paper Co., Ltd.	Wan Hai Charity Foundation 6.98%	Shui-Cheng Tu 7.03%		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%	Yee Tzao Enterprise Co., Ltd. 9.46%	Yu-Shuan, Lin 8%	Chao-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%
	Yu-Hwa, Lin 0.05%				

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

2019.04.20

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., LTD 2.122%			
	Chao-Heng Chen 0.001%		Ying-Hua Lin 0.001%		Ching-Chih Chen 0.001%		
Yeong Yi (Asia) Corp. Ltd.	Smithson Crowford Murray Capital 32.165%	Hsin Feng Corp. 24.962%	Fon Tain Belon Co. Ltd. 24.517%	Skyway Industrial Limited 4.923%	Yichao Corp. 4.144%	Chen-Yung Foundation 3.436%	
	Chih-Chao Chen 1.947%		Sui shih sung Corp., 1.727%		Kang Tu Industrail Co., Ltd. 0.683%		
	Eyon Corp. 1.154%						
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						
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

2019.04.20

Names	Conditions	Whether the directors 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 20th Board of Directors(2017/6/22~)															
Shihlin Paper Co., Ltd. Representative : Po-Ting Chen			✓		✓	✓				✓	✓	✓		0	
Taili Corporation Representative : Randy Chen			✓			✓				✓	✓	✓		0	
Chen-Yung Foundation Representative : Chih-Chao Chen			✓			✓		✓		✓	✓	✓		0	
Sun Shine Construction Co., Ltd 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 meet the following qualification requirements in two years prior to appointment to the positions:

- (1) Not an employee of the Company or a director, employee of an affiliated company.
- (2) Not a director 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 employee of a juristic (corporate) person shareholder who holds more than 5% of the total outstanding issued shares of the Company or a director employee of a juristic (corporate) person shareholder ranking among the top five in shareholding.
- (6) Not as a director (council member) 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), 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

2019.04.20

Title	Nationality	Name	Gender	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
					Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
President	R.O.C.	Fur-Lung Hsieh	Male	Jun 22, 2015	109,312	0.00%	86,720	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/ Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity YI CHUN SHIPPING AGENCIES SDN. BHD. Representative Director for legal entity WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity k.k. WH Corporation Representative Director for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI LINES(UAE)L.L.C. Representative Director for legal entity WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity WAN HAI LINES(U.S.A) LTD. Representative Director for legal entity WAN HAI SHIPPING LTD Representative Director for legal entity	-	-	-
Executive Vice President	R.O.C.	Wen-Chau Yeh	Male	Nov 1, 2014	936	0.00%	22,332	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	DAWIN LOGISTIC (INTERNATIONAL) LTD. Representative Director for legal entity WAN HAI LINES(H.K.) LTD. Representative Director for legal entity TAIPEI PORT CONTAINER TERMINAL CORP. Representative Director for legal entity WAN HANG TOURISM(SHANGHAI) Co., Ltd. Representative Director for legal entity	-	-	-
Senior Project Vice President	R.O.C.	Jen-Yee Huang (Note 1)	Male	Aug 1, 2008	10,838	0.00%	4,353	0.00%	0	0.00%	Department of Business Administration, National Cheng Kung University	-	-	-	-
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 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/ Chairman TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Jen-Kai Wu	Male	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Industrial and Information Management, National Cheng Kung University	WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity WAN HAI LINES KOREA LTD. Representative Director for legal entity/ Chairman SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity WAN HAI SHIPPING LTD Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Chien-Cheng Hsiao	Male	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University	Interasia Lines Ltd. Representative Director for legal entity	-	-	-
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/ President WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI LINES(ARIZONA) L.L.C. Representative Director for legal entity TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity WAN HAI LINES(U.S.A) LTD. Representative Director for legal entity	-	-	-
Project Vice President	R.O.C.	Wei-Shin Sheu	Male	Mar 26, 2018	74,513	0.00%	395	0.00%	0	0.00%	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-
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	-	-	-	-

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.	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 WAN HAI SHIPPING LTD Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Chih-Hsien Chen	Male	Mar 18, 2016	86,219	0.00%	51,348	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University	WAN HAI LINES (VIETNAM) Ltd. Representative Supervisor for legal entity BLUE OCEAN LOGISTICS CO.,LTD. Representative Supervisor for legal entity	-	-	-
Vice President	R.O.C.	Chien-Feng Wu	Male	Mar 18, 2016	0	0.00%	5,324	0.00%	0	0.00%	Department of Marine Transportation, National Taiwan Ocean University	SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity/Chairman BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity WAN HANG TOURISM(SHANGHAI) Co., Ltd. Representative Supervisor for legal entity Qingdao Port & Win International logistics 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	-	-	-	-
Vice President	R.O.C.	Han-Peng Chu	Male	Aug 8, 2018	41,250	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University	-	-	-	-
Deputy Vice President	R.O.C.	Pei-Tai Kuo (Note 2)	Male	Jun 25, 2012	0	0.00%	0	0.00%	0	0.00%	Department of Economics, Chinese Culture University	-	-	-	-
Assistant Vice President	R.O.C.	Yi-Ching Wu	Female	Mar 22, 2019	6,187	0.00%	36,924	0.00%	0	0.00%	Department of Business Administration, National ChengChi University	-	-	-	-
Deputy Vice President	R.O.C.	Tai-Feng Sun	Male	Oct 31, 2011	124	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	Oct 1, 2014	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 CLIPPER INTERNATIONAL SHIPPING AGENCY 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	-	-	-
Assistant Vice President	R.O.C.	Tze-Ling Chen	Female	Oct 1, 2018	0	0.00%	0	0.00%	0	0.00%	University of Southern California, Marshall School of Business	-	-	-	-
Deputy Vice President	R.O.C.	Meng-Chuan Chang	Female	Feb 1, 2017	25,150	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	-	-	-
Vice President	R.O.C.	Cheng-Hsien Huang	Male	Apr 1, 2019	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Sun Yat-sen 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	-	-	-	-

Note 1: 2019/04/10 Retirement
Note 2: 2019/03/22 Retirement

3.2.3 Remuneration to directors, president and executive vice president

1. Remuneration to directors

Unit: TWD thousand

Title			Chairman	Director	Director	Director	Independent Director	Independent Director	Independent Director
Name			Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	Chen-Yung Foundation Representative: Chih-Chao Chen	Taili Corporation Representative: Randy Chen	Sun Shine Construction Co., Ltd. Representative: Chiu-Ling Wu	Ruei-Chuen Liu	Rung-Nian Lai	Chih-Chuan Chen
Remuneration to directors	(A) Allowance	Unconsolidated	9,136						
		Consolidated	9,136						
	(B) Retirement pension	Unconsolidated	0						
		Consolidated	0						
	(C) Remuneration from retained earnings	Unconsolidated	17,045						
		Consolidated	17,045						
	(D) Transportation allowance	Unconsolidated	1,834						
		Consolidated	1,834						
Percentage of (A+B+C+D) in net income after tax		Unconsolidated	2.51%						
		Consolidated	2.51%						
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated	1,552						
		Consolidated	13,250						
	(F) Retirement pension	Unconsolidated	0						
		Consolidated	138						
	(G) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	19					
			Stock bonus	0					
		Consolidated	Cash bonus	19					
			Stock bonus	0					
Percentage of (A+B+C+D+E+F+G+H) in net income after tax		Unconsolidated	2.65%						
		Consolidated	3.71%						
Other income			178						
Note			Unless disclosed above, the Directors of the most recent year received remuneration for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report: None.						

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	Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen	Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen	Ruei-Chuen Liu, Rung-Nian Lai Chih-Chuan Chen	Ruei-Chuen Liu, Rung-Nian Lai Chih-Chuan Chen
From TWD 2,000,000 to 4,999,999	Taili Corporation Representative: Randy Chen Sun Shine Construction Co., Ltd. Representative: Chiu-Ling Wu	Taili Corporation Representative: Randy Chen Sun Shine Construction Co., Ltd. Representative: Chiu-Ling Wu	Sun Shine Construction Co., Ltd. Representative: Chiu-Ling Wu	Sun Shine Construction Co., Ltd. Representative: Chiu-Ling Wu
From TWD 5,000,000 to 9,999,999	Chen-Yung Foundation Representative: Chih-Chao Chen	Chen-Yung Foundation Representative: Chih-Chao Chen	Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen	
From TWD 10,000,000 to 14,999,999	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation 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	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction co., Ltd., Representative: Chiu-Ling Wu Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction co., Ltd., Representative: Chiu-Ling Wu Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction co., Ltd., Representative: Chiu-Ling Wu Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction co., Ltd., Representative: Chiu-Ling Wu Ruei-Chuen Liu Rung-Nian Lai Chih-Chuan Chen

2. Remuneration to President and Executive Vice President

Unit: TWD thousand

Title		President	Executive Vice President
Name		Fur-Lung Hsieh	Wen-Chau Yeh
(A) Salary	Unconsolidated	6,804	
	Consolidated	6,804	
(B) Retirement pension	Unconsolidated	0	
	Consolidated	0	
(C) Bonus and specific subsidy, etc.	Unconsolidated	1,664	
	Consolidated	1,664	
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	38
		Stock bonus	0
	Consolidated	Cash bonus	38
		Stock bonus	0
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0.76%	
	Consolidated	0.76%	
Other income		178	

Levels of remuneration

Level of remuneration paid to the President and Executive Vice president	Name of President and Executive Vice president	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000		
From TWD 2,000,000 to 4,999,999	Wen-Chau Yeh	Wen-Chau Yeh
From TWD 5,000,000 to 9,999,999	Fur-Lung Hsieh	Fur-Lung Hsieh
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

3. Bonus to Executives

Unit: TWD thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Percentage in Net Income after tax
Executives	Vice Chairman	Randy Chen	0	430	430	0.04%
	President	Fur-Lung Hsieh				
	Executive Vice President	Wen-Chau Yeh				
	Senior Vice President	Jen-Yee Huang				
	Senior Vice President	Li-Kuang Huang (Note 1)				
	Vice President	Kuo-Loong Kao				
	Vice President	Ming-Shan Huang				
	Vice President	Juang-Jyh Juang				
	Vice President	Wei-Chien Chuang				
	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				
	Vice President	Han-Peng Chu				
	Vice President	Ching-Yin Wang				
	Project Senior Vice President	Jiong-Xin Lin (Note 1)				
	Project Vice President	Yen-Ju Chen (Note 2)				
	Project Vice President	Wei-Hsin Hsu				
	Project Vice President	Cheng-Hsien Huang				
	Deputy Vice President	Chia-Yi Hsiao				

3.2.4 Analysis regarding the percentage of total remuneration paid to the directors, 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 2018		Percentage of total remuneration in net come after tax in 2017		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	2.65%	3.71%	1.58%	2.02%	Remuneration to directors is according to the company's articles of incorporation.
President and Executive Vice President	0.75%	0.75%	0.32%	0.32%	

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 6th board of directors meetings. The directors show the following facts of attendance:

2018.12.31

Position	Name	Number of actual participations (or as an observer)	Number of actual participations through a proxy	Rate of actual participations (or as an observer) (%)	Remarks
The 20th Board of directors show the following facts of attendance: (2018.01.01~2018.12.31, the Board of Directors convened a total of 6th board of directors meetings)					
Chairman	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	6	0	100%	
Director	Taili Corporation Representative: Randy Chen	6	0	100%	
Director	Chen-Yung Foundation Representative: Chih-Chao Chen	6	0	100%	
Director	Sun Shine Construction Co., Ltd Representative: Chiu-Ling Wu	5	1	83%	
Independent Director	Ruei-Chuen Liu	6	0	100%	Mr. Ruei-Chuen Liu has dismissed on Apr 13, 2019.
Independent Director	Rung-Nian Lai	3	3	50%	
Independent Director	Chih-Chuan Chen	3	1	75%	Mr. Chih-Chuan Chen has resigned on Oct 29, 2018.
Other noteworthy items:					
- Article 14-3 of the Securities and Exchange Act states that when an independent director has a dissenting opinion or holds reservations, it shall be recorded, along with the date and term of the meeting, content of proposal, the opinion of all independent directors and how the opinion is dealt with by the Company. At each of the Board of Directors meetings this year, there were no objections or reservations with regards to the motions from the independent directors. - In the event of a recusal by one of the directors due to shared interests, a record of the name of the director, content of the proposal, cause of the recusal, and the resolution of the issue by participants shall be made. 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." - The appointment of Directors of WAN HAI LINES (SINGAPORE) LTD. - Director: Randy Chen - Motion: The terms of Directors of WAN HAI LINES (SINGAPORE) LTD had reached their ends and Directors were up for re-appointment at the fifth meeting of the 20th Board (March 26, 2018). It was proposed to assign Fei-Fei Chuang, Chih-Yuan Chen, Randy Chen, and Chien-Yo Huang to represent the Company as the new Directors of the Company. - Causes for recusal: Assigned representative. - Participation in voting: Randy Chen was the assigned representative and had recused himself. The remaining attending Directors had been approved by the Chairman without objection. - The appointment of Directors of WAN HAI LINES (U.S.A.) LTD. - Director: Randy Chen & Chih-Chao Chen - Motion: The terms of Directors of WAN HAI LINES (U.S.A.) LTD had reached their ends and Directors were up for re-appointment at the fifth meeting of the 20th Board (March 26, 2018). It was proposed to assign Sheng-Hsing Lo, Randy Chen, Chi-Chao Chen, and Fu-Lung Hsieh to represent the Company as the new Directors of the Company. - Causes for recusal: Assigned representative. - Participation in voting: Randy Chen and Chih-Chao Chen were the assigned representatives and had recused themselves. The remaining attending Directors had been approved by the Chairman without objection. - Re-appointment of WH Corporation - Director: Po-Ting Chen - Motion: At the fifth meeting of the 20th Board (March 26, 2018), Director Po-Ting Chen, who was the President of WH Corporation, was proposed to be replaced by Fur-Lung Hsieh due to the demands of business. - Causes for recusal: Current President. - Participation in voting: Po-Ting Chen recused himself as he is the current President. The remaining attending Directors were approved without objection through individual resolutions. - WAN HAI LINES (SINGAPORE) LTD proposed to invest and establish WAN HAI LINES (U.S.A.) LTD, a 100% owned subsidiary company. - Director: Randy Chen & Chih-Chao Chen - Motion: WAN HAI LINES (SINGAPORE) LTD proposed to invest US\$150,000 to establish WAN HAI LINES (U.S.A.) LTD (the name of the company is subject to the approval and registration of the local competent authority), a 100% owned subsidiary company, and appoint a representative of the Director to undertake the businesses of Norton Lilly International, Inc. and optimize the overall operational efficiency of our US branches at the sixth meeting of the 20th Board (May 9, 2018).					

- (3) Causes for recusal: Assigned Director.
- (4) Participation in voting: Randy Chen and Chih-Chao Chen were the assigned Directors and had recused themselves. The remaining attending Directors had been approved by the Chairman without objection.
5. WAN HAI INTERNATIONAL INC. donated NT\$12 million to WAN HAI CHARITY FOUNDATION
- (1) Director: Po-Ting Chen
- (2) Motion: At the ninth meeting of the 20th Board (November 12, 2018), WAN HAI INTERNATIONAL INC. proposed to donate to WAN HAI CHARITY FOUNDATION to help charitable causes and promote charitable acts, in order to give back to society for the sake of caring for minority groups and providing relevant resources during social emergency events.
- (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.
6. WAN HAI LINES (HONGKONG) LTD donated NT\$12 million to WAN HAI CHARITY FOUNDATION
- (1) Director: Po-Ting Chen
- (2) Motion: At the ninth meeting of the 20th Board (November 12, 2018), WAN HAI LINES (HONGKONG) LTD donated NT\$12 million to WAN HAI CHARITY FOUNDATION for the purpose of "emergency and humane care" and the fulfillment of corporate social responsibility, so that the Foundation would have more resources to be actively involved, create sustainable management, and give back 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 20th Board of independent directors show the following facts of attendance (Mr. Chih-Chuan Chen has resigned on Oct 29,2018), Mr. Ruei-Chuen Liu has resigned on Apr 13,2019)

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

December 31, 2018

2018	First	Second	Third	Fourth	Fifth	Sixth
The 20th Board of independent directors show the following facts of attendance: (2018.01.01~2018.12.31, the Board of Directors convened a total of 6th board of directors meetings)						
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 2018.

There were **5th** Audit Committee meetings in 2018. The attendance status of members were as follows:

December 31, 2018

Position	Name	Number of Attendance in Person (or as an Observer)	Number of Attendance by Proxy	Rate of Attendance (or as an Observer) (%)	Remarks
The attendance status of members were as follow : (2018.01.01~2018.12.31, there were 5th Audit Committee meetings in 2018)					
Independent Director	Ruei-Chuen Liu	5	0	100%	Mr. Ruei-Chuen Liu has dismissed on Apr 13,2019.
Independent Director	Rung-Nian Lai	3	2	60%	
Independent Director	Chih-Chuan Chen	2	1	67%	Mr. Chih-Chuan Chen has resigned on Oct 29, 2018.

3.3.3 Distinction between the company's corporate governance and such of the companies listed on the Taiwan Stock Exchange Corporation ("TWSE") and the Taipei Exchange (or together as "TWSE/ TPEX listed companies")

Item	Description of the operation		Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	
1. Does the Company follow the "Corporate Governance Best Practice Principles" to establish and disclose its corporate governance principles?		✓	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", and the "Remuneration Committee Organization and Memorandum of Association". The Company has published this information on the Wan Hai website to facilitate inquiry by interested parties/individuals, and also established the "Internal Management Control for the Prevention of Insider Trading" to strengthen corporate governance.
2. Company's shares structure and shareholders right (1) Does Company has SOP to deal with shareholders' suggestions and disputes? (2) Does the Company retain a register of major shareholders who have controlling power, and of the persons with ultimate control over those major shareholders? (3) Has the Company built and executed a risk control mechanism and firewall between the Company and its affiliates? (4) Has the Company established internal standards in order to prohibit insider undisclosed information trading of securities on the market?	✓ ✓ ✓ ✓		No Difference
3. The Board of Directors' composition and responsibilities (1) Has the Board of Directors formulated the policy on diversity based on its composition and faithfully implemented? (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? (3) Has the Company defined its Board of Directors' evaluation performance appraisals, and are there regular annual performance appraisals? (4) Does the Company regularly use an independent certified accountant for assessment?	✓ ✓ ✓		(1) No Difference (2) In accordance with the law an Audit committee will be established by 2017. (3) Although the Company has no written regulations to assess the Board of Directors' performance, each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments. The Board of Directors actively participates in training courses studying with competent authorities for relevant academic skills, and they engage with relevant think tanks on a regular basis. The Board of Directors occasionally engages in activities of outcome macro review. (4) No Difference

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
			and the CPA's family members do not violate the independence requirements. The rotation system of CPA is also in compliance with ISA No. 46 and other relevant regulations.	
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, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meetings)?		✓	The Company set up the manager of Corporate Governance in March of 2019. The position is served concurrently by the manager of Operation Department, Assistant Vice President Su. Su has been responsible for the management of corporate governance affairs such as corporate shareholder affairs, shareholders' meetings and Board meetings for three years. The main responsibilities are as follows: 1. Provide Directors with the information required to conduct business and assist the Directors to follow the laws and regulations. 2. Convene shareholders' meeting, Board meeting, and various functional committees in accordance with the laws, including agenda arrangements, preparations before the meeting, preparation of the minutes after the meeting, and registration of changes, etc. 3. Carry out annual training courses for Directors in accordance with the industrial characteristics of the Company and needs of the Directors. The business plans for 2019 are as follows: 1. Complete the performance evaluation for the Board of Directors and Directors before the end of 2019, and start periodic annual self-assessment. The report of assessment must be completed before the end of the first quarter of the following year. 2. Renew the liability insurance of Directors, Supervisors, and important personnel.	The Company set up the manager of Corporate Governance in 2019.
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?	✓		The Company has established a stakeholder comment zone under the Corporate Social Responsibility (CSR) section of the Company website based on respecting the rights and interests of stakeholders. Each department is responsible for its respective function and communicating with the stakeholders: (I) Employees Issues of concern: corporate governance, indirect economic impact, employment, diversity and equal opportunity Communication channels and response methods: 1. Personnel system platform / real-time information query operation, battle status meeting / bi-weekly 2. Fleet security seminar / monthly 3. Intra-team meeting, intra-department meeting / monthly or as needed (based on business) 4. Employee feedback survey / semi-annually 5. Employee Welfare Committee / at least once a year 6. Sea-based employees' comments and electronic proposal survey / before disembarkation 7. Training for sea-based employees/ before boarding, monthly and quarterly training 8. Training, course satisfaction survey and training intention survey, employees 9. Safety and health committee meeting / regular or as needed (based on business) 10. Internal announcements, Department of Business seminars, reports, crew 11. Intra-team public email, hotline number, crew electronic bulletin board, message board / irregularly 12. Labor-management communication meeting / Quarterly (II) Customer Issues of concern: economic performance, energy, compliance with regards to environmental protection Communication channels and response methods: 1. Customer hotline number, customer email (cs@wanhai.com), Company website (https://tw.wanhai.com) / continue to open to receive customer response comments 2. Contract regulations / once a year on average 3. Customer satisfaction survey, customer visit, meeting discussion / irregularly (III) Shareholder Issues of concern: Corporate governance, economic Performance Communication channels and response methods: 1. Shareholders' meeting / annually	No Difference

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
			2. Judicial persons' conference / at least once a year 3. Publish material financial and business information on the Market Observation Post System / follow the regulations of the competent authority 4. Company website, shareholders servicing methods (hotline and email)/irregular (IV)Competent authority Issues of concern: Corporate governance, economic performance, energy, disposal, compliance with regards to environmental protection Communication channels and response methods: 1. Company Financial Statement / quarterly 2. Telephone, official document exchange, trade association meeting discussion / irregularly 3. Labor inspection, declaration of safety and health related information / irregular, in accordance with the requirements of the competent authorities (V) Supplier Issue of concern: Energy, disposal, compliance with regards to environmental protection, employment relationship, employee diversity and equal opportunities Communication channels and response methods: 1. Training for crew labor agent / quarterly and hosted regularly upon completion of projects 2. Agency evaluation, vendor evaluation and certification system, supplier labor safety and health management, contract specifications / annually 3. Email, hotline, conference discussions, field visits, company website / irregularly (VI)Nonprofit organization Issues of concern: Indirect economic impact, disposals, biodiversity, emissions, compliance with regards to environmental protection Communication channels and response methods: 1. Volunteer care activities or charity events / monthly 2. Publications - Tingpojian (magazine), Tingpojian e-newsletter / bi-monthly 3. Official website bulletin board, news public information, email, hotline, official document, visits, online community / irregularly In addition to setting up the Corporate Social Responsibility Zone on the Company website, and a designated person collects and responds to stakeholders' issues of concern, the Company also publishes a corporate social responsibility report every year and submits it to the Board of Directors.	
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 (1) Has the company established a website disclosing financial operations and corporate governance information?	✓		(1) Company website (http://www.wanhai.com.tw) 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. 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.	No Difference
(2) Does the Company disclose information in other ways (such as an English website, a designated person responsible for the Company's collection and disclosure of information, a company spokesman system, or will the legal process descriptions be placed on the Company's website)?	✓		(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.	

Item	Description of the operation		Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	
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, risk management policy and risk assessment criteria and their execution, execution of customer policy, and purchase of liability insurance for company directors, etc.	✓		(1) The Company's President / Fur-Lung Hsieh had completed the workshop for Discussion on the Issues of Human Resources and M&A Integration in the Process of Enterprise M&A by Securities & Futures Institute (Taiwan) held in Taipei. (2) The Company's President / Fur-Lung Hsieh had completed the seminar for Interpretation of Enterprise Performance Information by Securities & Futures Institute. (3) The Company's Independent Director/ Ruei-Chuen Liu had completed the workshop for New Version of Corporate Governance Blueprint and Discussion on Strengthening Corporate Governance Mechanism by Securities & Futures Institute (Taiwan) held in Taipei. (4) The Company's Independent Director/ Ruei-Chuen Liu had completed the workshop for Analysis and Practice of Preventing Money Laundering and Countering Terrorist by Taiwan Corporate Governance Association. (5) The Company's Independent Director/ Rung-Nian Lai had completed the workshop for The Announcement Meeting of Listed Company and Unlisted (Cabinet) Public Issue Company Internal Person Equity Transaction Law Compliance by Securities & Futures Institute (Taiwan) held in Taipei. (6) The Company's Independent Director/ Rung-Nian Lai had completed the workshop for The Latest Company Law Revision to See the Latest Trends in Corporate Governance and The Impact of Directors' Responsibility by Securities & Futures Institute (Taiwan) held in Taipei. (7) Valuing environmental protection: The Company has been continuously promoting the ISO 14001 environmental management system since 2004. The Company's dedicated docks in Kaohsiung Port and Taichung Port have installed wastewater treatment equipment. Dock wastewater is processed by wastewater equipment under normal operation, and water quality is examined periodically in accordance with the regulations. The water quality is in compliance with the regulations. In addition, the Company's shipping fleet is in compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL), and the standard for the management of ship ballast water is stipulated in accordance with relevant regulations of the International Maritime Organization (IMO). The Company was awarded the Best Green Shipping Line of the Asian Freight, Logistics and Supply Chain Awards (AFLAS) in 2016. In addition, the Company is recognized with the Development of Green Shipping Excellence Award by the Ministry of Transportation and Communications every year. (8) Valuing workplace safety and health issues: Regular firefighting and escape drills are held at the Taipei headquarters, the Taichung dock, and the Kaohsiung dock. The dock workplaces have been established, have been certified, and continuously promote the CNS15506 & OHSAS 18001 occupational health and safety management systems. In addition, the Company's fleet is in compliance with the International Safety Management Code (ISM Code) and the International Ship and Port Facility Security Code (ISPS Code) and conducts regular drills.. (9) We take care of all employees' health; facilities like health center, stress relief room and breastfeeding 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. (10) 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. Recognized with a "Healthy Workplace Certification: Health Promotion Stamp" from the Health Promotion Administration of the Ministry No Difference

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
			of Health and Welfare in 2017; and awarded a “Sports Company Certification” from the Sports Administration of the Ministry of Education in 2018. (11) The Company has purchased liability insurance for directors and officers. The insured amount is US\$5 million, and notification has been issued through the Market Observation Post System. (12) We follow WCO SAFE(Framework of Standards to Secure and Facilitate Global Trade) and obtained customs certification of AEO (Authorized Economic Operator). (13) Facing the rapid development of information technology, the Company continues to increase capital expenditures on information technology and optimize hardware and software based on its business needs, so as to enhance information management and promote digitization while maintaining efficiency and information security. (14) The Information Security Policy and the Procedures and Regulations for Information Security Management are formulated to improve the Company's information management system, maintain normal operations of information systems, and control information and network security. To strengthen the Company's information security, an identity management mechanism was introduced in 2017 to avoid the risk of illegal access, intrusion, leakage, or falsification. In 2018, the mailing system was moved to the cloud to lower the costs of equipment maintenance and backup and reduce information security risks.	
9. Please provide information on the status of the improvements regarding the results of a corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies your company established as priorities for improvement. (Leave blank if your company was not evaluated.)	✓		The Company conducted the corporate governance self-assessment in response to the promotion of the corporate governance evaluation and prepared a report. The Corporate Governance Center publicized the results of the evaluation, according to which, the Company was able to comply with the major aspects of the standards. Results of the corporate governance evaluation: Ranked top 6% to 20% amid all TWSE listed companies from 2014 to 2018. Key points of the improvements include: 1. Establish and disclose policies with respect to energy savings, reduction of carbon and greenhouse gas emissions, water savings and other waste management. 2. Create sections such as “Corporate Social Responsibility Section” and “Stakeholders’ Opinion Section” on the company’s website, allowing investors and stakeholders to browse information. Improvements not yet implemented: Set up the Corporate Governance Best Practice Principles, and earnestly reinforce the efficacy of corporate governance in the future with the goal of providing transparent information for investors and stakeholders.	No Difference

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

*Continuing education and training for the directors and managers:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Fur-Lung Hsieh	President	June 06,2018	Securities & Futures Institute	Discussion on the Issues of Human Resources and M&A Integration in the Process of Enterprise M&A	3
		June 20,2018	Securities & Futures Institute	Interpretation of Enterprise Performance Information	3
Ruei-Chuen Liu	Independent Director	July 11,2018	Securities & Futures Institute	New Version of Corporate Governance Blueprint and Discussion on Strengthening Corporate Governance Mechanism	3
		Aug 24,2018	Taiwan Corporate Governance Association	Analysis and Practice of Preventing Money Laundering and Countering Terrorist	3
Rung-Nian Lai	Independent Director	July 13,2018	Securities & Futures Institute	The Announcement Meeting of Listed Company and Unlisted (Cabinet) Public Issue Company Internal Person Equity Transaction Law Compliance	3
		Nov 15,2018	Securities & Futures Institute	The Latest Company Law Revision to See the Latest Trends in Corporate Governance and The Impact of Directors' Responsibility	3

3.3.5 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	Jan 31,2018	Accounting Research and Development Foundation	Analysis of the "Disclosure Incident" of The Enterprise and The Verification of The "Business Secret Law"	6
		Dec 03,2018	Accounting Research and Development Foundation	Detect and Prevent Enterprise Fraud and The Application Practice of Big Data Analysis	6

*Continuing Education/Training for the Financial Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	Oct 17,2018	Accounting Research and Development Foundation	Discussion on The Legal Responsibility of Staff Fraud and The Practice of Fraud	3
		Oct 23,2018	Securities & Futures Institute	107-Year New Revised Income Tax Act	3
		Dec 05,2018	Accounting Research and Development Foundation	The Internal Control Practice of The Internal Audit Under The New IFRS16 Lease Accounting	6
Chih-Hsien Chen	Financial Supervisor	Feb 26,2018	Accounting Research and Development Foundation	The Key to The Success of Guilty Plea Negotiations	3
		Mar 28,2018	Accounting Research and Development Foundation	Use Consolidated Reports to Improve Business Management Performance	3
		Jul 13,2018	Accounting Research and Development Foundation	XBRL Application, Financial Report review and Corporate Governance Latest Policy Analysis	3
		Jul 26,2018	Accounting Research and Development Foundation	Enterprise Introduction Adopts The "Blockchain" Practical Issues Analysis Course	3

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

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

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
1. Policies implemented and promoted by the Company: (1) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness.	✓		(1) In 2015 the Company completed the preparation of its Corporate Social Responsibility code, which was implemented through the Board of Directors. The code cover's 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. (2) The implementation results are briefed as follows: (1). Corporate governance: a. The Company ranked 6%~20% in the TWSE Corporate Governance Evaluation. b. The Chinese and English versions of the annual report and the corporate social responsibility report were issued. c. A corporate governance officer was appointed. d. The standard operating procedures for handling requests made by directors were established for the Company to handle the directors' requests for information or assistance in a consistent manner so as not to affect the directors' performance of their duties or damage the rights and interests of investors. (2). Economic performance: a. Revenue growth for 3 consecutive years. b. According to the 2018 Global Liner Schedule Reliability Report issued by Sea Intel, a Danish maritime consulting company, the Company ranked first in the world for 3 consecutive years from 2016 to 2018. c. The financial statements were audited by CPAs. (3). Indirect economic impact: a. Charity influence was improved. b. Charitable engagements are regularly disclosed on the Tingpojian. (4). Energy: a. More accurate and complex information collected, and information could be verified repeatedly. b. The scope of information collection and management extended to information of suppliers. c. The fuel efficiency analyzed and tracked on a monthly basis with immediate improvement. (5). Wastewater and waste: a. The Company complied with the international convention MARPOL. (6). Ocean Health: a. The Ballast Water Management Plan completed and certified. b. The latest ballast water treatment system adopted. c. The scope of information collection and management extended to information of suppliers. (7). Emissions: a. By 2020, 100% of global fuels used will be low-sulfur fuels to reduce the emissions of sulfur oxides. b. More accurate and complex information collected, and information could be verified repeatedly, including boundary clarification and parametric statistics. c. The scope of information collection and management extended to information of suppliers. (8). Environmental compliance: a. The Company had no major environmental penalties. b. The scope of information collection and management extended to information of suppliers. (9). Employment: a. More accurate and complex information collected, and information could be verified repeatedly, including boundary clarification and parametric statistics. b. The total number of employees (by employment contract: permanent and temporary) calculated based on gender and region. c. The scope of information collection and management was extended to information on employment and working conditions in the supply chain. (10). Training and education: The average number of training hours each employee receives each year evaluated.	No difference
(2) The status of full and part-time work units established by the Company for promotion of corporate responsibility	✓		(2) The Company's implementation of corporate social responsibility is through the organization of regular social responsibility education and training. In 2018 the implementation was as follows: 201803 –Women's health life 201803 –The importance of health inspection 201804 –GDPR Compliance Lecture 201804 –Fire drill practice operation 201806 –movie : <i>Beyond Beauty - TAIWAN FROM ABOVE</i> 201806 –Energy Saving for Green Life 201806 –The first half of the year fire drill	

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
(3) Does the company set up a unit to promote corporate social responsibility and authorized by the Board of Directors and report to the Board? (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?	✓		201806 –Gender mainstreaming 201807 –Promote collective bargaining 201807 –Trauma aid skills lecture 201807 –Health care about colorectal cancer 201810 –Prevention of workplace bullying 201811 –Health care about cardiovascular 201812 –The second half of the year fire drill A 3-hour health advisory session with a doctor once every month (3) 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. 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 http://www.wanhai.com/file/whl_tw/duty.pdf). Details on the structure and positions of the unit can be found at (http://www.wanhai.com/file/whl_tw/CSR_Team.pdf). 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. (4) According to the company’s employee guide book: salary, performance appraisal, and incentives regulations chapters.	
2. Developing a sustainable environment (1) The status of the Company devotion to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact (2) Has the Company established a suited environmental management system to its industry characteristics? (3) The status of the Company’s awareness of climate change’s effect on operation activities, and policies for reducing carbon emissions	✓	✓	(1) WHL has devoted itself to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact in the following ways: A. Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment B. Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life C. Current ships have been outfitted with a new type of oily water separator, purifying the discharge of waste water on ship, and avoiding any possible ocean pollution D. Main diesel engines adapted for the latest electronic oil lubricator systems, alpha lubricators, and slide valves to improve the efficiency and reduce lubricating oil consumption. E. Stern tube sealing system adapted for latest air guard type to reduce the possibility of pollution. F. Instruction of manufacturers working on the ship to recycle and dispose of trash on shore G. Amended ES-BOW to save ship fleet fuel consumption. H. The Company’s shipping fleet is gradually replacing traditional light bulbs with energy saving light bulbs. I. The dedicated docks of the Company’s Kaohsiung Port and Taichung Port facilities have installed smart meters.. J. Upgrading old vehicles to improve fuel efficiency. (2) Current environmental management system employed by the company as related to the shipping industry is as follows: A. All vessels have been fitted with sewage and bilge water treatment system, B. Engines and generators on ships built after 2000 are all up to Tier 1 emissions standards, C. When waste oil are discharged from engine room, should be filled out with oil record book and recycled by a qualified company D. Bilge water from the engine room passes through a 15 PPM bilge water separator before being released, and properly recorded. E. Garbage and wastewater are processed by qualified equipment, registered in the record book and discharged according to regulations F. The combustion and exhaust of equipment produced by the ship in operation shall comply with the exhaust emission standards. G. Our vessels use low-sulfur fuel in the ECA (Emission Control Area). Reduce the effects of exhaust in specific area. (3) WHL’s policies and measures for achieving goals of carbon emission and greenhouse gas reduction are as follows: A. The Company’s policies for reducing carbon emissions: promote fuel efficiency and reduce carbon emissions. B. Purchases low sulfur fuel to comply with the limit as required by MARPOL. C. The Company’s vessels use the fuel which meets the regulations and perform oil change procedures when entering sulfur oxide emission control area (ECA).	No difference

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
			D. Appropriate speed reduction when ships come in and out of port can reduce the emission of greenhouse gases. E. Founded an energy saving team to research and promote energy saving and resource recovery. F. The Company periodically estimates its greenhouse gas emissions. The greenhouse gas emission and reduction information is published on the company's website and on the Market Observation Post System.	
3. Upholding Public Good (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Are the company's employee complaint mechanisms and channels fit for purpose? (3) The status of the Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees.	✓		(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. The Company also coordinates, amends, and implements in a timely manner in accordance with the relevant regulations, policies, and measures that are published by the government. (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 according to specified procedures. With regards to sexual harassment prevention, in addition to the company's normal complaints process, in order to protect of the rights and privacy of the parties involved, the company has developed an e-mail channel that sends sexual harassment complaints directly to a sexual harassment committee. (3) The Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees is implemented as follows: A. Worker health and safety education: apart from obtaining legally required certification and retraining, the Company also provides regular health and safety guidance, carries out fire and emergency drills, etc... At the same time, we also provide a yearly health inspection, health education counseling, health and safety class information, and other assistance. This provides employees with proper health and safety management. B. We check concentration of CO2 and illumination for caring about employees' healthy behavior regularly. C. 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. D. Standard on-site pier working safety: Aimed at the vendor management of pier, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies. The dock workplace has been established since 2014, and has been certified and is continuously promoting the CNS15506 & OHSAS 18001 occupational health and safety management systems. E. Health Improvement : The Company has set health center, stress relief studio and breastfeeding room to promote the health for employees and motherhood. 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. G. Wan Hai was awarded "Badge of Accredited Healthy Workplace" by the Health Promotion Administration (HPA), Ministry of Health and Welfare in 2017. And awarded a "Sports Company Certification" from the Sports Administration of the Ministry of Education in 2018.	No difference
(4) Should the Company establish a regular communication mechanism with its employees, and in a reasonable manner inform employees that are likely to cause significant change that has an impact on work operations?	✓		(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. The Company holds a labor-management conference regularly to provide adequate and unimpeded communication channels in the hope of creating a harmonious workplace environment. 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 : A. Newcomers Orientation B. Professional training for general staff C. Professional training for management associate D. Professional training for supervisors E. Courses sponsored by the Employee Benefits Committee F. External training courses	
(6) Has the Company established any consumer protection mechanisms and grievance procedures for issues arising from research and development, procurement, production, operations,	✓		(6) 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. B. The Company has established a website, http://www.wanhai.com (includes relevant announcement of business information and inquiry service), and has created a customer service email (cs@wanhai.com).	

