

Stock Code 2615

ANNUAL REPORT

2019



WAN HAI LINES LTD.

WE CARRY, WE CARE.

| Published Date | April 26, 2020

| Company Website | <http://www.wanhai.com.tw>

| Website of Annual Report | <http://mops.twse.com.tw>

2019

ANNUAL REPORT

Stock Transfer Underwriter

Hua Nan Securities Co., Ltd.
Registrar & Transfer Agency Dept.

4F., No.54, Sec. 4, Minsheng E. Rd.,
Songshan Dist., Taipei, Taiwan, R.O.C.
+886-2-2718-6425
<http://www.entrust.com.tw>

Address & Telephone Numbers of its Head & Branch office

- **Head office**
10F., No.136, Sung Chiang Rd.,
Zhongshan Dist., Taipei, Taiwan
+886-2-2567-7961
<http://www.wanhai.com.tw>
- **Keelung Branch**
7F., No.255, Ren 2nd Rd., Ren'ai Dist.,
Keelung, Taiwan
+886-2-2424-8176~9
- **Taichung Branch**
6F.-2, No.396, Yingcai Rd., North Dist.,
Taichung, Taiwan
+886-4-2328-7008
- **Kaohsiung Branch**
12F., No.456, Zhongxiao 1st Rd., Xinxing
Dist., Kaohsiung, Taiwan
+886-7-236-9636

Spokesman

Ms. Laura Su
Operation Division Vice President

+886-2-2567-7961 ext.7710
laura_su@wanhai.com

Deputy Spokesman

Mr. Tommy Hsieh
President

+886-2-2567-7961 ext.6169
tommy_hsieh@wanhai.com

Certification of Annual Financial Statement is Provided by

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

68F., TAIPEI 101 TOWER, No.7, Sec. 5, Xinyi Rd.,
Xinyi Dist., Taipei, 11049, Taiwan
+886-2-8101-6666
<http://www.kpmg.com.tw>

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 22 3.3 Implementation of Corporate Governance 45 3.4 Information on CPA professional fees 45 3.5 Information on replacement of CPA 45 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 46 3.7 Changes in Shareholdings of Directors, Managers and major shareholders in the past year and up to the annual report publishing date 47 3.8 Information Disclosing the Relationship between any of the Company's Top Ten shareholders 48 3.9 The comprehensive shareholdings of directors, presidents and direct or indirect controlling business on the same investing business
49	IV. Information on capital raising activities 49 4.1 Capital and Shares 55 4.2 Status of Corporate Bond 57 4.3 Status of Preferred stock 57 4.4 Status of Global Depositary Receipt 57 4.5 Status of Employee Stock options 57 4.6 Status of New Shares Issuance in Connection with Mergers and Acquisition 58 4.7 Financing Plans and Implementation
60	V. Condition of the Business Operation 60 5.1 Business Profile 63 5.2 General Situation of Market and Sales 70 5.3 Human Resources Statistics 71 5.4 Disbursements for environmental protection 72 5.5 Labor Relations 76 5.6 Significant Contracts

79

VI 、 Financial Highlights

- 79 6.1 Summarized financial statements for the past 5 years
- 84 6.2 Summarized financial analysis for the past 5 years
- 88 6.3 Audit Committee's Review Report for Fiscal Year 2019
- 90 6.4 Financial Statements for Fiscal Year 2019
- 187 6.5 Consolidated Financial Statements for Fiscal Year 2019
- 278 6.6 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date

279

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

- 279 7.1 Analysis of Financial Status
- 280 7.2 Analysis of Operation Results
- 281 7.3 Analysis of Cash Flow
- 282 7.4 Major Capital Expenditure Items
- 282 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
- 282 7.6 Analysis regarding risk items for the past year and up to the annual report publishing date
- 284 7.7 Other significant information

285

VIII 、 Special Disclosure

- 285 8.1 Related Parties Information
- 292 8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report
- 292 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
- 292 8.4 Other necessary disclosure
- 292 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.

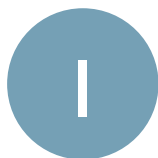
2014	OCT ▶ Awarded " Most Admired Company in Taiwan" 2014 in the shipping category " by Commonwealth Magazine. DEC ▶ Awarded OHSAS 18001 Certificate at Taichung / Kaohsiung terminal.
2015	JAN ▶ Launched Independent Kansai / Haiphong Service II FEB ▶ Awarded of "Best Shipping Agent, Customer Service for 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.
2019	MAR ▶ Launched Independent Subic ExpressService (SES) ▶ Awarded "Container Shipping Line of The Year -Far East Trade Lane" APR ▶ Transpacific Service Enhancement /Launched Independent China-Philippines Express Service (CPX) / Enhance China to Vietnam and Cambodia Services Coverage (CVK) SEP ▶ Awarded "Hall of Fame-Container Shipping Line of the year : India-Far East Trade Lane" OCT ▶ Launched Korea- China- Indonesia- Vietnam "CKI" service

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 2016-2019
Real-time quality response with service commitments
- 2 SEVEN-TIME WINNER OF [CONTAINER SHIPPING LINE OF THE YEAR-FAR EAST TRADE LANE] & AWARDED [HALL OF FAME-CONTAINER SHIPPING LINE OF THE YEAR] IN 2019
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 ADMIRABLE COMPANY] IN MARITIME SHIPPING CATEGORY FROM COMMONWEALTH MAGAZINE
All-round business performance recognized by local influential publication
- 6 FIVE-TIME WINNER OF [GREEN FLAG] FROM PORT OF LONG BEACH, CA
Sparing no effort to achieve environmental sustainability
- 7 YOUNGER AVERAGE CONTAINER AGE(4.3 YEARS) THAN THAT OF THE INDUSTRY (6.6 YEARS) FROM DREWRY 2018
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

Dear Shareholders,

The 2019 China-U.S. trade conflict and the fluctuation of international political and economic situations imposed downward pressure on global economic growth. However, a crisis may also be an opportunity. Flexible reaction to trade conflicts and shifting market trends on trade has become the key to pursuing growth. Apart from international trade and commerce situations, the shipping industry is also facing stricter environmental regulations and the 2020 global sulfur limit which was about to be implemented. Although the business environment was full of challenges, but thanks to the efforts of our management team and all our colleagues, we maintained profitable in 2019, and attained the following achievements:

Strengthening Service Networks and Reaching Record-High Operational Volume

The diverse and frequent shipping services in Asia have been the strength of Wan Hai. Apart from maintaining our existing shipping routes, in view of the growth dynamics of developing economies, we actively expand into ASEAN markets. In 2019 we opened several shipping routes to provide more comprehensive services to the Philippines, Cambodia, Vietnam, Indonesia, Singapore and Malaysia. With regard to Southern Asia, Wan Hai's service network covers major ports, besides we further developed niche markets, to provide our customers more convenient shipping services and enhance our service networks. As for our Asia-North America routes, we added calls at Vietnam to fulfill the demands resulting from supply chain shifts.

Wan Hai steadily maintains its markets in compliance with the ever-changing international economical and trade environments. Our deployment in potential markets resulted in operational volume growth. Our operational volume in 2019 reached a record high of 4.40 million TEU, a growth of 4.23% over 2018.

Excellent Quality and Reliable Services

The schedule reliability of the Wan Hai Lines fleet was ranked No.1, for a consecutive four years, in the "Global Liner Performance Report" published by SeaIntel, a Danish maritime research institute. Apart from leading the industry in schedule reliability, Wan Hai is also devoted to providing quality containers to our customers. We ordered 67,000 teu new containers, which accounted for 16% of our own containers and reduced the average age of them to 4.3 years, much better than the industry average (6.6 years according to Drewry Shipping Consultants). Furthermore, Wan Hai was honored by MALA (Maritime And Logistics Awards) for the eight consecutive year, awarded "India-Far East shipping line Hall of Fame" in 2019. It shows that Wan Hai is successful in the Indian market in various aspects such as cargo volume growth, market influence and customer satisfaction.

Improving Ship Efficiency and Reducing Environmental Impact

In respond to cutting carbon emission as per the Paris Agreement, and to decrease impact on the environment, Wan Hai dedicated to implementing energy saving programs for its fleet. By optimizing route planning and fuel efficiency, reducing vessel hull-resistance and other means, we maximize energy efficiency. Furthermore, as IMO announced that, from 2020, sulfur in fuel oil used on ships shall not exceed 0.5% m/m, Wan Hai researched and drafted detailed plans to enhance fleet management, and strive to meet the international standards. Our ongoing ship building projects also take energy efficiency and environmentally friendly elements into consideration. Our new vessels will be delivered in succession starting from the fourth quarter of 2020.



Financial Performance

NT\$6.17 billion from 2018. Consolidated net profit after tax was NT\$3.57 billion, showing an increase of approximate NT\$2.45 billion. In terms of profitability, shareholder return on equity in 2019 was 10.08% with a net profit ratio of 4.92%, as earnings per share came in at NT\$1.61.

Looking back on 2019, market uncertainties increased as the China-US trade conflict lasted, labor struck in various countries, Japan was hit by typhoons and the economic growth in emerging markets slowed down. The already pessimistic forecast on economic growth was further revised downwards. In terms of shipping supply, the capacity of global container fleet grew 4% compared to 2018, however global cargo volume only grew 2.5%, according to Alphaliner statistics. There was an apparent discrepancy between the growth rates of supply and demand. In the oversupply state, the growth in freight rate was limited. Moreover, due to IMO's sulfur limit, many ships were out of action for scrubbers retrofits. As a result, the demand of charter ships rose and brought up the rent. Our cost for chartering ship was consequently higher than the previous year. Despite of the adverse factors mentioned above, the management team and all employees of Wan Hai worked in solidarity in cutting costs and expanding cargo sources, and searching for opportunities amid uncertain changes in international politics and economies, to achieve good financial performance and stay profitable.

Operation Plans for 2020

According to the IMF's World Economic Outlook, global economic growth is projected to be -3.0% in 2020, marking a decrease from 2.9% in 2019. This shows that the global economy is severely impacted by the COVID-19 pandemic and could be worse than during the financial crisis a decade ago. In terms of the supply and demand of the shipping market, Alphaliner estimates that 2020 global throughput and cellular fleet capacity growth will be -7.3% and 2.9% respectively, indicating an even greater oversupply of shipping capacity. Furthermore, the overall trend of the global economy is still full of uncertainties as the COVID-19 pandemic, international geopolitical situations, natural disasters and the fluctuations of bunker prices are hard to predict. All in all, with fiercely competitive pressures and high uncertainties in the shipping market, the profitability is likely to be restricted.

Although there are many challenges ahead, Wan Hai has, over the years, been able to cautiously assess and flexibly react to market situations. Wan Hai will uphold its operational philosophy of "Customer First, Full Participation, Environment Protection, and Sustainable Management". We will endeavor to raise our service quality, strengthen our service networks, optimize our cost management, improve our fleet management, and minimize impacts on the environment. While maximizing our profitability we will also be a responsible corporation and will develop sustainably so as not to let down the approval and expectations of our shareholders and various sectors of our society.

Sincerely yours,

Chairman

Shihlin Paper Co., Ltd.

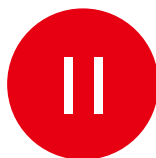


Representative

Po-Ting Chen



Apr 26, 2020



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 South-east 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-three 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 it was honored by MALA (Maritime And Logistics Awards) for the eighth consecutive year, awarded “India-Far East shipping line Hall of Fame” in 2019. As such, Wan Hai becomes a recognized corporate brand in shipping industry.