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
and services?			com) and a customer service hot line, providing an outlet for an expression of opinions and inquiries on the part of the customer.	
(7) Has the company complied with relevant regulations and international guidelines for the marketing and labeling of products and services?	✓		(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 implementation. The Company and its related businesses are subject to US Federal Maritime Commission (FMC) for common carriers regulatory specifications, where tariff rates are shown online, and with the timely submission of customer transport service contracts to the FMC.	
(8) Should the Company assess its suppliers' past record of impacts on the environment and society?	✓		(8) The Company requires its suppliers to sign "Supplier Commitment Letter" and comply with "Supplier Management Policy" before collaboration to ensure their compliance with corporate social responsibility. The main contents of the Commitment Letter: 1. Comply with the principles of ethical corporate management and conduct business activities in a fair and transparent manner. 2. Respect intellectual property rights and comply with relevant laws and regulations. 3. Conform to safety and health regulations to reduce risk factors and prevent occupational disasters. 4. Comply with environmental protection laws and international conventions to improve energy efficiency 5. Comply with labor laws and international human rights conventions. The supplier management policy content is: 1. Suppliers should adhere to the principles of business ethics and ethics, and prohibit illegal acts such as illegal interests. 2. Suppliers should comply with international and local human rights and labor standards, ban child labor and ensure equal treatment of employees. 3. Suppliers should follow relevant international occupational safety and health and environmental protection conventions and local regulations to prevent occupational hazards and environmental accidents. 4. Implement supplier assessment and control mechanisms and treat all suppliers fairly. 5. Cooperate with suppliers to promote corporate social responsibility, services and products comply with relevant sustainability standards, reduce environmental impact and social impact. A total of 520 suppliers in 2018, agree and sign the company's supplier management policy and Supplier Social Responsibility Commitment.	
(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) The Supplier Commitment Letter is applicable to the supply relationship between the Company and any company which is part of the supply contract. If there is any violation of the contents or any illegal conducts, the Company may terminate or rescind the contract at any time.	
4. Strengthening Provision of Information (1) Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS?	✓		(1) Should the Company disclose the relevance and reliability of information about corporate social responsibility through its website and MOPS A. The Company has already published a report detailing the implementation and results of corporate responsibility 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): The Company is dedicated in providing professional services in route operations, and spares no effort in promoting environmental protection. The Company has been awarded the following recognition by both domestic and international governments and business organizations in 2018: (1) The Company was awarded "Sports Corporate Certification" by Sports Administration, Ministry of Education (2018-2020) in 2018, which showed a corporate culture spirit of work-life balance. (2) Recognized and awarded "Excellence Performance in Total Operation Income", "Excellence Performance in Fleet Expansion", and "Excellence Performance in Developing Port Operation" by Ministry of Transportation and Communications (3) Won the "Sea Cargo Pre-shipment Declaration Scheme 2018 - Gold Award Certificate" issued by the Hong Kong Customs and Excise Department. (4) Won the "Container Shipping Line of The Year India - Far East Trade Lane" from MALA. (5) Received model maritime personnel award (screened by the ROC maritime shipping industry). (6) SeaIntel ranked Wan Hai as number one in schedule reliability. (7) Best Shipping Company in Far East Region Growth Award (8) In 2018, we are awarded the Excellent business entity in issuing E-invoice by both Ministry of Finance and National Taxation Bureau of Kaohsiung, Ministry of Finance (9) 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 terminal branches received the Accreditation Badge for Health Initiatives. (2017 ~ 2018) (10) 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 2018. (11) Having being certified as the "Authorized Economic Operator" in 2015, our security and customer privacy items continue to comply with the official certification standards. (12) Received the Excellence Award in Green Shipping Development from the Ministry of Transportation and Communications, recognizing our efforts and achievements in developing green shipping. (13) Established and continued to promote the ISO 14001 environmental management system since 2004.				

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
7. Description of accreditation given by relevant accrediting organizations the Company's products or corporate responsibility report may have received: This report has obtained a statement of independent assurance opinions issued by the British Standards Institute (BSI), a third-party independent agency. The verification standards and grades are the AA1000 Assurance Standard, Type 1 and the Moderate Assurance which is developed by the global non-profit organization and also follow GRI Standards. (Double international verification standards)				

3.3.7 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.

3.3.8 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.

3.3.9 The Declaration of Internal Control

3.3.9.1

WAN HAI LINES LTD. The Declaration of Internal Control

March 22, 2019

Based on the self-assessment of Company's internal control system for year ended of 2018, 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, 2018 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 6 directors and objected by 0 directors of the Company present at the meeting held on Mar 22, 2019.

WAN HAI LINES LTD.

Chairman: Shihlin Paper Co., Ltd.

Representative: Po-Ting Chen

President: Fur-Lung Hsieh

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

3.3.10 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.

3.3.11 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
2018 General Shareholders Meeting (June 26, 2018)	Ratification items: I. Motion: The 2017 financial statements and business reports were submitted for ratification. Resolution: This motion was passed according to the e-voting and paper ballot results. II. Motion: The distribution of 2017 earnings was submitted for ratification. Resolution: This motion was passed according to the e-voting and paper ballot results. Discussion items: I. Motion: A proposal to remove non-competition restrictions on the members of the Company's 20th Board of Directors.. Resolution: 1. For the proposal to remove the non-competition restriction on Mr. Randy Chen, the representative of the Company's corporate directors - Taili Co., Ltd. : This motion was passed according to the e-voting and paper ballot results. 2. For the proposal to remove the non-competition restriction on Mr. Chen Chih-Chao, the representative of the Company's corporate directors - Chen-Yung Foundation: This motion was passed according to the e-voting and paper ballot results.

*** Major resolutions of the Board of Directors**

Date	Resolutions
2018 Fifth meeting of the 20th Board (March 26, 2018)	Proposal: The Company proposes to issue domestic unsecured ordinary corporate bonds to pay off loans and strengthen its financial structure. Please proceed to discuss. Resolution: All the Directors were consulted by the Chairman and it was approved without objection.
2018 Fifth meeting of the 20th Board (March 26, 2018)	Proposal: Determining the reasons for convening a Shareholder's meeting in 2018. Please proceed to discuss. Resolution: All the Directors were consulted by the Chairman and it was approved without objection.
2018 Fifth meeting of the 20th Board (March 26, 2018)	Proposal: 2017 Surplus distribution. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Seventh meeting of the 20th Board (June 26, 2018)	Proposal: Determining the ex-dividend date and cash dividend issue date for 2017 surplus distribution. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Seventh meeting of the 20th Board (June 26, 2018)	Proposal: Propose to remove the non-compete clause for the officers of the Company. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Eighth meeting of the 20th Board (August 8, 2018)	Proposal: Propose to remove the non-compete clause for the officers of the Company. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Ninth meeting of the 20th Board (November 12, 2018)	Proposal: Propose to remove the non-compete clause for the officers of the Company. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Ninth meeting of the 20th Board (November 12, 2018)	Proposal: New container procurement case in response to replacing old containers in the first half of 2019. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Ninth meeting of the 20th Board (November 12, 2018)	Proposal: WAN HAI LINES (SINGAPORE) LTD new ship procurement case. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Tenth meeting of the 20th Board (December 19, 2018)	Proposal: New container procurement case in response to replacing old containers in 2018 and 2019. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2018 Tenth meeting of the 20th Board (December 19, 2018)	Proposal: The maximum loan extended to WAN HAI LINES (SINGAPORE) LTD. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.

3.3.12 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 with regards to a major resolution passed by the board of directors: None

3.3.13 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:

Title	Name	Position taken since	Resignation Date	Resignation Reason
Audit Supervisor	Pei-Tai Kuo	Jun 25, 2012	Mar 22, 2019	Retirement

3.3.14 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.

The Company has disclosed the above regulations to the internal public folder for employees, managers and directors to refer to at any time and promote compliance.

3.3.15 Discussion concerning the execution of the resolutions made in the 2018 Shareholders' Meeting

1. Ratification items:

- (1) Ratification of the 2017 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 2017 earnings distribution: The cash dividend per share was NT\$0.5. The record date was July 22, 2018, and the distribution date was August 8, 2018.

2. Discussion items:

- (1) Removal of non-compete restrictions for the Company's 20th Board of Directors: Actions were taken pursuant to the resolution.

3.3.16 Company Remuneration Committee

1. Remuneration Committee Member Information

Position (Note 1)	Name	Meet the following professional qualification requirements listed below, with at least five years of work experience			Conforms with independent status (Note 2)								Number of other public companies concurrently serving on as a Remuneration Committee member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or another academic department related to the business needs of the Company in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or another professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Directors	Ruei-Chuen Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	2017.08.11~2019.04.13
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 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.
- (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, 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, 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, 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. The jurisdiction of Remuneration Committee

The Committee shall perform the following functions faithfully with the due care of a good administrator in mind, and shall make recommendations and submit to the Board of Directors for discussion and resolution for the following items.

- 1) Formulate and regularly review the policy, system, standards, and structure of the performance assessment, salary, and remuneration of Directors and managerial officers.
- 2) Regular assessment and determination of compensation for Directors and managers.

3. Remuneration Committee operation

December 31, 2018

Position	Name	Number of actual participations(B)	Number of actual participations through a proxy	Rate of actual participations(%) (B / A)(Note)	Remarks
The qualifications and attendance record of 3rd term remuneration committee members in recent year(s) is as below (2018.01.01~2018.12.31)					
Convener	Ruei-Chuen Liu	3	0	100%	Mr. Ruei-Chuen Liu has resigned on Apr 13, 2019.
Member	Rung-Nian Lai	2	1	67%	
Member	Ming-Zhu Chen	3	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.

* Major resolutions of the Remuneration Committee

Date	Resolutions
2018 2 nd meeting of the 3 rd term remuneration committee (March 26, 2018)	Proposal: The distribution of compensation for directors, supervisors and employees (including managers) in 2017. Please proceed to discuss. Resolution: All the members were consulted by the Chairman and it was approved without objection.

3.3.17 Corporate Conduct and Ethics Implementation

Assessment Item	Implementation Status			Discrepancy with industry standards and reasons
	Yes	No	Summary	
1. Establishment of ethical management policy and programs (1) Does the Company have regulations and publicly available documents addressing its ethical management policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team? (2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, and complaint procedures in such policies? (3) Does the Company establish preventive 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 within their business scope which are possibly at a higher risk of being involved in an unethical conduct?	✓		(1) The Company has stipulated “Ethical Corporate Management Best Practice Principles” (https://tw.wanhai.com/file/whl_tw/1071219C1.pdf) on December 19th, 2018 under the approval of the Board of Directors. The Principles have clearly stated the policies and practices of ethical corporate management of the Company, as well as the commitment of the Board of Directors and management team to actively implement these policies. In addition, the Company has also disclosed the aforementioned principles publicly in the “Ethical Corporate Management Section” of its website and an internal bulletin board of the Company. (2) The Company has stipulated “Ethical Corporate Management Procedures and Guidelines” (https://tw.wanhai.com/file/whl_tw/1071219C2.pdf) and “Report System of Illegal (including corruption) and Unethical Behavior” (https://tw.wanhai.com/file/whl_tw/1071219C3.pdf) on December 19th, 2018 under the approval of the Board of Directors. The aforementioned policies have specified the form of unethical behaviors, fair and transparent business activities, illegitimate interests including offering and accepting bribery, avoidance of conflicts of interest, and plans to prevent unethical behaviors. The policies have also clearly stipulated disciplinary actions for violating the policies and the report system. The designated unit of the Company (Administration Division) is responsible for promoting and supervising the implementation of ethical corporate management policies and prevention plans. (3) The Company has stipulated relevant prevention measures in accordance with all items in Clause 2 of Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and business activities that contain higher risk of unethical behaviors in other business areas, and the Company has requested all departments of the Company to implement it strictly.	No difference
2. Ethical Management Practices (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (2) Does the Company set up a unit which is dedicated to or tasked with promoting the company’s ethical management that reports to the Board of Directors periodically on relevant matters? (3) Does the Company establish policies for preventing conflicts of interest, provide appropriate communication, complaint channels, and implement such policies properly?	✓		(1) A. The Company has stipulated regulations for ethical record assessment and enactment of clauses for ethical behaviors. B. The company requests all suppliers to sign the “Supplier Commitment” and abide by “Supplier Management Policies”. The main content of the Commitment is as follows: a. Comply with ethical corporate management best practice principles and engage in commercial activities in a fair and transparent manner. b. Respect intellectual property rights and comply with relevant laws and regulations. c. Conform to safety and health regulations to reduce risk factors and prevent occupational injury. d. Comply with environmental protection laws and international conventions to improve the efficiency of energy use. e. Comply with labor laws and international human rights conventions. (2) Administration Division is the designated unit for promoting ethical corporate management and the Department is responsible for stipulating and supervising the implementation of the policies of ethical management and prevention plan. The Department assists the Board of Directors and management team to review and assess whether the preventive measures established for the ethical management implementation are carried out effectively. The Department reports the status of implementation at the Board of Directors meetings in every December regularly. (3) The Company has stipulated “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Procedures and Guidelines” in 2018 to prevent conflicts of interest and provide appropriate reporting channels. The aforementioned policies are implemented through the internal control system, audit system and various internal management policies of the Company.	No difference

Assessment Item	Implementation Status			Discrepancy with industry standards and reasons
	Yes	No	Summary	
(4) To implement ethical management policies, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	✓		(4) The Company has established an effective accounting system, internal control system, and internal audit implementation rules. The internal audit unit conducts an internal audit to check the implementation of the internal control system each year and continuously review the operating procedures of the Company.	
(5) Does the Company provide internal and external ethical management training programs on a regular basis?	✓		(5) The Company has stipulated "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Procedures and Guidelines", and "Report System of Illegal (including corruption) and Unethical Behavior" in 2018. The Company promotes the ethical corporate management concept consistently through internal public information, education and training to implement the ethical corporate management. The subjects include corporate anti-corruption principles, fair trade law, etc. Six sessions with a total of 173 participants were held in 2018, which accumulated for a total of 7.5 hours in lecture.	
3. Implementation of complaints procedures	✓		(1) The Company has stipulated "Report System of Illegal (including corruption) and Unethical Behavior" to encourage internal and external personnel report any improper conduct that violates "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Procedures and Guidelines". The Report System clearly defines the relevant reporting methods and incentive mechanisms. In addition, an independent reporting mailbox (comment@wanhai.com) was set up to establish a convenient reporting channel. The mailbox is disclosed on the "Ethical Corporate Management Section" of the Company website and an internal bulletin board. The head of Administration Division is the designated personnel for handling the reports.	No difference
(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?				
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	✓		(2) The Company has stipulated "Report System of Illegal (including corruption) and Unethical Behavior" in 2018. A designated unit is responsible for handling the reports in accordance with the procedures. Personnel of the Company who handle reported violations shall use written declarations to ensure that the identity of the reporter and the content of the report is kept confidential. The Company also promises to protect the reporter from improper and unfair treatment because of the reported violation.	
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for filing a complaint?	✓		(3) Personnel of the Company who handle reported violations shall use written declarations to ensure that the identity of the reporter and the content of the report are kept confidential. The Company also promises to protect the reporter from improper or unfair treatment because of the reported violation.	
4. Enhancement of Information Disclosure	✓		(1) The Company has disclosed Ethical Corporate Management Best Practice Principles on the "Ethical Corporate Management Section" of the Company website and Market Observation Post System. In addition, the results of promoting ethical corporate management are disclosed on the "Ethical Corporate Management Section".	No difference
(1) Does the Company disclose its own ethical management guidelines as well as information about implementation of such guidelines on its website and Market Observation Post System?				
5. If the Company has established its own ethical management guidelines based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: The Company comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, to facilitate ethical corporate management. And he Company has established its own ethical management guidelines based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies; therefore, there is no significant difference.				
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. 1,2018~Dec.31,2018	

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. Information on CPA professional fees

Expressed in thousands of New Taiwan dollars

Name of CPA firm	Name of CPA	Audit fees	Non-audit fees					Audit period	Remark (Note)
			System design	Company Registration	Human resources	Others	Subtotal		
KPMG	Chung-Yi Chiang	5,900	0	0	0	1,834	1,834	2018/1/1~2018/12/31	Non-audit fees - including the other following items: Transfer pricing reports, Tax audit reports, Fees for CPA's business trip
	Yi-Chun Chen								

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: 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, Managers and major shareholders in the past year and up to the annual report publishing date

Title (note1)	Name	2018/1/1~2018/12/31		2019/1/1~2019/4/20		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 Co., Ltd. Representative: Po-Ting Chen	0	0	0	0	
Vice Chairman	TAILI Corporation Representative: Randy Chen	0	0	0	0	
Director	CHEN-YUNG Foundation Representative: Chih-Chao Chen	-61,000	0	0	0	
Director	Sunshine Construction Co., Ltd Representative: Chiu-Ling Wu	0	0	0	0	
Independent Director	Ruei-Chuen Liu	0	0	0	0	2019.04.13 Discharge
Independent Director	Rung-Nian Lai	0	0	0	0	
Independent Director	Chih-Chuan Chen	0	0	0	0	2018.10.29 Resign
Main shareholder	Yi Chun (Liberia) Shipping Co., Ltd.	0	0	0	0	
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	2019.04.10 Retire
Senior Vice President	Li- Kuang Huang	0	0	0	0	2018.05.16 Retire
Project Senior Vice President	Jeong-Shin Lin	0	0	0	0	2018.05.16 Retire
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	0	0	0	0	
Vice President	Shen-Hsing Lo	0	0	0	0	
Project Vice President	Wei-Shin Sheu	0	0	0	0	
Project Vice President	Yen-Ru Chen	0	0	0	0	2018.12.24 Retire
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	
Vice President	Han-Peng Chu	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 20, 2019

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. Representative: Ching-Chih Chen	285,234,291	12.85%	0	0%	0	0%	None	None	None
	0	0.00%	9,095,335	0.41%	0	0%	None	None	None
TCE Representative: Hui-Ying Chen	170,902,859	7.70%	0	0%	0	0%	None	None	None
	0	0.00%	0	0.00%	0	0%	Po-Ting Chen	Relatives within the second degree	None
CCE Representative: Chih-Yuan Chen	170,902,859	7.70%	0	0%	0	0%	None	None	None
	15,378,552	0.69%	14,454,747	0.65%	0	0%	None	None	None
Asia Pacific Container Terminal Inc. Representative: Fur-Tian Huang	146,854,398	6.62%	0	0%	0	0%	None	None	None
	0	0%	0	0%	0	0%	None	None	None
Evervaliant Corp. Representative: Ching-Chih Chen	57,173,950	2.57%	0	0%	0	0%	None	None	None
	0	0%	9,095,335	0.41%	0	0%	None	None	None
Chun-Shin Lin	56,667,820	2.55%	39,713	0%	0	0%	None	None	None
Da Shin Investment, Inc. Representative: Yun-Yu Qiu	52,160,219	2.35%	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. Representative: 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%	None	None	None
Liu He Investment, Inc. Representative: Yun-Yu Qiu	32,977,554	1.48%	0	0%	0	0%	Da Shin Investment, Inc.	Director	None
	0	0%	0	0%	0	0%	Da Shin Investment, Inc.	Director	None

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

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

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

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

April 28rd, 2019;Unit: Shares,%

Investing Business (Note)	Investment of the Company		Investment of Directors, Presidents and Direct or Indirect Controlling Business		Comprehensive Investment	
	Shares	Holdings%	Shares	Holdings%	Shares	Holdings%
Wan Hai Lines (Phils.) Inc.	0	0%	901,540	100%	901,540	100%
Wan Hai Lines (HK) Limited	0	0%	160,000,000	100%	160,000,000	100%
WAN HAI LINES (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 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 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%	109,140	51%	109,140	51%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	8,192,668	3.15%	13,611,756	5.23%
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 Tours Co., Ltd.	No shares issued	0%	No shares issued	50%	No shares issued	50%
Shenzhen Uniwin International Logistics Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Clipper International Shipping Agency Ltd.	No shares issued	0%	No shares issued	49%	No shares issued	49%
BLUE OCEAN LOGISTICS (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 Shipping Management Co., Ltd.	No shares issued	0%	No shares issued	90%	No shares issued	90%
Wan Hai (Vietnam) Ltd.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Tan Cang-Cai Mep International Terminal Co., Ltd	No shares issued	21.33%	No shares issued	0%	No shares issued	21.33%
Bravely International Pte. Ltd.	0	0%	6,623,101	100%	6,623,101	100%
Bravely (Myanmar) Transport and Logistics Company Limited	0	0%	4,000,000	80%	4,000,000	80%
Qingdao Port & Win International Logistics Co., LTD.	No shares issued	0%	No shares issued	50%	No shares issued	50%
Wan Hai Lines Ecuador S.A.	0	0%	51,000	51%	51,000	51%
Infinite Marine Investment Co., Ltd.	0	0%	5,550,000	100%	5,550,000	100%
Hai Phong International Container Terminal Co. Ltd.	No shares issued	16.5%	No shares issued	0%	No shares issued	16.5%
WAN HAI LINES (ARIZONA) LLC	No shares issued	100%	No shares issued	0%	No shares issued	100%
WAN HAI LINES (USA) LTD.	0	%	3000	100%	3000	100%
He Chun Logistics Company Limited	No shares issued	0%	No shares issued	100%	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 Capital increment by retained earnings TWD 2,025,000,000	none	Note3
1998.06.25	10	1,200,000,000	12,000,000,000	900,000,000	9,000,000,000	Capital increment by retained earnings TWD 1,080,000,000 Capital increment by capital reserve TWD 720,000,000	none	Note4
1999.06.25	10	1,200,000,000	12,000,000,000	1,080,000,000	10,800,000,000	Capital increment by retained earnings TWD 1,350,000,000 Capital increment by capital reserve TWD 450,000,000	none	Note5
2000.07.15	10	1,500,000,000	15,000,000,000	1,296,000,000	12,960,000,000	Capital increment by retained earnings TWD 874,800,000 Capital increment by capital reserve TWD 1,285,200,000	none	Note6
2001.07.20	10	1,500,000,000	15,000,000,000	1,316,736,000	13,167,360,000	Capital increment by capital reserve TWD 207,360,000	none	Note7
2003.07.09	10	2,000,000,000	20,000,000,000	1,511,612,928	15,116,129,280	Capital increment by retained earnings TWD 1,948,769,280	none	Note8
2004.07.08	10	2,000,000,000	20,000,000,000	1,587,193,574	15,871,935,740	Capital increment by retained earnings TWD 755,806,460	none	Note9
2004.11.02	10	2,000,000,000	20,000,000,000	1,587,543,305	15,875,433,050	Convertible bonds converted to common stock TWD 3,497,310	none	Note10
2005.02.22	10	2,000,000,000	20,000,000,000	1,600,746,843	16,007,468,430	Convertible bonds converted to common stock TWD 132,035,380	none	Note10
2005.05.04	10	2,000,000,000	20,000,000,000	1,678,951,738	16,789,517,380	Convertible bonds converted to common stock TWD 782,048,950	none	Note10
2005.08.03	10	2,000,000,000	20,000,000,000	1,699,236,239	16,992,362,390	Convertible bonds converted to common stock TWD 202,845,010	none	Note10
2005.09.28	10	2,000,000,000	20,000,000,000	1,868,839,275	18,688,392,750	Capital increment by retained earnings TWD 1,611,228,840 Capital increment by capital reserve TWD 84,801,520	none	Note11
2005.10.13	10	2,000,000,000	20,000,000,000	1,870,086,655	18,700,866,550	Convertible bonds converted to common stock TWD 12,473,800	none	Note10
2006.10.12	10	2,500,000,000	25,000,000,000	2,057,095,321	20,570,953,210	Capital increment by retained earnings TWD 1,870,086,660	none	Note12
2007.07.27	10	2,500,000,000	25,000,000,000	2,057,307,642	20,573,076,420	Convertible bonds converted to common stock TWD 2,123,210	none	Note10
2007.10.12	10	2,500,000,000	25,000,000,000	2,068,227,049	20,682,270,490	Convertible bonds converted to common stock TWD 109,194,070	none	Note10
2008.01.14	10	2,500,000,000	25,000,000,000	2,072,291,486	20,722,914,860	Convertible bonds converted to common stock TWD 40,644,370	none	Note10

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 20, 2019

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 20, 2019

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No	2	13	128	35,494	204	35,841
Holding shares	6,574,165	36,290,947	718,955,813	527,477,032	928,999,509	2,218,297,466
Holding percentage	0.3%	1.63%	32.41%	23.78%	41.88%	100.00%

4.1.3 Shares' Distribution

April 20, 2019

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	12,560	2,513,989	0.11%
1,000-----5,000	14,865	33,904,868	1.53%
5,001-----10,000	3,685	28,463,652	1.28%
10,001-----15,000	1,423	17,771,172	0.80%
15,001-----20,000	862	15,916,548	0.72%
20,001-----30,000	781	19,684,337	0.89%
30,001-----50,000	666	27,017,508	1.22%
50,001-----100,000	464	33,212,541	1.50%
100,001-----200,000	229	31,977,408	1.44%
200,001-----400,000	116	33,087,405	1.49%
400,001-----600,000	36	17,446,596	0.79%
600,001-----800,000	17	11,760,001	0.53%
800,001-----1,000,000	14	12,591,061	0.57%
1,000,001-----1,200,000	8	8,433,419	0.38%
1,200,001-----1,400,000	9	11,573,997	0.52%
1,400,001-----1,600,000	6	8,827,800	0.40%
1,600,001-----1,800,000	4	6,729,183	0.3%
1,800,001-----2,000,000	9	17,332,371	0.78%
2,000,001 and above	87	1,880,053,610	84.75%
Total	35,841	2,218,297,466	100.00%

4.1.4 Main share holders

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

April 20, 2019

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.	146,854,398	6.62%
Evervaliant Corp.	57,173,950	2.57%
Chun-Hsing Lin	56,667,820	2.55%
Da Shi Investment, Inc.	52,160,219	2.35%
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	2018	2017	2019/01/01~2019/04/21 (Note 9)
Market Price per share (Note 1)	Highest			20.3	21.35	16.45
	Lowest			15	16.3	15.45
	Average			17.51	18.6	16.05
Net Value per share (Note 2)	Before Distribution			15.59	15.31	16.14
	After Distribution			(Note 4)	14.81	-
Earnings per share	Weighted Average shares			2,218,297,466	2,218,297,466	2,218,297,466
	Earning Per Share (Note 3 & 4)	Before Adjustment		0.5	1.15	0.47
		After Adjustment				
Dividend per share	Cash Dividend			0.60562990	0.5	-
	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)			35.02	16.17	-
	Price / Dividend Ratio (Note 7)			28.91	37.20	-
	Cash Dividend Yield Rate (Note 8)			0.03	0.03	-

The retrospectively adjusted market price of issued shares and cash dividend information shall be disclosed when there is capital increase by retained earning or capital surplus.

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, has no adjustment required.

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

Note9: In respect to book value per share and net earnings per share, data from the latest quarter that has been verified by a CPA up until the date of publication of the Annual Report should be filled in. For all other columns, the Company should fill in the year's information until the date of publication of the Annual Report.

4.1.6 Dividend Policy and Implementation Status

1. Dividend policy

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

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

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

2. Proposed Distribution of Dividend

The Company's 2018 net income after tax was NT\$1,117,906,283. In accordance with relevant laws and the Memorandum of Association, 10% of this amount NT\$111,790,628, and the appropriation of special reserve was NT\$316,782,249, with the addition of beginning period undistributed earnings of NT\$2,655,462,338, and IFRS conversion adjustment NT\$271,382,531, and other comprehensive losses with a deduction of NT\$20,569,379 (the 2018 annual benefit scheme number was re-evaluated), the available undistributed earnings was NT\$4,270,312,152. In addition to the non-allocation at the beginning period of undistributed earnings, the 2018 annual earnings appropriation was NT\$1,343,467,283 for distribution to shareholders as cash dividend of NT\$0.605629905 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 and Directors

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 2018 for employees compensation is NT\$17,044,794 and directors compensation is NT\$17,044,794. 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 2018 Approved in the Board of Directors Meeting:
 - (1) Recommended Distribution of Compensation of Employees and Directors: In 2018, the Company appropriated NT\$17,044,794 as directors compensation, and NT\$17,044,794 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 2018.
 - (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\$0.5/share.
4. The actual distribution of Compensation of Employees and Directors 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\$30,951,215 as directors' compensation, and NT\$30,951,215 as employee compensation of year 2017. 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		1st Ordinary unsecured bond issuing of 2014		1st Ordinary unsecured bond issuing of 2016	1st Ordinary unsecured bond issuing of 2017
		A	B		
Issue date		Aug. 14, 2014		June 21, 2016	June 26, 2017
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		TWD1,000 million	TWD800 million	TWD3,000 million	TWD2,100 million
Coupon rate		Fixed annual rate at 1.65%	Fixed annual rate at 1.95%	Fixed annual rate at 1.18%	Fixed annual rate at 1.55%
Maturity date		5-year , Date of maturity : Aug. 14, 2019	7-year , Date of maturity : Aug. 14, 2021	5-year , Date of maturity : June 21, 2021	5-year , Date of maturity : June 26, 2022
Guarantee institute		None		None	None
Trustee		H.C.B. Trust Dept.		H.C.B. Trust Dept.	H.C.B. Trust Dept.
Lead manager		None		Master link Securities	Yuanta Securities
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		TWD1,800,000,000		TWD3,000,000,000	TWD2,100,000,000
Redemption / Call option		None		None	None
Restriction covenants		None		None	None
Rating institute Rating date Rating result of the bond		None		None	None
Rights	The amounts of bonds converted	None		None	None
	Terms and Conditions for issuance and conversion	None		None	None
Terms and Conditions for issuance and conversion		None		None	None
Trustee for conversion		None		None	None

Note: Due to operational requirements, on Mar. 22, 2019, 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 8 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. 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 is coming from its own fund or loans.
3. Implementation status as follows:

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Dec. 31, 2018	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%	

B. 2016 Wan Hai domestic ordinary corporate bonds:

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

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Dec. 31, 2018	Reason for being ahead or behind schedule
To repay debt and to strengthen financial structure	Amount	Program	3,000,000	The project completed
		Actual	3,000,000	
	Progress	Program	100.00%	
		Actual	100.00%	

C. 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 Dec. 31, 2018	Reason for being ahead or behind schedule
To repay debt and to strengthen financial structure	Amount	Program	2,100,000	The project completed.
		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 (94.54 %)
2. Shipping agency (0.7 %)
3. Purchase & sales of vessels and containers (0.76 %)
4. Container freight station business (1.12 %)
5. Leasing of vessels and containers (2.88 %)

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, Egypt, 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. Current State and Development of the Industry

The global economy has continued to grow in the past year. However, factors such as the US-China trade tariff dispute, Brexit issues, natural disasters in Japan, and the continued slowdown in China's economic growth have all taken a toll starting from the third quarter. Together, they have led the International Monetary Fund (IMF) to estimate global economic growth in 2018 to be 3.7%, marking a slight decline from the 3.8% growth seen in 2017. Economic growth is poised to slow down further, and rapid changes in the environment should be faced with caution.

The pace of container ship dismantling slowed down in 2018, with only 56 vessels dismantled throughout the year. Meanwhile, global shipping capacity has continued to rise in line with the continuous delivery of new ships. Shipping capacity in the market remained in a state of oversupply, and as a result freight rates were unable to maintain a stable and profitable level. In addition, fuel and charter hire costs for ships have increased over the past year, further eroding the profitability of container shipping companies. Facing all manner of severe external challenges, the Company will continue to evaluate the elimination of older vessels in order to improve the operational efficiency of its own fleet. It will also look into chartered ships in accordance with market conditions for the sake of elastically adjusting ship combinations in response to changes in market supply and demand. Meanwhile, the Company will strengthen joint venture cooperation with container shipping peers. We are committed to serving our customers with low cost and high quality, and we look forward to expanding our market share and improving our profitability.

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

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

(1) Upper stream:

- A. Shipbuilding industry
- B. Transportation equipment manufacturing industry
- C. Terminal equipment manufacturing industry
- D. Ship or transportation equipment leasing industry

- E. Container manufacturing industry and leasing companies
- F. Terminal equipment maintenance industry
- G. Ship fuel suppliers

(2) Midstream:

- A. Terminal operators
- B. Land carriers
- C. Ocean Carriers in joint venture or slot exchange cooperation

(3) Downstream:

- A. Branch line ship companies
- B. Barge companies
- C. Container yard
- D. Truck companies

5.1.3 Container shipping industry trends and competition situation

1. Industry development trends:

(1) The development trend for larger vessels:

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 453 large vessels with a capacity of more than 10,000 TEU, which accounted for 29% of total carrying capacity of all container ships by the end of 2017. By the end of 2018, the number of vessels increased to 523 and accounted for 33% of the overall carrying capacity. It is estimated that in 2019 the number of large vessels will increase again to 578, which will account for 35% of total carrying capacity of all container ships.

(2) Development trend of green shipping:

Rapid climate changes have driven worldwide environmental protection to become the top 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:

(1) Large shipping companies:

The cost per unit of shipping space has been reduced in order to increase the size of the fleet and expand the scope of market operations while simultaneously reducing operating costs. Shipping companies continue to order large ships to enlarge their operating sizes, or are quickly expanding their fleets and operating markets through merger and acquisition activities so to enhance operational competitiveness. For example, K Line, MOL and NYK, constituting the three largest shipping companies in Japan, have jointly established Ocean Network Express (ONE), and the company began operations in April 2018. Together, they have thus shared shipping and container port resources in an effort to reduce operating unit costs. Container shipping companies continue to work toward a business model of ultra large scale groups, and competition among shipping container companies is more intense. According to Alphaliner statistics (as of January 1, 2019), global shipping capacity stood at 22,321,075 TEUs while the combined shipping capacity of the top four shipping companies was 12,814,873 TEUs. This accounted for 56.4% of the market, and the shipping capacity of the top 12 shipping companies contributed an even higher proportion of 84.6%.

(2) 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, ONE and Yang Ming have formed the THE alliance. The major shipping companies create large strategic alliances to compete with one another.

5.1.4 General state of technology and development

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

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

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

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

Year	Total expense	Accomplishment
2017	TWD 37,793,319	1. Optimal ships' routing with matched ship type 2. Enhance Southeast Asia area niche markets 3. America area services 4. Optimal transit ports study 5. Promotion of e-commerce business 6. Strategic alliance to expand and develop service
2018	TWD 36,976,671	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

In addition, in order to strengthen 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.

About typhoon preventing measures, typhoon response team would check the latest position of the fleet, classify each vessel to a different risk level, and offer the fleet typhoon evading suggestions so as to take corresponding measures as soon as possible and enhance navigation safety.

In terms of fuel saving and carbon reduction, the company has fully complied with all maritime conventions and environmental regulations, and has utilized various energy conservation and carbon reduction measures, such as: Voyage plan monitoring, Speed monitoring, Proper loading of ballast water, Management for fuel ROB, Efficiency analysis on shell plate renewed and high-efficiency hull painting, Propeller polishing, Energy Saving bulbous bow, Automatic data collecting to achieve the real-time monitoring purpose...etc. to strengthen fleet energy efficiency management and mitigate the GHG emissions impact on the environment.

Based on the above carbon reduction measures, the CO₂ emission rate of the fleet was 18.9 g/MT*nm in 2018, which was remained the same as 2017.

In 2018 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 2018 and up to printing of the annual report.

Upgrade Fleet Management System Project

Unit: TWD thousand

Project	2018	2019 ending March 31st
R&D expenses	80,000	407
Consolidated net revenues	66,778,676	17,294,861
R&D expenses as a percentage of total revenue	0.12%	0.00%

2. R&D technology success in 2018 and up to the printing of the annual report.

Project	Estimated project completion date	Achievement
Shore-based monitoring system	Mar. 31, 2020	(1) Design the fleet's avoiding typhoon Artificial Intelligence (AI) program to identify how many vessels that will be affected by the typhoon. (2) Import electronic chart with hydrological data for more precisely route monitoring, in order to reduce the unnecessary mileage (fuel consumption) and enhance navigation safety. (3) Monitoring of various performance data of the ship.

5.1.5 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 2019

Fleet: by the end of year 2019, 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 20 strings; B. Joint Venture Services 24 strings; and C. Slot Charter 11 strings.

1. Independent Services: 20 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 (HPH) deployed with one vessel.
Taiwan – Haiphong
- (8) Japan/Korea/Haiphong (JKH) deployed with three vessels

- Japan/Korea–Taiwan / Hong Kong / South China– Haiphong
- (9) Japan / South China (JSH) deployed with two vessels
Japan Kansai – Taiwan – HongKong
- (10) Japan Kansai – Thailand service (JST) deployed with four vessels.
Japan Kansai – Taiwan – Shekou – Thailand
- (11) Japan Kansai to Vietnam (JSV) deployed with three vessels.
Japan Kansai / Korea –Taiwan / Vietnam
- (12) Japan Kanto to S.E.A (JTS) service deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Singapore – Malaysia
- (13) Japan Kanto to Thailand service (JTT) deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Thailand
- (14) Korea to South East Asia (KSS), deployed with four vessels
Korea – Taiwan – Hong Kong / Shekou – South East Asia
- (15) Korea / Vietnam / S.E.A service (KVS) deployed with four vessels.
Korea – Taiwan – Vietnam – Singapore / Malaysia
- (16) Mindanao/Hong Kong / Taiwan (MHT) deployed with two vessels
Taiwan – Cebu – Mindanao – Hong Kong
- (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
- (20) Thailand – Belawan (TBS) deployed with one vessels
Thailand – Singapore/Malaysia – Indonesia

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 and COSCO each deploys two vessels, and EMC deploy one vessel.
South China – Central China –West Coast of South America
- (2) Far East to Red sea (AR1), joint venture with YML and ONE. WHL deploys one vessel, YML deploys four vessels and ONE deploys two vessels.
Korea – Central China – Singapore / Malaysia – Red sea area.
- (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) China to India III (CI3), joint venture with COSCO, IAL, OOCL and X-PRESS FEEDER. WHL deploys two vessels, OOCL and X-PRESS FEEDERS deploy one vessel, and COSCO and IAL each deploys one vessel.
China – Singapore / Malaysia –India–Haiphong
- (5) China to India (CIX), joint venture with EMC and Hapag-Lloyd. WHL deploys two vessels, and EMC and Hapag-Lloyd each deploys one vessel.
Taiwan – South China – Singapore / Malaysia – India
- (6) China to Middle East (CMS), joint venture with PIL. WHL deploys four vessels and PIL deploys two vessels.
East China –Taiwan / Hong Kong / South China –Singapore / Malaysia – Middle East
- (7) China– Pacific 1 (CP1), joint venture with COSCO and PIL. WHL deploys one vessel, COSCO deploys three vessels, and PIL deploys two vessels.
Central and South China – Long Beach
- (8) China– Pacific 2 (CP2), joint venture with COSCO and PIL. WHL deploys one vessel, COSCO deploys three vessels, and PIL deploys two vessels.
North China – Long Beach –Seattle
- (9) China – Philippines feeder (CPF), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
North China – Philippines
- (10) North China / Thailand I (CT1), joint venture with COSCO and OOCL. WHL deploys one vessel,

COSCO deploys two vessels and OOCL deploys one vessel.

North China– Hong Kong / South China –Thailand

- (11) China / Vietnam III (CV3), joint venture with COSCO. WHL and COSCO each deploys one vessel.
South China – Vietnam
- (12) Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
Japan – China – Hong Kong / South China – Vietnam
- (13) Japan / China / Vietnam II (JCV II), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
Japan – China – Hong Kong / South China – Vietnam
- (14) Japan / Taiwan / Haiphong II (JH2), joint venture with EMC, WHL deploys two vessels and EMC deploys one vessel.
Japan – Taiwan – Hong Kong / South China – Haiphong
- (15) Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.
Japan Kansai –Taiwan – Hong Kong
- (16) 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
- (17) Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (18) Taiwan to North China II (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (19) Japan to South East Asia I (NS1), joint venture with IAL, WHL deploys three vessels and IAL deploys one vessel.
Japan – Hong Kong / South China– Singapore – Malaysia –Vietnam
- (20) 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
- (21) Central China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with COSCO, PIL, and EMC. WHL, PIL and EMC each deploy one vessel and COSCO deploys three vessels.
Central China – Singapore / Malaysia – Pakistan – India
- (22) Pakistan / Saudi Arabia (PSX), joint venture with Global Feeder Shipping. WHL and Global Feeder Shipping each deploy one vessel.
Pakistan – Saudi Arabia
- (23) Singapore / Malaysia / Chennai (SC1), joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.
Singapore / Malaysia – Chennai (Madras)
- (24) Taiwan to Shanghai (SHA), joint venture with Shanghai Minsheng. WHL deploys one vessel and Shanghai Minsheng deploys one vessel.
Taiwan–Shanghai

3. Fixed Slot Charter: 11 strings

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

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:

Japan's economy may slow down further in line with global economic growth trends and the impact of natural disasters in the third quarter, along with an increase in the consumption tax to 10% slated for implementation in October 2019. The Korean economy has also been affected by the global economic downturn, and slowing global demand has influenced export growth. The Japanese and South Korean governments have introduced stimulus policies that are expected to stabilize economic growth and alleviate the risks of slowdowns, reducing economic growth mitigating shocks in the short term. In the medium and long term, the question of whether economic growth can be stabilized still depends on a global trade rebound, emerging market growth, and a recovery in the Chinese domestic market. After operating in Northeast Asia for an extended period of time, the Company has established deep roots in the region. In response to accelerated market integration and access, and to meet market demand dynamics and strengthen its competitiveness, the Company shall keep track of economic developments and market trends in Northeast Asia while taking the initiative to adjust existing routes and actively exchange freight space with joint venture partners. This demonstrates the Company's adoption of more flexible business policies and the implementation of its customer-oriented business philosophy.

(2) Mainland China

China is also being affected by the global economic downturn and trade tariff conflicts with the US, and its export performance has not been as expected. Growth in domestic demand has also been impacted by the downturn, leading the Chinese government to set its 2019 economic focus on "steady progress." In anticipation of future economic downside risks, the Chinese government wishes to maintain economic growth at a steady pace by continuing to expand tax cuts, lowering costs, and implementing looser monetary policies. Thanks to the Company's comprehensive layout in China, we enjoy comparative advantages in terms of competition. However, we continue to actively study the strategic routes connecting the Chinese market. The Company continues to adjust its business strategy according to market needs. The Company monitors market developments in order to meet operational needs and provide customers with faster and more convenient services.

(3) Southeast Asia

Some ASEAN countries have also been affected by the slowdown in global economic growth. However, the Southeast Asian market is still one of the fastest growing regions in the world, and global investment continues to be injected into ASEAN countries. The economic growth of ASEAN countries has been more highly anticipated under the global economic downturn. According to the IMF, the average economic growth rate of five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) continued to maintain a high growth rate of 5.2% in 2018. The Company has cultivated its Southeast Asian routes, and actively researched and developed new routes. It has also formed joint ventures and exchanged freight space with other Southeast Asia business partners to provide more complete, more secure, and faster routes in order to enhance its competitiveness and market share in Southeast Asia.

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

According to the IMF, India stood out as the fastest growing economy in the world in 2018, with economic growth of 7.3%. The country is expected to achieve stable and sustainable growth in the next two years, attaining 7.7% by 2020. The economic growth of emerging markets in the

Middle East continues to be sluggish under the influence of geopolitical tensions, US economic sanctions, and weak growth in oil output. The IMF estimates that economic growth will remain at 2.4% in 2018, but should rebound to 3.0% in 2020 on the basis of sound economic expansion. In order to strengthen its services from Asia to India, Pakistan and the Middle East, and in an effort to cope with the diversified international trade development of the Gulf countries, the Company has increased its routes from the Far East to these regions. It has done so through joint venture cooperation with other container shipping companies, while also strengthening its Middle East region business feeder services. This has created a complete route network that reduces costs, improves efficiency, and expands market share.

(5) The America:

Favorable US economic conditions have continued to expand steadily from the beginning of this year, despite the influence of a Fed rate hike and the US-China trade dispute. The labor market has also continued to improve, and the economy has developed steadily on the back of improving consumer confidence. The Pan-Pacific route operated by the Company has adjusted to more competitive and advantageous joint routes in accordance with market demand, thereby reducing operating costs and allowing for operational stability. Latin American emerging markets have gradually bottomed out from recessionary conditions and are expected to exhibit a gradual increasing trend in the future. Furthermore, economic growth prospects remain positive for most emerging markets. The Company maintains its operating advantages in the South America West Coast market and jointly operates associated routes with the world's major shipping companies. With its flexibility to adjust to market demand by supplying freight space, and reflecting its stable and steady operations, the Company continued to strengthen its competitive advantages in the South American West Coast market.

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

Myriad uncertainties still permeate the global market; these include downturn risks in the global economy, US-China trade disputes, a continued slowdown in China's market growth, fluctuations in international crude oil prices, and geopolitical risks around the world. Moreover, the increase in the scale of worldwide vessel capacity leads to a persistent oversupply of freight space. Current freight rates are unable to sustain profitability. However, with global economic and trade growth forecast indicators showing positive growth in the future, global shipments are expected to continue their steady growth. The flexible business strategy of Wan Hai Lines will allow 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, supporting its 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
- F. China-United States trade war

(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

	2018	2017
Consolidated Revenue(TWD)	66.77 billion	60.77 billion
Operating Capacity (TEU)	4,260 thousand	3,853 thousand
Vessels in Operation (owned & chartered)	96 (72 & 24)	93 (72 & 21)

5.3 Human Resources Statistics

Location \ Year		2018	2017	2019 as of Apr. 20 th
No. of Employees	Offices	2,838	2,762	2,845
	Terminals	1,500	443	1,497
	Total	4,338	3,205	4,342
Average Age		37.0	36.7	37.5
Average Years of Service		8.2	9.1	8.2
Level of Education	Ph. D Degree	2	2	2
	Master's Degree	280	251	285
	College Degree	2,203	1,967	2,216
	Associate Degree	890	569	883
	High School	497	331	495
	Below High School	466	85	461

* The statistics on seafarer in 2017 is based on Taiwanese crew members.

The statistics on seafarer in 2018 is based on all nationalities of crew members. (including Taiwanese/ Chinese/ Indonesian and Burmese)

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 the compliant fuel oil while entering into the marine SOx emission control areas(ECA).
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 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 1,668 classes were run in 2018, with a total of 24,645 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture ,the organization and function of each department The program consists of: 1. Corporate culture: corporate culture and business ideals 2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization 3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site 4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers 5. On-site visit: a visit to Taipei harbor and TK Logistics International, guided tour of each floor of the company 6. General awareness: professional integrity and legal responsibilities	451	614	366
Professional training for general staff	1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities 2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given 3. Seminars and other activities aimed at employees personal and professional development 4. Off-Job training: (1) Business effect about climate change for 1 class. (2) Skills for handling customer complaint for 1 class. (3) Self-enhancement and well performance for 1 class. (4) EXCEL TRAINING for 2 classes (5) Applied Writing Workshop for 2 classes.	2,441	21,901	2,462
Professional training for management associate	Series courses for management associate to build human capital: 1. Advanced shipping industry knowledge 2. The experience of overseas operation and cross-cultural management 3. The practice of international etiquette 4. Business conversation and meeting English 5. Social English	57	903	159
Professional training for supervisors	Series courses for middle-level managers and executive level managers: <Middle-level> 1. Non-authority influence-influence communication 2. Non-authority influence-humanized communication 3. New generation leadership and communication management skills I 4. New generation leadership and communication management skills II <Executive-level> 1. The impact between China & US trade wars on the global economy 2. Enterprise act when facing the AI generation 3. The current application and future development of AI <Online Course> 1. Lessons from a Great Leader- Marshall Goldsmith series II	22	641	322
Courses sponsored by the Employee Benefits Committee	Every year the Employee Benefits Committee assists in the training of employees, the courses of this year included: 1. The Lecture of Fire and Life 2. How to Overcome Emotion adjustment and Stress management	2	99	4
External training courses	1. As required by law, internal auditing personnel must complete a minimum of twelve hours of training related to their profession 2. Labor safety courses : Labor safety and sanity, fire safety training 3. Finance classes: IFRS, taxes in Mainland China 4. Information technology courses. 5. For the first-time supervisor courses.	5,391	487	1,847
TOTAL		8,364	24,645	5,160

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 Operator (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. The dedicated docks of the Company's Taichung Port is equipped with an AED(certification).

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. PACIFIC INTERNATIONAL LINES (PTE) LTD	2017/04/01	- 90 days pre-notice	Trans-Pacific Trade	-
Joint Venture	COSCO SHIPPING LINES CO., LTD. PACIFIC INTERNATIONAL LINES (PTE) LTD	2017/04/01	- 90 days pre-notice	Trans-Pacific Trade	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD PACIFIC INTERNATIONAL LINES (PTE) LTD EVERGREEN MARINE CORP. LTD	2016/08/28	- 2018/11/12	Far East to India & Pakistan	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD PACIFIC INTERNATIONAL LINES (PTE) LTD EVERGREEN MARINE CORP. LTD OCEAN NETWORK EXPRESS APL CO. PTE LTD	2018/11/13	- 90 days pre-notice	Far East to India & Pakistan	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD PACIFIC INTERNATIONAL LINES (PTE) LTD KAWASAKI KISEN KAISHA, LTD	2016/09/08	- 2018/12/26	Far East to India & Pakistan	-
Joint Venture	OCEAN NETWORK EXPRESS HAPAG-LLOYD AKTIENGESELLSCHAFT YANG MING MARINE TRANSPORT CORP.	2018/04/06	- 90 days pre-notice	Far East to Red Sea	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD ORIENT OVERSEAS CONTAINER LINE LTD.	2018/10/12	- 90 days pre-notice	Asia to Southeast Asia	-
Joint Venture	EVERGREEN MARINE CORP. LTD PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO SHIPPING LINES CO., LTD.	2013/05/03	- 90 days pre-notice	Asia to West Coast of South America	-
Joint Venture	INTERASIA LINES, LTD NEW GOLDEN SEA SHIPPING PTE.LTD	2016/02/27	- 60 days pre-notice	Far East to India	-
Joint Venture	EVERGREEN MARINE CORP. LTD HAPAG-LLOYD AKTIENGESELLSCHAFT	2006/04/30	- 90 days pre-notice	Far East to India	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD INTERASIA LINES, LTD ORIENT OVERSEAS CONTAINER LINE LTD. X-PRESS FEEDERS	2018/01/23	- 60 days pre-notice	Far East to India	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD	2018/01/24	- 2018/10/31	Far East to India	-
Swap	COSCO SHIPPING LINES CO., LTD.	2017/04/12	- 60 days pre-notice	Far East to Mid-East	-
Swap		2013/05/03	- 90 days pre-notice	Asia to West Coast of South America	-
Swap		2017/04/01	- 90 days pre-notice	Asia to the West Coast of America	-
Swap		2018/08/20	- 90 days pre-notice	Asia to the West Coast of America	-
Swap		2012/09/02	- 2018/04/30	South east Asia	-
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD	2017/07/14	- 2018/10/11	Asia to Southeast Asia	-
Joint Venture		2018/03/29	- 60 days pre-notice	Asia to Southeast Asia	-
Charter		2018/04/07	- 60 days pre-notice	Southeast Asia	-
Swap		2018/07/11	- 30 days pre-notice	Asia to Southeast Asia	-
Swap		2018/11/15	- 60 days pre-notice	Far East to India & Pakistan	-
Swap		2017/07/14	- 60 days pre-notice	Asia to Southeast Asia	-
Joint Venture		2014/12/28	- 90 days pre-notice	Asia to Southeast Asia	-
Charter	APL CO. PTE LTD	2018/06/09	- 45 days pre-notice	Southeast Asia	-
Joint Venture	EVERGREEN MARINE CORP. LTD	2002/09/01	- 120 days pre-notice	Japan to South China	-
Joint Venture		2017/09/13	- 60 days pre-notice	Japan to South China & Vietnam	-
Swap		2016/03/28	- 45 days pre-notice	Intra Asia	-
Swap		2017/02/27	- 2018/06/25	Intra Asia	-
Swap		2017/01/22	- 45 days pre-notice	Intra Asia	-
Swap		2013/05/03	- 90 days pre-notice	Asia to West Coast of South America	-
Charter		2014/09/03	- 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	SINOTRANS CONTAINER LINES CO., LTD.	2012/01/04	- 90 days pre-notice	Taiwan Cross-Strait Service II	-
Swap		2010/02/14	- 2018/10/15	China to Southeast Asia	-
Joint Venture		2017/01/03	- 60 days pre-notice	China to Philippine	-
Swap		2017/09/24	- 2018/05/12	China to Philippine	-
Swap		2009/04/07	- 2018/02/15	Japan to Southeast Asia	-
Swap	MITSUI O.S.K LINES, LTD	2017/04/04	- 2018/03/31	Far East to Middle East	-
Charter		2012/09/06	- 2018/03/31	Japan to Singapore & Malaysia	-
Joint Venture		2014/03/05	- 2018/04/09	Japan to Singapore & Malaysia	-

Agreement	Counterparty	Period		Major Contents	Restrictions
		From	To		
Swap	OCEAN NETWORK EXPRESS	2018/04/01	- 90 days pre-notice	Far East to Middle East	-
Swap		2018/05/24	- 60 days pre-notice	India to Thailand	-
Charter		2018/08/05	- 30 days pre-notice	Asia to Southeast Asia	-
Charter		2018/04/01	- 45 days pre-notice	Japan to Singapore & Malaysia	-
Swap	YANG MING MARINE TRANSPORT CORP.	2017/09/13	- 2018/10/28	Intra Asia	-
Joint Venture		2018/04/20	- 2018/12/27	Southeast Asia	-
Swap		2018/10/23	- 30 days pre-notice	Asia to Southeast Asia	-
Charter		2017/07/07	- 90 days pre-notice	Asia to West Coast of South America	-
Swap	KAWASAKI KISEN KAISHA, LTD	2017/07/07	- 2018/03/30	Asia to West Coast of South America	-
Joint Venture		2017/01/07	- 2018/04/15	Southeast Asia	-
Swap	MINSHENG SHIPPING CO., LTD	2005/04/28	- 60 days pre-notice	Taiwan Cross-Strait service	-
Charter	INTERASIA LINES, LTD	2016/05/30	- 2018/04/09	Japan to Singapore & Malaysia	-
Swap		2013/07/17	- 2018/10/23	Intra Asia	-
Charter		2018/07/10	- 45 days pre-notice	Intra Asia	-
Charter		2015/09/09	- 45 days pre-notice	Intra Asia	-
Charter		2015/10/30	- 45 days pre-notice	Intra Asia	-
Swap		2017/02/21	- 2018/08/10	Intra Asia	-
Charter		2013/09/22	- 45 days pre-notice	Southeast Asia to India	-
Charter		2013/09/05	- 45 days pre-notice	Northeast Asia to Southeast Asia	-
Charter		2014/09/05	- 45 days pre-notice	Northeast Asia to Southeast Asia	-
Charter		2017/08/05	- 45 days pre-notice	Intra Asia	-
Charter		2017/11/27	- 45 days pre-notice	Northeast Asia to Southeast Asia	-
Joint Venture		2018/04/22	- 2018/09/12	Northeast Asia to Southeast Asia	-
Charter		2018/09/01	- 45 days pre-notice	Northeast Asia to Southeast Asia	-
Swap		2009/11/09	- 30 days pre-notice	Intra Asia	-
Charter		2017/01/03	- 45 days pre-notice	Intra Asia	-
Joint Venture		2017/01/16	- 90 days pre-notice	Japan to Vietnam	-
Joint Venture		2010/05/06	- 90 days pre-notice	Intra Asia	-
Joint Venture		2018/04/11	- 90 days pre-notice	Japan to Southeast Asia	-
Joint Venture		2011/09/11	- 90 days pre-notice	Japan to Southeast Asia	-
Charter	X-PRESS FEEDERS	2010/07/01	- 30 days pre-notice	Southeast Asia to West Asia	-
Swap		2017/08/13	- 2018/04/01	Southeast Asia	-
Swap		2010/11/07	- 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		2014/07/09	- 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	2009/05/20	- 60 days pre-notice	Southeast Asia to India	-
Swap		2009/05/20	- 60 days pre-notice	Southeast Asia to India	-
Charter		2017/12/25	- 30 days pre-notice	Southeast Asia area	-
Swap		2017/04/27	- 2018/01/01	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	2011/05/08	- 30 days pre-notice	Southeast Asia	-
Swap	ADVANCE CONTAINER LINES (PTE) LTD	2015/04/19	- 30 days pre-notice	Southeast Asia	-
Swap	SIMATECH SHIPPING AND FORWARDING L.L.C. (FEEDERTECH PTE LTD)	2015/08/21	- 2018/11/26	Asia to Southeast Asia	-
Swap		2016/09/30	- 2018/04/30	Middle East	-
Joint Venture		2017/08/01	- 2018/10/31	Middle East	-
Joint Venture		2016/05/13	- 2018/04/30	Middle East	-
Swap	GLOBAL FEEDER SHIPPING PTE LTD	2018/05/01	- 90 days pre-notice	Middle East	-
Joint Venture		2018/05/01	- 90 days pre-notice	Middle East	-
Swap	KOREA MARINE TRANSPORT CORPORATION	2015/12/02	- 2018/10/18	Korea/North China to India	-
Charter		2018/05/11	- 45 days pre-notice	Northeast Asia to Southeast Asia	-
Swap	HYUNDAI MERCHANT MARINE CO., LTD.	2017/12/11	- 2018/12/26	Intra Asia	-
Charter	NEW PORT CYPRESS JOINT STOCK COMPANY	2015/10/04	- 30 days pre-notice	Southeast Asia	-
Charter	SMART POINT SHIPPING LTD	2016/07/06	- 30 days pre-notice	Taiwan Cross-Strait service	-
Swap	SITC CONTAINER LINES CO., LTD.	2017/05/07	- 30 days pre-notice	Intra Asia	-
Swap	CHENG LIE NAVIGATION CO. LTD.	2018/10/30	- 30 days pre-notice	Intra Asia	-
Charter	RCL FEEDER PTE LTD	2018/04/20	- 2018/12/27	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	Nov.25,2014~Nov.25,2019	The principal shall be repaid in 5 successive semiannual 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.25,2021	The principal shall be repaid a time.	-
Commercial Paper	China Bills Finance Corporation	Jun.15,2018~Jun.14,2021	The principal shall be repaid a time.	-
Commercial Paper	Mega Bills Finance Co. Ltd	Dec.27,2016~Dec.20,2021	The principal shall be repaid a time.	-
Commercial Paper	International Bills Finance Corporation	Jun.15,2018~Apr.20,2021	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 Mortgage Loan	Land Bank of Taiwan Chang An Branch	Apr.12,2018~Apr.12,2023	The principal shall be repaid in 17 successive quarterly installments.	-
Bank Mortgage Loan	First Commercial Bank Chien Chen Branch	Jun.12,2018~Jun.12,2023	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Credit Loan	Taipei Star Bank Chang-an Branch	Dec.21,2017~Dec.21,2022	The principal shall be repaid in 16 successive quarterly installments.	-
Bank Credit Loan	MUFG Bank, Ltd. Taipei Branch	Jun.19,2018~Jun.18,2021	The principal shall be repaid in 2 successive 2nd and 3rd year installments.	-
Bank Credit Loan	JihSun International Bank Shin Yi Branch	Aug.31,2018~Aug.31,2021	The principal shall be repaid a time	-
Bank Credit Loan	Mega International Commercial Bank Head Office-Foreign Dept.	Mar.07,2018~Mar.07,2021	The principal shall be repaid a time	-
Bank Credit Loan	CTBC Bank Co., Ltd.Industry Center	Dec.20,2017~Dec.20,2020	The principal shall be repaid a time	-
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 Credit Loan	E.Sun Bank Taipei Branch	Sep.13,2018~Sep.13,2021	The principal shall be repaid a time.	-
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 Chang An Branch	Apr.12,2012~Apr.12,2022	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Chang An 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					2019 as of Mar. 31
		2018	2017	2016	2015	2014	
Current Assets		23,652,827	30,047,229	29,398,146	30,822,014	37,328,054	23,441,959
Property, Plant and Equipment		43,419,203	42,680,442	43,602,819	46,214,584	44,775,808	44,692,203
Intangible Assets		95,730	53,262	28,386	38,582	43,237	85,700
Other Assets		9,869,590	3,732,871	3,290,721	3,146,005	3,080,461	15,756,178
Total Assets		77,037,350	76,513,804	76,320,072	80,221,185	85,227,560	83,976,040
Current Liabilities	Before distribution	20,827,805	20,894,731	15,526,398	17,770,176	21,720,427	20,694,129
	After distribution	(Note 1)	22,003,880	16,413,717	20,432,133	26,157,022	(Note 1)
Non-current Liabilities		21,392,140	21,439,456	26,488,190	26,536,087	27,659,153	27,227,118
Total Liabilities	Before distribution	42,219,945	42,334,187	42,014,588	44,306,263	49,379,580	47,921,247
	After distribution	(Note 1)	43,443,336	42,901,907	46,968,220	53,816,175	(Note 1)
Equity attributable to owners of parent		34,584,452	33,966,960	34,107,950	35,733,130	35,607,478	35,800,987
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	11,950,496	11,649,786	10,078,574	11,719,102	12,226,543	12,992,331
	After distribution	(Note 1)	10,540,637	9,191,255	9,057,145	7,789,948	(Note 1)
Other Equity		(810,700)	(1,127,482)	584,720	569,372	(63,721)	(636,000)
Treasury Stock		0	0	0	0	0	0
Non-controlling Interest		232,953	212,657	197,534	181,792	240,502	253,806
Total stockholders' equity	Before distribution	34,817,405	34,179,617	34,305,484	35,914,922	35,847,980	36,054,793
	After distribution	(Note 1)	33,070,468	33,418,165	33,252,965	31,411,385	(Note 1)

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

Note 2: The summarized financial data for 2014~2018 and the first quarter of 2019 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					2019 as of Mar. 31
	2018	2017	2016	2015	2014	
Operating revenue	66,778,676	60,769,645	57,351,493	63,859,142	66,974,244	17,294,861
Gross profit	5,002,376	7,115,417	5,760,837	8,013,369	9,143,653	1,950,775
Operating income	989,001	3,141,810	1,873,803	4,018,523	5,404,502	899,297
Non-operating income & expense	788,306	(22,769)	(374,297)	1,643,046	1,174,691	517,857
Net income before income tax	1,777,307	3,119,041	1,499,506	5,661,569	6,579,193	1,417,154
Profit after tax from continuing operations	1,137,238	2,558,975	1,149,307	3,930,645	5,317,594	1,063,072
Losses from discontinued segments	0	0	0	0	0	0
Profit (Loss) from this period	1,137,238	2,558,975	1,149,307	3,930,645	5,317,594	1,063,072
Other comprehensive profit and loss (Net value after tax)	849,956	(1,795,703)	(107,243)	616,276	1,118,185	177,425
Total comprehensive profit and loss from this period	1,987,194	763,272	1,042,064	4,546,921	6,435,779	1,240,497
Net earnings attributable to owners of parent	1,117,906	2,541,889	1,141,680	3,942,909	5,254,074	1,041,835
Net earnings attributable to non-controlling interest	19,332	17,086	7,627	(12,264)	63,520	21,237
Total comprehensive profit and loss attributable to owners of parent	1,967,988	746,329	1,036,777	4,562,247	6,367,365	1,216,535
Total comprehensive profit and loss attributable to non-controlling interest	19,206	16,943	5,287	(15,326)	68,414	23,962
Earnings per share (Note1)	0.50	1.15	0.51	1.78	2.37	0.47

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2014~2018 and the first quarter of 2019 have been certified by CPA.

6.1.3 Summarized balance sheets

Unit: TWD thousand

Item \ Year		Financial data in the past five years					2019 as of Mar. 31
		2018	2017	2016	2015	2014	
Current Assets		17,064,593	23,231,178	23,834,182	33,570,265	36,714,935	N/A
Property, Plant and Equipment		14,683,088	12,944,060	9,642,608	8,289,467	8,064,091	
Intangible Assets		94,240	52,139	27,009	36,862	41,488	
Other Assets		34,814,941	28,305,282	29,481,204	21,449,268	19,875,018	
Total Assets		66,656,862	64,532,659	62,985,003	63,345,862	64,695,532	
Current Liabilities	Before distribution	15,462,430	15,409,683	11,196,555	12,324,158	10,331,216	
	After distribution	(Note 1)	16,518,832	12,083,874	14,986,115	14,767,811	
Non-current Liabilities		16,609,980	15,156,016	17,680,498	15,288,574	18,756,838	
Total Liabilities	Before distribution	32,072,410	30,565,699	28,877,053	27,612,732	29,088,054	
	After distribution	(Note 1)	31,674,848	29,764,372	30,274,689	33,524,649	
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	11,950,496	11,649,786	10,078,574	11,719,102	12,226,543	
	After distribution	(Note 1)	10,540,637	9,191,255	9,057,145	7,889,948	
Other Equity		(810,700)	(1,127,482)	584,720	569,372	(63,721)	
Treasury Stock		0	0	0	0	0	
Total stockholders' equity	Before distribution	34,584,452	33,966,960	34,107,950	35,733,130	35,607,478	
	After distribution	(Note 1)	32,857,811	33,220,631	33,071,173	31,270,883	

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

Note 2: The summarized financial data for 2014~2018 have been certified by CPA.

6.1.4 Summarized comprehensive income statements

Unit: TWD thousand

Item \ Year	Financial data in the past five years					2019 as of Mar. 31
	2018	2017	2016	2015	2014	
Operating revenue	53,934,045	50,300,722	50,070,845	56,271,236	57,438,243	N/A
Gross profit	345,724	4,454,136	4,748,612	5,130,494	6,191,055	
Operating income	(1,611,199)	2,346,116	2,819,290	3,054,041	4,191,993	
Non-operating income & expense	3,281,587	687,103	(1,361,905)	2,562,015	2,254,337	
Net income before income tax	1,670,390	3,033,219	1,457,385	5,616,056	6,446,330	
Profit after tax from continuing operations	1,117,906	2,541,889	1,141,680	3,942,909	5,254,074	
Losses from discontinued segments	0	0	0	0	0	
Profit (Loss) from this period	1,117,906	2,541,889	1,141,680	3,942,909	5,254,074	
Other comprehensive profit and loss (Net value after tax)	850,082	(1,795,560)	(104,903)	619,338	1,113,291	
Total comprehensive profit and loss from this period	1,967,988	746,329	1,036,777	4,562,247	6,367,365	
Earnings per share (Note1)	0.5	1.15	0.51	1.78	2.37	

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2014~2018 have been certified by CPA.

6.1.5 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
2014	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2015	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2016	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2017	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2018	Chen Yi Chun 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					2019 as of Mar. 31
		2018	2017	2016	2015	2014	
Financial structure (%)	Debt ratio	54.80	55.33	55.05	55.23	57.94	57.07
	Ratio of long-term capital to property, plant and equipment	129.46	130.32	139.43	135.13	141.83	141.59
Solvency	Current ratio (%)	113.56 (Note 1)	143.80	189.34	173.45	171.86	113.28
	Quick ratio (%)	105.95 (Note 1)	136.46	179.70	168.06	165.95	104.06
	Times interest earned	4.14 (Note 2)	6.98	3.88	9.32	9.02	8.80
Operating performance	Accounts receivable turnover (turns)	22.80	22.59	25.07	22.15	20.41	6.73
	Average collection period	16.00	16.15	14.55	16.47	17.88	54.21
	Inventory turnover (turns)	-	-	-	-	-	-
	Accounts payable turnover (turns)	8.50	8.07	8.14	8.71	9.42	2.04
	Average days in sales	-	-	-	-	-	-
	Property, plant and equipment turnover (turns)	1.55	1.41	1.28	1.40	1.50	0.39
	Total assets turnover (turns)	0.87	0.80	0.73	0.77	0.82	0.22
Profitability	Return on total assets (%)	2.07 (Note 3)	3.92	2.02	5.43	7.32	1.50
	Return on equity (%)	3.30 (Note 3)	7.47	3.27	10.95	15.86	3.00
	Ratio to issued capital of pre-tax income (%)	8.01 (Note 3)	14.06	6.76	25.52	29.66	6.39
	Profit ratio (%)	1.70 (Note 3)	4.21	2.00	6.16	7.94	6.15
	Earnings per share (\$)	0.05 (Note 3)	1.15	0.51	1.78	2.37	0.47
Cash flow(%)	Cash flow ratio	24.03 (Note 4)	33.88	26.66	49.14	56.86	9.51
	Cash flow adequacy ratio	126.32	112.48	98.28	84.45	102.82	93.30
	Cash reinvestment ratio	3.61 (Note 4)	5.73	1.30	3.77	9.46	1.73
Leverage	Operating leverage	3.98 (Note 5)	4.56	6.86	4.15	3.09	4.48
	Financial leverage	2.33 (Note 5)	1.20	1.38	1.20	1.18	1.25

Reasons for financial ratios of 2018 increased/decreased more than 20% comparing to 2017:

Note 1: Current ratio & quick ratio decreased since cash and cash equivalents and current financial assets at fair value through profit or loss decreased.

Note 2: Times interest earned increased since net income before income tax and interest expense decreased.

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

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

Note 5: Leverage ratios change since operating income decreased.

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 property, plant and equipment (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					2019 as of Mar. 31
		2018	2017	2016	2015	2014	
Financial structure (%)	Debt ratio	48.12	47.36	45.85	43.59	44.96	N/A
	Ratio of long-term capital to property, plant and equipment	348.66	379.50	537.08	615.50	674.15	
Solvency	Current ratio (%)	110.36 (Note 1)	150.76	212.87	272.39	355.38	
	Quick ratio (%)	103.06 (Note 1)	143.42	203.01	267.17	346.38	
	Times interest earned	5.68 (Note 2)	10.29	5.62	19.06	22.66	
Operating performance	Accounts receivable turnover (turns)	33.78	29.37	33.48	29.52	26.74	
	Average collection period	10.80	12.42	10.90	12.36	13.64	
	Inventory turnover (turns)	-	-	-	-	-	
	Accounts payable turnover (turns)	9.69	9.05	9.6	10.40	9.85	
	Average days in sales	-	-	-	-	-	
	Property, plant and equipment turnover (turns)	3.90	4.45	5.58	6.88	7.25	
	Total assets turnover (turns)	0.82	0.79	0.79	0.88	0.94	
Profitability	Return on total assets (%)	2.14 (Note 3)	4.41	2.22	6.56	9.04	
	Return on equity (%)	3.26 (Note 3)	7.47	3.27	11.05	15.77	
	Ratio to issued capital of pre-tax income (%)	7.53 (Note 3)	13.67	6.57	25.32	29.06	
	Profit ratio (%)	2.07 (Note 3)	5.05	2.28	7.01	9.15	
	Earnings per share (\$)	0.50 (Note 3)	1.15	0.51	1.78	2.37	
Cash flow (%)	Cash flow ratio	1.10 (Note 4)	13.05	86.50	5.38	70.73	
	Cash flow adequacy ratio	58.41	71.03	68.41	38.73	57.61	
	Cash reinvestment ratio	(1.47) (Note 4)	1.72	10.29	(5.57)	7.69	
Leverage	Operating leverage	(6.63) (Note 5)	4.87	2.11	5.03	3.21	
	Financial leverage	0.82 (Note 5)	1.16	1.13	1.11	1.08	

Reasons for financial ratios of 2018 increased/decreased more than 20% comparing to 2017:

Note 1: Current ratio & quick ratio decreased since cash and cash equivalents and current financial assets at fair value through profit or loss decreased.

Note 2: Times interest earned decreased since net income before income tax and interest expense decreased.

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

Note 4: Cash flow ratio & cash reinvestment ratio decreased since net cash provided by other receivables decreased.

Note 5: Leverage ratios change since operating income decreased.

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 property, plant and equipment (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 2018

6.3.1 Audit Committee's Review Report for Fiscal Year 2018

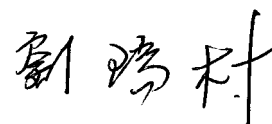
The Board of Directors has prepared the Company's financial statements for 2018, business report and earnings distribution. Of which, the Company's financial statements for 2018 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit report with unqualified 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 2019

WAN HAI LINES LTD.

Chairman of the Audit committee:

Ruei-Chuen Liu



Mar.22, 2019

6.3.2 Audit Committee's Review Report for Fiscal Year 2018 (Consolidated)

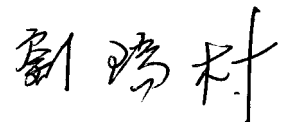
The Board of Directors has prepared the Company's consolidated financial statements for 2018 and consolidated business report for 2018. Of which, the Company's consolidated financial statements for 2018 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit 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 2019

WAN HAI LINES LTD.

Chairman of the Audit committee:

Ruei-Chuen Liu



Mar.22, 2019

6.4 Financial Statements for Fiscal Year 2018

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, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, 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, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 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 audits 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 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 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”, Note (5)(b) “Uncertainty associated with the assumptions and estimates for revenue recognition” and Note(6)(o) “Revenue disclosures” 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 Consolidated 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.

Auditors' 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 auditors' 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 auditors' 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 22, 2019

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and 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 independent auditors' 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 independent auditors' report and financial statements, the Chinese version shall prevail.