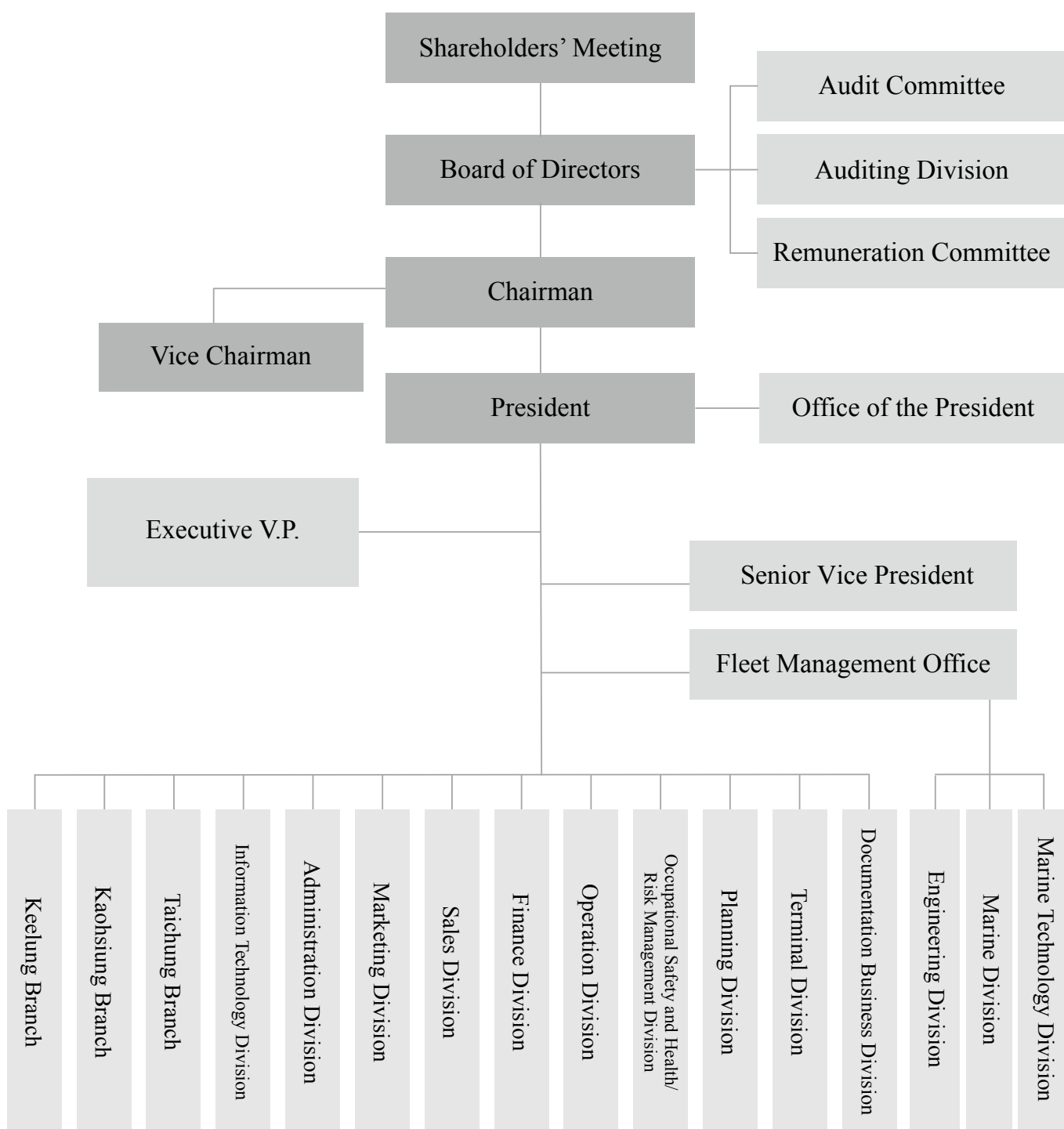
Driven by the corporate culture of “Quality Service, Team Work, and Growth” and the philosophy of “Customer First, Full Participation, Environmental Protection, and Business Continuity,” Wan Hai continues to provide a comprehensive service network, and continues to enhance service quality and business performance. Adhering to stable and pragmatic business practices, and by building strong bonds and trust with vast numbers of manufacturers, Wan Hai keeps operating sustainably and pursuing further growth.



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~)

2020.04.25

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		Jun 24, 2011		Jun 24, 2011	
Shareholding on date elected	No. of shares	29,933,031	9,603,548	5,469,256	0	31,902,176	0
	Holding Ratio	1.34%	0.43%	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 (Note 2) WAN HAI LINES PERU S.A.C. Representative Director for legal entity WANHAI 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 (Note 2) 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/ Chairman 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	-		-		-	
Remark (Note 1)		N/A		N/A		N/A	

Title		Director		Independent Director	Independent Director	Independent Director	Independent Director
Nationality		R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Name		Sunshine Construction Co., Ltd	Representative: Chiu-Ling Wu	Rung-Nian Lai	Pai-Tsung Chen	Stephanie Lin	Ruei-Chuen Liu (Note 3)
Gender			Female	Male	Male	Female	Male
Date elected		Jun 22, 2017		Jun 22, 2017	Jun 18, 2019	Jun 18, 2019	Jun 22, 2017
Tenure		3 years		3 years	End of 20 th Board of Directors	End of 20 th Board of Directors	3 years
Date first elected		Jun 22, 2017		Jun 18, 2014	Jun 18, 2019	Jun 18, 2019	Jun 18, 2014
Shareholding on date elected	No. of shares	26,487,607 0		0	0	0	525
	Holding Ratio	1.19% 0.00%		0.00%	0.00%	0.00%	0.00%
Current Shareholding	No. of shares	26,487,607 15,275,878		0	0	0	0
	Holding Ratio	1.19% 0.69%		0.00%	0.00%	0.00%	0.00%
Current shareholding of Spouse and Minor Children	No. of shares	0		1,000	0	0	0
	Holding Ratio	0%		0%	0%	0%	0%
Shareholding under other names	No. of shares	0		0	0	0	0
	Holding Ratio	0%		0%	0%	0%	0%
Major Academic qualification and professional experience		DE LIN Institute of Technology		College of Medicine, National Taiwan University	Electrical Engineering, National United University	California State University- Fullerton, Master of Business Administration	College of law, National Chung Hsing 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			TAKE WELL ENGINEERING INC. President		Star Travel Corp. Independent Director
officer, director held by spouse or relatives within two levels of blood relations	Title	-		-	-	-	-
	Name	-		-	-	-	-
	Relation	-		-	-	-	-
Remark (Note 1)		N/A		N/A	N/A	N/A	N/A

Note 1: If the Chairman and President or holder of an equivalent office (Highest ranking manager) is the same person or they are spouses or first degree relatives of each other; explanation and relevant information should be provided for the reason, justifiability, necessity, and countermeasures (For instance, methods like increasing independent directors, but the majority directors should not be employees or managers of the company etc.).

Note 2: 2019-10-09 WAN HAI LINES(AMERICA)LTD. was merged by WAN HAI LINES(U.S.A) LTD

Note 3: 2019-04-13 Dismissal

2. Major shareholders of corporation stockholders

April 25, 2020

Corporation shareholders		Major Shareholders and holdings %				
Shihlin Paper Co., Ltd.	Pictet & Cie (Europe) S.A. 3.36%	Wan Hai Charity Foundation 6.98%	Taiquan Investment Co., Ltd. 6.92%	Yeong Yi (Asia) Co., Ltd. 6.35%	Evervaliant Corp. 4.87%	Liu He Investment, Inc. 3.38%
	Zheng-Ti Cheng 3.47%	Ching-Chih Chen 3.89%	Shui-Cheng Tu 7.35%	Che-I, Lin 3.22%		
Taili Corporation	An-Chou Lin 0.002%	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%	UNIMODE INVESTMENT Co.,LTD 90.821%				
Chen-Yung Foundation	NONE					
Sunshine Construction Co., Ltd	Yu-Hwa, Lin 0.05%	Che-I, Lin 56.84%	Chiu-Ling, Wu 11.25%	Yu-Shuan, Lin 8.00%	Chao-Hsiung, Lin 7.68%	Chia-Chin, Lin 0.96%
	Chia-Ying, Lin 0.96%	I-Cheng, Lin 4.8%	Yee Tzao Enterprise Co., Ltd. 9.46%			

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

April 25, 2020

Corporation shareholders		Major shareholders of corporation shareholders				
Taiquan Investment Co., Ltd.	Dao Qi Ltd 2.95%	Cheng-zhi Chen 10.1%	Zheng-Ti Cheng 9.85%	Dao Pu Ltd 2.94%	Dao Kuan Ltd 2.95%	Dao Zhou Ltd 2.94%
	Evervaliant Corp. 23.99%	Yeong Yi (Asia) Co., Ltd. 21.72%	Taishi Trading Co., Ltd. 8.8%			
Yeong Yi (Asia) Co., 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%		
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%	
Wan Hai Charity Foundation	NONE					
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%				
UNIMODE INVESTMENT Co.,LTD	LY Investments Ltd. 100%					
Yee Tzao Enterprise Co., Ltd.	Chiu-Ling, Wu 9.92%	I-Cheng, Lin 0.2%	Chia-Ying, Lin 0.2%	Chia-Chin, Lin 5.28%	Che-I, Lin 62%	Chao-Hsiung, Lin 8%
	Yueh-Hsia, Lin 14.4%					

4. Information of Directors

2020.04.26

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	11	12	
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	
Rung-Nian Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Pai-Tsung Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Stephanie Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Ruei-Chuen Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note1: Directors and supervisors who meet the following conditions two years prior to been elected and during their terms of office, please tick the box next to the condition.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (3) Neither oneself and spouse and minor children or in the names of others, hold more than 1% of shares issued by the company, nor a natural person shareholder among the top ten shareholders.
- (4) Not a manager listed in (1) or a spouse, a relative within the second degree of kinship or a lineal relative within the third degree of kinship of a person listed in (2) and (3).
- (5) Not directly holding 5% or more of the total number of shares issued by the company, ranking among the top five in shareholdings, and not a director, supervisor or employee of the corporate shareholder that authorized representatives to act as directors or supervisors of our company in accordance with Paragraphs 1 or 2 of Article 27 of the Corporate Law. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (6) Not a director, supervisor or employee of another company, where the majority of directors or half or more voting shares are controlled by the same person. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (7) Not a director, supervisor or employee of another company or institution where the chairman, general manager or equivalent position is held by the same person or his/her spouse. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of shares of a specific company or institution which has financial or business transactions with our company. (However this restriction does not apply in cases where the specific company or institution is holding more than 20% but not exceeding 50% of shares issued by our company, and also the company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (9) Not a professional individual, owner, partner, director, supervisor, manager and the spouse of a sole proprietorship, partnership, company or institution that provides commercial, legal, financial, accounting services or auditing services to our company or our affiliates, and whose total accumulative remuneration for the past two years does not exceed N.T.\$ 500,000.(However this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger and acquisition who exercises powers pursuant to the Securities Exchange Act and or to the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a second degree relative of another director.
- (11) Not in violation of any of the provisions of Article 30 of the Corporate Law.
- (12) Not elected as representative of a government agency or juristic person stipulated in Article 27 of the Corporate Law.