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

BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018.12.31		2017.12.31			2018.12.31		2017.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (notes (6)(a))	\$ 7,834,162	12	12,850,798	20	2170 Accounts payable (notes (7))	5,930,506	9	5,126,811	8
1110 Current financial assets at fair value through profit or loss (note (6)(b))	2,345,430	4	-	-	2200 Other payables (note (7))	1,605,176	2	2,026,626	3
1125 Current available-for-sale financial assets, net (notes (6)(d))	-	-	4,242,631	7	2230 Current tax liabilities (note (6)(o))	40,006	-	141,542	-
1150 Notes receivable, net (notes (6)(e)(r))	26,618	-	23,207	-	2320 Current portion of long-term loans (notes (6)(l) and (m) and (8))	6,552,098	10	7,099,279	11
1170 Accounts receivable, net (notes (6)(e)(r) and (7))	1,203,494	2	1,940,208	3	2350 Payables to agents (notes (7))	708,829	1	707,972	1
1140 Current Contract Assets (note (6)(r))	751,084	1	-	-	Other current liabilities	625,815	1	307,453	1
1200 Other receivables, net (note (7))	1,043,354	2	792,150	1		15,462,430	23	15,409,683	24
1330 Inventories, net (note (6))	990,095	1	980,350	2	Non-Current liabilities:				
1475 Receivables from agents (note (7))	2,136,118	3	1,551,315	2	2530 Bonds payable (note (6)(l))	5,900,000	9	6,900,000	11
1479 Other current assets (note (7))	734,238	1	850,519	1	2540 Long-term borrowings (notes (6)(k) and (8))	8,194,780	12	6,606,328	10
	17,064,593	26	23,231,178	36	2570 Deferred tax liabilities (note (6)(o))	1,995,393	3	1,088,928	1
Non-current assets:					Accrued pension liabilities (note (6)(n))	516,979	1	559,525	1
1510 Non-current financial assets at fair value through profit or loss (notes (6)(b))	1,127,838	2	-	-	Guarantee deposits received	2,828	-	1,235	-
1517 Non-current financial assets at fair value through other comprehensive income (notes (6)(c))	3,036,010	4	-	-		16,609,980	25	15,156,016	23
1523 Non-current available-for-sale financial assets, net (notes (6)(d))	-	-	177,746	-	Total liabilities	32,072,410	48	30,565,699	47
1543 Non-current financial assets at cost, net (notes (6)(d))	-	-	708,967	1	Equity (notes (6)(p) and (q)):				
1546 Non-current investments in debt instrument without active market (note (6)(d))	-	-	1,187,200	2	Common stock	22,182,975	33	22,182,975	34
1550 Investments accounted for using equity method, net (notes (6)(g))	29,568,822	44	25,905,948	40	Capital surplus	1,261,681	2	1,261,681	2
1600 Property, plant and equipment (notes (6)(h) and (8) and (9))	14,683,088	22	12,944,060	20	Retained earnings:				
1780 Intangible assets (note (6)(i))	94,240	-	52,139	-	Legal reserve	6,757,693	10	6,503,503	10
1900 Other non-current assets (notes (8) and (9))	1,082,271	2	325,421	1	Special reserve	1,127,482	2	-	-
	49,592,269	74	41,301,481	64	Retained earnings — unappropriated	4,065,321	6	5,146,283	8
					Other equity interest:	11,950,496	18	11,649,786	18
					Exchange differences on translation of foreign financial statements	(604,711)	(1)	(1,480,258)	(2)
					Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(205,989)	-	-	-
					Total unrealized gains (losses) on available-for-sale financial assets	-	-	352,776	1
						(810,700)	(1)	(1,127,482)	(1)
					Total equity	34,584,452	52	33,966,960	53
					Total liabilities and equity	\$ 66,656,862	100	\$ 64,532,659	100

See accompanying notes to financial statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31, December 31			
		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(r) and (s) and (7))	\$53,934,045	100	50,300,722	100
5000	Operating costs (notes (6)(f) and (7))	<u>53,588,321</u>	<u>99</u>	<u>45,846,586</u>	<u>91</u>
	Gross profit	345,724	1	4,454,136	9
6000	Operating expenses	<u>1,956,923</u>	<u>4</u>	<u>2,108,020</u>	<u>4</u>
	Income from operations	<u>(1,611,199)</u>	<u>(3)</u>	<u>2,346,116</u>	<u>5</u>
	Non-operating income and expenses (notes (6)(g) and (u)):				
7010	Other income	347,462	1	363,335	1
7020	Other gains and losses	875,984	2	11,542	-
7050	Finance costs	(356,717)	(1)	(326,530)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>2,414,860</u>	<u>4</u>	<u>638,756</u>	<u>1</u>
	Total non-operating income and expenses	<u>3,281,589</u>	<u>6</u>	<u>687,103</u>	<u>1</u>
	Profit before tax	1,670,390	3	3,033,219	6
7950	Less: Income tax expense (notes (6)(o))	<u>552,484</u>	<u>1</u>	<u>491,330</u>	<u>1</u>
	Net profit	<u>1,117,906</u>	<u>2</u>	<u>2,541,889</u>	<u>5</u>
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit and loss				
8311	Remeasurements from defined benefit plans	(19,381)	-	(53,991)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(46,035)	-	-	-
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	34,559	-	(38,545)	-
8349	Less: Income tax benefit (expense) related to items that will not be reclassified subsequently	<u>5,392</u>	<u>-</u>	<u>9,178</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit and loss	<u>(25,465)</u>	<u>-</u>	<u>(83,358)</u>	<u>-</u>
8360	Other components of other comprehensive income that will not be reclassified to profit or loss				
8361	Exchange differences on translation	876,341	2	(2,057,990)	(4)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	340,626	1
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	-
8399	Other components of other comprehensive income that will be reclassified to profit or loss	<u>(794)</u>	<u>-</u>	<u>5,132</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit and loss	<u>875,547</u>	<u>2</u>	<u>(1,712,202)</u>	<u>(3)</u>
	Other comprehensive income (net of tax)	<u>850,082</u>	<u>2</u>	<u>(1,795,560)</u>	<u>(3)</u>
8500	Total comprehensive income	<u>\$ 1,967,988</u>	<u>4</u>	<u>746,329</u>	<u>2</u>
9750	Basic earnings per share (New Taiwan Dollars) (note (6)(q))	\$ <u>0.50</u>		<u>1.15</u>	
9850	Diluted earnings per share (New Taiwan Dollars) (note (6)(q))	\$ <u>0.50</u>		<u>1.14</u>	

See accompanying notes to financial statements.

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

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest							
	Share capital	Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total equity
		Ordinary shares	Capital surplus	Legal reserve				
Balance at January 1, 2017	\$ 22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	-	34,107,950
Net profit	-	-	-	-	2,541,889	-	-	2,541,889
Other comprehensive income	-	-	-	-	(83,358)	(2,052,858)	-	(1,795,560)
Total comprehensive income	-	-	-	-	2,458,531	(2,052,858)	-	746,329
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	114,168	-	(114,168)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(887,319)	-	-	(887,319)
Reversal of special reserve	-	-	-	(1,053,282)	1,053,282	-	-	-
Balance at 2017.12.31	22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	-	33,966,960
Effects of retrospective application	-	-	-	-	271,383	-	(159,954)	(241,347)
Equity at beginning of period after adjustments	22,182,975	1,261,681	6,503,503	-	5,417,666	(1,480,258)	(159,954)	33,725,613
Net profit	-	-	-	-	1,117,906	-	-	1,117,906
Other comprehensive income	-	-	-	-	20,570	875,547	(46,035)	850,082
Total comprehensive income	-	-	-	-	1,138,476	875,547	(46,035)	1,967,988
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	254,190	-	(254,190)	-	-	-
Special reserve appropriated	-	-	-	1,127,482	(1,127,482)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,109,149)	-	-	(1,109,149)
Balance at 2018.12.31	\$ 22,182,975	1,261,681	6,757,693	1,127,482	4,065,321	(604,711)	(205,989)	34,584,452

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,670,390	3,033,219
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,302,119	1,009,685
Amortization expense	45,755	22,204
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(64,405)	-
Interest expense	356,717	326,530
Interest income	(154,448)	(178,652)
Dividend income	(193,014)	(184,683)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(2,414,860)	(638,756)
Loss (gain) on disposal of property, plant and equipment	(513,937)	(222,304)
Loss (gain) on disposal of other assets	-	(52,817)
Unrealized foreign exchange loss (gain)	223,091	(335,417)
Others	585	85
Total adjustments to reconcile profit (loss)	(1,412,397)	(254,125)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(3,411)	379
Decrease (increase) in accounts receivable	99,385	(501,901)
Decrease (increase) in construction contracts receivable	(113,755)	-
Decrease (increase) in other receivable	(127,006)	19,984
Decrease (increase) in inventories	(9,745)	(45,343)
Decrease (increase) in biological assets	(584,803)	72,876
Decrease (increase) in other current assets	116,281	95,628
Decrease (increase) in deferred debits	(115,617)	-
Total changes in operating assets	(738,671)	(358,377)
Changes in operating liabilities:		
Increase (decrease) in accounts payable	803,695	121,781
Increase (decrease) in other payable	(169,762)	421,964
Increase (decrease) in provisions	857	(785,596)
Increase (decrease) in other current liabilities	317,703	148,701
Increase (decrease) in net defined benefit liability	(61,927)	(76,182)
Total changes in operating liabilities	890,566	(169,332)
Total changes in operating assets and liabilities	151,895	(527,709)
Total adjustments	(1,260,502)	(781,834)
Cash inflow (outflow) generated from operations	409,888	2,251,385
Income taxes refund (paid)	(239,479)	(240,332)
Net cash flows from (used in) operating activities	170,409	2,011,053
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(262,840)	-
Acquisition of available-for-sale financial assets	-	(94,801)
Proceeds from disposal of available-for-sale financial assets	-	229,395
Acquisition of investments accounted for using equity method	(395,315)	(472,356)
Acquisition of property, plant and equipment	(3,337,194)	(3,101,119)
Proceeds from disposal of property, plant and equipment	572,002	243,117
Acquisition of intangible assets	(58,636)	(28,981)
Decrease in other non-current assets	(398,355)	(68,416)
Interest received	159,689	177,021
Dividends received	254,678	215,025
Net cash flows from (used in) investing activities	(3,465,971)	(2,901,115)
Cash flows from (used in) financing activities:		
Proceeds from issuing bonds	-	2,100,000
Repayments of bonds	(4,500,000)	(2,900,000)
Proceeds from long-term debt	11,530,300	2,724,950
Repayments of long-term debt	(7,250,438)	(1,037,775)
Increase in guarantee deposits received	(450)	(1,316)
Cash dividends paid	(1,109,149)	(887,319)
Interest paid	(391,337)	(330,564)
Net cash flows from (used in) financing activities	(1,721,074)	(332,024)
Net increase (decrease) in cash and cash equivalents	(5,016,636)	(1,222,086)
Cash and cash equivalents at beginning of period	12,850,798	14,072,884
Cash and cash equivalents at end of period	\$ 7,834,162	12,850,798

See 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, 2018 and 2017

(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 22, 2019.

(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, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

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

(i) 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 the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Rendering of services

The Company provides vessel transportation services and recognizes revenue using percentage-of-completion of voyage method. 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. 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.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

Impacted line items on the balance sheet	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Accounts receivable	\$ 1,954,578	(751,084)	1,203,494	1,940,208	(637,329)	1,302,879
Contract assets	-	751,084	751,084	-	637,329	637,329
Impact on assets		-			-	

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

Impacted line items on the statement of cash flows	For the year ended 2018.12.31		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Cash flows from (used in) operating activities:			
Profit before tax	\$ 1,670,390	-	1,670,390
Adjustments:			
Accounts receivable	(14,370)	113,755	99,385
Contract assets	-	(113,755)	(113,755)
Impact on net cash flows from operating activities		<u>-</u>	

(ii) 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.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	12,850,798	Amortized cost	12,850,798
Debt securities	Loans and receivables (Bond investment without an active market) (note 1)	1,187,200	Mandatorily at FVTPL	1,056,630
Equity instruments	Available-for-sale (Domestic listed stocks) (note 2)	2,199,057	Mandatorily at FVTPL	2,199,057
	Available-for-sale (Domestic listed stocks) (note 3)	2,221,320	FVOCI	2,221,320
	Available-for-sale (Financial assets measured at cost) (note 4)	708,967	FVOCI	597,885

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Notes receivable, net	Loans and receivables (note 5)	23,207	Amortized cost	23,207
Accounts receivable, net	Loans and receivables (note 5)	1,940,208	Amortized cost	1,940,208
Other receivable	Loans and receivables (note 5)	792,150	Amortized cost	792,150
Receivables from agents	Loans and receivables (note 5)	1,551,315	Amortized cost	1,551,315
Guarantee deposits paid (Other non-current assets)	Loans and receivables (note 5)	130,270	Amortized cost	130,270

Note1: Corporate debt securities that were previously classified as bond investment without an active market are now classified as mandatorily measured at FVTPL because these contractual cash flows do not consist solely of payments of principal and interest on the principal amount outstanding. An increase of \$130,570 thousand in the allowance for impairment was recognized in opening retained earnings on January 1, 2018 upon transition to IFRS 9.

Note2: Under IAS 39, these equity securities were classified as available for sale. Because the Company intends to hold these equity securities for trading purpose, these assets have been classified as mandatorily measured at FVTPL. Accordingly, a decrease of \$75,939 thousand in other equity and an increase of \$75,939 thousand in retained earnings were recognized on January 1, 2018.

Note3: Under IAS 39, these equity securities were classified as available-for-sale that the Company intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Upon transition of IFRS 9, an adjustment was made to the allowance for impairment recognized to decrease the opening balance of other equity on January 1, 2018. Accordingly, a decrease of \$234,014 thousand in other equity and an increase of \$234,014 were recognized on January 1, 2018.

Note4: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, a decrease of \$111,082 thousand in those assets recognized, and a decrease of \$203,082 thousand in other equity as well as the increase of \$92,000 thousand in retained earnings were recognized on January 1, 2018.

Note5: Notes, trade and other receivables, and receivables from agents that were classified as loans and receivables under IAS 39, are now classified as measured at amortized cost. Upon transition to IFRS 9, no adjustments were made to increase the allowance for impairment and the opening balance of retained earnings on January 1, 2018.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ -	-	-		-	-
Additions – debt instruments:						
From loans and receivables (bond investment without an active market) – required reclassification based on classification criteria	-	1,187,200	(130,570)		(130,570)	-
Additions – equity instruments:						
From available for sale	-	2,199,057	-		75,939	(75,939)
Total	<u>\$ -</u>	<u>3,386,257</u>	<u>(130,570)</u>	<u>3,255,687</u>	<u>(54,631)</u>	<u>(75,939)</u>
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 5,129,344	-	-		-	-
Available for sale to FVOCI	-	-	(111,082)		326,014	(437,096)
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	(2,199,057)	-		-	-
Total	<u>\$ 5,129,344</u>	<u>(2,199,057)</u>	<u>(111,082)</u>	<u>2,819,205</u>	<u>326,014</u>	<u>(437,096)</u>
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, notes and trade receivables, other receivables and receivables from agents (IAS 39)	\$ 18,475,148	-	-		-	-
Adjustments for allowance of impairment for financial assets measured at amortized cost	-	-	-		-	-
Subtractions:						
To FVTPL – required reclassification based on classification criteria	-	(1,187,200)	-		-	-
Total	<u>\$ 18,475,148</u>	<u>(1,187,200)</u>	<u>-</u>	<u>17,287,948</u>	<u>-</u>	<u>-</u>

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(z).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

- IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in 2019 and the following years, with no restatement of comparative information and unrecognized an adjustment to the opening balance of retained earnings at January 1, 2019.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
 - exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
 - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its wharfs, vessels, containers, offices and warehouses. The Company estimated that the right-of-use assets and the lease liabilities to increase by \$72,139,926 thousand respectively, on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

(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) Fair value through other comprehensive income (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.

(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.

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

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:

- 1) Equity instruments designated at fair value through other comprehensive income (available-for-sale equity instruments)
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the 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.

(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

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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

1. Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets/them.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized 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.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated—e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, receivables from agents, guarantee deposit paid and other financial assets) and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

The time deposits held by the Company would be considered as low credit risk when its trading counterparties have a credit risk rating that is equivalent to the globally understood definition of ‘investment grade’.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

7) 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 debt instrument in its entirety, the Company recognizes the difference between its 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 fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of 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, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

2. Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into 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 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 non-operating income and expense.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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.

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.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Provision and reversal of provision for bad debt expenses are 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 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.

3. 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.

Interests and gains or losses related to the financial liability are recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

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.

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

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 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.

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.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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	1~ 18 years
Containers	1~ 10 years
Privileged wharf equipment	2~ 10 years
Other equipment	4~ 16 years

The major components of a vessel are vessel itself and docking repair assets etc., and the Company uses 18 years and 2 years respectively to calculate the depreciable amount.

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.

(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	3~ 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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

(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.

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. Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Service revenue

The Company provides vessel transportation services and recognizes revenue using percentage-of-completion of voyage method. If the Company has recognized revenue, but not have the right to collect bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. When the payment has exceeded the services rendered, then the entitlement to consideration is recognized as a contract liability.

2) Rental revenue

The Company provides rental of vessels and containers and recognizes revenue using straight-line method over the lease term.

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

2.Revenue (policy applicable before January 1, 2018)

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)Cost from contracts with customers (applicable from January 1, 2018)

1.Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2.Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- 1) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- 2) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- 3) the costs are expected to be recovered.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(p) 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.

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. Short-term employee benefits

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

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(q) Income taxes

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

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.

(r) 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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

(s) 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.

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>2018.12.31</u>	<u>2017.12.31</u>
Cash on hand	\$ 51,134	48,292
Savings accounts	311,464	180,999
Time deposits	<u>7,471,564</u>	<u>12,621,507</u>
Cash and cash equivalents in statement of cash flows	<u><u>\$ 7,834,162</u></u>	<u><u>12,850,798</u></u>

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

(b) Financial assets and liabilities at fair value through profit or loss

	<u>2018.12.31</u>
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Stocks listed on domestic markets	\$ 2,345,430
Debt securities	<u>1,127,838</u>
Total	<u><u>\$ 3,473,268</u></u>

1. For the net gain or loss on fair value on financial instruments at FVTPL, please refer to Note 6(v).

2. As of December 31, 2018, the Company's financial assets were not pledged as collateral.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2018.12.31</u>
Equity investments at fair value through other comprehensive income	
Stocks listed on domestic markets	\$ 2,618,063
Stocks unlisted on domestic markets	<u>417,947</u>
Total	<u>\$ 3,036,010</u>

1. Equity investments at fair value through other comprehensive income

On January 1, 2018, the Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial asset measured at cost on December 31, 2017.

For the year ended December 31, 2018, the dividends of \$98,127 thousand, related to equity investments at fair value through other comprehensive income, were recognized.

No strategic investments were disposed as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

2. For credit risk and market risk; please refer to Note 6(w).

3. As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowings.

(d) Financial assets

1. Details of financial assets:

	<u>2017.12.31</u>
Available-for-sale financial assets	\$ 4,420,377
Financial assets measured at cost	708,967
Bond portfolios with inactive market	<u>1,187,200</u>
Total	<u>\$ 6,316,544</u>
Current	\$ 4,242,631
Non-current	<u>2,073,913</u>
Total	<u>\$ 6,316,544</u>

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

As of December 31, 2018 and 2017, the Company's financial assets were not pledged as collateral.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2018.12.31</u>	<u>2017.12.31</u>
Notes receivable	\$ 26,618	23,207
Accounts receivable	1,203,852	1,940,566
Less: Allowance for doubtful receivables	<u>(358)</u>	<u>(358)</u>
	<u><u>\$ 1,230,112</u></u>	<u><u>1,963,415</u></u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,218,185	0.0005%~0.0006%	343
Overdue 0-30 days	11,661	0.0006%~0.0007%	-
Overdue 31-120 days	477	0.001%~0.002%	-
Overdue 121-365 days	132	0.002%~0.003%	-
Overdue more than 365 days	<u>15</u>	100%	<u>15</u>
	<u><u>\$ 1,230,470</u></u>		<u><u>358</u></u>

As of and 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and 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:

	<u>2017.12.31</u>
Overdue 0-30 days	\$ 126,531
Overdue 31-120 days	12,216
Overdue 121-365 days	33,098
Overdue more than 365 days	<u>3</u>
	<u><u>\$ 171,848</u></u>

The movement in the allowance for notes and trade receivable was as follows:

	<u>For the years ended December 31, 2018</u>	<u>For the years ended December 31, 2017</u>	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	\$ 358		<u>-</u>	<u>358</u>
Adjustment on initial application of IFRS 9	<u>-</u>			
Balance on January 1, 2018 per IFRS 9	<u><u>\$ 358</u></u>			

Note: The balances as of December 31, 2018 and 2017 are the same as those of January 1, 2018 and 2017.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

Please refer to (6)(v) for the credit risks and the currency risks of the notes receivables, accounts receivables, other receivables, and receivables from agents of the Company.

As of December 31, 2018 and 2017, the notes and trade receivable of the Company had not been pledged as collateral.

(f) Inventories

	2018.12.31	2017.12.31
Marine diesel oil	\$ 158,399	99,086
Marine residual fuel oil	949,003	876,343
Fresh lubricating oil	<u>6,784</u>	<u>4,921</u>
Sub total	1,114,186	980,350
Less: Allowance for inventory valuation and obsolescence losses	(124,091)	-
Total	<u>\$ 990,095</u>	<u>980,350</u>

In 2018, the write-downs of inventories to net realizable value amounted to \$124,091 thousand. The write-downs were included in cost of sale.

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

As of December 31, 2018 and 2017, the Company's did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

	2018.12.31	2017.12.31
Subsidiaries	\$ 28,633,999	25,402,429
Associates	<u>934,823</u>	<u>503,519</u>
	<u>\$ 29,568,822</u>	<u>25,905,948</u>

1. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2018.

2. Associates

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

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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

	2018.12.31	2017.12.31
Carrying amount of individually insignificant associates equity	\$ 934,823	503,519
	2018	2017
Comprehensive income attributable to owners of parent:		
Net income loss/after tax from continuing operations	\$ 81,816	78,930
Total comprehensive income	\$ 81,816	78,930

3.Collaterals

For the year ended December 31, 2018 and 2017, the Company did not provide any investment accounted for using equity method as collaterals.

(h) Property, plant and equipment

The cost, depreciation and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:							
Balance at January 1, 2018	\$ 620,477	123,736	4,263,168	22,213,335	627,257	1,524,200	29,372,173
Additions	-	-	47,939	3,054,413	18,533	-	3,120,885
Reclassification	-	-	-	-	8,395	-	8,395
Disposals	-	-	-	(1,021,924)	(46,783)	-	(1,068,707)
Balance at December 31, 2018	\$ 620,477	123,736	4,311,107	24,245,824	607,402	1,524,200	31,432,746
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	\$ 620,477	123,736	4,263,168	22,213,335	627,257	1,524,200	29,372,173
Depreciation and impairment loss:							
Balance at January 1, 2018	\$ -	66,615	3,516,183	11,784,638	310,302	750,375	16,428,113
Depreciation for the year	-	2,726	123,404	1,044,143	54,374	77,472	1,302,119
Disposals	-	-	-	(952,277)	(28,297)	-	(980,574)
Balance at December 31, 2018	\$ -	69,341	3,639,587	11,876,504	336,379	827,847	16,749,658
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	\$ -	66,615	3,516,183	11,784,638	310,302	750,375	16,428,113
Carrying amounts:							
Balance at December 31, 2018	\$ 620,477	54,395	671,520	12,369,320	271,023	696,353	14,683,088
Balance at December 31, 2017	\$ 620,477	57,121	746,985	10,428,697	316,955	773,825	12,944,060
Balance at January 1, 2017	\$ 620,477	59,847	836,570	7,029,419	363,636	732,659	9,642,608

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2018 and 2017, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings; please refer to note (8).

(i) Intangible assets

The costs and amortization of the intangible assets of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2018	\$ 79,575	5,772	85,347
Additions	58,377	259	58,636
Reclassification	29,220	-	29,220
Disposals	(23,124)	(591)	(23,715)
Balance at December 31, 2018	<u><u>\$ 144,048</u></u>	<u><u>5,440</u></u>	<u><u>149,488</u></u>
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><u>\$ 79,575</u></u>	<u><u>5,772</u></u>	<u><u>85,347</u></u>
Amortization and impairment loss:			
Balance at January 1, 2018	\$ 30,434	2,774	33,208
Amortization for the year	44,981	774	45,755
Disposals	(23,124)	(591)	(23,715)
Balance at December 31, 2018	<u><u>\$ 52,291</u></u>	<u><u>2,957</u></u>	<u><u>55,248</u></u>
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><u>\$ 30,434</u></u>	<u><u>2,774</u></u>	<u><u>33,208</u></u>
Carrying amounts:			
Balance at December 31, 2018	<u><u>\$ 91,757</u></u>	<u><u>2,483</u></u>	<u><u>94,240</u></u>
Balance at December 31, 2017	<u><u>\$ 49,141</u></u>	<u><u>2,998</u></u>	<u><u>52,139</u></u>
Balance at January 1, 2017	<u><u>\$ 24,315</u></u>	<u><u>2,694</u></u>	<u><u>27,009</u></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:

	2018	2017
Operating costs	\$ <u>784</u>	<u>664</u>
Operating expense	\$ <u>44,971</u>	<u>21,540</u>

(j) Short-term borrowings

	2018.12.31	2017.12.31
Unsecured bank loans	\$ <u>-</u>	<u>-</u>
Unused short-term credit lines	\$ <u>4,490,230</u>	<u>6,591,123</u>

1. Issuance and repayment of short-term borrowings

For the years ended December 31, 2018 and 2017, the proceeds from short-term borrowings amounted to \$6,506,011 thousand and \$1,820,000 thousand respectively and the repayments amounted to \$6,506,011 thousand and \$1,820,000 thousand respectively.

(k) Long-term borrowings

The borrowings were summarized as follows:

	2018.12.31			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.39%~3.62%	2019/03/21- 2022/12/21	\$ 230,512
Unsecured bank loans	TWD	0.95%~1.15%	2019/01/04- 2021/06/18	3,780,000
Secured bank loans	USD	2.06%~3.77%	2019/01/15- 2023/06/12	5,706,465
Secured bank loans	TWD	1.16%~1.17%	2019/06/21- 2021/12/21	500,000
Commercial paper	TWD	0.32%~0.90%	2021/04/20- 2021/12/25	3,530,000
				<u>13,746,977</u>
Less: Discount on commercial paper				(99)
Current portion				<u>(5,552,098)</u>
Total				\$ <u>8,194,780</u>
Unused loan credit				\$ <u>3,828,800</u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

2017.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.39%	2022/12/21	\$ 222,600
Unsecured bank loans	TWD	0.96%~1.12%	2018/01/03- 2018/01/25	900,000
Secured bank loans	USD	1.67%~2.56%	2018/05/09- 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- 2020/06/22	2,600,000
				<u>9,206,466</u>
Less: Discount on commercial paper				(859)
Current portion				<u>(2,599,279)</u>
Total				<u><u>\$ 6,606,328</u></u>
Unused loan credit				<u><u>\$ 100,000</u></u>

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

1. Issuance and repayment of long-term borrowings

For the years ended December 31, 2018 and 2017, the proceeds from long-term borrowings amounted to \$11,530,300 thousand and \$2,724,950 thousand respectively, and the repayment amounted to \$7,250,438 thousand and \$1,037,775 thousand, respectively.

2. Collateral for bank borrowings

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

(l) Bonds payable

2018.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	2019/08/14- 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>\$ 6,900,000</u></u>
Current				\$ 1,000,000
Non-current				<u>5,900,000</u>
Total				<u><u>\$ 6,900,000</u></u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

	2017.12.31			
	Currency	Interest rate collars	Expiration	Amount
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%	2017/07/28	1,800,000
Unsecured bank-2016 first domestic bond issue	TWD	1.18%	2019/08/14- 2021/08/14	3,000,000
Unsecured bank-2017 first domestic bond issue	TWD	1.55%	2021/06/21	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>

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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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.

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).

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

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.

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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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

12) Announcement

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

(m) Operating leases

1. Lease as lessee

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

	2018.12.31	2017.12.31
Less than one year	\$ 9,388,246	7,759,814
Between one and five years	26,868,418	26,404,503
More than five years	<u>50,154,084</u>	<u>1,689,413</u>
	<u>\$ 86,410,748</u>	<u>35,853,730</u>

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

(n) Employee benefits

1. Defined benefit plans

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

	2018.12.31	2017.12.31
Present value of the defined benefit obligations	\$ 1,074,314	1,142,297
Fair value of plan assets	<u>(557,335)</u>	<u>(582,772)</u>
Present value of the defined benefit obligations	<u>\$ 516,979</u>	<u>559,525</u>

The Company makes defines benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement 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 pension reserve account balance amounted to \$557,335 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

WAN HAI LINES LTD.
NOTES TO 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:

	2018	2017
Defined benefit obligation at January 1	\$ 1,142,297	1,094,909
Current service costs and interest cost	25,430	28,288
Remeasurement loss (gain)		
— Actuarial loss (gain) arising from changes in financial assumptions	34,255	52,055
Benefits paid	(127,668)	(32,955)
Defined benefit obligation at December 31	<u><u>\$ 1,074,314</u></u>	<u><u>1,142,297</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:

	2018	2017
Fair value of plan assets at January 1	\$ 582,772	513,193
Interest income	6,998	7,153
Remeasurement loss (gain)		
— Return on plan assets (excluding current interest)	14,874	(1,936)
Contribution paid by the employer	62,783	78,132
Benefits paid	(110,092)	(13,770)
Fair value of plan assets at December 31	<u><u>\$ 557,335</u></u>	<u><u>582,772</u></u>

4) Expenses recognized in profit or loss

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

	2018	2017
Current service costs	\$ 12,366	13,868
Net interest of net liabilities (assets) for defined benefit obligation	6,066	7,267
	<u><u>\$ 18,432</u></u>	<u><u>21,135</u></u>
Operating costs	\$ 9,828	10,446
Selling expenses	8,604	10,689
	<u><u>\$ 18,432</u></u>	<u><u>21,135</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, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ (101,795)	(47,804)
Recognized during the period	(19,381)	(53,991)
Accumulated amount at December 31	<u>\$ (121,176)</u>	<u>(101,795)</u>

6) Actuarial assumptions

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

	<u>2018</u>	<u>2017</u>
Discount rate	1.03 %	1.15 %
Future salary increase rate	3.00 %	3.00 %

The Company will pay to the defined benefit plans which amounted to \$62,058 thousand within 1 year after the report day of 2018.

The weighted-average lifetime of the defined plans is 4~17 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, 2018		
Discount rate	\$ (56,532)	61,051
Future salary increasing rate	54,069	(50,791)
December 31, 2017		
Discount rate	(60,587)	65,502
Future salary increasing rate	58,147	(54,557)

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 2018 and 2017.

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 \$48,519 thousand and \$46,392 thousand for the years ended December 31, 2018 and 2017, respectively.

(o) Income taxes

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 corporate income tax return commencing FY 2018.

1. Income tax expense

	<u>2018</u>	<u>2017</u>
Current income tax expense:		
Current period	\$ 129,045	276,693
Adjustment for prior periods	<u>(91,514)</u>	<u>54,321</u>
	<u>37,531</u>	<u>331,014</u>
Deferred tax expense:		
Origination and reversal of temporary differences	340,776	160,316
Change in tax rate	<u>174,177</u>	<u>-</u>
	<u>514,953</u>	<u>160,316</u>
Income tax expense from continuing operations	<u><u>\$ 552,484</u></u>	<u><u>491,330</u></u>

No income tax recognized directly in equity for 2018 and 2017.

The amount of income tax recognized in other comprehensive income for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	<u><u>\$ (5,392)</u></u>	<u><u>(9,178)</u></u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u><u>\$ 794</u></u>	<u><u>(5,132)</u></u>

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit excluding income tax	\$ 1,670,390	3,033,219
Income tax using the Company's domestic tax rate	\$ 334,078	515,647
Change in tax rate	174,177	-
Non-deductible expense	142,101	53,901
Tax-exempt income	(6,358)	(104,027)
Adjustments for prior periods	(91,514)	54,321
Income tax credit	-	(30,506)
10% surtax on unappropriated earnings	-	1,994
Total	\$ 552,484	491,330

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2018	\$ 704,511	384,417	-	1,088,928
Debited (Credited) Income statement	639,864	259,871	6,730	906,465
Balance at December 31, 2018	\$ 1,344,375	644,288	6,730	1,995,393
Balance at January 1, 2017	\$ 664,068	255,541	13,502	933,111
Debited (Credited) Income statement	40,443	128,876	(13,502)	155,817
Balance at December 31, 2017	\$ 704,511	384,417	-	1,088,928
	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2018	\$ 80,219	-	41,751	121,970
(Debited) Credited Income statement	256	347,575	43,681	391,512
(Debited) Credited Other Comprehensive Income	5,392	-	(794)	4,598
Balance at December 31, 2018	\$ 85,867	347,575	84,638	518,080
Balance at January 1, 2017	\$ 83,992	-	28,167	112,159
(Debited) Credited Income statement	(12,951)	-	8,452	(4,499)
(Debited) Credited Other Comprehensive Income	9,178	-	5,132	14,310
Balance at December 31, 2017	\$ 80,219	-	41,751	121,970

3. Examination and approval

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

WAN HAI LINES LTD. NOTES TO THE FINANCIAL STATEMENTS

(p) Capital and other equity

As of December 31, 2018 and 2017, 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>2018.12.31</u>	<u>2017.12.31</u>
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 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 2017 and 2016 was decided by the general meeting of shareholders held on June 26, 2018 and June 22, 2017, respectively.

The relevant dividend distribution to shareholders was as follows:

	2017		2016	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 0.50	<u>1,109,149</u>	0.40	<u>887,319</u>

3. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Available-for-sale investments	Total
Balance at January 1, 2018	\$ (1,480,258)	-	352,776	(1,127,482)
Effects of retrospective application	-	(159,954)	(352,776)	(512,730)
Balance at January 1, 2018 after adjustments	(1,480,258)	(159,954)	-	(1,640,212)
Exchange differences on foreign operations	875,547	-	-	875,547
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(46,035)	-	(46,035)
Balance at December 31, 2018	<u>\$ (604,711)</u>	<u>(205,989)</u>	<u>-</u>	<u>(810,700)</u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for- sale financial assets	Total
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>\$ (1,480,258)</u>	<u>-</u>	<u>352,776</u>	<u>(1,127,482)</u>

(q) Earnings per share

The calculation of basic earnings per share and diluted earnings per share at December 31, 2018 and 2017 were as follows:

	2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ <u>1,117,906</u>	<u>2,541,889</u>
Weighted-average number of ordinary shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>0.50</u>	<u>1.15</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (adjusted for the effects of all dilutive potential ordinary shares)	\$ <u>1,117,906</u>	<u>2,541,889</u>
Weighted-average number of ordinary shares	2,218,297	2,218,297
Effects of all dilutive potential ordinary shares	<u>1,469</u>	<u>1,778</u>
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>2,219,766</u>	<u>2,220,075</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>0.50</u>	<u>1.14</u>

(r) Revenue from contracts with customers

1. Disaggregation of revenue

	2018
Primary geographical markets:	
Asia	\$ 40,344,584
the Middle East	5,489,208
India	7,512,601
Red Sea	<u>587,652</u>
	<u>\$ 53,934,045</u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

	2018
Major services lines:	
Freight	\$ 49,106,190
Rentals	4,038,255
WHL terminal	634,579
Others	<u>155,021</u>
	<u>\$ 53,934,045</u>

For details on revenue for the year ended December 31, 2018, please refer to note 6(s).

2.Contract balances

	2018.12.31	2018.1.1
Notes receivable	\$ 26,618	23,207
Accounts receivable	1,203,852	1,303,237
Less: allowance for impairment	<u>(358)</u>	<u>(358)</u>
Total	<u>\$ 1,230,112</u>	<u>1,326,086</u>
Contract assets	<u>\$ 751,084</u>	<u>637,329</u>
Contract liabilities (recognized as other current liabilities)	<u>\$ 504,011</u>	<u>187,454</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame for the performance obligation to be satisfied and the payment.

(s) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

	Continuing Operations 2017
Freight	\$ 46,758,475
Rentals	2,907,788
WHL terminal	617,037
Others	<u>17,422</u>
	<u>\$ 50,300,722</u>

(t) Remuneration 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.

The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to \$17,045 thousand and \$30,951 thousand, and directors' and supervisors' remuneration amounting to \$17,045 thousand and \$30,951 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 2018 and 2017. 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 2018 and 2017.

(u) Non-operating income and expenses

1. Other income

The details of other income for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Bank deposit	\$ 154,371	178,617
Others interest revenue	77	35
Dividend income	<u>193,014</u>	<u>184,683</u>
	<u><u>\$ 347,462</u></u>	<u><u>363,335</u></u>

2. Other gains and losses

The details of other gains and losses for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses)	\$ 93,079	(318,662)
Gains (losses) on disposal of investments and financial liabilities	26,643	52,817
Gains (losses) on financial assets measured at fair value through other comprehensive income	64,405	-
Gains (losses) on disposal of property, plant and equipment	513,937	222,304
Other gains (losses)	<u>177,920</u>	<u>55,083</u>
	<u><u>\$ 875,984</u></u>	<u><u>11,542</u></u>

3. Finance costs

The details of finance costs for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank loans	<u><u>\$ 356,717</u></u>	<u><u>326,530</u></u>

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(v) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amount of financial assets and contract 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.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(e). Other financial assets at amortized cost includes other receivables, receivables from agents and time deposits etc.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). There are no significant expected losses on other receivables and the financial assets at amortized cost by assessment, so none of the impairment allowance can be recorded.

2. Liquidity risks

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

	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	\$ 6,206,465	6,533,522	1,156,176	1,215,617	1,890,568	2,271,161	-
Unsecured bank loans	4,010,512	4,035,234	3,315,216	34,100	315,279	370,639	-
Commercial paper	3,529,901	3,594,189	11,394	11,860	23,720	3,547,215	-
Account payables (Include related parties)	5,930,506	5,930,506	5,930,506	-	-	-	-
Other payables	1,605,176	1,605,176	1,605,176	-	-	-	-
Payables to agents	708,829	708,829	708,829	-	-	-	-
Bonds payable	6,900,000	7,199,700	67,950	1,032,100	83,550	6,016,100	-
Guarantee deposits	2,930	2,930	2,930	-	-	-	-
	\$ 28,894,319	29,610,086	12,798,177	2,293,677	2,313,117	12,205,115	-

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2017							
Non-derivative financial liabilities							
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	-	-	-	-
Bonds payable	11,400,000	11,883,000	4,651,200	32,100	1,100,050	6,099,650	-
Guarantee deposits	3,380	3,380	3,380	-	-	-	-
	\$ 28,470,396	29,253,440	14,369,376	920,568	4,547,504	9,415,992	-

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

3. Currency risk

1) Currency risk exposure

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

	2018.12.31			2017.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 243,798	30.74	7,493,126	384,332	29.68	11,406,964
JPY	7,780,315	0.28	2,166,407	2,611,065	0.26	687,818
CNY	410,783	4.49	1,842,586	363,694	4.56	1,656,857
HKD	146,071	3.92	573,204	109,027	3.80	414,071
INR	678,179	0.44	297,854	594,521	0.46	276,097
Financial liabilities						
Monetary items						
USD	315,291	30.74	9,690,473	293,668	29.68	8,716,065
JPY	3,356,381	0.28	934,575	3,272,397	0.26	862,029
CNY	139,601	4.49	626,189	177,080	4.56	806,712
HKD	155,279	3.92	609,337	165,328	3.80	627,895
MYR	34,137	7.39	252,272	35,344	7.32	258,630
SGD	10,211	22.49	229,641	13,907	22.20	308,777

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, payables to agents, financial assets at fair value through profit or loss, 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 etc. as at December 31, 2018 and 2017 would have increased (decreased) the net profit before tax by \$1,221 thousand and \$39,725 thousand. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2018 and 2017.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2018		2017	
	Exchange gain or loss	Average Rate	Exchange gain or loss	Average Rate
TWD	\$ 93,079	-	(318,662)	-

4. 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 had increased or decreased by 1%, the Company's net profit would have decreased or increased by \$132,470 thousand and \$92,065 thousand for the years ended 2018 and 2017, respectively. This is mainly due to the changes in the Company's variable rate instruments.

5. Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018		2017	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 1%	\$ 26,181	18,763	44,204	-
Decreasing 1%	(26,181)	(18,763)	(44,204)	-

6. Fair value information

1) The Categories and Fair Values of Financial Instruments

The Company assesses its financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income on a recurring basis by using the fair value method.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, 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 the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

December 31, 2018					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss — domestic listed stocks	\$ 2,345,430	2,345,430	-	-	2,345,430
Non derivative financial assets mandatorily measured at fair value through profit or loss — bond investment	<u>1,127,838</u>	<u>-</u>	<u>-</u>	<u>1,127,838</u>	<u>1,127,838</u>
Sub-total	<u>3,473,268</u>	<u>2,345,430</u>	<u>-</u>	<u>1,127,838</u>	<u>3,473,268</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	2,618,063	2,618,063	-	-	2,618,063
Unquoted equity instrument measured at fair value	<u>417,947</u>	<u>-</u>	<u>-</u>	<u>417,947</u>	<u>417,947</u>
Sub-total	<u>3,036,010</u>	<u>2,618,063</u>	<u>-</u>	<u>417,947</u>	<u>3,036,010</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	7,834,162	-	-	-	-
Notes receivable	26,618	-	-	-	-
Accounts receivable	1,203,494	-	-	-	-
Contract assets	751,084	-	-	-	-
Other receivable	1,043,354	-	-	-	-
Receivables from agents	2,136,118	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	<u>133,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>13,128,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 19,637,693</u></u>	<u><u>4,963,493</u></u>	<u><u>-</u></u>	<u><u>1,545,785</u></u>	<u><u>6,509,278</u></u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Accounts payable	\$ 5,930,506	-	-	-	-
Other payables	1,605,176	-	-	-	-
Bonds payable	708,829	-	-	-	-
Bonds payable (including current portion)	6,900,000	-	-	-	-
Long-term borrowings (including current portion)	13,746,878	-	-	-	-
Guarantee deposits received (recognized as other current liabilities and guarantee deposits received — non-current)	2,930	-	-	-	-
Total	\$ 28,894,319	-	-	-	-
December 31, 2017					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Domestic and foreign listed shares	\$ 4,420,377	4,420,377	-	-	4,420,377
Financial assets measured at cost	708,967	-	-	-	-
Sub-total	5,129,344	4,420,377	-	-	4,420,377
Loan and receivable					
Cash and cash equivalents	12,850,798	-	-	-	-
Notes receivable	23,207	-	-	-	-
Accounts receivable	1,940,208	-	-	-	-
Other receivables	792,150	-	-	-	-
Receivable from agents	1,551,315	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	130,270	-	-	-	-
Debt investment without active markets	1,187,200	-	-	-	-
Sub-total	18,475,148	-	-	-	-
Total	\$ 23,604,492	4,420,377	-	-	4,420,377

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

		December 31, 2017			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable	\$ 5,126,811	-	-	-	-
Other payables	2,026,626	-	-	-	-
Payable to agents	707,972	-	-	-	-
Bonds payable (including current portion)	11,400,000	-	-	-	-
Long-term borrowings (including current portion)	9,205,607	-	-	-	-
Guarantee deposits received (recognized as other current liabilities and guarantee deposits received — non-current)	3,380	-	-	-	-
Total	\$ 28,470,396	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

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. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high-ask spreads is an indication of non-active market.

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data, e.g. yield curves from OTC and average quoted rates of commercial paper from Reuters quote system at the reporting date.

If the Company's financial instruments do not have an active market, wherein their fair values are determined as follows:

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

Unquoted equity instrument:

The Company estimates the fair values by using the comparable trading company approach on the assumption that the fair values are calculated on the basis of the investees' book value per share and equity multipliers derived from comparable trading companies' quoted prices. The discount effect resulting from the lack of market liquidity has been taken into account.

Unquoted equity instrument:

The Company estimates the fair values by using the comparable trading company approach on the assumption that the fair values are calculated on the basis of the investees' EBITDA and earnings multipliers derived from comparable trading companies' quoted prices. The discount effect resulting from the lack of market liquidity has been taken into account.

Unquoted debt instrument:

The Company estimates the fair values by using the comparable trading debt approach, and utilizes the statistic model to determine the relationship between the value of debt investment and its related conditions and variables.

3) For the years ended December 31, 2018 and 2017, there were no transferring of fair value hierarchy.

4) Reconciliation of Level 3 fair values

	Fair value through profit or loss Non derivative measured at fair value through profit or loss (held-for-trading financial assets)	Fair value through other comprehensive income Unquoted equity instruments	Total
Opening balance, January 1, 2018	\$ 1,056,630	597,885	1,654,515
Total gains and losses recognized:			
In profit or loss	71,208	-	71,208
In other comprehensive income	-	(179,938)	(179,938)
Ending balance, December 31, 2018	<u>\$ 1,127,838</u>	<u>417,947</u>	<u>1,545,785</u>

For the years ended December 31, 2018 and 2017, the total gains and losses that were included in “other gains and losses” and “unrealized gains (losses) on financial assets at fair value through other comprehensive income” were as follows:

	2018
Total gains and losses recognized:	
In profit or loss, and presented in “other gains and losses”	71,208
In other comprehensive income, and presented in “unrealized losses on financial assets at fair value through other comprehensive income”	(179,938)

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “financial assets measured at fair value through other comprehensive income – unlisted equity investments”.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

Most of the Company's fair value measurements in Level 3 consist of only one significant unobservable input (except for the unlisted equity instrument). Because the significant unobservable inputs of equity instruments are independent of each other, there are no correlation between these inputs.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through profit or loss—Debt investment without active markets	Discounted cash flow method	·Liquidity adjusted discount rate (2.6803%)	The estimated fair value would increase (decrease) if the liquidity adjusted discount rate were lower (higher).
Financial assets at fair value through other comprehensive income—Unlisted equity investments	Comparable trading company method	·Liquidity-adjusted discount rate (28%) ·Price-to-book ratio (0.76 on December 31, 2018) ·EBITDA multiplier (7.73 on December 31, 2018)	The estimated fair value would increase (decrease) if: ·the liquidity-adjusted discount rate were lower (higher) ·the price-to-book ratio were higher (lower) ·the EBITDA multiplier were higher (lower)

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurements in financial instruments fair values are reasonable, but if the Company uses different valuation models or variables, the measurements may vary.

For fair value measurements in Level 3, changing one or more of the variables would have the following effects:

	Input	Positive and negative changes	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Bond investment without an active market	Discount rate	1%	\$ 11,590	(11,590)	-	-
Financial assets at fair value through other comprehensive income						
Unlisted equity investment	Discount rate	1%	-	-	5,805	(5,805)
Unlisted equity investment	Price-to-book ratio multiplier	1%	-	-	4,065	(4,065)
Unlisted equity investment	EBITDA multiplier	1%	-	-	90	(90)
			<u>\$ 11,590</u>	<u>(11,590)</u>	<u>9,960</u>	<u>(9,960)</u>

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the correlations and variances among the inputs.

(w) 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, 2018 and 2017, the Company has unused credit line were amounted to \$7,837,515 and \$6,691,123 thousand, respectively.

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 35.84% 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.

(x) 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:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Total liabilities	\$ 32,072,410	30,565,699
Less: cash and cash equivalents	<u>(7,834,162)</u>	<u>(12,850,798)</u>
Net debt	<u>\$ 24,238,248</u>	<u>17,714,901</u>
Total Equity	<u>\$ 34,584,452</u>	<u>33,966,960</u>
Debt-to-adjusted-debt ratio	<u>70.08 %</u>	<u>52.15 %</u>

(y) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018, were as follows.

Reconciliation of liabilities arising from financing activities were as follows:

			<u>Non-cash changes</u>			
	<u>2018.01.01</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>	<u>2018.12.31</u>
Long-term borrowings	\$ 9,205,607	4,280,621	-	260,650	-	13,746,878
Bonds payable	<u>11,400,000</u>	<u>(4,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,900,000</u>
Total liabilities from financing activities	<u>\$ 20,605,607</u>	<u>(219,379)</u>	<u>-</u>	<u>260,650</u>	<u>-</u>	<u>20,646,878</u>

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

(7) Related-Party Transactions

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Wan Hai Lines (Singapore) Pte. Ltd. (WHL Singapore)	Subsidiary
Wan Hai Lines (America) Ltd. (WHL America)	Subsidiary
T.K. 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 (HK) Ltd. (WHL Hong Kong)	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) Ltd. (WHL Thailand)	Indirect subsidiary
Wan Hai Lines (Ecuador) S.A. (WHL Ecuador)	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 Ltd.(Bravely (Myanmar))	Indirect subsidiary
Guangzhou Wan Hai Information Technology Ltd. (GZIT)	Indirect subsidiary
Dawin Logistics (International) Ltd.(Dawin)	Indirect subsidiary

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

Name of related party	Relationship with the Company
Shenzhen Uniwin International Logistics Ltd. (Uniwin)	Indirect subsidiary
Blue Ocean Logistics (Shanghai) Ltd. (Blue)	Indirect subsidiary
Clipper International Shipping Agency Ltd. (Clipper)	Indirect subsidiary
Shenzhen Yong Chun International Shipping Management Co., Ltd. (SZYC)	Indirect subsidiary
Wan Hai Lines (Arizona) LLC. (WHL Arizona)	Indirect subsidiary
Wan Hai Lines (USA) LTD. (WHL USA)	Indirect subsidiary
HE CHUN LOGISTICS COMPANY LTD. (HE CHUN)	Indirect subsidiary
Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep)	An associate
HAI PHONG INTERNATIONAL CONTAINER TERMINAL COMPANY LTD. (HAI PHONG)	An associate
WAN Hai Lines Peru S.A.C. (WHL Peru)	Joint venture
Wan Hai Lines (UAE) LLC. (WHL UAE)	Joint venture
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)	Related party in substance

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

<u>Name of related party</u>	<u>Relationship with the Company</u>
Interasia Lines Taiwan, Ltd.	Related party in substance
Hyaline Shipping (HK) Co., Ltd. (Hyaline)	Same director with the Company
Wan Hai Lines (Japan) Ltd. (WHL Japan)	Same director with the Company
Interasia Lines Singapore Pte. Ltd. (IAL (S))	Related party in substance
Interasia Lines (M) SDN. BHD. (IAL (M))	Related party in substance
AP INTL TRAVEL SERVICE CO., LTD.	Related party in substance
New Speed Transportation & Terminal Co., Ltd. (NS)	Same director with the Company

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>2018</u>	<u>2017</u>
Subsidiary	\$ 2,960,456	2,015,085
Other related parties	834,996	534,991
	<u>\$ 3,795,452</u>	<u>2,550,076</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>2018</u>	<u>2017</u>
Subsidiary		
WH Corporation	\$ 7,986,350	5,416,810
Others	1,550,499	1,422,711
Associates	66,813	63,068
Other related parties	3,342,890	3,200,485
	<u>\$ 12,946,552</u>	<u>10,103,074</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.
NOTES TO THE FINANCIAL STATEMENTS

3. Receivables from related parties

Receivables of the Company from related parties were as follows :

Item	Related party categories	2018.12.31	2017.12.31
Accounts receivable	Subsidiary	\$ -	28,830
Accounts receivable	Other related parties	28,546	10,860
	Subsidiary:		
other receivable	WH Corporation	145,690	130,055
other receivable	Others	50,347	33,470
other receivable	Associates	132	706
other receivable	Other related parties	6,953	3,732
other receivable	Joint venture	602	-
	Subsidiary:		
Receivable from agents	Clipper	641,732	429,332
Receivable from agents	WHL India	269,648	244,036
Receivable from agents	Others	411,205	205,022
Receivable from agents	Associates	16,650	26,686
	Other related parties		
Receivable from agents	WHL Japan	659,090	432,779
Other current assets	Subsidiary	46,479	17,421
		\$ 2,277,074	1,562,929

4. Payables from related parties

Payable of the Company related parties were as follows :

Item	Related party categories	2018.12.31	2017.12.31
Accounts payable	Subsidiary	\$ 676,993	177,911
Accounts payable	Other related parties	143,022	168,962
Other payables	Subsidiary	88	3
Other payables	Other related parties	6,880	12,787
	Subsidiary:		
Payable to agents	WHL Hong Kong	347,586	347,372
Payable to agents	WHL INTL.	109,673	180,209
Payable to agents	WHL Thailand	158,552	118,761
Payable to agents	Others	82,546	57,686
Other current liabilities	Subsidiary	6,174	10,545
Other current liabilities	Other related parties	4,413	925
		\$ 1,535,927	1,075,161

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

5. Property transactions

1) Acquisition of property, plant and equipment

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, 2018 and 2017, the unrealized loss was \$81,888 thousand and \$87,345 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 USD 73,470 thousand (TWD 2,386,986 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, the unrealized gain was recognized in the amount of \$3,157 thousand. The amount was recognized depending on the useful life of the vessel, 18 years, as the deduction of long-term equity investments under equity method.

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

Related party categories	2018		2017	
	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Subsidiaries	\$			
WHL Singapore	65,298	-	92,204	-
Others	-	-	35	35
Other related parties	443	431	81	69
	\$ 65,741	431	92,320	104

6. Other related-party transactions

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

For the Years Ended December 31, 2018 and 2017, the company received payments of claims from related parties were \$442 and \$53,338 thousand, respectively.

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:

	2018.12.31	2017.12.31
Subsidiaries	\$ 15,073,429	2,915,664

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Shorts-term employee benefits	\$ <u>37,541</u>	<u>46,332</u>
	\$ <u>37,541</u>	<u>46,332</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2018.12.31	2017.12.31
Time deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf	\$ 49,315	50,415
Refundable deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf, building lease contract and lawsuit	84,270	79,855
Containers	Long-term loans	6,218,080	5,022,444
Buildings	Long-term loans	14,623	15,177
Terminal equipment	Long-term loans	-	353,496
		\$ <u>6,366,288</u>	<u>5,521,387</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 2028. As of December 31, 2018, the lease deposit amounted to ¥255,775,000 (TWD 71,220 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, 2018, the total amount claimed to the Company was approximately \$4,315 thousand, and the related cases are under negotiation or under trial.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

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, 2018			For the years ended December 31, 2017		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		403,697	801,429	1,205,126	435,320	987,690	1,423,010
Labor and health insurance		21,799	72,820	94,619	22,182	70,209	92,391
Pension		22,792	44,159	66,951	23,492	44,035	67,527
Remuneration of directors		-	28,015	28,015	-	35,993	35,993
Others employee benefits		24,244	53,954	78,198	22,360	51,693	74,053
Depreciation		1,288,443	13,676	1,302,119	990,880	18,805	1,009,685
Amortization		784	44,971	45,755	664	21,540	22,204

As of December 31, 2018 and 2017, the Company had 1,096 and 1,086 employees, and had 4 and 5 non-employee directors, 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, 2018:

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	7,664,250	7,506,500	-	-	1	-	Note 2	-	Promissory note	7,506,500	12,727,748	13,833,781
1	WHL INTL	WHL India	Other receivables related parties	Yes	145,991	145,991	115,256	4.5%	1	-	Note 3	-	Promissory note	145,991	172,107	196,693
2	WHL Singapore	Yi Chun	Other receivables related parties	Yes	92,205	92,205	65,846	2.8133%-4.01344%	1	-	Note 4	-	Promissory note	92,205	8,909,423	10,182,198
2	WHL Singapore	Bravely International Pte.Ltd.	Other receivables related parties	Yes	30,735	-	-	-	1	-	Note 4	-	-	-	8,909,423	10,182,198

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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.

2. Guarantees and endorsements for other parties:

(In thousand s of TWD)

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	WHL Singapore	2	27,677,562	15,156,476	15,045,849	15,045,849	-	43.49 %	69,168,904	Y	N	N
0	The Company	TK	2	27,677,562	73,466	27,580	27,580	-	0.08 %	69,168,904	Y	N	N

Note 1: Relationship with the Company

- The companies with which it has business relations.
- Subsidiaries in which the company directly or indirectly holds more than 50% of its total outstanding common shares.
- The parent company which directly or indirectly holds more than 50% of its voting rights.
- Subsidiaries in which the company directly or indirectly holds more than 90% of its voting rights.
- Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
- Companies in same type of business providing guarantees of pre-sale contracts according to the regulation.

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement":

- External endorsements and guarantees made by the Company may not exceed 200% of the Company's net worth.
- Endorsements and guarantees made to a single enterprise may not exceed 40% of the Company or its subsidiaries' net worth.
- 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.
- Endorsements and guarantees made by the Company and its subsidiaries to a single enterprise may not exceed 50% of the Company's net worth.
- 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 \$27,600 thousand and had received a promissory note for that amount.

3. Securities held as of December 31, 2018 (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 ENTERPRISE CO., LTD	-	Financial assets at fair value through profit or loss-current	8,464,504	283,561	- %	283,561	
	Formosa Plastics Corporation	-	"	376,288	38,005	- %	38,005	
	Formosa Chemicals & Fibre Corporation	-	"	245,480	25,775	- %	25,775	
	Tainan Spinning Co., Ltd	-	"	1,726,898	20,636	- %	20,636	
	China Steel Corporation	-	"	2,291,162	55,560	- %	55,560	
	Delta Electronics, Inc.	-	"	358,000	46,361	- %	46,361	
	Hon Hai Precision Ind. Co., Ltd.	-	"	93,440	6,616	- %	6,616	
"	Transcend Information, Inc.	-	"	89,111	5,953	- %	5,953	

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	Amtran Technology Co., Ltd.	-	Financial assets at fair value through profit or loss-current	984,058	11,071	- %	11,071	
"	Yang Ming Marine Transport Corp.	-	"	957,526	8,426	- %	8,426	
"	China Airlines Ltd.	-	"	23,753,862	261,292	- %	261,292	
"	Chinese Maritime Transport Ltd.	-	"	435,050	13,552	- %	13,552	
"	Mega Financial Holding Co., Ltd.	-	"	8,676,646	225,159	- %	225,159	
"	Taishin Financial Holding Co., Ltd.	-	"	16,783,560	219,025	- %	219,025	
"	First Financial Holding Co., Ltd.	-	"	14,498,252	289,965	- %	289,965	
"	Kinsus Interconnect Technology Corp.	-	"	334,627	14,590	- %	14,590	
"	Shih Wei Navigation Co., Ltd.	-	"	1,029,345	7,597	- %	7,597	
"	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	29,149,365	514,486	- %	514,486	
"	Taiwan Secom Co., Ltd.	-	"	2,319,000	205,000	- %	205,000	
"	The Eslite Spectrum Corporation	-	"	725,000	92,800	- %	92,800	
"	Domestic listed stocks:							
"	Shihlin Paper Corporation	Related party in substance	Financial assets at fair value through other comprehensive income — non-current	5,419,088	162,573	2.08 %	162,573	
"	Chunghwa Telecom Co., Ltd.	-	"	21,730,000	2,455,490	- %	2,455,490	
"	Domestic Unlisted stocks:							
"	Taipei Port Container Terminal Corp.	Related party in substance	"	79,315,476	406,487	15.25 %	406,487	
"	United Stevedoring Corporation	-	"	781,250	11,460	15.63 %	11,460	
"	Bonds:							
"	Royal Bank of Scotland PLC	-	Financial assets at fair value through profit or loss — non-current	-	1,127,838	- %	1,127,838	

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.

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

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	797,003	1.49 %	30 days	-	-	-	- %	
"	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	7,986,350	14.90 %	"	-	-	(496,309)	7.48 %	Note 2
"	WHL Singapore	Subsidiary	Rent income, commission revenue	(2,952,964)	5.48 %	"	-	-	-	- %	Note 2
"	WHL Singapore	Subsidiary	Commission fee	117,446	0.22 %	"	-	-	(38,711)	0.58 %	Note 2
"	WHL Hong Kong	Subsidiary	Commission fee	272,927	0.51 %	"	-	-	(347,586)	5.24 %	Note 2
"	Uniwin	Subsidiary	Commission fee	155,589	0.29 %	"	-	-	-	- %	Note 2
"	Clipper	Subsidiary	Commission fee	258,781	0.48 %	"	-	-	-	- %	Note 2
"	WHL Japan	Same director with the company	Commission fee	231,453	0.43 %	"	-	-	-	- %	
"	IAL Singapore	Related party in substance	Container rental revenue, commission revenue, joint venture revenue	(747,843)	1.39 %	"	-	-	16,946	0.41 %	
"	IAL Singapore	Related party in substance	Joint venture expense, container rental expense	193,046	0.36 %	"	-	-	-	- %	
"	Hyaline	Same director with the company	Commission fee	606,054	1.13 %	"	-	-	-	- %	
"	NSTC	Related party in substance	Tow charge	585,590	1.09 %	"	-	-	(63,444)	0.96 %	
"	APCT	Related party in substance	Container fee	319,030	0.60 %	"	-	-	(25,531)	0.38 %	
"	WCIC	Related party in substance	Turnkey charges, terminal handling charge	158,575	0.30 %	"	-	-	(16,748)	0.25 %	
"	NSaTC	Related party in substance	Container fee, tow charge	139,973	0.26 %	"	-	-	(10,323)	0.16 %	
"	WHL Malaysia	Indirect subsidiary	Commission fee	118,246	0.22 %	"	-	-	-	- %	Note 2
"	New World Container Services Corporation	Related party in substance	Container fee	121,122	0.23 %	"	-	-	(9,162)	0.14 %	

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	TK	Subsidiary	container fee, service fee, terminal handling charge	113,955	0.21 %	30 days	-	-	(8,985)	0.14 %	Note 2
"	WHL Korea	Subsidiary	Commission fee	107,484	0.20 %	"	-	-	-	- %	Note 2
WHL Singapore	The Company	Subsidiary	Rent expense, commission fee, shipping agent expense	2,952,964	16.14 %	"	-	-	-	- %	Note 2
"	The Company	Subsidiary	Fuel revenue	(117,446)	0.57 %	"	-	-	38,711	12.21 %	Note 2
"	k.k. WH Corporation	Both are subsidiaries of WHL subsidiary	Vessel rental revenue	(6,205,791)	29.87 %	"	-	-	52,239	16.47 %	Note 2
WHL Hong Kong	The Company	Subsidiary	Commission revenue	(272,927)	15.29 %	"	-	-	347,586	48.91 %	Note 2
"	k.k. WH Corporation	Both are subsidiaries of WHL subsidiary	Rent income	(289,809)	16.24 %	"	-	-	-	- %	Note 2
Clipper	The Company	Subsidiary	Commission revenue	(155,589)	34.19 %	"	-	-	-	- %	Note 2
Uniwin	The Company	Subsidiary	Commission revenue	(258,781)	100.00 %	"	-	-	-	- %	Note 2
k.k. WH Corporation	The Company	Subsidiary	Terminal port revenue, rent income	(7,986,350)	99.64 %	"	-	-	496,309	39.60 %	Note 2
"	WHL Singapore	Both are subsidiaries of WHL subsidiary	Rent expense	6,205,791	77.96 %	"	-	-	(52,239)	4.18 %	Note 2
"	WHL Hong Kong	Both are subsidiaries of WHL subsidiary	Rent expense	289,809	3.64 %	"	-	-	-	- %	Note 2
WHL Malaysia	The Company	Subsidiary	Commission revenue	(118,246)	99.92 %	"	-	-	-	- %	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.

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

8. Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands of TWD)

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	Clipper	Related party in substance	641,732	- %	-		493,009	-
"	WHL Japan	Same director with the company	659,090	- %	-		543,962	-
"	WHL India	Subsidiary	269,648	- %	-		262,672	-
"	WH USA	Subsidiary	115,220	- %	-		76,022	-
k.k. WH Corporation	The Company	Subsidiary	496,309	- %	-		406,829	-
WHL Hong Kong	The Company	Subsidiary	347,586	- %	-		82,024	-
BS	The Company	Subsidiary	132,988	- %	-		132,988	-
WHL INTL	The Company	Subsidiary	109,582	- %	-		96,408	-
WHL Thailand	The Company	Subsidiary	158,552	- %	-		158,552	-

Note: Eliminated in the financial statements.

9. Trading in derivative instruments: None.

(b) Information on investees

For the year 2018, the following is the information on investees (excluding investees in Mainland china):

(In thousands of TWD)

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 %	28,001,054	2,308,879	2,303,423	Subsidiary (Note 2)
"	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	401,460	401,460	280,000	100.00 %	426,140	22,573	22,573	Subsidiary
"	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	18,293	338	338	Subsidiary
"	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	2,120	(368)	(368)	Subsidiary (Note 1)
"	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	361,735	468,057	99,837	Associate (Note 1)
"	T.K. Logistics International Co., Ltd.	Taiwan	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00 %	147,616	6,065	3,336	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 %	38,776	5,345	3,742	Subsidiary
"	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	598,211	202,896	-	16.50 %	573,088	(109,216)	(18,021)	Associate (Note 1)
WHL Singapore Inc.	Wan Hai Lines (Phils.), Inc.	Philippine	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	15,266	3,333	3,333	Indirect subsidiary
"	Wan Hai Lines (HK) Ltd.	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	2,716,186	365,068	365,068	Indirect subsidiary
"	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	83,173	17,222	17,222	Indirect subsidiary
"	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	9,001	6,330	6,330	Indirect subsidiary
"	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	28,177	12,750	12,750	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 International Pte Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	556,239	(268,044)	(268,044)	Indirect subsidiary
"	Wan Hai Lines (Thailand) Ltd.	Thailand	Transportation and shipping agency services	2,805	2,805	24,900	49.00 %	58,839	14,161	6,939	Indirect subsidiary
"	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	33,022	17,746	17,746	Indirect subsidiary (Note 1)
"	HE CHUN LOGISTICS COMPANY LTD.	Vietnam	ODD operations	60,857	-	-	100.00 %	61,376	427	427	Indirect subsidiary (Note 1)
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	1,962	1,007	109,140	51.00 %	9,645	16,705	8,519	Associate
"	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	6,017	7,900	4,029	Indirect subsidiary
"	Bravely International Pte Ltd.	Singapore	Investment	413,778	151,638	6,623,101	100.00 %	85,358	(209,220)	(209,220)	Indirect subsidiary
"	WAN HAI LINES (USA) LTD.	America	Transportation and shipping agency services	4,469	-	3,000	100.00 %	5,335	709	709	Indirect subsidiary
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	36,331	68,690	33,658	Associate
"	Infinite Marine Investment Co., Ltd.	Cayman	Transportation and investment	173,463	173,463	5,550,000	100.00 %	(730)	(167,068)	(167,068)	Indirect subsidiary
"	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	80,730	28,022	28,022	Indirect subsidiary
WHL Hong Kong	Dawin Logistics (International) Ltd.	Hong Kong	Transportation and shipping agency services	570,480	570,480	144,640,000	100.00 %	912,796	29,167	29,167	Indirect subsidiary
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Ltd.	Myanmar	Managing containers, storage and logistics service	127,584	96,894	4,000,000	80.00 %	92,409	(3,264)	(2,611)	Indirect subsidiary
WHL America	Wan Hai Lines (Arizona) LLC.	America	House rental and management services	359,760	359,760	-	100.00 %	375,574	2,780	2,780	Indirect subsidiary (Note 1)

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.

(c) Information on investment in Mainland China

1. 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)	-	-	-	-	476	100.00 %	476	22,213	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and agency services for transport affairs	644,016	(1)	-	-	-	-	13,162	100.00 %	13,162	788,110	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	8,596	49.00 %	4,212	2,424	-
Blue Ocean Logistics (Shanghai) Ltd	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	2,690	100.00 %	2,690	65,349	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	1,762	90.00 %	1,586	26,276	-
Wan Hang Tours Co., Ltd.	Retailing and catering management	287,330	(1)	-	-	-	-	239	50.00 %	120	119,522	-

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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						
Qingdao Port & Win International Logistics Co., Ltd.	Container Depot	50,188	(1)	-	-	-	-	32,922	50.00 %	16,461	40,904	-

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	20,750,671

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, 2018.

Wan Hai Lines Ltd.
STATEMENT OF CASH AND CASH
EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 51,134
Saving accounts-NT		91,470
Saving accounts-Foreign currency	USD 5,124 thousand @ 30.74	219,994
	THB 62,165 thousand @ 0.95	
	KRW 96,546 thousand @ 0.03	
	CNY 195 thousand @ 4.49	
Time deposits-NT		45,000
Time deposits-Foreign currency	USD 148,858 thousand @ 30.74	7,426,564
	JPY 4,901,500 thousand @ 0.28	
	CNY 224,975 thousand @ 4.49	
	SGD 995 thousand @ 22.49	
	HKD 115,973 thousand @ 3.92	
Total		<u><u>\$ 7,834,162</u></u>

Wan Hai Lines Ltd.

**STATEMENT OF CHANGES IN FINANCIAL ASSETS
MEASURED AT FAIR VALUE THROUGH PROFIT OR
LOSS**

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instruments	Description	Shares (In thousands)		Book Value	Total Amount	Interest Rate	Acquisition Cost	Fair Value		Change in fair value-attribute to change in credit risk	Note
								Unit Price (NT\$)	Total Amount		
Greatwall Enterprise Co., Ltd.	Domestic listed stocks	8,465	\$	-	-	- %	183,198	33.50	283,561	-	
Formosa Plastics Corporation	"	376		-	-	- %	29,619	101.00	38,005	-	
Formosa Chemicals & Fiber Corporation	"	245		-	-	- %	17,917	105.00	25,775	-	
Tainan Spinning Co., Ltd.	"	1,727		-	-	- %	32,771	11.95	20,636	-	
China Steel Corporation	"	2,291		-	-	- %	57,287	24.25	55,560	-	
Delta Electronics, Inc.	"	358		-	-	- %	40,145	129.50	46,361	-	
Hon Hai Precision Ind.Co., Ltd.	"	93		-	-	- %	9,552	70.80	6,616	-	
Transcend Information, Inc.	"	89		-	-	- %	9,530	66.80	5,953	-	
Amtran Technology Co., Ltd.	"	984		-	-	- %	35,642	11.25	11,071	-	
Yang Ming Marine Transport Corp.	"	958		-	-	- %	38,942	8.80	8,426	-	
China Airlines Ltd.	"	23,754		-	-	- %	457,957	11.00	261,292	-	
Chinese Maritime Transport Ltd.	"	435		-	-	- %	51,519	31.15	13,552	-	
Mega Financial Holding Co., Ltd.	"	8,677		-	-	- %	177,449	25.95	225,159	-	
Taishin Financial Holding Co., Ltd.	"	16,784		-	-	- %	175,061	13.05	219,025	-	
First Financial Holding Co., Ltd.	"	14,498		-	-	- %	216,016	20.00	289,965	-	
Kinsus Interconnect Technology Corp.	"	335		-	-	- %	39,588	43.60	14,590	-	
Shih Wei Navigation Co., Ltd.	"	1,029		-	-	- %	60,607	7.38	7,597	-	
Taiwan Cooperative Financial Holding Co., Ltd.	"	29,149		-	-	- %	442,739	17.65	514,486	-	
Taiwan Secom Co., Ltd.	"	2,319		-	-	- %	204,921	88.40	205,000	-	
The Eslite spectrum Corporationh	"	725		-	-	- %	96,579	128.00	92,800	-	
					<u>-</u>		<u>2,377,039</u>		<u>2,345,430</u>	<u>-</u>	

Wan Hai Lines Ltd.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(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>85,437</u>	
Accounts receivable-freight, additional fee and container loading / discharge			
Related parties:			
Others (Note 1)		<u>28,546</u>	
Non-Related parties:			
Formosa Chemicals & Fiber Corporation	Freight and additional fees revenue	72,926	
Others (Note 1)	"	<u>1,016,943</u>	
		<u>1,203,852</u>	
Less: Allowance for doubtful receivables		<u>(358)</u>	
Total		<u><u>\$ 1,203,494</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, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related parties:			
Accounts receivable- disposal of assets	Revenue from sale of containers	\$ 2,135	
Accounts receivable- charters	Revenue from charters of the remaining fuel at the end of rental period or others	145,575	
Other		<u>56,014</u>	
Sub total		<u>203,724</u>	
Non-Related parties:			
Receivables	Discount on expense of containers loading / discharge	147,641	
Accounts receivable- charters	Revenue from charters of the remaining fuel at the end of rental period or others	120,229	
Indemnity income receivables	Receivables of insurance	375,537	
Tax refund receivable	Income tax refunds	103,115	
Other		<u>93,108</u>	
Sub total		<u>839,630</u>	
Total		<u><u>\$ 1,043,354</u></u>	

Wan Hai Lines Ltd.
STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount		Note
	Cost	Net Realizable Value	
Marine diesel oil	\$ 158,399	132,863	
Marine residual fuel oil	949,003	850,448	
Fresh lubricating oil	6,784	6,784	
Less: Allowance for inventory valuation and obsolescence losses	(124,091)	-	
	\$ 990,095	990,095	

Wan Hai Lines Ltd.

STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses:			
Prepaid rent expense	Rent expenses of vessels and office	\$ 59,746	
Prepaid insurance expense	Insurance expenses of containers, fire disaster, public liability insurance and mutual insurance	11,883	
Prepaid expenses from agents		13,360	
Others (The individual account does not exceed 5% of the amount balance)		53,492	
Sub total		<u>138,481</u>	
Payment on behalf of others:			
Payment on behalf of others-charters	Payment of fuel expense, accommodation fee, medical expense and others	504,940	
Others (The individual account does not exceed 5% of the amount balance)		90,817	
Sub total		<u>595,757</u>	
Total		<u><u>\$ 734,238</u></u>	

Wan Hai Lines Ltd.

STATEMENT OF CHANGE IN NON-CURRENT FINANCIAL
ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT
AND LOSS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018		Collateral	Note
	Share (In thousands)	Carrying value	Share (In thousands)	Amount	Share (In thousands)	Amount	Share (In thousands)	Carrying value		
Royal Bank of Scotland PLC	-	\$ 1,056,630	-	71,208	-	-	-	1,127,838	None	

Wan Hai Lines Ltd.

STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL
ASSETS MEASURED AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018		Collateral	Note
	Share (In thousands)	Carrying value	Share (In thousands)	Amount	Share (In thousands)	Amount	Share (In thousands)	Carrying value		
Shihlin Paper Corporation	5,419	\$ 177,746	-	-	-	15,173	5,419	162,573	None	
Chunghua Telecom Co., Ltd.	19,279	2,043,574	2,451	411,916	-	-	21,730	2,455,490		
Taipei Port Container Terminal Corporation	79,315	585,482	-	-	-	178,995	79,315	406,487		
United Stevedoring Corporation	781	12,403	-	-	-	943	781	11,460		

Wan Hai Lines Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS
ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED IN DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018		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	\$ 24,808,532	-	3,192,522	-	-	959,957,200	100.00 %	29.17	28,001,054	None	
Wan Hai Lines (America) Ltd.	280,000	389,232	-	36,908	-	-	280,000	100.00 %	1,521.93	426,140	"	
k.k. WH Corporation	500	16,979	-	1,314	-	-	500	100.00 %	36,586.00	18,293	"	
Wan Hai Lines (Germany) GmbH	Note 1	2,503	-	-	-	383	Note 1	100.00 %	-	2,120	"	
Tan Cang-Cai Mep International Terminal Co., Ltd.	Note 1	313,359	-	48,376	-	-	Note 1	21.33 %	-	361,735	"	
T.K. Logistics International Co., Ltd.	14,300,000	146,995	-	621	-	-	14,300,000	55.00 %	10.32	147,616	"	
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	38,188	-	588	-	-	3,000,000	70.01 %	12.93	38,776	"	
Hai Phong International Container Terminal Co Ltd.	Note 1	190,160	-	382,928	-	-	Note 1	16.50 %	-	573,088	"	
		<u>\$ 25,905,948</u>		<u>3,663,257</u>						<u>29,568,822</u>		
				<u>383</u>						<u>29,568,822</u>		

Note 1: Limited companies with no common share issued.