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

2020.04.25

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			Remark (Note 1)
					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 (Note 2) 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	-	-	-	N/A
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	-	-	-	N/A
Senior Vice President	R.O.C.	Wei-Chien Chuang	Male	Dec 18, 2019	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	-	-	-	N/A
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	-	-	-	N/A
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	-	-	-	N/A
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	-	-	-	N/A
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 k.k. WH Corporation Representative Director for legal entity	-	-	-	N/A
Vice President	R.O.C.	Chien-Cheng Hsiao	Male	Mar 18, 2016	5,000	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University	Interasia Lines Ltd. Representative Director for legal entity	-	-	-	N/A
Vice President	R.O.C.	Shen-Hsing Lo	Male	Jan 1, 2018	28,970	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 (Note 2) 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	-	-	-	N/A
Project Vice President	R.O.C.	Wei-Shin Sheu	Male	Mar 26, 2018	64,513	0.00%	395	0.00%	0	0.00%	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-	N/A
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	-	-	-	-	N/A
Vice President	R.O.C.	Huey-Jang Chung	Male	Apr 1, 2007	181,297	0.01%	20,721	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-	N/A

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			Remark (Note 1)
					Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation	
Vice President (concurrently act as the manager of Corporate Governance)	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	-	-	-	N/A
Vice President (Finance Officer)	R.O.C.	Chih-Hsien Chen	Male	Mar 18, 2016	86,219	0.00%	51,348	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University	WAN HAI LINES (VIETNAM) Ltd. Representative Supervisor for legal entity BLUE OCEAN LOGISTICS CO.,LTD. Representative Supervisor for legal entity	-	-	-	N/A
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	-	-	-	N/A
Vice President	R.O.C.	Ching-Yin Wang	Female	Mar 26, 2018	20,854	0.00%	0	0.00%	0	0.00%	Department of Forestry, National Taiwan University	-	-	-	-	N/A
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	-	-	-	-	N/A
Vice President	R.O.C.	I-Cheng Lin	Male	Dec 18, 2019	0	0.00%	0	0.00%	0	0.00%	Department of Mathematics, Tamkang University	WAN HAI SHIPPING LTD Representative Director for legal entity WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI International PTE. LTD. Representative Director for legal entity	-	-	-	N/A
Deputy Vice President	R.O.C.	Tai-Feng Sun (Note 3)	Male	Oct 31, 2011	124	0.00%	420	0.00%	0	0.00%	Master, Department of Merchant Marine, National Taiwan Ocean University	-	-	-	-	N/A
Assistant Vice President	R.O.C.	Chun-Chieh Chen	Male	Apr 10, 2020	0	0.00%	0	0.00%	0	0.00%	Department of Marine Engineering, National Taiwan Ocean University	-	-	-	-	N/A
Deputy Vice President	R.O.C.	I- Feng Lin	Male	Oct 1, 2015	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	-	-	-	N/A
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 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	-	-	-	N/A
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	-	-	-	N/A
Deputy Vice President	R.O.C.	Fu-An Yang	Male	Jun 1, 2019	0	0.00%	0	0.00%	0	0.00%	Department of Atmospheric Sciences, National Taiwan University	-	-	-	-	N/A
Deputy Vice President	R.O.C.	Wen Yuan Chiang	Male	Oct 1, 2019	0	0.00%	0	0.00%	0	0.00%	Department of Finance and Cooperative Management, National Chung Hsing University	-	-	-	-	N/A
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	-	-	-	-	N/A
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	-	-	-	-	N/A
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	-	-	-	N/A
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	-	-	-	-	N/A
Assistant Vice President	R.O.C.	Chih- Chung Chen	Male	Dec 20, 2019	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Business and Management, Chang Gung University	-	-	-	-	N/A
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	-	-	-	-	N/A

Note 1: If the President or holder of an equivalent office (Highest ranking manager) is same as Chairman, or the same person or they are spouses or first degree relatives of each other, explanation and relevant information should be provided for the reason, justifiability, necessity, and countermeasures (For instance, methods like increasing independent directors, but the majority directors should not be employees or managers of the company etc.).
Note 2: 2019-10-09 WAN HAI LINES(AMERICA)LTD. was merged by WAN HAI LINES(U.S.A) LTD
Note 3: 2020-04-10 Retirement

3.2.3 Remuneration to directors, president and executive vice president

1. Remuneration to directors

Unit: TWD thousand

Title			Directors				Independent Directors			
			Chairman	Director	Director	Director	Independent 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 (Note 1)	Rung-Nian Lai	Stephanie Lin (Note 2)	Pai-Tsung Chen (Note 2)
Remuneration to directors	(A) Allowance	Unconsolidated	6,946				1,665			
		Consolidated	6,946				1,665			
	(B) Retirement pension	Unconsolidated	0				0			
		Consolidated	0				0			
	(C) Remuneration from retained earnings	Unconsolidated	45,316				0			
		Consolidated	45,316				0			
	(D) Transportation allowance	Unconsolidated	1,607				0			
		Consolidated	1,607				0			
Percentage of (A+B+C+D) in net income after tax		Unconsolidated	1.51%				0.05%			
		Consolidated	1.51%				0.05%			
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated	2,280				0			
		Consolidated	14,189				0			
	(F) Retirement pension	Unconsolidated	18				0			
		Consolidated	160				0			
	(G) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	78			0			
			Stock bonus	0			0			
		Consolidated	Cash bonus	78			0			
			Stock bonus	0			0			
Percentage of (A+B+C+D+E+F+G+H) in net income after tax		Unconsolidated	1.57%				0.05%			
		Consolidated	1.91%				0.05%			
Other income			185				0			
Remark	1. Please explain the policy, system, criteria and structure of remuneration of independent directors, and explain the relevance between the amount of remuneration paid and their duties, risks and time invested. In accordance with Paragraph 2, Article 11 of our Articles of Incorporation, independent directors do not participate in profit sharing, and their remunerations are decided by the Board of Directors. In view of the broad scope of business operations of independent directors, and in accordance with market surveys and after making references to competitor's standards, the remuneration plan for our independent directors was suggested by the 7th meeting of the 2nd term of our Salary and Remuneration Committee and implemented after being passed by the Board of Directors. 2. 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									

Note 1 : Relieved from the post on 2019/04/13.

Note 2 : Assume the post on 2019/06/18.

Levels of remuneration

Level of remuneration paid to directors		Name			
		Total remuneration for (A+B+C+D)		Total remuneration for (A+B+C+D+E+F+G)	
		Unconsolidated	Consolidated	Unconsolidated	Consolidated
Directors	Lower than TWD 1,000,000				
	From TWD 1,000,000 to 2,000,000				
	From TWD 2,000,000 to 3,500,000				
	From TWD 3,500,000 to 5,000,000				
	From TWD 5,000,000 to 10,000,000				
	From TWD 10,000,000 to 15,000,000	Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction Co., Ltd., Representative: Chiu-Ling Wu	Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction Co., Ltd., Representative: Chiu-Ling Wu	Chen-Yung Foundation Representative: Chih-Chao Chen Taili Corporation Representative: Randy Chen Sun Shine Construction Co., Ltd., Representative: Chiu-Ling Wu	Sun Shine Construction Co., Ltd., Representative: Chiu-Ling Wu
	From TWD 15,000,000 to 30,000,000	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 30,000,000 to 50,000,000				
	From TWD 50,000,000 to 100,000,000				
	TWD 100,000,000 and above				
Independent Directors	Lower than TWD 1,000,000	Ruei-Chuen Liu Rung-Nian Lai Stephanie Lin Pai-Tsung Chen	Ruei-Chuen Liu Rung-Nian Lai Stephanie Lin Pai-Tsung Chen	Ruei-Chuen Liu Rung-Nian Lai Stephanie Lin Pai-Tsung Chen	Ruei-Chuen Liu Rung-Nian Lai Stephanie Lin Pai-Tsung Chen
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 Stephanie Lin Pai-Tsung 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 Stephanie Lin Pai-Tsung 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 Stephanie Lin Pai-Tsung 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 Stephanie Lin Pai-Tsung 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	7,005	
	Consolidated	7,005	
(B) Retirement pension	Unconsolidated	0	
	Consolidated	0	
(C) Bonus and specific subsidy, etc.	Unconsolidated	2,621	
	Consolidated	2,621	
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	99
		Stock bonus	0
	Consolidated	Cash bonus	99
		Stock bonus	0
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0.27%	
	Consolidated	0.27%	
Other income		185	

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 1,000,000		
From TWD 1,000,000 to 2,000,000		
From TWD 2,000,000 to 3,500,000		
From TWD 3,500,000 to 5,000,000	Wen-Chau Yeh	Wen-Chau Yeh
From TWD 5,000,000 to 10,000,000	Fur-Lung Hsieh	Fur-Lung Hsieh
From TWD10,000,000 to 15,000,000		
From TWD15,000,000 to 30,000,000		
From TWD30,000,000 to 50,000,000		
From TWD50,000,000 to 100,000,000		
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	1,076	1,076	0.03%
	President	Fur-Lung Hsieh				
	Special Assistant to Chairman	Chih-Chao Chen				
	Executive Vice President	Wen-Chau Yeh				
	Senior Vice President	Wei-Chien Chuang				
	Senior Vice President	Jen-Yee Huang (Note 1)				
	Vice President	Kuo-Loong Kao				
	Vice President	Ming-Shan Huang				
	Vice President	Juang-Jyh Juang				
	Vice President	Ren-Kai Wu				
	Vice President	Chien-Cheng Hsiao				
	Vice President	Shen-Hsing Lo				
	Vice President	Li-Mei Su				
	Vice President	Hui-Chang Chung				
	Vice President	Cheng-Hsien Huang				
	Vice President	Hung-Chuan Chien				
	Vice President	Chih-Hsien Chen				
	Vice President	Chien-Feng Wu				
	Vice President	Ching-Yin Wang				
	Vice President	Han-Peng Chu				
	Vice President	I-Cheng Lin				
	Project Vice President	Wei-Hsin Hsu				
	Deputy Vice President	Chia-Yi Hsiao				

Note 1: Retired on 2019/4/10.

3.2.4 Analysis regarding the percentage of total remuneration paid to the directors, president, and executive vice president 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 2019		Percentage of total remuneration in net come after tax in 2018		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	1.62%	1.96%	2.65%	3.71%	Remuneration to directors is according to the company's articles of incorporation.
President and Executive Vice President	0.27%	0.27%	0.75%	0.75%	

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors operation

In recent year(s), the Board of Directors convened a total of 8th board of directors meetings. The directors show the following facts of attendance:

December 31, 2019

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: (2019.01.01~2019.12.31, the Board of Directors convened a total of 8th board of directors meetings)					
Chairman	Shihlin Paper Co., Ltd. Representative: Po-Ting Chen	8	0	100%	
Director	Taili Corporation Representative: Randy Chen	6	2	75%	
Director	Chen-Yung Foundation Representative: Chih-Chao Chen	8	0	100%	
Director	Sun Shine Construction Co., Ltd Representative: Chiu-Ling Wu	7	1	88%	
Independent Director	Ruei-Chuen Liu	1	0	100%	Mr. Ruei-Chuen Liu has dismiss on Apr 13, 2019.
Independent Director	Rung-Nian Lai	5	3	63%	
Independent Director	Stephanie Lin	3	0	100%	Mrs. Stephanie Lin has been appointed on June 18, 2019.
Independent Director	Pai-Tsung Chen	3	0	100%	Mr. Pai-Tsung Chen has been appointed on June 18, 2019.
Other noteworthy items: A. If the operation of the Board of Directors has one of the following situations, the following shall be disclosed: 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: (1) Article 14-3 of the Securities and Exchange Act states. (2) In addition to the above, Board of Directors' resolutions opposed or voiced reservations by other independent directors and were recorded or declared in writing. B. In the event of a recusal by one of the directors due to conflict of interests, name of the director, content of the proposal, cause of the recusal, and voting by participants should be disclosed 1. The appointment of Directors of WAN HAI LINES (SINGAPORE) LTD. (1) Director: Randy Chen (2) Motion: The terms of Directors of WAN HAI LINES (SINGAPORE) LTD. ad reached their ends and the eleventh meeting of the 20th Board (March 22, 2019), It was proposed to assign Chih-Yuan Chen, Chuang-fei fei, Lin-Yi Cheng to represent the Company as the new Directors of the Company. (3) Causes for recusal: Assigned representative. (4) 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. 2. The appointment of Directors of WAN HAI LINES (U.S.A.) LTD. (1) Director: Randy Chen & Chih-Chao Chen (2) 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 eleventh meeting of the 20th Board (March 22, 2019). 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. (3) Causes for recusal: Assigned representative. (4) 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. 3. Wan Hai International Pte. Ltd. donate sixteen million Taiwan Dollars to Wan Hai Charity Foundation. (1) Director: Po-Ting Chen (2) Motion: At the fifteenth meeting of the 20th Board (November 7, 2019), Wan Hai International Pte. Ltd. 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. 4. WAN HAI LINES(HONGKONG)LTD. Donate NT \$16 million to Wan Hai Charity Foundation. (1) Director: Po-Ting Chen					

(2) Motion: At the fifteenth meeting of the 20th Board (November 7, 2019), WAN HAI LINES(HONGKONG)LTD. donate NT\$16 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 resource 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. C. Companies listed in the stock exchange and over-the-counter markets should reveal the periods and durations of the self (or peer) assessment of the Board of Directors, and other information such as scope, methods and contents of assessments and fill out the “Execution of Board of Directors Assessment Form. (Attachment 2) D. In recent years, for strengthening the functional goals of the Board of Directors (for example setting up the Audit Committee, raising information transparency etc.), and assessment of execution, the Company has appointed a corporate governance officer and revised our Standard Operation Procedures for dealing with demands made by directors (Rules for assessment of performance of the Board of Directors cum Functionality Committee.) in compliance with the requirements of competent authorities.

3.3.2 The 20th Board of independent directors show the following facts of attendance (Mr. Ruei-Chuen Liu has resign on Apr 13,2019)

◎ : Attendance in Person; ☆ : By Proxy; ◇ Absence
December 31, 2019

2019	First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth
The 20th Board of independent directors show the following facts of attendance: (2019.01.01~2019.12.31, the Board of Directors convened a total of 8th board of directors meetings)								
Ruei-Chuen Liu	◎							
Rung-Nian Lai	☆	◎	◎	◎	◎	☆	◎	☆
Stephanie Lin						◎	◎	◎
Pai-Tsung Chen						◎	◎	◎

Implementation of performance assessment of the Board of Directors: The Board of Directors of Wan Hai Lines Ltd. reviewed and passed the “Guidelines for Performance Assessment of the Board of Directors and Functional Committees” on November 7, 2019, and shall begin in 2020 regularly assess performance and submit results of the assessment to the Board of Directors, to be used as reference for deciding remuneration for individual directors.

3.3.3 Audit Committee operation

1. There are three members in the Audit Committee of our company, and their emphasis and responsibilities are as follows:

- (1) Establish or amend internal control systems in compliance with Article 14-1 of the “Securities and Exchange Act.”
- (2) Review effectiveness of the internal control systems.
- (3) Establish or amend, in compliance with Article 36-1 of the “Securities and Exchange Act”, handling procedures for major financial or operational actions such as acquisition or disposal of assets, engage in derivatives trading, extension of monetary loans to others, endorsements or guarantees for others.
- (4) Issues involving directors’ self-interests.
- (5) Major trading of assets or derivatives.
- (6) Major extensions of monetary loans to others, endorsements or guarantees for others.
- (7) Public offering, issuing and private placements of equity securities.
- (8) Appoint, dismiss and remunerate Certified Public Accountants.
- (9) Appoint or dismiss financial, accounting and internal audit executives.
- (10) Annual Financial report signed by the Chairman and the executive of the Accounting Section, and second quarter financial report, which requires certification by a CPA.
- (11) Operations Reports and the surplus earnings distribution or loss make-up proposals.

2. There were 4th Audit Committee meetings in 2019. The attendance status of members were as follows:

December 31, 2019

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 attendance status of members were as follow : (2019.01.01~2019.12.31, there were 4th Audit Committee meetings in 2019)					
Independent Director	Ruei-Chuen Liu	1	0	100%	Mr. Ruei-Chuen Liu has dismiss on Apr 13, 2019.
Independent Director	Rung-Nian Lai	2	2	50%	
Independent Director	Stephanie Lin	3	0	100%	Mrs. Stephanie Lin has been appointed on June 18, 2019.
Independent Director	Pai-Tsung Chen	3	0	100%	Mr. Pai-Tsung Chen has been appointed on June 18, 2019.
Other information:					
A. the operation of the Audit Committee has one of the following situations, the following shall be disclosed: the date and term of the meeting, content of proposal, the resolutions of the Audit Committee and how the opinion is dealt with by the Company.					
(1) Article 14-3 of the Securities and Exchange Act states.					
(2) Apart from the above, other resolutions not passed by the Audit Committee but agreed upon by more than two thirds of all directors.					
In April, 2019, which during the period when the Audit Committee is unable to convene, the following proposals will be executed upon agreement of more than two thirds of all directors.					
1. Causes for recusal: At the twelfth meeting of the 20th Board (May 6, 2019) , plans to lease a 1,800 teus vessel with WAN HAI LINES (SINGAPORE) LTD. Please proceed to discuss.					
Participation in voting: The remaining attending Directors had been approved by the Chairman without objection.					
2. Causes for recusal: At the twelfth meeting of the 20th Board (May 6, 2019), Shenzhen Yong Chun International Shipping Management Co., Ltd., plans to rent real estate with WAN HAI LINES (H.K.) LTD. .Please proceed to discuss.					
Participation in voting: The remaining attending Directors had been approved by the Chairman without objection.					
3. Causes for recusal: At the fourth temporary meeting of the 20th Board (May 13, 2019), plans to purchase office buildings in Taipei..Please proceed to discuss.					
Participation in voting: The remaining attending Directors had been approved by the Chairman without objection.					
B. In the event of a recusal by one of the independent directors due to conflict of interest, name of the independent director, content of the proposal, cause of the recusal, and the voting by participants should be disclosed : None.					
C. Communications between independent directors and internal audit supervisors and accountants (including communications regarding major financial and business situations, methods and results), are routine and smooth.					

3.3.4 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?		✓	The Company has not yet established its own principles relating to the operation of the Company's corporate governance, please refer to "III. Corporate Governance" in the annual report for further information. Although the Company has not yet established its own corporate governance principles, it has established the relevant regulations for "Procedures for the Election of Directors", "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?	✓ ✓ ✓ ✓		(1) The Company has designated a spokesperson and an acting spokesperson, disclosing their contact information in annual reports, for handling matters in connection with shareholders suggestions or disputes. (2) The Company has committed its stock affairs to Hua Nan Securities Co., Ltd. Registrar & Transfer Agency Dept. The major shareholders and ultimate controller list of the major shareholders who actually control the Company are mainly based on the register list of shareholders provided by the stock agents so the holdings of directors, managers and shareholders holding more than 10% of the shares may be under real-time control. (3) The Company has set up internal rules in the Company's Internal Control System. (4) The Company has established the "Internal Management Control for the Prevention of Insider Trading" and has already informed all directors, managers and staff, in order to avoid violations of insider trading. The Company also has annual educational training for all employees and managers to prevent insider trading. No Difference
3. The Board of Directors' composition and responsibilities (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, and the results of the performance evaluation are reported to the Board of Directors and used as a reference for individual directors' salary and remuneration? (4) Does the Company regularly use an independent certified accountant for assessment?	✓ ✓ ✓ ✓		(1) Members of the Board of Directors are elected by the shareholders, and independent directors are nominated. In addition to considering independence, the Company's required service needs are taken into account when the nominated professional and qualified candidates are elected by the shareholders. The Company is run in accordance with the directors' business, legal, accounting, and management experience. There is Company organization governance with diversified thought direction, which provides discussion and resolution for the Board of Directors' deliberations. (2) The Company has legally established a Remuneration Committee. Audit committees and other types of functional committees will be separately assessed according to actual requirements. (3) The company has approved the "Board of Directors' evaluation performance appraisals" at 2019.11.7 Board of Directors Meeting. The performance evaluation will be performed regularly every year from 2020, and the results of the performance evaluation will be reported to the Board of Directors and used as a reference for individual director's salary. (4) The result has been proposed to the board of directors at the meeting on March, 26, 2020 for deliberation and has been adopted. After the internal evaluation of the Company, it is confirmed the CPAs do not hold the securities of the Company. There is no possibility of any direct or indirect interest or financial interest related to the Company, 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. (1) No Difference (2) In accordance with the law an Audit committee will be established by 2017. (3) No Difference (4) No Difference
4. Has the TWSE/TPEX listed company set up a full or part-time corporate governance unit or designated personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, handling matters relating	✓		The Board of Directors of the company passed a resolution on March 22, 2019 and announced on the Market Observation Post System that acting assistant manager and spokesperson of our Operation Division Li-Mei Su was appointed our corporate governance officer, she is on our management team

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meetings)?			and has more than three years working experience in our legal affairs and managing procedures. Her Main Responsibilities Include: 1. Conduct matters related to Board and Shareholders' meetings in accordance with the laws, prepare minutes of Board and Shareholders' meetings, assist directors and supervisors in taking office and continuing their education, provide directors and supervisors with information they need to perform their duties, and to assist directors and supervisors to act in compliance with laws and regulations. 2. In accordance with Article 24, Direction 6 of The Taiwan Securities Act governing setting up and running a Board of Directors by a listed company, the listed company should arrange professional training courses for their governance executive. A new corporate governance officer must take at least 18 hours of training courses within a year starting from the day of taking the position, and at least 12 hours a year thereafter. Our corporate governance officer completed 24 hours of training in 2019, in conformity with the requirements of the law, and the courses are detailed as follows: 2019/3/29 : Governance Professional Association- 2019 Seminar on Corporate Governance Practices (6 Hours) 2019/4/26: Securities and Futures Institute-2019 Educational Sessions for Preventing Insider Trading (3 Hours) 2019/5/31: Taiwan Corporate Governance Association- Functions and duties of corporate officers under corporate governance blueprints.(3 Hours) 2019/8/21: Taiwan Corporate Governance Association- Practices of the Audit Committee (3 Hours) 2019/9/19: Taiwan Corporate Governance Association- Practices of the Audit Committee (3 Hours) 2019/10/01: Taiwan Academy of Banking and Finance- Corporate Governance and Operations of the Remuneration Committee.(3 Hours) 2019/10/25: Taiwan Corporate Governance Association.- Corporate Operations and Media Crisis Management Strategies.(3 Hours) 2020 Annual Operations Plans: 1. Performances of the Board of Directors and directors are self-assessed annually, and results are reported before the end of the first quarter. 2. Liability insurances will be provided for directors, supervisors and important employees.	No Difference
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	No Difference

Item	Description of the operation		Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	
			(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 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 (1) No Difference

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
(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)?	✓		and disposal, internal auditing of organization, and the organizations and departments of the Company. (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.	(2) No Difference
(3) Does the Company publicly announce and register with the Competent Authority financial reports within two months after the close of the fiscal year, and publicly announce and register in advance, within the stipulated time limit, the financial reports for the first, second and third quarters as well as operation status for each month?		✓	(3) The Company publicly announce and register with the Competent Authority the quarterly financial reports and monthly operations status, within the time limits set by Article 36 of the Securities and Exchange Act.	(3) Although the company does not comply with the assessed item, but comply with the time limit set by Article 36 of the Securities and Exchange Act.
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 Corporate Mergers and Acquisitions and Corporate Governance Practices in 108 by Corporate Organization Association (2) The Company's Director / Chiu-Ling Wu had completed Directors Lead The Way Companies Respond in A Rapidly Changing Environment by Taiwan Corporate Governance Association. (3) The Company's Director / Chiu-Ling Wu had completed The Criminal Legal Risks and Countermeasures of Enterprise Supervisors --- Talking from The Prevention of Corporate Fraud and Money Laundering by Taiwan Corporate Governance Association. (4) The Company's Independent Director / Rung-Nian Lai had completed Disclosure of Company's Major Information and Director's Responsibility by Securities & Futures Institute (5) The Company's Independent Director / Rung-Nian Lai had The Seminar of Developing Director Competency by Taiwan Stock Exchange Corporation (6) The Company's Independent Director Stephanie Lin had completed Informative Briefing on The Legal Compliance of Insider Equity Transactions of Listed Companies and Unlisted Counter Publicly Issued Companies in 108 by Securities & Futures Institute (7) The Company's Independent Director Stephanie Lin had completed Corporate Strategy and Key Performance Indicators by Securities & Futures Institute (8) The Company's Independent Director Stephanie Lin had completed Early Warning and Type Analysis of Corporate Financial Crisis by Securities & Futures Institute (9) The Company's Independent Director Stephanie Lin had completed How Company Directors and Supervisors Perform Their Duties by Securities & Futures Institute (10) The Company's Independent Director Stephanie Lin had completed Enterprise Financial Information Analysis and Decision Making by Securities & Futures Institute (11) The Company's Independent Director Pai-Tsung.Chen had completed An Analysis of The Establishment of Board of Supervisors and Special Offences by Securities & Futures Institute (12) The Company's Independent Director Pai-Tsung.Chen had completed How to Supervise The Company to Do A Good Job of Risk Management and Crisis Management to Strengthen The Company by Securities & Futures Institute (13) The Company's Independent Director Pai-Tsung.Chen had completed Case Study of Corporate Financial Statement Fraud by Securities & Futures Institute (14) The Company's Independent Director Pai-Tsung.Chen had completed How Directors and Supervisors of Listed (Counter) Companies Perform Their Duties by Securities & Futures Institute (15) 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	No Difference