Wan Hai Lines Ltd.
STATEMENT OF OTHER NON-CURRENT
ASSET

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred tax assets-non-current		\$ 518,080	
Refundable deposits		133,585	
Others		<u>430,606</u>	
Total		<u><u>\$ 1,082,271</u></u>	

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Accounts payable			
Related parties:			
k.k. WH Corporation	Charters expense	\$ 496,309	
Other (Note 1)		<u>323,705</u>	
Non-related parties			
Other (Note 1)		<u>4,784,074</u>	
Accounts payable-agents commission in transit		12,577	
Accounts payable-containers fee		135,807	
Accounts payable-charters		59,250	
Accounts payable-joint service		<u>118,784</u>	
Total		<u><u>\$ 5,930,506</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, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Accrued expense		\$ 378,945
Payable to acquisition of equipment		926,555
Others		299,676
		<u>\$ 1,605,176</u>

STATEMENT OF OTHER CURRENT LIABILITIES

Item	Description	Amount	Note
Receipts in advance	Revenue from disposal of containers or over payment	\$ 503,914	
Temporary collection-others	Receipts under custody of income tax expense and labor / health insurance expense	109,984	
Payables to charters	Receipts under custody of freight expense	11,815	
Guarantee deposits received	Deposit	102	
Total		<u>\$ 625,815</u>	

Wan Hai Lines Ltd.
STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Creditor	Description	Balance, December 31, 2018	Contract period	Range of Interest Rates	Collateral	Note
Land bank of Taiwan Chang-an Branch		\$ 922,050	2018.04.12~2023.04.12		Containers	
Mizuho Bank Taipei Branch		245,880	2015.12.30~2020.07.15		Containers	
"		245,880	2017.12.25~2022.12.25		Containers	
"		122,940	2015.07.15~2020.07.15		Containers	
Mega International Commercial Bank Foreign Department		307,350	2017.10.23~2022.10.23		Containers	
"		450,780	2016.08.08~2021.08.08		Containers	
Taiwan Cooperative Bank Chengdong Branch		491,760	2014.11.25~2019.11.25		Containers	
First Commercial Bank Chien-cheng Branch		1,106,460	2018.08.15~2023.06.12		Containers	
"		276,615	2018.06.12~2023.06.12		Containers	
Chang Hwa Bank Chilin Branch		614,700	2015.08.31~2020.08.31		Containers	
"		922,050	2016.07.28~2021.07.28		Containers	
"		500,000	2016.12.21~2021.12.21		Buildings, land	
Taipei Star Bank Changan Branch		230,512	2017.12.21~2022.12.21		-	
CTBC Bank Corporate Banking Division		480,000	2018.12.14~2019.01.14		-	
MUFG Bank Taipei Branch		500,000	2018.06.19~2021.06.18		-	
JihSun Bank Shin Yi Branch		600,000	2018.11.22~2019.01.14		-	
Taishin Internation Bank Jianpei Branch		700,000	2018.12.14~2019.01.04		-	
Bank SinoPac Banking Division		300,000	2018.12.14~2019.01.04		-	
E. Sun Bank Taipei Branch		700,000	2018.12.14~2019.01.04		-	
Mega International Commercial Bank Foreign Department		500,000	2018.12.21~2019.01.04		-	
China Bills Finance Corporation		220,000	2018.06.15~2021.06.14		-	
"		430,000	2016.12.27~2021.12.25		-	
"		50,000	2018.12.27~2021.12.25		-	
"		80,000	2018.08.06~2021.06.14		-	
"		120,000	2018.08.06~2021.12.25		-	
Mega Bills Finance Corporation		700,000	2017.08.22~2021.12.20		-	
"		30,000	2018.12.28~2021.12.20		-	
"		200,000	2018.12.21~2021.12.20		-	
"		700,000	2016.12.27~2021.12.20		-	
International Bills Finance Corporation		300,000	2018.08.06~2021.04.20		-	
"		700,000	2018.06.15~2021.04.20		-	
		13,746,977		0.32%~3.77%		
Less: Current portion		(5,552,098)				
Discount on commercial paper		(99)				
		<u><u>\$ 8,194,780</u></u>				

Wan Hai Lines Ltd.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED IN DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Numbers	Amount	Note
Freight revenue		\$ 42,230,543	
Additional freight revenue		4,158,407	
Slottage revenue		2,740,536	
Revenue from WHL terminal		634,940	
Agency revenue		155,021	
Documentation revenue		2,924,462	
Container rental revenue		1,188,015	
Income for charter hire		<u>109,704</u>	
		54,141,628	
Less: Sales returns and allowances		<u>(207,583)</u>	
Net amount of operating revenue		<u><u>\$ 53,934,045</u></u>	

Wan Hai Lines Ltd.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED IN DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Agency Service	\$ 1,750,531
Port charges	3,354,389
Stevedorage expense	18,329,512
Container expense	5,589,636
Vessel expense	1,551,398
Fuel Cost	11,378,416
Loss on inventory valuation	124,091
Charter hire expense	8,494,278
Slottage expense	944,020
WHL terminal expense	2,072,050
	<u>\$ 53,588,321</u>

Wan Hai Lines Ltd.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED IN DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary		\$ 801,429	
Entertainment		95,526	
Taxes		333,428	
Service fee		14,257	
Other expenses		<u>712,283</u>	No single amount exceed 5%
Total		<u><u>\$ 1,956,923</u></u>	

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

6.5 Consolidated Financial Statements for Fiscal Year 2018

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, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 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 audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note(4)(p) "Revenue", Note (5)(b) "Uncertainty associated with the assumptions and estimations for revenue recognition" and Note(6)(o) "Revenue disclosures" 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)(i) “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. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, 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 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.

Auditors' 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 auditors' 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 auditors' 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 and 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 22, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements 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 independent auditors' 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of New Taiwan Dollars)

Seeing accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the months ended December 31			
		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(s)(t) and (7))	\$ 66,778,676	100	60,769,645	100
5000	Operating costs (notes (6)(f) and (7))	61,776,300	92	53,654,228	88
	Gross profit	5,002,376	8	7,115,417	12
6000	Operating expenses	4,013,375	6	3,973,607	7
	Income from operations	989,001	2	3,141,810	5
	Non-operating income and expenses (notes (6)(g) and (v)):				
7010	Other income	441,013	1	411,437	1
7020	Other gains and losses	772,064	1	(43,137)	-
7050	Finance costs	(565,345)	(1)	(521,740)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	140,574	-	130,671	-
	Total non-operating income and expenses	788,306	1	(22,769)	-
	Profit before tax	1,777,307	3	3,119,041	5
7950	Less: Income tax expense (notes (6)(p))	640,069	1	560,066	1
	Net Profit	1,137,238	2	2,558,975	4
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit and loss				
8311	Remeasurements from defined benefit plans	15,178	-	(92,536)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(46,035)	-	-	-
8349	Less: Income tax benefit (expense) related to items that will not be reclassified subsequently	5,392	-	9,178	-
	Total items that will not be reclassified subsequently to profit and loss	(25,465)	-	(83,358)	-
8360	Other components of other comprehensive income that will not be reclassified to profit or loss				
8361	Exchange differences on translation	876,215	1	(2,058,133)	(3)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	340,656	-
8399	Other components of other comprehensive income that will be reclassified to profit or loss	(794)	-	5,132	-
	Total items that will not be reclassified subsequently to profit and loss	875,421	1	(1,712,345)	(3)
	Other comprehensive income (net of tax)	849,956	1	(1,795,703)	(3)
8500	Total comprehensive income	\$ 1,987,194	3	763,272	1
	Profit (loss) attributable to:				
8610	Owners of the parent company	\$ 1,117,906	2	2,541,889	4
8620	Non-controlling interests	19,332	-	17,086	-
		\$ 1,137,238	2	2,558,975	4
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 1,967,988	3	746,329	1
8720	Non-controlling interests	19,206	-	16,943	-
		\$ 1,987,194	3	763,272	1
	Basic earnings per share (New Taiwan Dollars) (note (6)(r))	\$ 0.50		1.15	
	Diluted earnings per share (New Taiwan Dollars) (note (6)(r))	\$ 0.50		1.14	

Seeing accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017
Expressed in Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Company									
	Retained Earnings				Other Equity Items				
Stock	Capital Surplus	Legal reserve	Special reserve	Retained Earnings	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) from investments in equity instruments measured at fair value for other comprehensive income	Unrealized Gains (losses) on Available for sale Financial Assets	Total Equity Attributable to Owners	Non-controlling Interests
\$	22,182,975	6,389,335	1,053,282	2,635,957	572,600	-	12,120	34,107,950	19,534
	-	-	-	2,541,889	-	-	-	2,541,889	17,086
	-	-	-	(83,358)	(2,052,858)	-	340,656	(1,795,560)	(143)
	-	-	-	2,458,531	(2,052,858)	-	340,656	746,329	16,943
	-	114,168	-	(114,168)	-	-	-	-	-
	-	-	-	(887,319)	-	-	-	(887,319)	-
	-	-	(1,053,282)	1,053,282	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	22,182,975	6,503,503	-	5,146,283	(1,480,258)	-	352,776	33,966,960	212,657
	-	-	-	271,383	-	(159,954)	(352,776)	(241,347)	-
	22,182,975	6,503,503	-	5,417,666	(1,480,258)	(159,954)	-	33,725,613	212,657
	-	-	-	1,117,906	-	-	-	1,117,906	19,332
	-	-	-	20,570	875,547	(46,035)	-	850,082	(126)
	-	-	-	1,138,476	875,547	(46,035)	-	1,967,988	19,206
	-	254,190	-	(254,190)	-	-	-	-	-
	-	-	1,127,482	(1,127,482)	-	-	-	-	-
	-	-	-	(1,109,149)	-	-	-	(1,109,149)	-
	-	-	-	-	-	-	-	-	1,090
	22,182,975	6,757,693	1,127,482	4,065,321	(604,711)	(205,989)	-	34,584,452	232,953
\$	22,182,975	1,261,681	-	-	-	-	-	34,305,484	-
	22,182,975	6,389,335	1,053,282	2,635,957	572,600	-	12,120	34,107,950	19,534
	-	-	-	2,541,889	-	-	-	2,541,889	17,086
	-	-	-	(83,358)	(2,052,858)	-	340,656	(1,795,560)	(143)
	-	-	-	2,458,531	(2,052,858)	-	340,656	746,329	16,943
	-	114,168	-	(114,168)	-	-	-	-	-
	-	-	-	(887,319)	-	-	-	(887,319)	-
	-	-	(1,053,282)	1,053,282	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	22,182,975	6,503,503	-	5,146,283	(1,480,258)	-	352,776	33,966,960	212,657
	-	-	-	271,383	-	(159,954)	(352,776)	(241,347)	-
	22,182,975	6,503,503	-	5,417,666	(1,480,258)	(159,954)	-	33,725,613	212,657
	-	-	-	1,117,906	-	-	-	1,117,906	19,332
	-	-	-	20,570	875,547	(46,035)	-	850,082	(126)
	-	-	-	1,138,476	875,547	(46,035)	-	1,967,988	19,206
	-	254,190	-	(254,190)	-	-	-	-	-
	-	-	1,127,482	(1,127,482)	-	-	-	-	-
	-	-	-	(1,109,149)	-	-	-	(1,109,149)	-
	-	-	-	-	-	-	-	-	1,090
	22,182,975	6,757,693	1,127,482	4,065,321	(604,711)	(205,989)	-	34,584,452	232,953
\$	22,182,975	1,261,681	-	-	-	-	-	34,305,484	-

Seeing accompanying notes to financial statements.

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

WAN HAI LINES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 1,777,307	3,119,041
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,124,116	4,089,817
Amortization expense	46,437	22,927
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	-	72
Net (gain) loss on financial assets at fair value through profit or loss	(64,405)	-
Interest expense	565,345	521,740
Interest revenue	(247,999)	(226,754)
Dividend income	(193,014)	(184,683)
Investment income under the equity method	(140,574)	(130,671)
Gain on disposal of property, plant and equipment	(512,526)	(158,683)
Gain on disposal of current available-for-sale financial assets	-	(52,817)
Unrealized foreign exchange loss	223,091	(335,416)
Others	585	85
Total adjustments to reconcile profit (loss)	3,801,056	3,545,617
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(4,206)	693
Accounts receivable (including related parties)	(558,082)	(554,265)
Contract Assets	(113,435)	-
Other receivables	(245,556)	58,204
Inventories	(22,597)	(67,482)
Receivables from agents	(137,120)	16,135
Other current assets	(106,937)	80,464
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(115,617)	-
Total changes in operating assets, net	(1,303,550)	(466,251)
Changes in operating liabilities, net:		
Accounts payable (including related parties)	754,130	488,023
Other payables	(210,121)	580,450
Payables to agents	6,920	(17,496)
Other current liabilities	532,740	204,617
Accrued pension liabilities	(39,548)	(78,922)
Total changes in operating liabilities, net	1,044,121	1,176,672
Total changes in operating assets and liabilities	(259,429)	710,421
Total adjustments	3,541,627	4,256,038
Cash inflow generated from operations	5,318,934	7,375,079
Income taxes paid	(314,206)	(295,877)
Net cash provided by operating activities	5,004,728	7,079,202
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(262,840)	-
Acquisition of available-for-sale financial assets	-	(94,801)
Proceeds from disposal of available-for-sale financial assets	-	229,395
Acquisition of long-term equity investment under equity method	(395,362)	(268,461)
Acquisition of property, plant and equipment	(4,185,886)	(4,550,565)
Proceeds from disposal of property, plant and equipment	555,867	244,070
Acquisition of intangible assets	(59,667)	(29,480)
Acquisition of investment property	(5,267)	(310,706)
Other non-current assets	(3,246,657)	(96,758)
Interest received	252,784	224,287
Dividends received	312,370	232,042
Net cash used in investing activities	(7,034,658)	(4,420,977)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	-	(3,000)
Proceeds from issuing bonds	-	2,100,000
Repayments of bonds	(4,500,000)	(2,900,000)
Proceeds from long-term loans	11,530,300	2,724,950
Repayment of long term loans	(9,298,111)	(3,107,111)
Guarantee deposits	48,686	61,057
Cash dividends paid	(1,109,149)	(887,319)
Interest paid	(596,047)	(528,922)
Change in non-controlling interests	1,090	(1,819)
Net cash used in financing activities	(3,923,231)	(2,542,164)
Foreign exchange rate effects	126,303	(197,812)
Net (decrease) increase in cash and cash equivalents	(5,826,858)	(81,751)
Cash and cash equivalents, beginning of period	19,245,440	19,327,191
Cash and cash equivalents, end of period	\$ 13,418,582	19,245,440

Seeing accompanying notes to financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

(1) Company History

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 22, 2019.

(3) New Standards, Amendments and Interpretations 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, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 significant changes are as follows:

(i) 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 the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Rendering of services

The Group provides vessel transportation services and recognizes revenue using percentage-of-completion of voyage method. 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. 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.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Accounts receivable	\$ 3,612,780	(751,084)	2,861,696	2,941,263	(637,649)	2,303,614
Contract assets	-	751,084	751,084	-	637,649	637,649
Impact on assets		-			-	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impacted line items on the consolidated statement of cash flows	For the year ended 2018.12.31		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Cash flows from (used in) operating activities:			
Profit before tax	\$ 1,777,307	-	1,777,307
Adjustments:			
Accounts receivable	(671,517)	113,435	(558,082)
Contract assets	-	(113,435)	(113,435)
Impact on net cash flows from operating activities		<u>-</u>	

(ii) 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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	19,245,440	Amortized cost	19,245,440
Debt securities	Loans and receivables (Bond investment without an active market) (note 1)	1,187,200	Mandatorily at FVTPL	1,056,630
Equity instruments	Available-for-sale (Domestic listed stocks) (note 2)	2,199,057	Mandatorily at FVTPL	2,199,057
	Available-for-sale (Domestic listed stocks) (note 3)	2,221,320	FVOCI	2,221,320
	Available-for-sale (Financial assets measured at cost) (note 4)	708,967	FVOCI	597,885

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Notes receivable, net	Loans and receivables (note 5)	25,430	Amortized cost	25,430
Accounts receivable, net	Loans and receivables (note 5)	2,941,263	Amortized cost	2,941,263
Other receivable	Loans and receivables (note 5)	1,011,713	Amortized cost	1,011,713
Receivables from agents	Loans and receivables (note 5)	696,948	Amortized cost	696,948
Guarantee deposits paid (Other current assets)	Loans and receivables (note 5)	5,842	Amortized cost	5,842
Guarantee deposits paid (Other non-current assets)	Loans and receivables (note 5)	419,401	Amortized cost	419,401

Note1: Corporate debt securities that were previously classified as bond investment without an active market are now classified as mandatorily measured at FVTPL because these contractual cash flows do not consist solely of payments of principal and interest on the principal amount outstanding. An increase of \$130,570 thousand in the allowance for impairment was recognized in opening retained earnings on January 1, 2018 upon transition to IFRS 9.

Note2: Under IAS 39, these equity securities were classified as available for sale. Because the Group intends to hold these equity securities for trading purpose, these assets have been classified as mandatorily measured at FVTPL. Accordingly, a decrease of \$75,939 thousand in other equity and an increase of \$75,939 thousand in retained earnings were recognized on January 1, 2018.

Note3: Under IAS 39, these equity securities were classified as available-for-sale that the Group intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Upon transition of IFRS 9, an adjustment was made to the allowance for impairment recognized to decrease the opening balance of other equity on January 1, 2018. Accordingly, a decrease of \$234,014 thousand in other equity and an increase of \$234,014 were recognized on January 1, 2018.

Note4: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, a decrease of \$111,082 thousand in those assets recognized, and a decrease of \$203,082 thousand in other equity as well as the increase of \$92,000 thousand in retained earnings were recognized on January 1, 2018.

Note5: Notes, trade and other receivables, and receivables from agents that were classified as loans and receivables under IAS 39, are now classified as measured at amortized cost. Upon transition to IFRS 9, no adjustments were made to increase the allowance for impairment and the opening balance of retained earnings on January 1, 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ -	-	-	-	-	-
Additions – debt instruments:						
From loans and receivables (bond investment without an active market) – required reclassification based on classification criteria	-	1,187,200	(130,570)	-	(130,570)	-
Additions – equity instruments:						
From available for sale	-	2,199,057	-	-	75,939	(75,939)
Total	<u>\$ -</u>	<u>3,386,257</u>	<u>(130,570)</u>	<u>3,255,687</u>	<u>(54,631)</u>	<u>(75,939)</u>
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 5,129,344	-	-	-	-	-
Available for sale to FVOCI	-	-	(111,082)	-	326,014	(437,096)
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	(2,199,057)	-	-	-	-
Total	<u>\$ 5,129,344</u>	<u>(2,199,057)</u>	<u>(111,082)</u>	<u>2,819,205</u>	<u>326,014</u>	<u>(437,096)</u>
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, notes and trade receivables, other receivables and receivables from agents (IAS 39)	\$ 25,533,237	-	-	-	-	-
Adjustments for allowance of impairment for financial assets measured at amortized cost	-	-	-	-	-	-
Subtractions:						
To FVTPL – required reclassification based on classification criteria	-	(1,187,200)	-	-	-	-
Total	<u>\$ 25,533,237</u>	<u>(1,187,200)</u>	<u>-</u>	<u>24,346,037</u>	<u>-</u>	<u>-</u>

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(z).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in 2019 and the following years, with no restatement of comparative information and unrecognized an adjustment to the opening balance of retained earnings at January 1, 2019.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
 - exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
 - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its wharfs, vessels, containers, offices and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$5,463,590 thousand respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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) Fair value through other comprehensive income (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.

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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements 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. Adjustments or differences between considerations paid or received and fair value of non-control interests are recognized as equity attributable to the owners of the Company.

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2018.12.31	2017.12.31	
The Company	Wan Hai Lines (Singapore) Pte Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing	100.00 %	100.00 %	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00 %	55.00 %	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00 %	100.00 %	
The Company	Wan Hai Lines (Germany) GmbH (WHL-Germany)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services	70.01 %	70.01 %	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL-Malaysia)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai Lines (HK) Ltd. (WHL-Hong Kong)	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 %	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2018.12.31	2017.12.31	
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 Singapore	Wan Hai Lines (USA) Ltd. (WHL USA)	International freight transportation and agency services for transport affairs	100.00 %	- %	
WHL Singapore	Bravely International Pte. Ltd. (Bravely)	International freight transportation and investment	100.00 %	- %	Bravely was wholly owned by WHL INTL in December 31, 2017. Due to reorganization in October, 2017, the Group sold all its shares to WHL Singapore.
WHL Singapore	HE CHUN LOGISTICS COMPANY LTD. (HE CHUN)	ODD operations	100.00 %	- %	
WHL America	Wan Hai Lines (Arizona) LLC (WHL Arizona)	House rental and management services	100.00 %	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.	Infinite Marine Investment Co., Ltd.	Investment	100.00 %	100.00 %	
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company LTD.	Managing container, storage and logistics services	80.00 %	80.00 %	

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

WAN HAI LINES LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2018.12.31	2017.12.31	
WHL-Hong Kong	Guangzhou Wan Hai Information Technology Ltd. (GZIT)	Information software service	100.00 %	100.00 %	
WHL-Hong Kong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00 %	100.00 %	
Dawin	Shenzhen Uniwin International Logistics Ltd. (Uniwin)	Freight transportation and agency services for transport affairs	100.00 %	100.00 %	
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (Blue)	Containers, storage and international transportation services	100.00 %	100.00 %	
Shenzhen Uniwin	Clipper International Shipping Agency Ltd. (Clipper)	International shipping agency services	49.00 %	49.00 %	The Company did not directly or indirectly hold over one half of the voting rights of Clipper; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of Clipper. As a result, the Company has a direct control over Clipper.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd. (SZYC)	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.

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:

- 1) Equity instruments designated at fair value through other comprehensive income (available-for-sale equity instruments)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Cash and cash equivalents

Cash comprise cash on hand and current 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 assets (applicable from January 1, 2018)

1. Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets/them.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized 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.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated—e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, receivables from agents, guarantee deposit paid and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a time deposit to have low credit risk when its trading counterparties' credit risk ratings are equivalent to the globally understood definition of 'investment grade'.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) 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 debt instrument in its entirety, the Group recognizes the difference between its 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 fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of 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, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

2. Financial assets (applicable before January 1, 2018)

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 or buying back 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

3. 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.

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.

Interests and gains or losses related to the financial liability are recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 included 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of 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.

(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.

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.

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

WAN HAI LINES LTD. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****(1) 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:

	<u>The Group</u>
Buildings	23~ 60 years
Vessels	1~ 25 years
Containers	1~ 10 years
Privileged wharf equipment	2~ 15 years
Other equipment	1~ 30 years

The major components of a vessel are vessel itself and docking repair assets etc., and the Group uses 18 years and 2 years respectively to calculate the depreciable amount.

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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(m) Leases

1. Lessee

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	3~ 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 assets arising from construction contracts, 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 (the higher of its fair value less costs of disposal and its value in use) 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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND 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. Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Service revenue

The Group provides vessel transportation services and recognizes revenue using percentage-of-completion of voyage method. If the Group has recognized revenue, but not have the right to collect bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. When the payment has exceeded the services rendered, then the entitlement to consideration is recognized as a contract liability.

2) Rental revenue

The Group provides rental of vessels and containers and recognizes revenue using straight-line method over the lease term.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

2. Revenue (policy applicable before January 1, 2018)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) Cost from contracts with customers (applicable from January 1, 2018)

1. Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2. Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- 1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- 2) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- 3) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(r) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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. Short-term employee benefits

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

(s) 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.

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

(t) 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.

(u) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(5) Major Sources of Significant 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.

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

	2018.12.31	2017.12.31
Cash	\$ 58,981	58,695
Savings accounts	2,647,703	2,959,674
Time deposits	<u>10,711,898</u>	<u>16,227,071</u>
Cash and cash equivalents in statement of cash flows	<u>\$ 13,418,582</u>	<u>19,245,440</u>

(b) Financial assets and liabilities at fair value through profit or loss

	2018.12.31
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Stocks listed on domestic markets	\$ 2,345,430
Debt securities	<u>1,127,838</u>
Total	<u>\$ 3,473,268</u>

1. For the net gain or loss on fair value on financial instruments at FVTPL, please refer to Note 6(v).

2. As of December 31, 2018, the Group's financial assets were not pledged as collateral.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2018.12.31
Equity investments at fair value through other comprehensive income	
Stocks listed on domestic markets	\$ 2,618,063
Stocks unlisted on domestic markets	417,947
Total	\$ 3,036,010

1. Equity investments at fair value through other comprehensive income

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets measured at cost on December 31, 2017.

For the year ended December 31, 2018, the dividends of \$98,127 thousand, related to equity investments at fair value through other comprehensive income.

No strategic investments were disposed as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

2. For credit risk and market risk; please refer to Note 6(x).

3. As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for long-term borrowings.

(d) Financial assets

	2017.12.31
Available-for-sale financial assets	4,420,377
Financial assets measured at cost	708,967
Bond portfolios with inactive market	1,187,200
Total	6,316,544
Current	4,242,631
Non-current	2,073,913
Total	6,316,544

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

As of December 31, 2018, the Group's financial assets were not pledged as collateral.

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

	2018.12.31	2017.12.31
Notes receivable	\$ 29,636	25,430
Accounts receivable	2,862,054	2,941,621
Less: Allowance for doubtful receivables	(358)	(358)
	\$ 2,891,332	2,966,693

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,446,591	0%~0.0006%	-
Overdue 0-30 days	336,991	0%~0.0007%	-
Overdue 31-120 days	59,540	0%~0.002%	-
Overdue 121-365 days	4,838	0%~0.003%	-
Overdue more than 365 days	14,094	0%~100%	358
	\$ 2,862,054		358

As of and 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and 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:

	2017.12.31
Overdue 0-30 days	\$ 533,627
Overdue 31-120 days	39,865
Overdue 121-365 days	44,120
Overdue more than 365 days	1,514
	\$ 619,126

The movement in the allowance for notes and trade receivable was as follows:

	For the years ended December 31, 2018	For the years ended December 31, 2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 358	-	358
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	\$ 358		

Note: The balances as of December 31, 2018 and 2017 are the same as those of January 1, 2018 and 2017.

Please refer to (6)(w) for the credit risks and the currency risks of the notes receivables, accounts receivables, other receivables and receivables from agents of the Group.

As of December 31, 2018 and 2017, the notes and trade receivable of the Group had not been pledged as collateral.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Inventories

	2018.12.31	2017.12.31
Marine diesel oil	\$ 201,738	129,463
Marine residual fuel oil	1,180,128	1,075,871
Fresh lubricating oil	<u>135,101</u>	<u>113,806</u>
Subtotal	1,516,967	1,319,140
Less: Allowance for inventory valuation and obsolescence losses	(175,323)	(93)
Total	<u><u>\$ 1,341,644</u></u>	<u><u>1,319,047</u></u>

For the years ended December 31, 2018 and 2017, the write-downs of inventories to net realizable value amounted to \$174,123 thousand and \$56 thousand, respectively. The write-downs were included in cost of sale.

As of December 31, 2018 and 2017 the Group's inventories were not pledged as collateral.

(g) 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:

	2018.12.31	2017.12.31
Associates	\$ 971,154	533,177
Joint venture	<u>170,071</u>	<u>179,978</u>
	<u><u>\$ 1,141,225</u></u>	<u><u>713,155</u></u>

1. Associates

For the first half of 2017, the Group acquired 16.5% of the shares of Hai Phong International Container Terminal Company Ltd. (HICT) for USD6,459 thousand in cash. The Group gets one of HICT's directors, and participated its finance and operating policy decision. Therefore, the Group has significant influence on it, and accounts for it using equity method.

The financial information of individually non-significant equity method associates included in the consolidated financial statements were as follows:

	2018.12.31	2017.12.31
The carrying amount of individually non-significant associates' equity	<u><u>\$ 971,154</u></u>	<u><u>533,177</u></u>
	<u>2018</u>	<u>2017</u>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ 115,474	107,324
Total comprehensive income	<u><u>\$ 115,474</u></u>	<u><u>107,324</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Joint venture

The financial information of individually non-significant equity method joint venture included in the consolidated financial statements were as follows:

	2018.12.31	2017.12.31
The carrying amount of individually non-significant joint venture equity	\$ <u><u>170,071</u></u>	\$ <u><u>179,978</u></u>
	2018	2017
Attributable to the Group:		
Profit (loss) from continuing operations	\$ <u>25,100</u>	23,347
Total comprehensive income	\$ <u><u>25,100</u></u>	<u><u>23,347</u></u>

3. Collateral

For the year ended December 31, 2018, and 2017, The Group did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:							
Balance at January 1, 2018	\$ 658,948	1,604,539	67,629,430	22,213,368	1,507,198	1,865,371	95,478,854
Additions	-	11,153	710,417	3,054,413	157,417	36,177	3,969,577
Reclassification	-	-	-	-	8,395	-	8,395
Disposals	-	-	(1,000,238)	(1,021,924)	(46,322)	(452)	(2,068,936)
Effect of movements in exchange rates	1,368	9,652	2,217,478	1	(445)	68	2,228,122
Balance at December 31, 2018	\$ <u><u>660,316</u></u>	<u><u>1,625,344</u></u>	<u><u>69,557,087</u></u>	<u><u>24,245,858</u></u>	<u><u>1,626,243</u></u>	<u><u>1,901,164</u></u>	<u><u>99,616,012</u></u>
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><u>658,948</u></u>	<u><u>1,604,539</u></u>	<u><u>67,629,430</u></u>	<u><u>22,213,368</u></u>	<u><u>1,507,198</u></u>	<u><u>1,865,371</u></u>	<u><u>95,478,854</u></u>
Depreciation and impairment loss:							
Balance at January 1, 2018	\$ -	406,805	38,893,291	11,784,671	782,601	931,044	52,798,412
Depreciation	-	42,414	2,798,782	1,044,143	131,411	102,826	4,119,576
Disposals	-	-	(1,000,238)	(952,277)	(46,133)	(453)	(1,999,101)
Effect of movements in exchange rates	-	5,195	1,271,635	1	1,074	17	1,277,922
Balance at December 31, 2018	\$ <u><u>-</u></u>	<u><u>454,414</u></u>	<u><u>41,963,470</u></u>	<u><u>11,876,538</u></u>	<u><u>868,953</u></u>	<u><u>1,033,434</u></u>	<u><u>56,196,809</u></u>
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></u>	<u><u>406,805</u></u>	<u><u>38,893,291</u></u>	<u><u>11,784,671</u></u>	<u><u>782,601</u></u>	<u><u>931,044</u></u>	<u><u>52,798,412</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Carrying amounts:							
Balance at December 31, 2018	\$ <u>660,316</u>	<u>1,170,930</u>	<u>27,593,617</u>	<u>12,369,320</u>	<u>757,290</u>	<u>867,730</u>	<u>43,419,203</u>
Balance at January 1, 2017	\$ <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 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>

As of December 31, 2018 and 2017, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note (8).

(i) Investment property

	Land and improvements	Buildings	Total
Cost:			
Balance at January 1, 2018	\$ 138,493	164,921	303,414
Purchases	-	5,267	5,267
Effect of changes in foreign exchange rates	4,923	5,978	10,901
Balance at December 31, 2018	\$ <u>143,416</u>	<u>176,166</u>	<u>319,582</u>
Balance at January 1, 2017	\$ -	-	-
Purchases	141,821	168,885	310,706
Effect of changes in foreign exchange rates	(3,328)	(3,964)	(7,292)
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, 2018	\$ -	176	176
Depreciation	-	4,540	4,540
Effect of changes in foreign exchange rates	-	107	107
Balance at December 31, 2018	\$ <u>-</u>	<u>4,823</u>	<u>4,823</u>
Balance at January 1, 2017	\$ -	-	-
Depreciation	-	181	181
Effect of changes in foreign exchange rate	-	(5)	(5)
Balance at December 31, 2017	\$ <u>-</u>	<u>176</u>	<u>176</u>

Carrying amount:

Balance at December 31, 2018	\$ <u>143,416</u>	<u>171,343</u>	<u>314,759</u>
Balance at December 31, 2017	\$ <u>138,493</u>	<u>164,745</u>	<u>303,238</u>

Fair value:

Balance at December 31, 2018	\$ <u>325,791</u>
Balance at December 31, 2017	\$ <u>296,800</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December, 31, 2018, fair value was measured using the market approach. The yield method under the income approach would have been used by calculating cash flow generated from rental operations if there was no active market for the investment properties. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December, 31, 2017, the fair value of investment properties (as measure or disclosed in the financial statements) was based on valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The yield method under the income approach would have been used by calculating cash flow generated from rental operations if there was no active market for the investment properties. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. The ranges of yields applied to the net annual rentals used to determine the fair value of properties in the year of 2018, and 2017 were as follows:

<u>Location</u>	<u>2018</u>	<u>2017</u>
America	6.0%~7.5%	6.9%~7.3%

The investment property is a commercial real estate which was bought for operation planning on December 31, 2018. That property has been currently leasing out for rental income, and no contingent rents are charged. The rent revenue is \$17,305 thousand and \$4,899 thousand for the year 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the investment property of the Group had not been pledged as collateral.

(j) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group in 2018 and 2017 were as follows:

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:			
Balance at January 1, 2018	\$ 86,910	5,772	92,682
Additions	59,408	259	59,667
Reclassification	29,220	-	29,220
Disposals	(23,123)	(591)	(23,714)
Effect of movement in exchange rates	4	-	4
Balance at December 31, 2018	<u>\$ 152,419</u>	<u>5,440</u>	<u>157,859</u>
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>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Computer software	Trademarks	Total
Amortization and impairment loss:			
Balance at January 1, 2018	\$ 36,646	2,774	39,420
Amortization for the year	45,663	774	46,437
Disposals	(23,123)	(591)	(23,714)
Effect of movement in exchange rates	(14)	-	(14)
Balance at December 31, 2018	<u>\$ 59,172</u>	<u>2,957</u>	<u>62,129</u>
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>
Carrying amounts:			
Balance at December 31, 2018	<u>\$ 93,247</u>	<u>2,483</u>	<u>95,730</u>
Balance at December 31, 2017	<u>\$ 50,264</u>	<u>2,998</u>	<u>53,262</u>
Balance at January 1, 2017	<u>\$ 25,692</u>	<u>2,694</u>	<u>28,386</u>

1. Recognition of amortization and impairment

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

	2018	2017
Operating costs	<u>\$ 784</u>	<u>495</u>
Operating expense	<u>\$ 45,653</u>	<u>24,938</u>

(k) Short-term borrowings

	2018.12.31	2017.12.31
Unsecured bank loans — TWD	<u>\$ 60,000</u>	<u>60,000</u>
Unused short-term credit lines	<u>\$ 4,638,757</u>	<u>6,641,123</u>
Range of interest rates	<u>1.50%</u>	<u>1.46%~1.50%</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Issuance and repayment of short-term borrowings

For the years ended December 31, 2018 and 2017, the proceeds from short-term borrowings amounted to \$6,716,011 thousand and \$2,001,000 thousand respectively and the repayments amounted to \$6,716,011 thousand and \$2,004,000 thousand respectively.

2. Collateral for bank loan

The Group had no assets pledged as collateral for short-term borrowing.

(l) Long-term borrowings

The borrowings were summarized as follows:

2018.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.39%-3.62%	2019/03/21~ 2022/12/21	\$ 230,512
Unsecured bank loans	TWD	0.95%-1.67%	2019/01/04~ 2021/06/18	3,808,395
Secured bank loans	USD	2.06%~3.88%	2019/1/15~ 2023/06/12	11,320,422
Secured bank loans	TWD	1.16%~1.67%	2019/06/21~ 2021/12/21	521,750
Commercial paper	TWD	0.32%~0.90%	2021/04/20~ 2021/12/25	3,530,000
				<u>19,411,079</u>
Less: Discount on commercial paper				(99)
Current portion				<u>(7,288,389)</u>
Total				<u><u>\$ 12,122,591</u></u>
Unused loan credit				<u><u>\$ 3,828,800</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017.12.31			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.39%	2022/12/21	\$ 222,600
Unsecured bank loans	TWD	0.96%~1.67%	2018/01/03~ 2020/05/19	947,325
Secured bank loans	USD	1.67%~2.66%	2018/05/09~ 2023/08/14	12,390,218
Secured bank loans	TWD	1.16%~1.67%	2020/05/19~ 2021/12/21	536,250
Commercial paper	TWD	0.59%~0.98%	2019/12/27~ 2020/06/22	2,600,000
				<u>16,696,393</u>
Less: Discount on commercial paper				(859)
Current portion				<u>(4,612,404)</u>
Total				<u><u>\$ 12,083,130</u></u>
Unused loan credit				<u><u>\$ 100,000</u></u>

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

1. Issuance and repayment of long-term borrowings

For the years ended December 31, 2018 and 2017, the proceeds from long-term borrowings amounted to \$11,530,300 thousand and \$2,724,950 thousand respectively, and the repayment amounted to \$9,298,111 thousand and \$3,107,111 thousand, respectively.

2. Collateral for long-term borrowings

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

3. Financial ratio covenant

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(m) Bonds payable

2018.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bond-2014 first domestic bond issue	TWD	1.65%~1.95%	2019/08/14-2021/08/14	\$ 1,800,000
Unsecured bond-2016 first domestic bond issue	TWD	1.18%	2021/06/21	3,000,000
Unsecured bond-2017 first domestic bond issue	TWD	1.55%	2022/06/26	2,100,000
Total				<u>\$ 6,900,000</u>
Current				\$ 1,000,000
Non-current				<u>5,900,000</u>
Total				<u>\$ 6,900,000</u>

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2. Unsecured bond-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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

3. Unsecured bond-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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

4. Unsecured bond-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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(n) Operating leases

Non-cancellable operating lease rentals payable were as follows:

	2018.12.31	2017.12.31
Less than one year	\$ 4,031,991	1,967,008
Between one and five years	4,596,818	1,935,547
More than five years	<u>2,193,160</u>	<u>2,302,815</u>
	<u>\$ 10,821,969</u>	<u>6,205,370</u>

(o) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	2018.12.31	2017.12.31
Present value of defined benefit obligation	\$ 1,325,271	1,405,434
Fair value of plan assets	<u>(557,335)</u>	<u>(582,772)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 767,936</u>	<u>822,662</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 \$557,335 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2018	2017
Defined benefit obligation at January 1	\$ 1,405,434	1,322,241
Current service costs and interest cost	71,524	73,625
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	(304)	90,600
Benefit paid	(151,383)	(81,032)
Defined benefit obligation at December 31	<u>\$ 1,325,271</u>	<u>1,405,434</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:

	2018	2017
Fair value of plan assets at January 1	\$ 582,772	513,193
Interest income	6,998	7,153
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	14,874	(1,936)
Contribution paid by employer	62,783	78,132
Benefit paid	(110,092)	(13,770)
Fair value of plan assets at December 31	<u>\$ 557,335</u>	<u>582,772</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4) Expenses recognized in profit or loss

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

	2018	2017
Current service costs	\$ 55,685	56,750
Net interest of net liabilities (assets) for defined benefit obligation	8,841	9,722
	<u>\$ 64,526</u>	<u>66,472</u>
Operating costs	\$ 55,922	55,783
Selling expenses	8,604	10,689
	<u>\$ 64,526</u>	<u>66,472</u>

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, 2018 and 2017, was as follows:

	2018	2017
Accumulated amount at January 1	\$ (14,806)	77,730
Recognized during the period	15,178	(92,536)
Accumulated amount at December 31	<u>\$ 372</u>	<u>(14,806)</u>

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2018	2017
Discount rate	1.03 %	1.15 %
Future salary increase rate	3.00 %	3.00 %

The Group will pay to the defined benefit plans which amounted to \$62,058 thousand within 1 year after the report day of 2018.