Item	Description of the operation			Distinction from the operation and governance of those TWSE/TPEX listed companies
	Yes	No	Remark	
			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. (16) 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. (17) We take care of all employees' health; facilities like health center, stress relief room, AED service 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. (18) 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 of Health and Welfare in 2017; and awarded a "Sports Company Certification" from the Sports Administration of the Ministry of Education in 2018. (19) 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. (20) We follow WCO SAFE(Framework of Standards to Secure and Facilitate Global Trade) and obtained customs certification of AEO (Authorized Economic Operator). (21) 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. (22) 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 35% amid all TWSE listed companies from 2014 to 2019. 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.				

3.3.5 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	July 03,2019	Corporate Organization Association	Corporate Mergers and Acquisitions and Corporate Governance Practices in 2019	3
Chiu-Ling Wu	Director	Sep 17,2019	Taiwan Corporate Governance Association	Directors Lead The Way Companies Respond in A Rapidly Changing Environment	3
		Oct 29,2019	Taiwan Corporate Governance Association	The Criminal Legal Risks and Countermeasures of Enterprise Supervisors --- Talking from The Prevention of Corporate Fraud and Money Laundering	3
Rung-Nian Lai	Independent Director	Jan 22,2019	Securities & Futures Institute	Disclosure of Company's Major Information and Director's Responsibility	3
		Nov 06,2019	Taiwan Stock Exchange Corporation	The Seminar of Developing Director Competency	3
Stephanie Lin	Independent Director	July 31,2019	Securities & Futures Institute	Informative Briefing on The Legal Compliance of Insider Equity Transactions of Listed Companies and Unlisted Counter Publicly Issued Companies in 2019	3
		Aug 14,2019	Securities & Futures Institute	Corporate Strategy and Key Performance Indicators	3
		Aug 15,2019	Securities & Futures Institute	Early Warning and Type Analysis of Corporate Financial Crisis	3
		Aug 27,2019	Securities & Futures Institute	How Company Directors and Supervisors Perform Their Duties	3
		Sep 19,2019	Securities & Futures Institute	Enterprise Financial Information Analysis and Decision Making	3
Pai-Tsung,Chen	Independent Director	Dec 04,2019	Securities & Futures Institute	An Analysis of The Establishment of Board of Supervisors and Special Offences	3
		Dec 16,2019	Securities & Futures Institute	How to Supervise The Company to Do A Good Job of Risk Management and Crisis Management to Strengthen The Company	3
		Dec 16,2019	Securities & Futures Institute	Case Study of Corporate Financial Statement Fraud	3
		Dec 18,2019	Securities & Futures Institute	How Directors and Supervisors of Listed (Counter) Companies Perform Their Duties	3

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

*Taiwan CPA Association: Two individuals (Financial Division)

*Taiwan CIA Association: One individual (Financial Division)

* Continuing Education for Auditing Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Yi-Ching Wu	Audit Supervisor	Sep 10,2019	American Institute in Taiwan	North Korea Sanctions-Related Risk Management: Interactive Training for Taiwan Risk Management Professionals	6
		Sep 16,2019	Accounting Research and Development Foundation	Competent Authorities Require The Establishment of "Corporate Management Personnel" Audit Law Compliance	6
		Dec 20,2019	Accounting Research and Development Foundation	Internal Audit Staff's Practices on Prevention of Information Security and Personal Privacy	6

*Continuing Education/Training for the Financial Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	July 09,2019	Accounting Association	Family Tax and Asset Succession Planning	3
		Oct 03,2019	China Productivity Center	The Laws and Concepts of Corporate Finance Staff	6
		Nov 28,2019	Accounting Research and Development Foundation	Tax Trends and Practices of Taiwanese Businessmen Entering Southeast Asia	3
Chih-Hsien Chen	Financial Supervisor	July 15,2019	Securities & Futures Institute	"NEW !! Tax Thinking for Global Layout-Focus on Southeast Asia"	3
		Aug 26,2019	Securities & Futures Institute	Analyze The Legal Risks of Financial and Accounting Supervisors Based on Practical Cases	3
		Sep 20,2019	Securities & Futures Institute	Corporate Governance Evaluation Practice Workshop	3
		Nov 27,2019	Accounting Research and Development Foundation	Development of The Latest International IFRS and Discussion on The Key Directions / Current Issues of Adopting IFRS	3

3.3.7 Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference

Items	Y	N	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
1. Does the company perform risk assessments regarding the environmental, social and managerial issues in compliance with the materiality principle?	✓		Wan Hai Lines has upheld the operational philosophies of “customer first, full participation, environmental protection, and sustainable operation”. While pursuing sustainability and profitability, it shall at the same time fulfill its corporate social responsibilities, attach importance to stakeholders’ rights and interests, and pay attention to environmental, social and managerial issues. The above shall be incorporated into Wan Hai Lines’ management strategies and operations.	No Difference
2. Does the company set up a unit to promote corporate social responsibility and authorized by the Board of Directors and report to the Board?	✓		(1) 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. (2) 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.	No Difference
3. Environmental Issue (1) Has the Company established a suited environmental management system to its industry characteristics?	✓		(1) 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. H. In accordance with international laws and regulations, our entire fleet is now using low sulfur fuel in compliance with the regulations. I. In accordance with The International Convention for Control and Management of Ships’ Ballast Water and Sediments, we installed qualified ballast water management systems on our ships. On ships where the systems are not yet installed, we carried out standard procedures for exchanging ballast water, keep accurate records of ballast water operations to comply with ballast water management standards stipulated in the International Convention.	No Difference
(2) 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) 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. We have renewed our vehicles to enhance fuel efficiency. Especially , we purchased new energy efficient truck heads designed for operation in terminal. K. The efficiency of newly-purchased RTGs, GCs as well as SCs is greatly improved compared with the old ones in wharf areas #33 and #34, Port of Taichung. We have invested considerable effort into building wastewater recycling systems from container cleaning water to enable water purification and reuse, so as to reduce water consumption. Moreover, we dedicated in developing solar energy. The renewable energy provided an exceptional opportunity for mitigation of greenhouse gas emission and reducing global warming effect through substituting conventional energy. L. We installed self-service gas station using card reader and computer system, which can record the fuel consumption of trucks, in Wharves No.63-64, Port of Kaohsiung and further grasp the consumption situation by analyzing the records.	No Difference

Items	Y	N	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
(3) The status of the Company's awareness of climate change's effect on operation activities, and policies for reducing carbon emissions	✓		(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). D. Appropriate speed reduction when ships come in and out of port can reduce the emission of greenhouse gases. E. The fleet adopt continuously high performance paint to reduce greenhouse gas emission and promote energy saving. F. The newly-purchased hybrid SCs produce less emission, including greenhouse gas. G. Founded an energy saving team to research and promote energy saving and resource recovery. H. 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. I. The company researching low sulfur fuel plan since 2019, and our whole shipping fleet will use low sulfur fuel before Jan.1, 2020.	No Difference
(4) Calculate total greenhouse gas emission ,water and waste for past two years and make policies for reducing carbon emission ,greenhouse gas , water and waste?	✓		(4) A. Greenhouse Gas Emission and water consumed for past two years , please see Wan Hai Corporate Social Responsibility Report CH4. B. The Company's Environmental Protection policy as below : a. Compliance with relevant articles of International Safety Management Code, international conventions and regulations, and any other environmental protection requirements signed and issued by the Company. b. Monitoring and modifying the extent of pollution and minimizing impact on the environment. c. Full implementation of the ISO 14001 Environmental Management System(EMS), and establishment of an ISO Committee for periodic review of environmental protection performance. d. Integrating environmental protection and awareness concepts into the Company's everyday operations. e. Advocacy of resource recycling and energy saving to reduce waste. f. Requesting contractors and business partners to enhance environmental protection awareness. g. Improving safety management skills of personnel onshore and aboard ships, including emergency preparations related to safety and environmental protection.	No Difference
4.				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(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.	No Difference
(2) Should the Company implemented the reasonable individual's welfare measures (including salary, leaves and other welfares), and reflect operating performance in employee compensation?	✓		(2) Wan Hai Lines , in accordance with local laws and regulations, set salary standards according to an individual's education and work experiences and professional skills, and do not vary because of sex, race, religion, political standing, marital status and membership in unions or other groups. The company also grants year-end bonuses in line with its annual operation situation and the individual's performance to motivate employees. Our company also provides labor and health insurances, maternal/parental leaves, pension reserves, moreover the company also takes out group insurance for our employees, employees can also, at their own cost, let their dependants join the company group insurance plan, to extend the protection to their family. Moreover, the company established an Employee Welfare Committee in accordance with the law, and committee members are appointed through recommendations or elections. The committee holds regular meetings to decide on employee welfare policies, and plan and promote welfare businesses. Wan Hai Lines' human resources and welfare system not only allow employees to have outstanding performances according to their talents, but also let them obtain a balance between work and living, so that they can work without any worries.	No Difference
(3) The status of the Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees.	✓		(3) The Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees is implemented as follows: 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	No Difference

Items	Y	N	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
(4) Should the Company establish an effective career training program for its employees?	✓		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 , AED (Automated Defibrillator) 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 2019. And awarded a "Sports Company Certification" from the Sports Administration of the Ministry of Education in 2018. (4) 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	No difference
(5) Has the company complied with relevant laws, regulations and international guidelines for customer health and safety, customer privacy, marketing and labeling of products and services, and established any consumer protection mechanisms and grievance procedures?	✓		(5) A. In order to protect the interests of customers, our business operation with reference to Taiwan export and import all follow the rules and gain approval from the Maritime and Port Bureau ,besides , business about US import & export 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. B. 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 , also , 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) providing an outlet for an expression of opinions and inquiries on the part of the customer.	No difference
(6) Has the company complied Supplier Management Policy, require its suppliers to follow requires all its suppliers have to pay attention to business ethics , labor rights , safety , healthy and environmental protection to reduce potential social impact?	✓		(6) The Company drafted the Supplier Management Policy in 2018, and requires all its suppliers have to pay attention to business ethics , labor rights , safety , healthy and environmental protection to reduce potential social impact. Wan Hai requires all its suppliers to comply with its Supplier Management Policy in order to develop and implement CSR practices together. Wan Hai will not be able to continue its collaboration with suppliers that do not subscribe to its Supplier Management Policy. A. Suppliers should adhere to the principles of business ethics and ethics, and prohibit illegal acts such as illegal interests. B. Suppliers should comply with international and local human rights and labor standards, ban child labor and ensure equal treatment of employees. C. Suppliers should follow relevant international occupational safety and health and environmental protection conventions and local regulations to prevent occupational hazards and environmental accidents. D. Implement supplier assessment and control mechanisms and treat all suppliers fairly. E. Cooperate with suppliers to promote corporate social responsibility, services and products comply with relevant sustainability standards, reduce environmental impact and social impact.	No difference
5. Does the company, in reference to general international reports, compile guidelines, instructions, and reports disclosing non-financial information such as Corporate Social Responsibility Report? Are the above reports certified or approved by a third party certification unit?	✓		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)	No difference
6. 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.				
7. Any other important which may aid in the understanding of the actions taken to further promote corporate responsibility: None 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 2019: A. 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. B. 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 C. Won the "Sea Cargo Pre-shipment Declaration Scheme 2018 - Gold Award Certificate" issued by the Hong Kong Customs and Excise Department. D. Won the "Container Shipping Line of The Year India - Far East Trade Lane" from MALA . E. Best Shipping Company in Far East Region Growth Award F. SeaIntel ranked Wan Hai as number one in schedule reliability. G. Passed the Healthy Workplace Certification of the Ministry of Health and Welfare in 2016 : 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) H. 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.				

Items	Y	N	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
I. Having being certified as the “Authorized Economic Operator” in 2016, our security and customer privacy items continue to comply with the official certification standards. J. Received the Excellence Award in Green Shipping Development from the Ministry of Transportation and Communications, recognizing our efforts and achievements in developing green shipping. K. Established and continued to promote the ISO 14001 environmental management system since 2004. Received model maritime personnel award (screened by the ROC maritime shipping industry). Best Shipping Company in Far East Region Growth Award L. Promote and implement Labor Safety Management Systems CNS 15506 and OHSAS 18001. M. Awarded “Outstanding Employee” and “Outstanding Youth Employee” by member companies of the Taipei Shipping Association. N. Won excellent results, for two consecutive years, for the “TWSE RAFI Taiwan High Compensation 100 Index” and TWSE Corporate Governance 100 Index” constituents. O. For two years added to the list of Taiwan Sustainability Index constituents by the Taiwan Index Corporation.				

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

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

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

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

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

3.3.10 The Declaration of Internal Control

3.3.10.1

WAN HAI LINES LTD. The Declaration of Internal Control

March 26, 2020

Based on the self-assessment of Company's internal control system for year ended of 2019, 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, 2019 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 26, 2020.

WAN HAI LINES LTD.

Chairman: Shihlin Paper Co., Ltd.

Representative: Po-Ting Chen

President: Fur-Lung Hsieh

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

3.3.11 From the past year and current year up to the annual report's publish date, if the results of the company's punishment of its employees for violating internal control rules, have major influences on the interests of shareholders or stock prices, the company shall reveal the contents of the punishments, their main flaws and how they are improved : None.

3.3.12 Major Resolutions by the General Shareholders Meeting and Board of Directors from the past year and current year up to the annual report's publish date.

1. Major Resolutions of the General Shareholders Meeting

Date	Resolutions									
2019 General Shareholders Meeting(June 18, 2019)	*Ratification items: 1. Motion: The 2018 financial statements and business reports were submitted for ratification. Resolution: This motion was passed according to the e-voting and paper ballot results. 2. Motion:The distribution of 2018earnings was submitted for ratification. Resolution: This motion was passed according to the e-voting and paper ballot results. *Discussion items: 1. Motion: Amendment to “the Procedures for Acquisition or Disposal of Assets by Wan Hai Lines Ltd. and its Subsidiaries” for discussion. Resolution: This motion was passed according to the e-voting and paper ballot results. 2. Motion: Amendment to “the Procedures for the Acquisition or Disposal of Derivatives by Wan Hai Lines Ltd. and its Subsidiaries” for discussion. Resolution: This motion was passed according to the e-voting and paper ballot results. 3. Motion: Amendment to “the Procedures for Loaning of Fund by Wan Hai Lines Ltd. and its Subsidiaries” for Discussion. Resolution: This motion was passed according to the e-voting and paper ballot results. 4. Motion: Amendment to “the Procedures for Endorsement and Guarantees by Wan Hai Lines Ltd. and its Subsidiaries” for discussion. Resolution: This motion was passed according to the e-voting and paper ballot results. 5. Motion: Amendment to “the Procedures for General Shareholders Meeting Rules by Wan Hai Lines Ltd.” for discussion. Resolution: This motion was passed according to the e-voting and paper ballot results. *Elections: Motion:Please by-elect Company’s 20th independent directors. Result of Election									
	<table><tr><th>Title</th><th>Name</th><th>Shares in favor</th></tr><tr><td>Independent Director</td><td>Stephanie Lin</td><td>1,797,407,105 shares</td></tr><tr><td>Independent Director</td><td>Pai-Tsung Chen</td><td>1,797,048,971 shares</td></tr></table>	Title	Name	Shares in favor	Independent Director	Stephanie Lin	1,797,407,105 shares	Independent Director	Pai-Tsung Chen	1,797,048,971 shares
	Title	Name	Shares in favor							
	Independent Director	Stephanie Lin	1,797,407,105 shares							
	Independent Director	Pai-Tsung Chen	1,797,048,971 shares							

2. 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.

* Major resolutions of the Board of Directors

Date	Resolutions
2019 eleventh meeting of the 20th Board(March 22, 2019)	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: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	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.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: Propose to personnel changes Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: Appointment of a new corporate governance officer., Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: 2018 Surplus distribution. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: Determining the reasons for convening a Shareholder's meeting in 2019. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: Lease and un-lease 2 vessels to WAN HAI LINES (SINGAPORE) LTD., Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: WAN HAI LINES (SINGAPORE) LTD. Directors assignment. Please proceed to discuss. Resolution: Randy Chen was the assigned representative and had recused himself. Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: New container procurement case in response to replacing old containers. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 eleventh meeting of the 20th Board(March 22, 2019)	Proposal: WAN HAI LINES (SINGAPORE) LTD. Invest the Da Nang Port Joint Stock Company, Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 third temporary meeting of the 20th Board(April 19, 2019)	Proposal: By –election of independent directors. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 twelfth meeting of the 20th Board(May 6, 2019)	Proposal: Lease a 1,800 TEU vessel from WAN HAI LINES (SINGAPORE) LTD. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 twelfth meeting of the 20th Board(May 6, 2019)	Proposal: Shenzhen Yong Chun International Shipping Management Co., Ltd., plans to rent real estate with WAN HAI LINES (H.K.) LTD. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 forth temporary meeting of the 20th Board(May 13, 2019)	Proposal: Plans to purchase office buildings in Taipei., Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 thirteenth meeting of the 20th Board(June 18, 2019)	Proposal: Determining the ex-dividend date and cash dividend issue date for 2018 surplus distribution. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 thirteenth meeting of the 20th Board(June 18, 2019)	Proposal: The third-term Remuneration Committee members of remuneration committee, Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 fourteenth meeting of the 20th Board(August 7, 2019)	Proposal: Renew the lease of Taichung 34/35 Terminal. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 fourteenth meeting of the 20th Board(August 7, 2019)	Proposal: Consolidation of WAN HAI LINES (USA) LTD. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 fifteenth meeting of the 20th Board(November 7, 2019)	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.
2019 fifteenth meeting of the 20th Board(November 7, 2019)	Proposal: WAN HAI LINES (H.K.) LTD. plans to acquire the common shares of Guangzhou Changlian Property Investment Co., Ltd.. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 sixteenth meeting of the 20th Board(December 18, 2019)	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.
2019 sixteenth meeting of the 20th Board(December 18, 2019)	Proposal: The major change of WAN HAI LINES (H.K.) LTD. plans to acquire the common shares of Guangzhou Changlian Property Investment Co., Ltd.. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 sixteenth meeting of the 20th Board(December 18, 2019)	Proposal: New container procurement case. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.
2019 sixteenth meeting of the 20th Board(December 18, 2019)	Proposal: The maximum loan extended to WAN HAI LINES (SINGAPORE) LTD. Please proceed to discuss. Resolution: Approved by all Directors attending the meeting.

3.3.13 From the past year and current year up to the annual report's publish 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

3.3.14 Summary of resignations and dismissals from the past year and current year up to the annual report's publish date that connected with the company's financial report: None

The connected with company includes the President, the General Manager, the Accounting Manager, the Financial Manager, the Audit Manager, and the RD Manager etc.

3.3.15 Discussion concerning the execution of the resolutions made in the 2019 Shareholders' Meeting

*Ratification items:

1. Ratification of the 2018 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 2018 earnings distribution: The cash dividend per share was NT\$0.605629905.
The record date was July 20, 2019, and the distribution date was August 6, 2019.

*Discussion items:

1. Amendment to "the Procedures for Acquisition or Disposal of Assets by Wan Hai Lines Ltd.: Already executed pursuant to the resolution.
2. Amendment to "the Procedures for the Acquisition or Disposal of Derivatives by Wan Hai Lines Ltd.: Already executed pursuant to the resolution.
3. Amendment to "the Procedures for Loaning of Fund by Wan Hai Lines Ltd.: Already executed pursuant to the resolution.
4. Amendment to "the Procedures for Endorsement and Guarantees by Wan Hai Lines Ltd.: Already executed pursuant to the resolution
5. Amendment to "the Procedures for General Shareholders Meeting Rules by Wan Hai Lines Ltd.: Already executed pursuant to the resolution

*Elections items:

Please by-elect Company's 20th independent directors.: The new independent director took office and completed the necessary changes in registrations.

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	9	10		
Independent Directors	Ruei-Chuen Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	2017/6/22-- 2019/4/13
Independent Directors	Rung-Nian Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Directors	Stephanie Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	From 2019/6/18 on
Other	Ming-Zhu Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

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

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

- (1) Not employed by the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the company holds, directly or indirectly).
- (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) Managers not listed in (1) or spouses, relatives within the second degree of kinship and lineal relatives within the third degrees of kinship listed in (2) and (3).
- (5) Not directly holding 5% or more of the total number of shares issued by the company, ranking among the top five in shareholdings, or representatives by article 27 (1) or (2) of the Companies Act legally appointed by corporate shareholders to act as directors or supervisors of the company or their employees. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (6) Not a director, supervisor or employee of another company, where the majority of directors or half or more voting shares are controlled by the same person. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (7) Not directors, supervisors or employees of another company or institution where the chairman, general manager or equivalent position is held by the same person or his spouse. (However this restriction does not apply in cases where a company and its parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (8) Not directors, supervisors, managers or shareholders holding more than 5% of shares of a specific company or institution which has financial or business transactions with our company. (However this restriction does not apply in cases where the specific company or institution is already holding shares issued by our company and parent company, subsidiary, or subsidiaries of the same parent company mutually appoint independent directors in accordance with this Act or laws of the local country.)
- (9) Not professional individuals, owners, partners, directors, supervisors, managers and the spouses of a sole proprietorship, partnership, company or institution that provides commercial, legal, financial, accounting services or auditing services to our company or our affiliates, and whose total accumulative remuneration for the past two years does not exceed N.T.\$ 500,000. However this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger and acquisition who exercises powers pursuant to the Securities Exchange Act and or to the Business Mergers and Acquisitions Act.
- (10) Not situation of article 30 of the Companies Act.

2. The jurisdiction of Remuneration Committee

The Committee shall perform the following function 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 item.

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

(1) There are 3 members of remuneration committee.

(2) The tenure of 3rd-term commenced on August 11, 2017, the qualifications and attendance record of 2nd term remuneration committee members in recent year(s) is as below:

December 31, 2019

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 qualifications and attendance record of 3rd term remuneration committee members in recent year(s) is as below (2019.01.01~2019.12.31)					
Convener	Ruei-Chuen Liu	1	0	100%	Mr. Ruei-Chuen Liu has dismiss on Apr 13, 2019.
Convener	Rung-Nian Lai	0	2	0%	Has been elected as a Convener on DEC 18, 2019.
Member	Ming-Zhu Chen	2	0	100%	
Member	Stephanie Lin	1	0	100%	Mrs. Stephanie Lin has been appointed on June 18, 2019.
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.					