The weighted-average lifetime of the defined plans is 4~17 years.

7) Sensitivity analysis

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

	Influences of defined benefit obligation	
	Increased 0.50%	Decreased 0.50%
December 31, 2018		
Discount rate	\$ (67,492)	73,067
Future salary increasing rate	64,668	(60,583)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018 and 2017.

2. Defined contribution plans

The Group allocates 1% 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 \$52,581 and \$50,263 for the years ended December 31, 2018 and 2017, respectively.

3. The foreign Group's pension costs under the local law were \$53,586 thousand and \$28,193 thousand for the years ended December 31, 2018 and 2017, respectively.

(p) Income taxes

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 corporate income tax return commencing FY 2018.

1. Income tax expense

The amount of income tax were as follows:

	2018	2017
Current income tax expense:		
Current period	\$ 209,208	344,391
Adjustment for prior periods	(89,820)	50,028
	<u>119,388</u>	<u>394,419</u>
Deferred tax expense (benefit):		
Change in tax rate	174,177	-
Origination and reversal of temporary differences	346,504	165,647
	<u>520,681</u>	<u>165,647</u>
Income tax expense from continuing operations	<u>\$ 640,069</u>	<u>560,066</u>

For the years ended December 31, 2018 and 2017, no income taxes were recognized in equity.

The amount of income tax recognized in other comprehensive income for 2018 and 2017 were as follows:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>(5,392)</u>	<u>(9,178)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>\$ 794</u>	<u>(5,132)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation of income tax and profit before tax for 2018 and 2017 was as follows:

	2018	2017
Profit excluding income tax	\$ <u>1,777,307</u>	<u>3,119,041</u>
Income tax using the Company's domestic tax rate	\$ 355,461	530,237
Effect of tax rates in foreign jurisdiction	507,379	183,418
Reduction in tax rate	173,544	(1,429)
Non-deductible expense	655,950	560,559
Tax-exempt income	(966,824)	(734,482)
Tax incentive	(2,129)	(2,448)
Recognition of previously unrecognized tax losses	(389)	(1,699)
Current-year losses for which unrecognized deferred tax asset was recognized	882	673
Change in unrecognized temporary difference	7,219	557
Under (Over) provision in prior periods	(90,999)	53,214
Income tax credit	-	(30,506)
Additional income tax on unappropriated earnings at a rate of 10%	-	1,994
Others	<u>(25)</u>	<u>(22)</u>
Total	\$ <u>640,069</u>	<u>560,066</u>

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2018	\$ 704,511	392,219	(829)	1,095,901
Debit (Credited) Income statement	639,864	266,620	7,871	914,355
Foreign currency translation difference for foreign operations	-	312	3	315
Balance at December 31, 2018	\$ <u>1,344,375</u>	<u>659,151</u>	<u>7,045</u>	<u>2,010,571</u>
Balance at January 1, 2017	\$ 664,068	262,054	13,722	939,844
Debit (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	\$ <u>704,511</u>	<u>392,219</u>	<u>(829)</u>	<u>1,095,901</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2018	\$ 85,289	-	46,886	132,175
(Debit) Credited Income statement	772	347,575	45,327	393,674
(Debit) Credited Other Comprehensive Income	5,392	-	(794)	4,598
Foreign currency translation difference for foreign operations	(367)	-	(59)	(426)
Balance at December 31, 2018	<u>\$ 91,086</u>	<u>347,575</u>	<u>91,360</u>	<u>530,021</u>
Balance at January 1, 2017	\$ 89,555	-	38,844	128,399
(Debit) Credited Income statement	(12,141)	-	3,300	(8,841)
(Debit) Credited Other Comprehensive Income	9,178	-	5,132	14,310
Foreign currency translation difference for foreign operations	(1,303)	-	(390)	(1,693)
Balance at December 31, 2017	<u>\$ 85,289</u>	<u>-</u>	<u>46,886</u>	<u>132,175</u>

3. Examination and Approval

The Company's income tax returns through 2016 were examined and approved by the tax authority.

(q) Capital and other equity

As of December 31, 2018 and 2017, 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:

	2018.12.31	2017.12.31
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 1,261,681</u>	<u>1,261,681</u>

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

1) Legal reserve

According to the amendment of 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 2017 and 2016 were determined by the shareholders' meeting held on June 26, 2018 and June 22, 2017, respectively, and were as follows:

	2017		2016	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common stockholders				
Cash	\$ 0.50	<u>1,109,149</u>	0.40	<u>887,319</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for- sale financial assets	NCI	Total
Balance at January 1, 2018	\$ (1,480,258)	-	352,776	212,657	(914,825)
Effects of retrospective application	-	(159,954)	(352,776)	-	(512,730)
Balance at January 1, 2018 after adjustments	(1,480,258)	(159,954)	-	212,657	(1,427,555)
Net profit (loss)	-	-	-	19,332	19,332
Foreign currency translation differences	875,547	-	-	(126)	875,421
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(46,035)	-	-	(46,035)
Capital increase in subsidiary non-controlling interest	-	-	-	7,684	7,684
Cash dividends from subsidiaries paid to non- controlling interests	-	-	-	(6,594)	(6,594)
Balance at December 31, 2018	<u>\$ (604,711)</u>	<u>(205,989)</u>	<u>-</u>	<u>232,953</u>	<u>(577,747)</u>
Balance at January 1, 2017	\$ 572,600	-	12,120	197,534	782,254
Net profit	-	-	-	17,086	17,086
Foreign currency translation differences	(2,052,858)	-	-	(143)	(2,053,001)
Unrealized gains (losses) on available-for-sale financial assets	-	-	340,656	-	340,656
Cash dividends from subsidiaries paid to non- controlling interests	-	-	-	(1,820)	(1,820)
Balance at December 31, 2017	<u>\$ (1,480,258)</u>	<u>-</u>	<u>352,776</u>	<u>212,657</u>	<u>(914,825)</u>

(r) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2018 and 2017 are as follows:

	2018	2017
Basic earnings per share		
Profit attributable to common shareholders	<u>\$ 1,117,906</u>	<u>2,541,889</u>
Weighted-average number of common shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.50</u>	<u>1.15</u>
Diluted earnings per share		
Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares)	<u>\$ 1,117,906</u>	<u>2,541,889</u>
Weighted-average number of common shares	2,218,297	2,218,297
Effects of employee stock compensation	1,469	1,778
Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)	<u>2,219,766</u>	<u>2,220,075</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.50</u>	<u>1.14</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(s) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31, 2018
Primary geographical markets:	
Asia	\$ 42,811,809
the Middle East	5,489,208
India	7,512,601
United States	6,043,470
South America	4,333,936
Red Sea	<u>587,652</u>
	<u>\$ 66,778,676</u>
Major services lines:	
Freight	\$ 63,530,746
Rentals	1,937,705
WHL terminal	754,596
Others	<u>555,629</u>
	<u>\$ 66,778,676</u>

For details on revenue for the year ended December 31, 2018, please refer to note 6(t).

2. Contract balances

	2018.12.31	2018.1.1
Notes receivable	\$ 29,636	25,430
Accounts receivable	2,862,054	2,303,972
Less: Allowance for doubtful receivables	<u>(358)</u>	<u>(358)</u>
Total	<u>\$ 2,891,332</u>	<u>2,329,044</u>
Contract assets	<u>\$ 751,084</u>	<u>637,649</u>
Contract liabilities (recognized as other current liabilities)	<u>\$ 557,368</u>	<u>252,606</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame for the performance obligation to be satisfied and the payment.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(t) Revenue

The details of revenue were as follows:

	2017
Freight	\$ 58,349,011
Rentals	1,147,637
WHL terminal	722,043
Others	<u>550,954</u>
	<u>\$ 60,769,645</u>

(u) 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, 2018 and 2017, the Group estimated its employee remuneration amounting to \$17,045 thousand and \$30,951 thousand, respectively, and directors' and supervisors' remuneration are the same as those of employee remuneration. 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 2018 and 2017. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) Non-operating income and expenses

1. Other revenue

The details of other revenue for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Bank deposit	\$ 247,999	226,754
Dividend revenue	<u>193,014</u>	<u>184,683</u>
	<u>\$ 441,013</u>	<u>411,437</u>

2. Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Foreign exchange gains (losses)	\$ 130,717	(365,793)
Gains on disposal of investments	26,643	52,817
Gains on financial assets at fair value through profit or loss	64,405	-
Gains on disposal of property, plant and equipment	512,526	158,683
Other gains (losses)	<u>37,773</u>	<u>111,156</u>
	<u>\$ 772,064</u>	<u>(43,137)</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank loans	\$ <u>565,345</u>	<u>521,740</u>

(w) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amount of financial assets and contract assets represents 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 does not require the customers to provide collateral.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(e). Other financial assets at amortized cost includes other receivables, receivables from agents and time deposits etc.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(c). There are no significant expected losses on other receivables and the financial assets at amortized cost by assessment, so none of the impairment allowance can be recorded.

2. Liquidity risks

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 month</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2018							
Non-derivative financial liabilities							
Short-term borrowings	\$ 60,000	60,075	60,075	-	-	-	-
Secured bank loans	11,842,172	12,577,949	2,224,081	2,045,797	3,349,002	4,959,069	-
Unsecured bank loans	4,038,907	4,064,103	3,324,918	43,723	324,823	370,639	-
Commercial paper	3,529,901	3,594,189	11,394	11,860	23,720	3,547,215	-
Account payables (including related parties)	7,644,956	7,644,956	7,644,956	-	-	-	-
Other payables	2,692,144	2,692,144	2,692,144	-	-	-	-
Payables to agents	10,472	10,472	10,472	-	-	-	-
Bonds payable	6,900,000	7,199,700	67,950	1,032,100	83,550	6,016,100	-
Guarantee deposits	668,025	668,025	668,025	-	-	-	-
	<u>\$ 37,386,577</u>	<u>38,511,613</u>	<u>16,704,015</u>	<u>3,133,480</u>	<u>3,781,095</u>	<u>14,893,023</u>	<u>-</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2017							
Non-derivative financial liabilities							
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 (including 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	-	-	-	-
Bonds payable	11,400,000	11,883,000	4,651,200	32,100	1,100,050	6,099,650	-
Guarantee deposits	619,339	619,339	619,339	-	-	-	-
	\$ 38,819,288	40,038,134	18,326,494	2,007,063	6,345,831	13,020,841	337,905

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

3. Currency risk

1) Currency risk exposure

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

	2018.12.31			2017.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	315,042	30.74	9,682,831	449,450	29.68	13,339,670
JPY	7,780,315	0.28	2,166,407	2,611,065	0.26	687,818
CNY	716,758	4.49	3,215,055	535,605	4.56	2,440,023
HKD	146,071	3.92	573,204	109,027	3.80	414,071
Financial liabilities						
Monetary items						
USD	337,786	30.74	10,381,861	290,556	29.68	8,623,693
JPY	3,356,381	0.28	934,575	3,272,397	0.26	862,029
CNY	263,608	4.49	1,182,425	249,497	4.56	1,136,617
HKD	155,279	3.92	609,337	54,193	3.80	205,818
MYR	34,137	7.39	252,272	33,985	7.32	248,684

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, payables to agents, financial assets at fair value through profit or loss, 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 etc. as at December 31, 2018 and 2017, would have increased (decreased) the net profit before tax by \$22,519 thousand and \$69,474 thousand, respectively. This analysis assumes that all other variables remain constant, and is performed on the same basis for the years ended December 31, 2018 and 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3) Foreign Exchange Gain or Loss on Monetary Items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange profit (loss) (including realized and unrealized portions) amounted to \$130,717 thousand and \$(365,793) thousand, respectively.

4. 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.

If the interest rate had increased or decreased by 1%, the Group's net profit before tax would have increased or decreased by \$189,711 thousand and \$167,564 thousand, respectively, for the years ended December 31, 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

5. Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2018		2017	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 1%	\$ 26,181	18,763	44,204	-
Decreasing 1%	(26,181)	(18,763)	(44,204)	-

6. Fair value information

1) The Categories and Fair Values of Financial Instruments

The Group assesses its financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income on a recurring basis by using the fair value method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, 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 the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss — domestic listed stocks	\$ 2,345,430	2,345,430	-	-	2,345,430
Non derivative financial assets mandatorily measured at fair value through profit or loss — bond investment	1,127,838	-	-	1,127,838	1,127,838
Sub-total	<u>3,473,268</u>	<u>2,345,430</u>	<u>-</u>	<u>1,127,838</u>	<u>3,473,268</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	2,618,063	2,618,063	-	-	2,618,063
Unquoted equity instrument measured at fair value	417,947	-	-	417,947	417,947
Sub-total	<u>3,036,010</u>	<u>2,618,063</u>	<u>-</u>	<u>417,947</u>	<u>3,036,010</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	13,418,582	-	-	-	-
Notes receivable	29,636	-	-	-	-
Accounts receivable	2,861,696	-	-	-	-
Contract assets	751,084	-	-	-	-
Other receivable	1,382,358	-	-	-	-
Receivables from agents	834,068	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	264,606	-	-	-	-
Sub-total	<u>19,542,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,051,308</u>	<u>4,963,493</u>	<u>-</u>	<u>1,545,785</u>	<u>6,509,278</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		December 31, 2018			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 60,000	-	-	-	-
Accounts payable	7,644,956	-	-	-	-
Other payables	2,692,144	-	-	-	-
Payables to agents	10,472	-	-	-	-
Bonds payable (including current portion)	6,900,000	-	-	-	-
Long-term borrowings (including current portion)	19,410,980	-	-	-	-
Guarantee deposits received	668,025	-	-	-	-
Total	<u>\$ 37,386,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2017			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	\$ 4,420,377	4,420,377	-	-	4,420,377
Financial assets measured at cost	708,967	-	-	-	-
Sub-total	<u>5,129,344</u>	<u>4,420,377</u>	<u>-</u>	<u>-</u>	<u>4,420,377</u>
Loan and receivable					
Cash and cash equivalents	19,245,440	-	-	-	-
Notes receivable	25,430	-	-	-	-
Accounts receivable	2,941,263	-	-	-	-
Other receivables	1,011,713	-	-	-	-
Receivable from agents	696,948	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	425,243	-	-	-	-
Debt investment without active markets	1,187,200	-	-	-	-
Sub-total	<u>25,533,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 30,662,581</u>	<u>4,420,377</u>	<u>-</u>	<u>-</u>	<u>4,420,377</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		December 31, 2017				
			Fair value			
	Book value	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 60,000	-	-	-	-	
Accounts payable	6,890,826	-	-	-	-	
Other payables	3,150,037	-	-	-	-	
Payable to agents	3,552	-	-	-	-	
Bonds payable (including current portion)	11,400,000	-	-	-	-	
Long-term borrowings (including current portion)	16,695,534	-	-	-	-	
Guarantee deposits received (recognized as other current assets and other non-current assets)	619,339	-	-	-	-	
Total	\$ 38,819,288	-	-	-	-	

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

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. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high-ask spreads is an indication of non-active market.

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data, e.g. yield curves from OTC and average quoted rates of commercial paper from Reuters quote system at the reporting date.

If the Groups' financial instruments do not have an active market, wherein their fair values are determined as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unquoted equity instrument:

The Company estimates the fair values by using the comparable trading company approach on the assumption that the fair values are calculated on the basis of the investees' book value per share and equity multipliers derived from comparable trading companies' quoted prices. The discount effect resulting from the lack of market liquidity has been taken into account.

Unquoted equity instrument:

The Company estimates the fair values by using the comparable trading company approach on the assumption that the fair values are calculated on the basis of the investees' EBITDA and earnings multipliers derived from comparable trading companies' quoted prices. The discount effect resulting from the lack of market liquidity has been taken into account.

Unquoted debt instrument:

The Company estimates the fair values by using the comparable trading debt approach, and utilizes the statistic model to determine the relationship between the value of debt investment and its related conditions and variables.

3) For the years ended December 31, 2018 and 2017, there were no transferring of fair value hierarchy.

4) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	Non derivative measured at fair value through profit or loss (held-for-trading financial assets)	Unquoted equity instruments	Total
Opening balance, January 1, 2018	\$ 1,056,630	597,885	1,654,515
Total gains and losses recognized:			
In profit or loss	71,208	-	71,208
In other comprehensive income	-	(179,938)	(179,938)
Ending balance, December 31, 2018	<u>\$ 1,127,838</u>	<u>417,947</u>	<u>1,545,785</u>

For the years ended December 31, 2018 and 2017, the total gains and losses that were included in “other gains and losses” and “unrealized gains (losses) on financial assets at fair value through other comprehensive income” were as follows:

	<u>2018</u>
Total gains and losses recognized:	
In profit or loss, and presented in “other gains and losses”	71,208
In other comprehensive income, and presented in “unrealized losses on financial assets at fair value through other comprehensive income”	(179,938)

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “financial assets measured at fair value through other comprehensive income – unlisted equity investments”.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Most of the Group's fair value measurements in Level 3 consist of only one significant unobservable input (except for the unlisted equity instrument). Because the significant unobservable inputs of equity instruments are independent of each other, there are no correlation between these inputs.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss — Debt investment without active markets	Discounted cash flow method	· Liquidity adjusted discount rate (2.6803%)	The estimated fair value would increase (decrease) if the liquidity adjusted discount rate were lower (higher).
Financial assets at fair value through other comprehensive income — Unlisted equity investments	Comparable trading company method	· Liquidity-adjusted discount rate (28%) · Price-to-book ratio (0.76 on December 31, 2018) · EBITDA multiplier (7.73 on December 31, 2018)	The estimated fair value would increase (decrease) if: · the liquidity-adjusted discount rate were lower (higher) · the price-to-book ratio were higher (lower) · the EBITDA multiplier were higher (lower)

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurements in financial instruments fair values are reasonable, but if the Group uses different valuation models or variables, the measurements may vary.

For fair value measurements in Level 3, changing one or more of the variables would have the following effects:

	Input	Positive and negative changes	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Bond investment without an active market	Discount rate	1%	\$ 11,590	(11,590)	-	-
Financial assets at fair value through other comprehensive income						
Unlisted equity investment	Discount rate	1%	-	-	5,805	(5,805)
Unlisted equity investment	Price-to-book ratio multiplier	1%	-	-	4,065	(4,065)
Unlisted equity investment	EBITDA multiplier	1%	-	-	90	(90)
			<u>\$ 11,590</u>	<u>(11,590)</u>	<u>9,960</u>	<u>(9,960)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the correlations and variances among the inputs.

(x) 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.

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

NOTES TO THE CONSOLIDATED 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 terms are offered. The Group's review includes external ratings, when available, and in some cases bank references.

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

2) Investment

The 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 \$8,467,557 thousand and \$6,741,123 thousand, as of December 31, 2018 and 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Interest rate risk

The Group adopts a policy of ensuring that 28.06% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis.

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.

(y) 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:

	2018.12.31	2017.12.31
Total liabilities	\$ 42,219,945	42,334,187
Less: Cash and cash equivalents	<u>(13,418,582)</u>	<u>(19,245,440)</u>
Net debt	<u>\$ 28,801,363</u>	<u>23,088,747</u>
Total equity	\$ 34,817,405	34,179,617
Adjusted capital	<u>\$ 34,817,405</u>	<u>34,179,617</u>
Debt-to-equity ratio	<u>82.72 %</u>	<u>67.55 %</u>

(z) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the six months ended December 31, 2018 and 2017, were as follows.

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	2018.1.1	Cash flows	Acquisition	Foreign exchange movement	Fair value changes	2018.12.31
Long-term borrowings	\$ 16,695,534	2,232,949	-	482,497	-	19,410,980
Short-term borrowings	60,000	-	-	-	-	60,000
Bonds payable	<u>11,400,000</u>	<u>(4,500,000)</u>	-	-	-	6,900,000
Total liabilities from financing activities	<u>\$ 28,155,534</u>	<u>(2,267,051)</u>	<u>-</u>	<u>482,497</u>	<u>-</u>	<u>26,370,980</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(7) Related-Party Transactions

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep)	An associate
HAI PHONG INTERNATIONAL CONTAINER TERMINAL COMPANY LTD. (HAI PHONG)	An associate
WAN Hai Lines Peru S.A.C. (WHL Peru)	Joint Venture
Wan Hai Lines (UAE) LLC. (WHL UAE)	Joint Venture
Qingdao port & Win International Logistics Co., Ltd.	Joint Venture
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 Group
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)	Related party in substance
Interasia Lines Taiwan, Ltd.	Related party in substance
Hyaline Shipping (HK) Co., Ltd. (Hyaline)	Same director with the Group
Wan Hai Lines (Japan) Ltd. (WHL Japan)	Same director with the Group
INTERASIA LINES SINGAPORE PTE LTD. (IAL (S))	Related party in substance
INTERASIA LINES (M) SDN. BHD.	Related party in substance

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of related party	Relationship with the Group
AP INT'L TRAVEL SERVICE CO., LTD.	Related party in substance
New Speed Transportation & Terminal Co., Ltd. (NS)	Same director with the Group

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:

	2018	2017
Other related parties	<u>\$ 1,159,598</u>	<u>828,518</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:

	2018	2017
Associate	\$ 66,813	63,068
Other related party	<u>3,455,659</u>	<u>3,304,884</u>
	<u>\$ 3,522,472</u>	<u>3,367,952</u>

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

3. Receivables from related parties

Receivables of the Group from related parties were as follows :

Item	Related party categories	2018.12.31	2017.12.31
Accounts receivable	Other related party	\$ 30,851	13,167
Other receivables	Associate	132	706
Other receivables	Joint Venture	602	-
Other receivables	Other related party	7,372	4,272
Receivables from agents	Other related party- WHL Japan	659,090	432,779
Receivables from agents	Associate	<u>16,650</u>	<u>26,686</u>
		<u>\$ 714,697</u>	<u>477,610</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Payables from related parties

Payable of the Group related parties were as follows :

Item	Related party categories	2018.12.31	2017.12.31
Accounts payable	Other related party	\$ 336,074	442,120
Accounts payable	Joint venture	5,668	6,556
Other payables	Other related party	6,880	12,787
Other current liabilities	Other related party	4,413	925
		<u>\$ 353,035</u>	<u>462,388</u>

5. Other related-party transactions

For the year ended December 31, 2017, the Group \$1,500 thousand of professional services fee to other related-party.

For the years ended December 31, 2018 and 2017, the Group received payments of claims from related parties were \$442 thousand and \$53,338 thousand, respectively.

For the the years ended December 31, 2018 and 2017, the Group sold the property, plant and equipment as amount of \$443 thousand and \$81 thousand to the related party and gains on disposal of it were \$431 thousand and \$69 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Shorts-term employee benefits	\$ 50,769	57,627
Post-employment benefits	138	158
	<u>\$ 50,907</u>	<u>57,785</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2018.12.31	2017.12.31
Time deposits (recorded in other current assets)	Registration of container storage and truck lease contract	\$ 6,135	5,842
Time deposits (recorded in other non-current assets)	Refundable deposits of harbor bureau and lease contract for wharf	69,365	70,465
Guarantee deposits paid (recorded in other non-current assets)	Lease contract for wharf, building lease contract and lawsuit	189,106	348,936
Terminal privileged wharf	Long-term loans	89,640	455,942
Containers	Long-term loans	6,218,080	5,022,444
Vessels	Long-term loans	14,786,002	15,610,343
Buildings	Long-term loans	14,623	15,177
		<u>\$ 21,372,951</u>	<u>21,529,149</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 2028. As of September 30, 2018, the lease deposit amounted to ¥255,775,000 (TWD 71,220 thousand) 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) Vessel construction contract :

Considering the Group's current fleet deployment and long-term development plan, the Group decided to acquire eight feeder boxships of 3036 TEUs from Japan Marine United Corporation, and twelve feeder boxships of 2038 TEUs from CHINA SHIP BUILDING TRADING COMPANY, LTD. and GUANGZHOU WENCHONG SHIPYARD CO.,LTD, costing ¥37,680,000 thousand and USD315,936 thousand (together equal TWD20,137,000 thousand), respectively.

(c) As of December 31, 2018, the total amount claimed to the Group was approximately \$15,769 thousand, and the related cases are under negotiation or under trial.

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events: None.

(12) Others

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

By item	By function	For the years ended December 31, 2018			For the years ended December 31, 2017		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		2,135,302	1,977,630	4,112,932	2,158,327	2,067,003	4,225,330
Labor and health insurance		25,648	206,953	232,601	25,934	193,183	219,117
Pension		70,894	99,799	170,693	70,746	74,182	144,928
Remuneration of directors		-	28,015	28,015	-	35,993	35,993
Others employee benefits		159,249	84,216	243,465	157,697	81,295	238,992
Depreciation		4,016,637	107,479	4,124,116	3,992,983	96,834	4,089,817
Amortization		784	45,653	46,437	664	22,263	22,927

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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, 2018:

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 receivable related	Yes	7,664,250	7,506,500	-	-	1	-	Note 2	-	Promissory note	7,506,500	12,727,748	13,833,781
1	WHL INTL.	WHL India	Other receivable related	Yes	145,991	145,991	115,256	4.5%	1	-	Note 3	-	Promissory note	145,991	172,107	196,693
2	WHL Singapore	Yi Chun	Other receivable related	Yes	92,205	92,205	65,846	2.81331% ~4.01344 %	1	-	Note 4	-	Promissory note	92,205	8,909,423	10,182,198
2	WHL Singapore	Bravely International Pte. Ltd.	Other receivable related	Yes	30,735	-	-	-	1	-	Note 4	-	-	-	8,909,423	10,182,198

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:

1. 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.
2. 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.
3. 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.

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	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	2	27,667,561	15,156,476	15,045,849	15,045,849	-	43.50 %	69,168,903	Y	N	N
0	The Company	TK	2	27,667,561	73,466	27,580	27,580	-	0.08 %	69,168,903	Y	N	N

Note 1: Relationship with the Company

1. The companies with which it has business relations.
2. Subsidiaries in which the company directly or indirectly holds more than 50% of its total outstanding common shares.
3. The parent company which directly or indirectly holds more than 50% of its voting rights.
4. Subsidiaries in which the company directly or indirectly holds more than 90% of its voting rights.
5. Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
6. Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
7. Companies in same type of business providing guarantees of pre-sale contracts according to the regulation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 \$27,600 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, 2018 (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				Highest percentage of capital investment during the period	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Domestic listed stocks: GREATWALL ENTERPRISE CO., LTD.	-	Financial assets at fair value through profit or loss-current	8,464,504	283,561	- %	283,561	- %	
"	Formosa Plastics Corporation	-	"	376,288	38,005	- %	38,005	- %	
"	Formosa Chemicals & Fibre Corporation	-	"	245,480	25,775	- %	25,775	- %	
"	Tainan Spinning Co., Ltd.	-	"	1,726,898	20,636	- %	20,636	- %	
"	China Steel Corporation	-	"	2,291,162	55,560	- %	55,560	- %	
"	Delta Electronics, Inc.	-	"	358,000	46,361	- %	46,361	- %	
"	Hon Hai Precision Ind. Co., Ltd.	-	"	93,440	6,616	- %	6,616	- %	
"	Transcend Information, Inc.	-	"	89,111	5,953	- %	5,953	- %	
"	Amtran Technology Co., Ltd.	-	"	984,058	11,071	- %	11,071	- %	
"	Yang Ming Marine Transport Corp.	-	"	957,526	8,426	- %	8,426	- %	
"	China Airlines Ltd.	-	"	23,753,862	261,292	- %	261,292	- %	
"	Chinese Maritime Transport Ltd.	-	"	435,050	13,552	- %	13,552	- %	
"	Mega Financial Holding Co., Ltd.	-	"	8,676,646	225,159	- %	225,159	- %	
"	Taishin Financial Holding Co., Ltd.	-	"	16,783,560	219,025	- %	219,025	- %	
"	First Financial Holding Co., Ltd.	-	"	14,498,252	289,965	- %	289,965	- %	
"	Kinsus Interconnect Technology Corp.	-	"	334,627	14,590	- %	14,590	- %	
"	Shih Wei Navigation Co., Ltd.	-	"	1,029,345	7,597	- %	7,597	- %	
"	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	29,149,365	514,486	- %	514,486	- %	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Highest percentage of capital investment during the period	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Taiwan Secom Co., Ltd.	-	Financial assets at fair value through profit or loss-current	2,319,000	205,000	- %	205,000	- %	
"	The Eslite Spectrum Corporation	-	"	725,000	92,800	- %	92,800	- %	
	Domestic listed stocks:							- %	
"	Shihlin Paper Corporation	Related party in substance	Financial assets at fair value through other comprehensive income — non-current	5,419,088	162,573	2.08 %	162,573	2.08 %	
"	Chunghwa Telecom Co., Ltd.	-	"	21,730,000	2,455,490	- %	2,455,490	- %	
	Domestic unlisted stocks:								
"	Taipei Port Container Terminal Corp.	Related party in substance	"	79,315,476	406,487	15.25 %	406,487	15.25 %	
"	United Stevedoring Corporation	-	"	781,250	11,460	15.63 %	11,460	15.63 %	
	Unlisted stocks:								
"	Royal Bank of Scotland PLC.	-	Financial assets at fair value through profit or loss — non-current	-	1,127,838	- %	1,127,838	- %	

- 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.
- Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid in capital: None.
- Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
- 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	797,003	1.49 %	30 days	-	-	-	- %	
"	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	7,986,350	14.90 %	"	-	-	(496,309)	7.48 %	Note 2

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND 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	WHL Singapore	Subsidiary	Rent income, commission revenue, shipping agent revenue	(2,952,964)	5.48 %	30 days	-	-	-	- %	Note 2
"	WHL Singapore	Subsidiary	Fuel expense	117,446	0.22 %	"	-	-	(38,711)	0.58 %	Note 2
"	WHL Hong Kong	Subsidiary	Commission fee	272,927	0.51 %	"	-	-	(347,586)	5.24 %	Note 2
"	Uniwin	Subsidiary	Commission fee	155,589	0.29 %	"	-	-	-	- %	Note 2
"	Clipper	Subsidiary	Commission fee	258,781	0.48 %	"	-	-	-	- %	Note 2
"	WHL Japan	Same director with the company	Commission fee	231,453	0.43 %	"	-	-	-	- %	
"	IAL Singapore	Related party in substance	Joint venture revenue, container rental revenue, shipping agent revenue, ship rental revenue	(747,843)	1.39 %	"	-	-	16,946	0.41 %	
"	IAL Singapore	Related party in substance	Joint Venture expense, container rental expense	193,046	0.36 %	"	-	-	-	- %	
"	Hyaline Shipping (HK) Co., Ltd.	Same director with the company	Commission fee	606,054	1.13 %	"	-	-	-	- %	
"	NSTC	Related party in substance	Tow charge	585,590	1.09 %	"	-	-	(63,444)	0.96 %	
"	APCT	Related party in substance	Container fee	319,030	0.60 %	"	-	-	(25,531)	0.38 %	
"	WCIC	Related party in substance	Turnkey charges, terminal handling charge	158,575	0.30 %	"	-	-	(16,748)	0.25 %	
"	NSaTC	Related party in substance	Tow charge, container fee	139,973	0.26 %	"	-	-	(10,323)	0.16 %	
"	WHL Malaysia	Subsidiary	Commission fee	118,246	0.22 %	"	-	-	-	- %	Note 2
"	New World Container Services Corporation	Related party in substance	Container fee	121,122	0.23 %	"	-	-	(9,162)	0.14 %	
"	T.K. Logistics International Co., Ltd.	Subsidiary	Container fee, service fee, terminal handling fee	113,955	0.21 %	"	-	-	(8,985)	0.14 %	Note 2

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND 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	WHL Korea	Subsidiary	Commission fee	107,484	0.20 %	30 days	-	-	-	- %	Note 2
WHL Singapore	The Company	Subsidiary	Rent expense, commission fee, shipping agent expense	2,952,964	16.14 %	"	-	-	-	- %	Note 2
"	The Company	Subsidiary	Fuel revenue	(117,446)	0.57 %	"	-	-	38,711	12.21 %	Note 2
"	k.k. WH Corporation	Both are subsidiaries of WHL	Vessel rental revenue	(6,205,791)	29.87 %	"	-	-	52,239	16.47 %	Note 2
WHL Hong Kong	The Company	Subsidiary	Commission revenue	(272,927)	15.29 %	"	-	-	347,586	48.91 %	Note 2
"	k.k. WH Corporation	Both are subsidiaries of WHL	Rent income	(289,809)	16.24 %	"	-	-	-	- %	Note 2
Uniwin	The Company	Subsidiary	Commission revenue	(155,589)	34.19 %	"	-	-	-	- %	Note 2
Clipper	The Company	Subsidiary	Commission revenue	(258,781)	100.00 %	30 days	-	-	-	- %	Note 2
k.k. WH Corporation	The Company	Subsidiary	Terminal port revenue, rent income	(7,986,350)	99.64 %	"	-	-	496,309	39.60 %	Note 2
"	WHL Singapore	Both are subsidiaries of WHL	Rent expense	6,205,791	77.96 %	"	-	-	(52,239)	4.18 %	Note 2
"	WHL Hong Kong	Both are subsidiaries of WHL	Rent expense	289,809	3.64 %	"	-	-	-	- %	Note 2
WHL Malaysia	The Company	Subsidiary	Commission revenue	(118,246)	99.92 %	"	-	-	-	- %	Note 2
WHL Korea	The Company	Subsidiary	Commission revenue	(107,484)	94.31 %	"	-	-	-	- %	Note 2
T.K. Logistics International Co., Ltd.	The Company	Subsidiary	Container revenue, service revenue, terminal handling revenue	(113,955)	48.03 %	"	-	-	8,985	38.51 %	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	Clipper	Subsidiary	641,732	- %	-		493,009	-
"	WHL Japan	Same director with the company	659,090	- %	-		543,962	-
"	WHL India	Subsidiary	269,648	- %	-		262,672	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	WH USA	Subsidiary	115,220	- %	-		76,022	-
k.k. WH Corporation	The Company	Subsidiary	496,309	- %	-		406,829	-
WHL-Hong Kong	The Company	Subsidiary	347,586	- %	-		82,024	-
BS	The Company	Subsidiary	132,988	- %	-		132,988	-
WHL INTL	The Company	Subsidiary	109,582	- %	-		96,408	-
WHL Thailand	The Company	Subsidiary	158,552	- %	-		158,552	-

Note: Eliminated in the consolidated financial statements.

9. Derivative transactions: None.

10. Business relationships and significant inter-company transactions:

Number (Note 1)	Name of the company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction details during 2018			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets (Note 3)
0	The Company	Wan Hai Lines (Singapore) Pte Ltd.	1	Rent revenue, commission revenue, shipping agent revenue	2,952,964	No significant differences	4.42 %
0	"	k.k. WH Corporation	1	Rent expense on vessels	6,357,578	Rent vessels from Singapore through kk	9.52 %
1	k.k. WH Corporation	Wan Hai Lines (Singapore) Pte Ltd.	3	Rent expense on vessels	6,205,791	Rent vessels from Singapore through kk	9.29 %

Note 1: numbers denote the following:

- 0 represents the Company.
- Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

- The Company to subsidiary
- Subsidiary to the Company
- 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 year ended December 31, 2018, the following is the information on investees (excluding investees in Mainland china):

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	Wan Hai Lines (Singapore) Pte Ltd.	Singapore	Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services	21,546,395	21,546,395	959,957,200	100.00 %	28,001,054	100.00 %	2,308,879	2,303,423	Subsidiary (Note 2)
"	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	401,460	401,460	280,000	100.00 %	426,140	100.00 %	22,573	22,573	Subsidiary
"	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	18,293	100.00 %	338	338	Subsidiary (Note 3)
"	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	2,120	100.00 %	(368)	(368)	Subsidiary (Note 1)
"	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	361,735	21.33 %	468,057	99,837	Associate (Note 1)
"	T.K. Logistics International Co., Ltd.	Taiwan	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00 %	147,616	55.00 %	6,065	3,336	Subsidiary

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND 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				
The Company	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 %	38,776	70.01 %	5,345	3,742	Subsidiary
"	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	598,211	202,896	-	16.50 %	573,088	16.50 %	(109,216)	(18,021)	Associate (Note 1)
"	Wan Hai Lines (Phils.), Inc.	Philippines	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	15,266	100.00 %	3,333	3,333	Indirect subsidiary (Note 3)
"	Wan Hai Lines (HK) Ltd.	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	2,716,186	100.00 %	365,068	365,068	Indirect subsidiary (Note 3)
"	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	83,173	100.00 %	17,222	17,222	Indirect subsidiary (Note 3)
"	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	9,001	100.00 %	6,330	6,330	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	28,177	100.00 %	12,750	12,750	Indirect subsidiary (Note 3)
"	Wan Hai International Pte. Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	556,239	100.00 %	(268,044)	(268,044)	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Thailand) Ltd.	Thailand	Transportation and shipping agency services	2,805	2,805	24,900	49.00 %	58,839	49.00 %	14,161	6,939	Indirect subsidiary (Note 3)
"	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	33,022	100.00 %	17,746	17,746	Indirect subsidiary (Note 1 - 3)
"	HE CHUN LOGISTICS COMPANY LTD.	Vietnam	ODD operations	60,857	-	-	100.00 %	61,376	100.00 %	427	427	
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	1,962	1,007	109,140	51.00 %	9,645	51.00 %	16,705	8,519	Associate
"	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	6,017	51.00 %	7,900	4,029	Indirect subsidiary (Note 3)
"	Bravely International Pte. Ltd.	Singapore	Investment	413,778	151,638	6,623,101	100.00 %	85,358	100.00 %	(209,220)	(209,220)	Indirect subsidiary (Note 3)
"	WAN HAI LINES (USA) LTD.	America	Transportation and shipping agency services	4,469	-	3,000	100.00 %	5,335	100.00 %	709	709	Indirect subsidiary
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	36,331	49.00 %	68,690	33,658	Indirect subsidiary (Note 3)
"	Infinite Marine Investment Co., Ltd.	Cayman	Transportation and investment	173,463	173,463	5,550,000	100.00 %	(730)	100.00 %	(167,068)	(167,068)	Associate (Note 3)
"	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	80,730	100.00 %	28,022	28,022	Indirect subsidiary (Note 3)
WHL Hong Kong	Dawin Logistics (International) Ltd.	Hong Kong	Transportation, storage services	570,480	570,480	144,640,000	100.00 %	912,796	100.00 %	29,167	29,167	Indirect subsidiary (Note 3)
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Ltd.	Myanmar	Managing container, storage and logistics services	127,584	96,894	4,000,000	80.00 %	92,409	80.00 %	(3,264)	(2,611)	Indirect subsidiary (Note 3)
WHL America	Wan Hai Lines (Arizona) LLC.	America	House rental and management services	359,760	359,760	-	100.00 %	375,574	100.00 %	2,780	2,780	Indirect subsidiary (Note 1)

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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WAN HAI LINES LTD. AND 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)	-	-	-	-	476	100.00 %	100.00 %	476	22,213	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	13,162	100.00 %	100.00 %	13,162	788,110	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	8,596	49.00 %	49.00 %	4,212	2,424	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	2,690	100.00 %	100.00 %	2,690	65,349	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	1,762	90.00 %	90.00 %	1,586	26,276	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	287,330	(1)	-	-	-	-	239	50.00 %	50.00 %	120	119,522	-
Qingdao port & Win International Logistics Co., Ltd.	Container Depot	50,188	(1)	-	-	-	-	32,922	50.00 %	50.00 %	16,461	40,904	-

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	20,750,671

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.