4. Major resolutions of the Remuneration Committee

Date	Resolutions
2019 Fifth meeting of the 3rd Board (March 22, 2019)	Proposal: The distribution of compensation for directors, supervisors and employees (including managers) in 2018. Please proceed to discuss. Resolution: All the members were consulted by the Chairman and it was approved without objection.

3.3.17 Discrepancies between actual performance of ethical corporate management and “Ethical Corporate Best Practice Principles for TWSE/GTSM Listed Companies” and the reasons.

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?	✓		(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.	No Difference
(2) 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	✓		(2) 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
(3) 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) 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.	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?	✓		(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.	No Difference
(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?	✓		(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.	No Difference
(3) Does the Company establish policies for preventing conflicts of interest, provide appropriate communication, complaint channels, and implement such policies properly?	✓		(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.	No Difference
(5) Does the Company provide internal and external ethical management training programs on a regular basis?	✓		(5) Our company, established in 2018, the "Ethical Corporate Management Best Practice Principles", "Guidelines for Operation Procedures and Conduct for Ethical Corporate Management," and "System for Reporting Illegal (including corruption) and Unethical Conduct." To effectively promote ethical corporate management, we publicize our ethical corporate management philosophy through means such as internal open information and education and training. The topics cover corporate anti-corruption principles, duties and obligations of managers, Fair Trade Act etc. We provided 2 courses in 2019, in which a total of 87 persons participated and the total duration of the courses were 3.5hours.	No Difference
3. Implementation of complaints procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(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
(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.	No Difference
(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) 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?	✓		(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
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. 1,2019~Dec.31,2019	

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 (Note1)
			System design	Company Registration	Human resources	Others (Note1)	Subtotal		
KPMG	Chung-Yi Chiang	5,900	0	0	0	3,598	3,598	2019/1/1~2019/12/31	Non-audit fees - including the other following items: Transfer pricing reports, Tax audit reports, Review issuance of corporate bonds, investment in Mainland China, salary checklist, 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	2019/1/1~2019/12/31		2020/1/1~2020/4/25		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	0	0	0	0	
Director	Sunshine Construction Co., Ltd Representative: Chiu-Ling Wu	0	0	0	0	
Independent Director	Rung-Nian Lai	0	0	0	0	
Independent Director	Stephanie Lin	0	0	0	0	
Independent Director	Pai-Tsung Chen	0	0	0	0	
Independent Director	Ruei-Chuen Liu	0	0	0	0	2019.04.13 Discharge
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	
Vice President	Wei-Chien Chuang	0	0	0	0	
Vice President	Kuo-Loong Kao	0	0	0	0	
Vice President	Ming-Shan Huang	0	0	0	0	
Vice President	Juang-Jyh Juang	0	0	0	0	
Vice President	Jen-Kai Wu	0	0	0	0	
Vice President	Chien-Cheng Hsiao	0	0	0	0	
Vice President	Shen-Hsing Lo	0	0	8,000	0	
Project Vice President	Wei-Shin Sheu	0	0	0	0	
Vice President	Hung-Chuan Chien	0	0	0	0	
Vice President	Huey-Jang Chung	5,000	0	5,000	0	
Vice President (concurrently act as the manager of Corporate Governance)	Li-Mei Su	0	0	0	0	
Vice President (Finance Officer)	Chih-Hsien Chen	0	0	0	0	
Vice President	Chien-Feng Wu	0	0	0	0	
Vice President	Ching-Yin Wang	0	0	2,000	0	
Vice President	Han-Peng Chu	0	0	0	0	
Vice President	I-Cheng Lin	0	0	0	0	
Deputy Vice President	Tai-Feng Sun	0	0	0	0	2020.04.10 Retire
Assistant Vice President	Chun-Chieh Chen	0	0	0	0	
Deputy Vice President	I- Feng Lin	0	0	0	0	
Deputy Vice President	Shyue- Jih Ma	0	0	0	0	
Deputy Vice President	Wei-Kai Huang	0	0	0	0	
Deputy Vice President	Fu-An Yang	0	0	0	0	
Deputy Vice President	Wen Yuan Chiang	0	0	0	0	
Assistant Vice President	Tze-Ling Chen	0	0	0	0	
Assistant Vice President	Yi-Ching Wu	0	0	0	0	
Deputy Vice President	Meng-Chuan Chang	0	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	
Assistant Vice President	Chih- Chung Chen	0	0	0	0	
Accounting Officer	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 25, 2020

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%	0	0%	None	None	None
CCE Representative: Chih-Yuan Chen	170,902,859	7.70%	0	0%	0	0%	None	None	None
	15,242,552	0.69%	14,658,747	0.66%	0	0%	None	None	None
Asia Pacific Container Terminal Inc. Representative: Fur-Tian Huang	166,854,398	7.52%	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%	713	0%	0	0%	None	None	None
Da Shin Investment, Inc. Representative: Yun-Yu Qiu	55,165,219	2.48%	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
	15,242,552	0.69%	14,658,747	0.66%	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, supervisors, presidents and direct or indirect controlling business on the same investing business.

April 25th, 2020; Unit: Shares, %

Investing Business (note)	Investment of the Company		Investment of Directors, Supervisors, Presidents and Direct or Indirect Controlling Business		Comprehensive Investment	
	Shares	Holdings%	Shares	Holdings%	Shares	Holdings%
Wan Hai Lines (Phils.) Inc.	0	0%	901,540	100%	901,540	100%
Wan Hai Lines (HK) Limited	0	0%	160,000,000	100%	160,000,000	100%
Wan Hai Lines (Singapore) Pte Ltd	979,399,234	100%	0	0%	979,399,234	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%
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 SHIPPING LIMITED	0	0%	35,000	70%	35,000	70%
Wan Hai Lines (Peru) LLC.	0	0%	214,000	100%	214,000	100%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	8,192,666	3.15%	13,611,754	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%
Shanghai 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%
PHUC XUAN MARITIME SERVICE CO.,LTD.	No shares issued	0%	No shares issued	49%	No shares issued	49%
Da Nang Port Joint Stock Company	0	0%	20,038,000	20.24%	20,038,000	20.24%
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 COMPANY LIMITED	No shares issued	16.5%	No shares issued	0%	No shares issued	16.5%
Wan Hai Lines (Arizona) LLC.	No shares issued	0%	No shares issued	100%	No shares issued	100%
Wan Hai Lines (USA) LTD.	0	0%	284,381	100%	284,381	100%
HE CHUN LOGISTICS COMPANY LIMITED SHIPPING	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 25, 2020

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 25, 2020

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No	2	14	123	34,313	214	34,666
Holding shares	8,636,165	32,027,990	740,491,912	510,364,546	926,776,853	2,218,297,466
Holding percentage	0.39%	1.44%	33.38%	22.99%	41.80%	100.00%

4.1.3 Shares' Distribution

April 25, 2020

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	12,201	2,409,391	0.11%
1,000-----5,000	14,442	32,925,418	1.48%
5,001-----10,000	3,506	27,067,522	1.22%
10,001-----15,000	1,317	16,495,839	0.74%
15,001-----20,000	798	14,733,275	0.66%
20,001-----30,000	775	19,581,796	0.88%
30,001-----50,000	610	24,583,408	1.11%
50,001-----100,000	460	32,647,163	1.47%
100,001-----200,000	236	32,540,025	1.48%
200,001-----400,000	123	34,647,937	1.56%
400,001-----600,000	43	20,383,089	0.92%
600,001-----800,000	22	15,055,601	0.69%
800,001-----1,000,000	10	8,948,549	0.40%
1,000,001-----1,200,000	15	16,458,544	0.74%
1,200,001-----1,400,000	6	7,763,712	0.35%
1,400,001-----1,600,000	7	10,402,502	0.47%
1,600,001-----1,800,000	6	10,303,763	0.46%
1,800,001-----2,000,000	5	9,913,244	0.45%
2,000,001 and above	84	1,881,436,688	84.81%
Total	34,666	2,218,297,466	100.00%

4.1.4 Main share holders

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

April 25, 2020

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.	166,854,398	7.52%
Evervaliant Corp.	57,173,950	2.57%
Chun-Hsing Lin	56,667,820	2.55%
Da Shi Investment, Inc.	55,165,219	2.48%
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	2020	2019	2020/01/01~2020/04/26 (Note 9)
Market Price per share (Note 1)	Highest			23.4	20.3	18.75
	Lowest			15.45	15	11.85
	Average			19.16	17.51	15.48
Net Value per share (Note 2)	Before Distribution			16.28	15.59	16.27
	After Distribution			(Note 4)	14.98	-
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		1.61	0.5	0.04
		After Adjustment				
Dividend per share	Cash Dividend			0.8	0.60562990	-
	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)			11.90	35.02	-
	Price / Dividend Ratio (Note 7)			23.95	28.91	-
	Cash Dividend Yield Rate (Note 8)			0.04	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. 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, the net profit after tax shall be listed as the annual retained earnings, are then carried to the 10 percent 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 percent 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 percent of total dividends.

2. Proposed Distribution of Dividend

The company's 2019 net income after tax was NT\$3,573,702,722, and the other comprehensive loss was NT\$11,617,276 (2019 remeasurement of the defined benefit plans). According to the relevant laws and regulations and the company's articles of incorporation, after appropriating the 10% legal reserve NT\$356,208,545 and the special reserve NT\$708,981,466, plus the unappropriated retained earnings NT\$2,926,844,869 at the beginning, there were NT\$5,423,740,304 available for distribution. It is proposed to distribute NT\$1,774,637,973 cash dividends to shareholders, which is NT\$0.8 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 2019 for employees compensation is NT\$45,315,616 and directors compensation is NT\$45,315,616. 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 2019 Approved in the Board of Directors Meeting:
 - (1) Recommended Distribution of Compensation of Employees and Directors: In 2019, the Company appropriated NT\$45,315,616 as directors compensation, and NT\$45,315,616 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 2019.
 - (3) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employees, and directors compensation: Diluted earnings per share is NT\$1.61/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\$17,044,794 as directors' compensation, and NT\$17,044,794 as employee compensation of year 2018. 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

Bond Type		1st Ordinary unsecured bond issuing of 2019		2nd Ordinary unsecured bond issuing of 2019	
		A	B	A	B
Issue date		June 18, 2019		OCT. 07, 2019	
Par value		TWD1,000,000		TWD1,000,000	
Place of listing		At R. O. C.		At R. O. C.	
Issue price		At Par value		At Par value	
Total issue amounts		TWD1,500 million	TWD3,300 million	TWD1,200million	TWD2,000 million
Coupon rate		Fixed annual rate at 0.95%	Fixed annual rate at 1.05%	Fixed annual rate at 0.97%	Fixed annual rate at 1.07%
Maturity date		3-year , Date of maturity : June 18, 2022	5-year , Date of maturity : June 18, 2024	5-year , Date of maturity : OCT. 07, 2024	7-year , Date of maturity : OCT. 07, 2026
Guarantee institute		None		None	
Trustee		JIH SUN Int. Bank. Trust Dept.		JIH SUN Int. Bank. Trust Dept.	
Lead manager		Yuanta Securities		Master link Securities	
Endorsement lawyer		Modern Law office		Modern Law office	
Endorsement accountant		KPMG		KPMG	
Redemption		on the Maturity Date		on the Maturity Date	
Outstanding amount		TWD4,800,000,000		TWD3,200,000,000	
Redemption / Call option		None		None	
Restriction covenants		None		None	
Rating institute Rating date Rating result of the bond		None		None	
Rights	The amounts of bonds converted	None		None	
	Terms and Conditions for issuance and conversion	None		None	
Terms and Conditions for issuance and conversion		None		None	
Trustee for conversion		None		None	

Note: Due to operational requirements, on Mar. 26, 2020, 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 4 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, 2019	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, 2019	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, 2019	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%	

D. 2019-1 Wan Hai domestic ordinary corporate bonds:

1. Total amount of fund required: NT\$4,800,000,000.
2. Funding: issue NT\$4,800,000,000 of domestic ordinary corporate bonds.
3. Implementation status as follows:

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Dec. 31,2019	Reason for being ahead or behind schedule
To repay debt and to strengthen financial structure	Amount	Program	4,800,000	The project completed.
		Actual	4,800,000	
	Progress	Program	100.00%	
		Actual	100.00%	

E. 2019-2 Wan Hai domestic ordinary corporate bonds:

1. Total amount of fund required: NT\$3,200,000,000.
2. Funding: issue NT\$3,200,000,000 of domestic ordinary corporate bonds.
3. Implementation status as follows:

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Dec. 31,2019	Reason for being ahead or behind schedule
To repay debt and to strengthen financial structure	Amount	Program	3,200,000	The project completed.
		Actual	3,200,000	
	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 (93.56%)
2. Shipping agency (0.78%)
3. Purchase & sales of vessels and containers (1.51%)
4. Container freight station business (1.09%)
5. Leasing of vessels and containers (3.06%)

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

Global commerce and trade disputes were unceasing in 2019, such as changes in the China US Trade Agreement, Brexit issues, typhoon disasters in Japan, and continued slowdown of economic growth in emerging markets. The International Monetary Fund (IMF) estimated global economic growth in 2019 was 2.9%, down from 3.6% of 2018. The COVID-19 pandemic is impacting the economic activity continuously in 2020, and the IMF estimated global economic growth in 2020 will be down to -3.0%.