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

<u>By region</u>	<u>2018</u>	<u>2017</u>
Revenue from external customers:		
Asia	\$ 42,811,809	38,017,490
the Middle East	5,489,208	6,587,430
India	7,512,601	6,958,124
America	6,043,470	5,159,343
South America	4,333,936	4,047,258
Europe	587,652	-
Total	<u>\$ 66,778,676</u>	<u>60,769,645</u>
<u>By region</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Non-current assets:		
Asia	\$ 46,733,460	43,156,078
India	208,071	194,851
America	<u>349,428</u>	<u>328,578</u>
Total	<u>\$ 47,290,959</u>	<u>43,679,507</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	2018	2017	Difference	
			Amounts	%
Current assets	23,652,827	30,047,229	(6,394,402)	(21.75)
Property, Plant and Equipment	43,419,203	42,680,442	738,761	1.69
Intangible Assets	95,730	53,262	42,468	149.61
Other Assets	9,869,590	3,732,871	6,136,719	186.49
Total Assets	77,037,350	76,513,804	523,546	0.69
Current Liabilities	20,827,805	20,894,731	(66,926)	(0.43)
Non-current Liabilities	21,392,140	21,439,456	(47,316)	(0.18)
Total Liabilities	42,219,945	42,334,187	(114,242)	(0.27)
Equity attributable to owners of parent	34,584,452	33,966,960	617,492	1.81
Common Stock	22,182,975	22,182,975	0	0.00
Capital surplus	1,261,681	1,261,681	0	0.00
Retained Earnings	11,950,496	11,649,786	300,710	2.98
Other Equity	(810,700)	(1,127,482)	316,782	54.18
Treasury Stock	0	0	0	0.00
Non-Controlling Interest	232,953	212,657	20,296	10.27
Total stockholders' equity	34,817,405	34,179,617	637,788	1.86

Note: Illustration for significant variance

1. The decrease in current assets was mainly due to the decrease in cash and cash equivalents and financial assets - current measured at fair value through profit or loss.
2. The increase in intangible assets was mainly due to the increase in computer software.
3. Increase in other assets was mainly due to the increase in prepaid equipment payments - fixed assets - non-current and deferred income tax assets.
4. The increase in other equities was mainly due to the increase in the exchange difference arising from the conversion of the financial statements of foreign operating institutions.

7.2 Analysis of operation results

Unit: TWD thousand; %

Item \ Year	2018	2017	Difference	
			Amounts	%
Operating revenue	66,778,676	60,769,645	6,009,031	10.48
Operating cost	61,776,300	53,654,228	8,122,072	15.74
Gross profit	5,002,376	7,115,417	(2,113,041)	(36.68)
Operating expense	4,013,375	3,973,607	39,768	1.02
Operating income	989,001	3,141,810	(2,152,809)	(114.89)
Non-operating income and expenses	788,306	(22,769)	811,075	216.69
Net income before income tax	1,777,307	3,119,041	(1,341,734)	(89.48)
Income tax	640,069	560,066	80,003	22.85
Net income after income tax	1,137,238	2,558,975	(1,421,737)	(123.70)
Other comprehensive profit and loss (Net value after tax)	849,956	(1,795,703)	2,645,659	2466.98
Total Comprehensive profit and loss from this period	1,987,194	763,272	1,223,922	117.45
Net earnings attributable to owners of parent	1,117,906	2,541,889	(1,423,983)	(124.73)
Net earnings attributable to non-controlling interest	19,332	17,086	2,246	29.45
Total comprehensive profit and loss attributable to owners of parent	1,967,988	746,329	1,221,659	117.83
Total comprehensive profit and loss attributable to non-controlling interest	19,206	16,943	2,263	42.80

Note: Illustration for significant variance

1. The decrease in operating net profit was mainly due to the increase in operating costs.
2. The increase in non-operating income and expenses was mainly resulted in the increase in the foreign exchange surplus and the assets disposal surplus (sales).
3. The increase in other comprehensive profit and loss (net after tax) was mainly due to the increase in the exchange difference arising from the conversion of the financial statements of foreign operating institutions.

7.3 Analysis of cash flow

7.3.1 Analysis of short-term liquidity for the last two years

Items \ Year	2018	2017	Increase(Decrease)(%)
Cash flow ratio	24.03	33.88	-29%
Cash flow adequacy ratio	126.32	112.48	+12%
Cash re-investment ratio	3.61	5.73	-37%
Analysis of increase/decrease ratios: Net cash flow provided by operating activities decrease resulted in the decrease of cash flow ratio and cash re-investment ratio.			

7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
13,418,582	4,861,428	5,809,174	12,470,836	-	-

1. Analysis of cash flow for this year:

- (1) Operating activities: Expected demand and the average ocean freight rate will have a minor correction, so the Company estimated that the cash inflow from operating activities is TWD 4,861,428,000.
- (2) Investing activities: Planning to purchase the fixed assets in the next coming year, the Company estimated that the cash outflow from investment activities is TWD 5,461,375,000.
- (3) Financing activities: Under the influence of long term facility drawdown, and repaying loan in the next coming year, the Company estimated that the cash inflow from financing activities is TWD 347,799,000.

2. Measures for insufficient cash and analysis for liquidity: Not applicable.

7.4 Major Capital Expenditure Items

7.4.1 The detail and funding source of significant capital expenditure

Unit: TWD thousand

Project Item	Actual or expected funding source	Actual or expected completion date	Total amounts needed	Actual or expected capital expenditure (Note1)				
				2018	2019	2020	2021	2022
Investing terminal	Loans	Investing terminal/Purchasing containers and vessels in Year 2018~2019	29,650,409	7,119,022	6,142,379	5,552,266	7,353,824	3,482,918
Purchasing containers/ vessels	Internal funds							
	Financing from capital market	Purchasing vessels in Year 2020~2022						

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 vessels and containers will enhance the vessel/container fleet, improve our service quality and reduce operating cost.

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. Share of profit of long-term investments under equity method last year was TWD 140,574,000, which was mainly due to the investees' growth in operating income arising from the increase in the freight volume. 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 Asia area niche markets
3. Middle East and India area development
4. Optimal transit ports study
5. Promotion of e-commerce business
6. Strategic alliance to expand and develop service

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

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 continues to increase information security capital expenditure, and 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 Expected benefits, possible risks, and response measures of expanding fleets and production capacities

The expansion of the fleet is conducive to enhancing the shipping capacity of the Company and increasing its marketing volume, thereby enhancing the revenues of the Company. The Company shall adjust its route layouts, design suitable ship types, improve fleet performance, and reduce operating costs in accordance with market demand.

However, changes in the maritime market have been exacerbated by the global economic cycle as well as external environmental factors. The world's shipping capacity has continuously increased in recent years, and the shipping industry is at risk of capacity oversupply. The Company will closely monitor market trends, carefully assess the scale of operations and ship performance, flexibly adjust the replacement and configuration of ships, and actively develop potential new markets.

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, 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, 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 and action plan: None.

7.7 Other significant information: None.

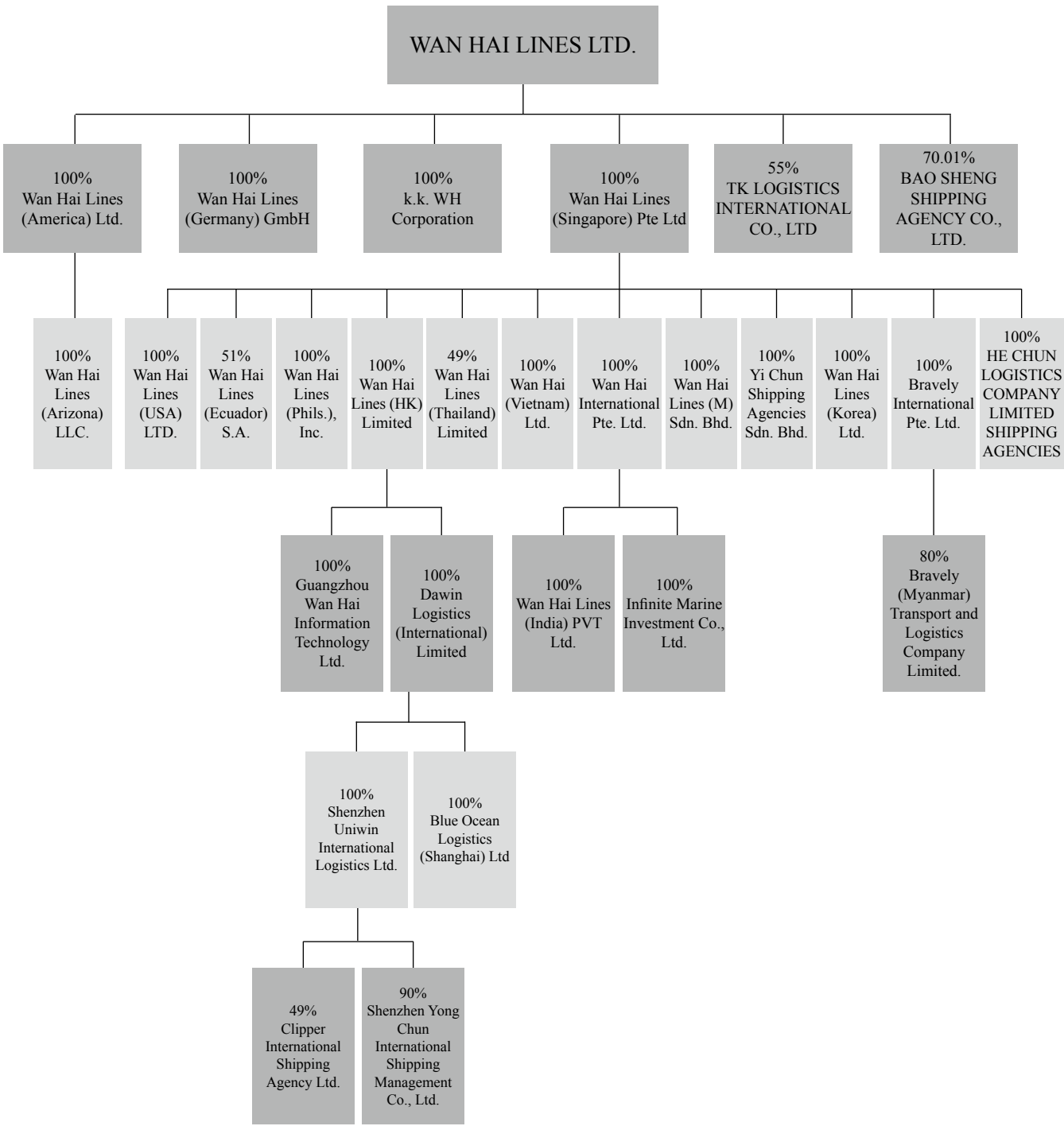


Special Disclosure

8.1 Related Parties Information

8.1.1 Consolidated Operation Report(2018/12/31)

1. Related Parties Structure



2. Related Parties' Basic Information

Company Name	Establish Date	Address	Capital Amount	Nature of Business
Wan Hai Lines (Phils.), Inc.	2000.10.05	18/F Rufino Pacific Tower #6784 Ayala Ave., corner V.A. Rufino St. 1223 Makati City, Philippines	9,015,400(PHP) EX rate: 52.62/ 30.735	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (HK) Limited	1986.10.17	3F., Singa Commercial Centre,144-151. Connaught Road West, Hong Kong	160,000,000(HKD) EX rate:7.8323/30.735	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (Singapore) Pte Ltd	1991.05.09	10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315	700,190,794.86(USD) EX rate:30.735	International sea transportation, operations, agencies for transport affairs,leasing of vessels
Wan Hai Lines (M) Sdn. Bhd.	1992.02.28	SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	500,000(MYR) EX rate:4.1590/30.735	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) EX rate:4.1590/30.735	On Dock Depot operation
Wan Hai Lines (Korea) Ltd.	1991.08.12	15F, 43, DADONG-GIL, JUNG-GU, SEOUL, KOREA, 04521	400,000,000(WON) EX rate: 1117/ 30.735	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (America) Ltd.	2000.08.16	17200 N Perimeter Dr.,STE200,Scottsdale AZ 85255	13,000,000(USD) EX rate:30.735	International sea transportation, operations, agencies for transport affairs
Guangzhou Wan Hai Information Technology Ltd.	2000.07.13	20F, Baolizhongjing, 406 Huasui Rd., Guangzhou, China	2,000,000(HKD) EX rate:7.8323/30.735	Information and Software service
Wan Hai International Pte. Ltd.	2002.07.22	10 Hoe Chiang Road #25-01, Keppel Towers Singapore 089315	10,312,460 (SGD) EX rate:1.3667/30.735	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	13,195,986.62(USD) EX rate:30.735	International sea transportation, Investment
Infinite Marine Investment Co., Ltd.	2016.06.17	P.O. Box 10008, Willow House, Cricket Square/ Grand Cayman, KY1-1001, Cayman Islands	5,550,000.00(USD) EX rate:30.735	Investment
Wan Hai Lines (India) PVT Ltd.	2002.05.28	A-102 & 103, The Qube, Near To International Airport, Marol Village,Andheri (East), Mumbai-400 059	100,000(INR) EX rate: 69.98/ 30.735	International sea transportation, operations, agencies for transport affairs
k.k. WH Corporation	2002.11.27	OI New NO.5 Terminal Bldg. 4F 4-9, Yashio 2-Chome Shinagawa-Ku, Tokyo 140-0003, Japan	25,000,000(YEN) EX rate: 110.38/30.735	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) EX rate: 0.8724/30.735	International sea transportation, operations, agencies for transport affairs
Dawin Logistics (International) Limited	1980.11.18	2/F.,Singa Commercial Centre,144-151. Connaught Road,West, Hong Kong	144,640,000(HKD) EX rate:7.8323/30.735	Cargo handling, warehousing and investment service
Shenzhen Uniwin International Logistics Ltd..	2002.06.14	Room C,D, 25F, Tianmian City Tower, Middle Shennan Blvd, Shenzhen , China	20,580,000(USD) EX rate:6.8520/30.735	Freight transportation and agency services for transport affairs
Clipper International Shipping Agency Ltd.	2004.12.30	22/F HAITONG SECURITIES TOWER, NO.689 GUANGDONG ROAD, SHANGHAI	1,000,000(RMB) EX rate:6.8520/30.735	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, Shanghai	7,824,000(RMB) EX rate:6.8520/30.735	Cargo handling, warehousing and international haulage service.
Wan Hai Lines (Thailand) Limited.	2006.05.01	21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	6,000,000(THB) EX rate:32.40/30.735	International sea transportation, operations, agencies for transport affairs
Shenzhen Yong Chun International Shipping Management Co., Ltd.	2010.07.20	Room A, 26F, Tianmian City Tower, Middle Shennan Blvd, Shenzhen, China	6,000,000(RMB) EX rate:6.8520/30.735	International shipping management
Wan Hai (Vietnam) Ltd.	2012.07.02	9th Floor, MB Sunny Tower, 259 Tran Hung Dao , Dist 1st, Ho Chi minh City	6,300,000,000(VND) EX rate: 23200/ 30.735	International sea transportation, operations, agencies for transport affairs
HE CHUN LOGISTICS COMPANY LIMITED SHIPPING	2018.10.05	Behind berth 04, under Tan Vu terminal, Dinh Vu-Cat Hai economic zone, Dong Hai 2 ward,Hai An district, Haiphong city, Vietnam	46,000,000,000(VND) EX rate: 23200/ 30.735	On Dock Depot operation
Bravely (Myanmar) Transport and Logistics Company Limited.	2015.05.29	#09-01,La Pyayt Wun Plaza, No.37, Alanpya Pagoda Road, Dagon Township,YANGON	6,773,500,000(MMK) EX rate:1550/30.735	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) EX rate:30.735	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) EX rate:30.735	Commercial real estate with tenants
Wan Hai Lines (USA) LTD.	2018.05.17	17200 N Perimeter Dr.,STE200,Scottsdale AZ 85255	150,000(USD) EX rate:30.735	International sea transportation, operations, agencies for transport affairs

3. The companies presumed to have a relationship of control and subordination should be disclosed: None.

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.

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 Randy Chen	901,540	100%
	Director & President	WH-SG Representative Shen-Hsing Lo		
	Director	WH-SG Representative Hsueh-Hua Lu		
	Director	WH-SG Representative Valeriano R. del Rosario		
	Director	WH-SG Representative Cornelio T. Peralta		
Wan Hai Lines (Korea) Ltd.	Chairman	WH-SG Representative Jen-Kai Wu	80,000	100%
	Director	WH-SG Representative Chung-Cheng Hsu		
	Director	WH-SG Representative Meng-Chuan Chang		
	Supervisor	WH-SG Representative Fur-Lung Hsieh		
Wan Hai Lines (M) Sdn. Bhd.	Director	WH-SG Representative Chih-Yuan Chen	500,000	100%
	Director	WH-SG Representative Fur-Lung Hsieh		
	Director	WH-SG Representative Wei-Ching Hu		
	Director	WH-SG Representative Teck-Leong Chua		
Yi Chun Shipping Agencies Sdn. Bhd.	Director	WH-SG Representative Chih-Yuan Chen	200,000	100%
	Director	WH-SG Representative Fur-Lung Hsieh		
	Director	WH-SG Representative Teck-Leong Chua		
	Director	WH-SG Representative Wei-Ching Hu		
Wan Hai Lines (Singapore) Pte Ltd	Director	WH-TPE Representative Randy Chen	959,957,200	100%
	Director	WH-TPE Representative Chih-Yuan Chen		
	Director	WH-TPE Representative Fei-Fei Chung		
	Director	WH-TPE Representative Jen-Yee Huang		
Wan Hai Lines (America) Ltd.	Director	WH-TPE Representative Chih-Chao Chen	280,000	100%
	Director	WH-TPE Representative Randy Chen		
	Director	WH-TPE Representative Fur-Lung Hsieh		
	Director	WH-TPE Representative Shen-Hsing Lo		
Wan Hai International Pte. Ltd.	Director	WH-SG Representative Fei-Fei Chung	10,312,460	100%
	Director	WH-SG Representative Jen-Yee Huang		
	Director	WH-SG Representative Chih-Yuan Chen		

Company Name	Title	Name	Holding shares on current date	
			shares	%
Bravely International Pte. Ltd.	Director	WHI Representative Chi-Hao Loh	6,623,101	100%
	Director	WHI Representative Eng-Huat Ang		
	Director	WHI Representative Yong-Hing Chan		
	Director	WHI Representative I-Hsin Chiu		
Infinite Marine Investment Co., Ltd.	Director	WHI Representative Ya-Ting Yang	5,550,000	100%
	Director	WHI Representative Wei-Chi Shieh		
	Director	WHI Representative Tsai-Jung Huang		
Guangzhou Wan Hai Information Technology Ltd.	Chairman	WH-HK Representative Kwan-Wah Chu	-	100%
	Director	WH-HK Representative Chieh-Wen Wang		
	Director	WH-HK Representative Yu-Man Chan		
Wan Hai Lines (HK) Limited	Director	WH-SG Representative Ching-Chih Chen	160,000,000	100%
	Director	WH-SG Representative Chih-Chao Chen		
	Director	WH-SG Representative Huai-Lung Chen		
	Director	WH-SG Representative Wen-Chau Yeh		
	Director	WH-SG Representative Kwan-Wah Chu		
	Director	WH-SG Representative Tsai-Jung Huang		
Dawin Logistics (International) Limited	Director	WH-HK Representative Ching-Chih Chen	144,640,000	100%
	Director	WH-HK Representative Chih-Chao Chen		
	Director	WH-HK Representative Huai-Lung Chen		
	Director	WH-HK Representative Wen-Chau Yeh		
	Director	WH-HK Representative Kwan-Wah Chu		
	Director	WH-HK Representative Tsai-Jung Huang		
Shenzhen Uniwin International Logistics Ltd.	Chairman	DAWIN Representative Kwan-Wah Chu	-	100%
	Director	DAWIN Representative Jen-Kai Wu		
	Director	DAWIN Representative Chien-Feng Wu		
	Supervisor	DAWIN Representative Yu-Man Chan		
Clipper International Shipping Agency Ltd.	Chairman	UNIWIN Representative Chien-Feng Wu	-	49%
	Director	UNIWIN Representative Shyue-Jih Ma		
	Director	UNIWIN Representative Kwan-Wah Chu		
	Director	UNIWIN Representative Tian-Hai Chang		
	Supervisor	UNIWIN Representative Yu-Wan Chan		
	Director	Shenzhen T&S Shipping Agency Co., Ltd. Representative Yuan Chan		51%

Company Name	Title	Name	Holding shares on current date	
			shares	%
Wan Hai Lines (India) PVT Ltd.	Director	Wan Hai International Pte.Ltd. Representative Fur-Lung Hsieh	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 Fur-Lung Hsieh		
	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 Representative Cheng-Chung Chuang	2,600,000	10%
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Representative Jeffery Chen	2,600,000	10%
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Representative Billy Chen	2,600,000	10%
	Director	WH-TPE Representative Chuang-Chih Chuang	14,300,000	55%
	Director	WH-TPE Representative Kuo-Loong Kao		
	Director	WH-TPE Representative Shen-Hsing Lo		
	Director	WH-TPE Representative I-Feng Lin		
	Supervisor	Shyue-Jih 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 Wei-Chien Chuang		
	Director	WH-TPE Representative Li-Mei Su		
	Director	WH-TPE Representative I-Feng Lin		
	Supervisor	Shyue-Jih Ma	-	-
	Vice Chairman	Cheng-Chung 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 Chien-Feng Wu		
	Supervisor	DAWIN Representative Chih-Hsien Chen		
Wan Hai Lines (Thailand) Limited	Director	WH-SG Representative Fur-Lung Hsieh	29,400	49%
	Director	WH-SG Representative Fei-Fei Chuang		
	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.	Chairman	Unitrans Group Co., Ltd. Hong-Hui Chen	-	10%
	Vice Chairman	Shenzhen Uniwin Representative Kwan-Wah Chu		90%
	Director	Shenzhen Uniwin Representative Kuo-Loong Kao		
	Director	Shenzhen Uniwin Representative Chung-Ping Huang		
	Director	Shenzhen Uniwin Representative Wei-Kai Huang		
	Supervisor	Shenzhen Uniwin Representative Yu-Man Chan		
Wan Hai (Vietnam) Ltd.	Director	WH-SG Representative Fur-Lung Hsieh	-	100%
	Director	WH-SG Representative Ren-Kai Wu		
	Director	WH-SG Representative Jen-Yi Liao		
	Supervisor	WH-SG Representative Chih-Hsien Chen		
HE CHUN LOGISTICS COMPANY LIMITED SHIPPING	Chairman	WH-SG Representative Jen-Yi Liao	-	100%
	President	WH-SG Representative Kuo-Shu Chien		
	Supervisor	WH-SG Representative Chien-Hui Yeh		
Bravely (Myanmar) Transport and Logistics Company Limited.	Chairman	Dr. Kyaw Win	1,000,000	20%
	Managing Director	Bravely International Pte. Ltd. Representative Chi-Hao Loh	4,000,000	80%
	Director	Bravely International Pte. Ltd. Representative Eng-Huat Ang		
	Director	Bravely International Pte. Ltd. Representative I-Hsin Chiu		
	Director	Bravely International Pte. Ltd. Representative Yong-Hing Chan		
Wan Hai Lines (Ecuador) S.A.	Director	WH-SG Representative Randy Chen	51,000	51%
	Director	WH-SG Representative Meng-Chuan Chang		
	Director	WH-SG Representative Jen-Yang Yu		
	Director	AGENCIAS UNIVERSALES S.A. Representative Jaime Donulo Ramirez Baquero	29,000	29%
	Director	GRUPRA S.A. Representative Xavier Marcelo Ramirez Baquero	20,000	20%
Wan Hai Lines (Arizona) LLC.	Director	WH-US Representative Chih-Chao Chen	-	100%
	Director	WH-US Representative Randy Chen		
	Director	WH-US Representative Fur-Lung Hsieh		
	Director	WH-US Representative Shen-Hsing Lo		
Wan Hai Lines (USA) LTD.	Director	WH-SG Representative Chih-Chao Chen	3,000	100%
	Director	WH-SG Representative Randy Chen		
	Director	WH-SG Representative Fur-Lung Hsieh		
	Director	WH-SG Representative Shen-Hsing Lo		

6. Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD
2018.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Profit on Operating *	Profit Loss *	Earning per Share
Wan Hai Lines (Phils.), Inc.	5,991 (PHP 9,015,400)	297,007 (PHP 508,492,812)	281,741 (PHP 482,356,162)	15,266 (PHP 26,136,650)	43,079 (PHP 75,400,718)	4,326 (PHP 7,571,736)	3,333 (PHP 5,834,192)	3.61 (PHP 6.47)
Wan Hai Lines (HK) Limited	695,246 (HKD 160,000,000.00)	5,070,537 (HKD 1,292,141,501.98)	2,348,908 (HKD 598,580,010.96)	2,721,629 (HKD 693,561,491.02)	1,785,059 (HKD 465,230,907.70)	287,123 (HKD 74,831,454.23)	365,068 (HKD 95,145,835.89)	2.00 (HKD 0.59)
Guangzhou Wan Hai Information Technology Ltd.	7,922 (RMB 2,125,450.00)	17,554 (RMB 3,964,926.91)	-4,659 (RMB -1,052,456.31)	22,213 (RMB 5,017,383.22)	65,378 (RMB 14,320,907.00)	413 (RMB 90,519.57)	476 (RMB 104,161.07)	N/A
Dawin Logistics (International) Limited	570,480 (HKD 144,640,000.00)	2,530,370 (HKD 644,822,350.06)	1,612,131 (HKD 410,824,471.93)	918,239 (HKD 233,997,878.13)	953,311 (HKD 248,456,651.04)	10,471 (HKD 2,729,080.55)	29,167 (HKD 7,601,545.73)	0.20 (HKD 0.05)
Shenzhen Uniwin International Logistics Ltd.	644,016 (RMB 132,615,268.00)	2,418,355 (RMB 546,248,199.96)	1,624,802 (RMB 367,003,643.37)	793,553 (RMB 179,244,556.59)	744,645 (RMB 163,114,006.31)	-10,905 (RMB -2,388,701.14)	13,162 (RMB 2,883,125.75)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	29,068 (RMB 6,000,000.00)	34,359 (RMB 7,760,743.86)	5,163 (RMB 1,166,122.26)	29,196 (RMB 6,594,621.60)	38,838 (RMB 8,507,399.82)	3,002 (RMB 657,629.82)	1,762 (RMB 385,969.10)	N/A
Clipper International Shipping Agency Ltd.	4,070 (RMB 1,000,000.00)	1,591,013 (RMB 359,371,552.14)	1,586,066 (RMB 358,254,062.72)	4,947 (RMB 1,117,489.42)	455,059 (RMB 99,680,424.67)	2,310 (RMB 506,018.59)	8,596 (RMB 1,883,004.09)	N/A
Wan Hai Lines (Singapore) Pte. Ltd.	21,546,395 (USD 700,190,794.86)	40,408,495 (USD 1,314,738,718.20)	12,329,753 (USD 401,163,250.40)	28,078,742 (USD 913,575,467.80)	23,532,191 (USD 782,580,359.03)	2,540,718 (USD 84,493,464.61)	2,308,879 (USD 76,783,482.86)	2.41 (USD 0.08)
Wan Hai International Pte. Ltd.	239,979 (SGD 10,312,460.00)	1,469,757 (SGD 65,356,030.97)	913,518 (SGD 40,621,608.15)	556,239 (SGD 24,734,422.82)	352,233 (SGD 15,805,908.66)	63,059 (SGD 2,829,670.87)	(268,044) (SGD -12,028,047.12)	N/A
Bravely International Pte. Ltd.	413,778 (USD 13,195,986.62)	266,863 (USD 8,682,719.74)	158,403 (USD 5,153,830.32)	108,460 (USD 3,528,889.42)	82,586 (USD 2,746,472.16)	(211,873) (USD -7,045,992.34)	(209,220) (USD -6,957,775.15)	N/A
Infinite Marine Investment Co., Ltd.	173,463 (USD 5,550,000.00)	822 (USD 26,753.84)	1,552 (USD 50,489.00)	(730) (USD -23,735.16)	0 (USD 0)	(1,695) (USD -56,372.25)	(167,068) (USD -5,555,960.96)	N/A
Wan Hai Lines (M) Sdn. Bhd.	4,613 (MYR 500,000.00)	452,266 (MYR 61,199,692.55)	369,093 (MYR 49,944,939.90)	83,173 (MYR 11,254,752.65)	118,346 (MYR 15,882,538.84)	(15,788) (MYR -2,118,778.21)	17,222 (MYR 2,311,268.60)	34.43 (MYR 4.62)
Yi Chun Shipping Agencies Sdn. Bhd.	1,845 (MYR 200,000.00)	84,383 (MYR 11,418,540.90)	75,382 (MYR 10,200,487.46)	9,001 (MYR 1,218,053.00)	67,411 (MYR 9,046,780.14)	12,422 (MYR 1,667,122.76)	6,330 (MYR 849,517.06)	31.67 (MYR 4.25)
Wan Hai Lines (Korea) Ltd.	11,019 (WON 400,000,000)	161,545 (WON 5,870,962,212)	133,368 (WON 4,846,930,911)	28,177 (WON 1,024,031,301)	113,965 (WON 4,211,117,732)	15,461 (WON 571,279,852)	12,750 (WON 471,117,199)	159.37 (WON 5,889)
Wan Hai Lines (India) PVT Ltd.	69 (INR 100,000)	613,839 (INR 1,397,640,651)	533,109 (INR 1,213,827,000)	80,730 (INR 183,813,651)	133,617 (INR 304,351,100)	41,757 (INR 95,114,591)	28,022 (INR 63,828,456)	2,802.21 (INR 6,832.85)
Wan Hai Lines (America) Ltd.	401,460 (USD 13,000,000.00)	438,356 (USD 14,262,441.33)	12,216 (USD 397,470.19)	426,140 (USD 13,864,971.14)	124,453 (USD 4,138,774.00)	2,536 (USD 84,328.66)	22,573 (USD 750,695.45)	80.62 (USD 2.68)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000.00)	2289 (EUR 64,968.70)	169 (EUR 4,805.67)	2,120 (EUR 60,163.03)	0 (EUR 0)	0 (EUR 0)	(368) (EUR -10,369.71)	N/A
k.k. WH Corporation	7,141 (JPY 25,000,000)	1,310,886 (JPY 4,707,846,654)	1,292,593 (JPY 4,642,148,457)	18,293 (JPY 65,698,197)	8,015,439 (JPY 29,446,872,955)	906 (JPY 3,330,090)	338 (JPY 1,242,969)	676.67 (JPY 2,485.94)
TK LOGISTICS INTERNATIONAL CO., LTD	260,000	404,014	135,621	268,393	237,242	9,330	6,065	0.23
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	98,488	43,102	55,386	56,001	7,265	5,345	1.25
Blue Ocean Logistics (Shanghai) Ltd	32,596 (RMB 7,824,000.00)	84,527 (RMB 19,092,770.62)	19,178 (RMB 4,331,924.51)	65,349 (RMB 14,760,846.11)	189,099 (RMB 41,421,919.45)	3,787 (RMB 829,450.74)	2,690 (RMB 589,166.84)	N/A
Wan Hai Lines (Thailand) Limited	5,725 (THB 6,000,000.00)	316,843 (THB 334,007,395.39)	196,764 (THB 207,423,444.18)	120,079 (THB 126,583,951.21)	96,510 (THB 103,867,325.55)	21,388 (THB 23,018,616.39)	14,161 (THB 15,240,673.68)	236.02 (THB 254.01)
Wan Hai (Vietnam) Ltd.	8,691 (USD 300,000.00)	176,597 (VND 133,302,115,106)	143,575 (VND 108,376,063,345)	33,022 (VND 24,926,051,761)	97,509 (VND 75,006,884,918)	17,138 (VND 13,182,710,174)	17,746 (VND 13,650,820,275)	N/A
HE CHUN LOGISTICS COMPANY LIMITED SHIPPING	60,857 (VND 46,000,000.00)	61,386 (VND 46,336,346,093)	10 (VND 7,608,738)	61,376 (VND 46,328,737,355)	0 (VND 0)	0 (VND 0)	427 (VND 328,737,355)	N/A
Bravely (Myanmar) Transport and Logistics Company Limited.	159,480 (MMK 6,773,500,000.00)	115,713 (MMK 5,835,597,716.42)	202 (MMK 10,206,532.00)	115,511 (MMK 5,825,391,184.42)	16,777 (MMK 797,055,733.00)	(6,352) (MMK -301,767,201.02)	(3,264) (MMK -155,027,066.38)	N/A
Wan Hai Lines (Ecuador) S.A.	3,190 (USD 100,000.00)	9,619 (USD 312,966.77)	(2,182) (USD -70,985.73)	11,801 (USD 383,952.50)	57,243 (USD 1,903,655.51)	11,302 (USD 375,839.76)	7,900 (USD 262,665.04)	155 (USD 5.15)
Wan Hai Lines (Arizona) LLC.	359,760 (USD 12,000,000.00)	379,184 (USD 12,337,226.39)	3,610 (USD 117,469.54)	375,574 (USD 12,219,756.85)	21,811 (USD 725,355.33)	2,313 (USD 76,904.18)	2,780 (USD 92,444.29)	N/A
Wan Hai Lines (USA) LTD.	4,469 (USD 150,000.00)	233,360 (USD 7,592,673.86)	228,025 (USD 7,419,079.27)	5,335 (USD 173,594.59)	6,014 (USD 200,000.00)	959 (USD 31,894.59)	709 (USD 23,594.59)	236.50 (USD 7.86)

(1) 20181231 CLOSE RATE

USD/TWD : 30.735 HKD/USD : 0.1277 USD/SGD : 1.3667 USD/MYR : 4.1590 USD/WON(KRW) : 1117 USD/PHP : 52.62 USD/RMB : 6.8520 USD/INR : 69.98 USD/MMK : 1550
EUR/TWD : 35.2304 USD/THB : 32.40 CNY/HKD : 1.1282 VND/TWD : 0.0013 HKD/TWD : 3.9241 YEN(JPY)/TWD : 0.2784 USD/VND : 23200

(2) 2018 AVERAGE RATE

USD/TWD : 30.07 HKD/USD : 0.1276 USD/SGD : 1.3493 USD/MYR : 4.0355 USD/WON(KRW) : 1111.11 USD/PHP : 52.63 USD/RMB : 6.8892 USD/INR : 68.49 USD/MMK : 1428
EUR/TWD : 35.5005 USD/THB : 32.36 CNY/HKD : 1.1898 VND/TWD : 0.0013 HKD/TWD : 3.8366 YEN(JPY)/TWD : 0.2722 USD/VND : 23131

(3) The capital amount was calculated by historical rate.

8.1.2 The consolidated financial statements of the affiliated enterprises

Statement

For 2018 (January 1 to December 31, 2018), affiliated enterprises of this Company that shall be included in the consolidated financial statements of the affiliated enterprises according to the rules prescribed by the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those companies that shall be included in consolidated financial statement of the parent company and subsidiaries as prescribed by International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, the consolidated financial statements of the affiliated enterprises were therefore not prepared separately.

As hereby declared

WAN HAI LINES LTD.

Chairman Shihlin Paper Co., Ltd.

Representative Po-Ting Chen

March 22, 2019

8.1.3 Affiliation report: None.

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 Co., Ltd.



Representative

Po-Ting Chen



WE CARRY, WE CARE.

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