Shipping companies continued ordering new ships, and dismantling container ships was slow, and with continuous delivery of new ships, global shipping capacity continued to rise in 2019. There were 5,337 container ships worldwide, the global shipping capacity reached 23,228,497 TEU in 2019, a growth of 4% over 2018. Shipping capacity in the market remained in a state of oversupply, many shipping companies cut freight rates to solicit cargo, thus it was hard to maintain a profitable level. Due to IMO's regulations limiting ship sulfur emission, many ships were docked to install desulphurization equipment, demand for charter ships increased, causing charter costs to increase over the previous year. When facing rapidly changing external challenges, our company will, apart from strengthening the operational efficiency of our own fleet, will also charter ships to flexibly adjust our ship combination, and enter into joint venture cooperation with container shipping peers to lower operation costs. At the same time we will continue to decommission old ships and purchase new ships, to improve the operation of our fleet. We continue to serve our customers with our low cost, high quality philosophy, and look forward to expand our market share and increase 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

3. Container shipping industry trends and competition situation

(1) Industry development trends:

a. The development trend for larger vessels:

To add freight spaces and enhance marginal effect, container shipping companies have gradually increased their ultra-large vessel orders to achieve economies of scale and lower the unit cost of operations. According to the statistics from Alphaliner, by the end of 2019 there were 573 large vessels with a capacity of more than 10,000 TEU, which accounted for 36% of total carrying capacity of all container ships. By the end of 2020 the number of large vessels with a capacity of more than 10,000 TEU will increase to 621 and will account for 37% of the overall carrying capacity of all container ships. It is estimated that in 2021 the number of large vessels with a capacity of more than 10,000 TEU will increase again to 665, which will account for 39% of total carrying capacity of all container ships.

b. Development trend of green shipping:

Rapid climate changes have driven worldwide environmental protection to become the top global issue. IMO's limitation on sulfur emission will be effective in 2020, sulfur content of fuel oil used by ships sailing in international waters and on international shipping routes must not exceed 0.5%.

Major international ports are gradually demanding shipping companies to reduce emission of waste gas while their ships are in port. Europe, the U.S. and China etc. have asked ships to gradually adopt the onshore power supply system or the exhaust gas recovery system to reduce environmental pollution caused by exhaust emissions at ports. In response to global regulatory requirements and in line with future trends, the development of energy-efficient, low-pollution ship design has become the new trend in shipping vessel construction.

(2) Industry competition situation

a. Shipping companies are upsizing

For increasing the sizes of their fleet and to expand the scope of market operations while simultaneously reducing operating costs and unit costs. Major shipping companies continue to order ultra-large ships to upsize their ships. In the past few years, container shipping companies are continuously moving towards ultral-sized group business model to rapidly expand their fleets and operating markets through merger and acquisition activities. And by sharing container port resources, operational costs are reduced and operational competitiveness is enhanced, leading to fiercer competition among container shipping companies. According to Alphaliner statistics (as of January 1, 2020), global shipping capacity stood at 23,228,497 TEU while the total number of ships operated by the top four shipping companies were 2,260, with a carrying capacity of 13,592,684 TEU. This accounted for 58.5% of the market, and the shipping capacity of the top 12 shipping companies contributed an even higher proportion of 86.8%.

b. The development trend towards larger strategic alliances:

As the vessels running the east-west main line move towards ultra-large scale, container shipping companies has sought for more efficient business models in order to reduce business

risk. The world's major shipping companies have been forming strategic alliances. For instance, the world's top two shipping companies, APM-Maersk and Mediterranean Shipping Co., have formed the 2M alliance; CMA CGM, Cosco Container Lines, Evergreen and OOCL have formed the Ocean alliance, and Hapag-Lloyd, ONE and Yang Ming have formed the THE alliance. The major shipping companies create large strategic alliances to compete with one another.

5.1.3 General state of technology and development

As a member in maritime container transport industry, the Company upholds and fulfills its social responsibility by embracing today's trends and spirit 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 achieve the projected profits, and as always to live up to the expectations of its shareholders and the support of the public and will continue our excellent performances.

Our Planning Department is entrusted with studying design and development of shipping routes and markets and its primary functions are as follow:

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

Research and development spending in the last two years and major accomplishments (Unit: One thousand NT\$):

Year	Total expense	Accomplishment
2018	NT\$ 36,977	1. Optimal ships' routing with matched ship type research 2. ASEAN market expansion research 3. East India market expansion research 4. Americas and Central America regional market expansion research 5. Promotion of e-commerce business 6. Strategic alliance to expand and develop service
2019	NT\$ 38,457	1. Optimal ships' routing with matched ship type research 2. Asian niche market research 3. Middle East, India and Pakistan market development research 4. Most suitable transshipment port research 5. Promotion of e-commerce business research 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.

Regarding the aforementioned energy-saving and carbon reduction measures, CO₂ emission rate of our fleet in 2019 was 20.5g/MT*nm, slightly different from that of 2018. Causes for the difference in CO₂ emission were as follows:

1. Starting from January 1, 2019 ships entering Hong Kong waters, the seven major commercial port in Taiwan, China coastal control areas, and designated waters and ports in Hainan, must use low sulfur fuel oil with sulfur content less than 0.5%.
2. In compliance with the International Maritime Organization's (IMO) regulation that starting in 2020,

low sulfur fuel oil with sulfur content less than 0.5% must be used globally. Our fleet started using low sulfur fuel oil in advance at the end of 2019, however the low sulfur fuel oil has a higher CO2 emission coefficient, (Note), our CO2 emission was slightly higher in 2019.
(Note: The CO2 emission coefficient of high sulfur heavy oil is 3.114, that of low sulfur heavy oil is 3.151 and that of low sulfur light oil is 3.206.)

In 2019 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 2019 and up to printing of the annual report.

Upgrade Fleet Management System Project		Unit: TWD thousand
Project	2019	2020 ending March 31st
R&D expenses	45,514	2,013
Consolidated net revenues	72,951,183	18,007,339
R&D expenses as a percentage of total revenue	0.06%	0.01%

2. R&D technology success in 2019 and up to the printing of the annual report

Project	Estimated project completion date	Achievement
Shore-based & fleet monitoring system (Wan Hai Eagle-Eye)	Mar. 31, 2020	1. Sending sensor data of equipments of the ships in real-time to the fleet monitor and control system on shore, allowing management PIC on shore to know immediately so as to perform follow-up tracking. 2. Gathering data from all machines and equipment, to facilitate analysis for use in follow-up "Equipment AI Risk Prevention Modules."

5.1.4 Long-term and short-term business development plans

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

The long-term business development plans are to research and strengthen the capacity and quality of our own 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 2020, Wan Hai has a total fleet of 94 vessels among which, 69 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 26 strings; and C. Slot Charter 12 strings.

1. Independent Services: 20 strings

- (1) China / Thailand/ Cambodia (CTK) deployed with two vessels
South China / Thailand/ Cambodia
- (2) South China / Malaysia / Haiphong (CVM) deployed with two vessels
South China –Malaysia – Haiphong
- (3) Taiwan to Fuzhou (FOC) deployed with one vessel

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

2. Joint Service: 26 stings

- (1) 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.
- (2) Taiwan / South & Central China / West Coast of South America (ASA), joint venture with EMC, COSCO, and PIL. WHL deploys five vessels, PIL deploys three vessels and COSCO and EMC each deploys one vessel.
South China – Central China –West Coast of South America
- (3) China / Singapore / Malaysia / India (CI2), joint venture with IAL. WHL deploys five vessels and IAL deploys one vessel.
China – Singapore / Malaysia –India
- (4) China to India III (CI3), joint venture with COSCO, IAL, OOCL and ONE. WHL deploys one vessel, WHL and IAL jointly deploy one vessel, and COSCO, OOCL and ONE each deploys one vessel.
China – Singapore / Malaysia –India–Haiphong
- (5) Taiwan to India (CIX), joint venture with EMC and Hapag-Lloyd. WHL deploys two vessels, and EMC and Hapag-Lloyd each deploys one vessel.
Taiwan – South China – Singapore / Malaysia – India
- (6) China – Philippines feeder (CPF), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
North China – Philippines

- (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) North China / Thailand 1 (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
- (10) China / Vietnam I (CV1), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
China – Vietnam
- (11) China / Vietnam III (CV3), joint venture with COSCO. WHL and COSCO each deploys one vessel.
South China – Vietnam
- (12) China / Vietnam / Cambodia (CVK) , joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
China – Vietnam – Cambodia
- (13) China / Korea / Indonesia (CKI) , joint venture with KMTC. WHL deploys one vessels and KMTC deploys three vessel.
China – Korea – Indonesia
- (14) Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.
Japan – China – Hong Kong / South China – Vietnam
- (15) Japan / Taiwan / Haiphong (JH2), joint venture with EMC, WHL deploys two vessels and EMC deploys one vessel.
Japan – Taiwan – Hong Kong / South China – Haiphong
- (16) Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.
Japan Kansai –Taiwan – Hong Kong
- (17) 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
- (18) Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (19) Taiwan to North China (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
Taiwan – North China
- (20) Japan to South East Asia I (NS1), joint venture with IAL and OOCL. WHL deploys two vessels and IAL and OOCL each deploys one vessel..
Japan – Hong Kong / South China– Singapore – Malaysia –Vietnam
- (21) 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
- (22) Japan to South East Asia V (NS5), joint venture with IAL, WHL deploys three vessels and IAL deploys one vessel.
Japan – Taiwan / South China– Singapore – Malaysia
- (23) Central China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with COSCO, PIL, EMC, ONE, and APL. WHL, PIL, APL and EMC/ONE each deploy one vessel and COSCO deploys two vessels.
Central China – Singapore / Malaysia – Pakistan – India
- (24) Pakistan / Saudi Arabia (PSX), joint venture with Global Feeder Shipping. WHL and Global Feeder Shipping each deploy one vessel.
Pakistan – Saudi Arabia
- (25) Singapore / Malaysia / Chennai (SC1), joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.

Singapore / Malaysia – Chennai (Madras)

- (26) 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: 12 strings

- (1) South China to Taiwan (GTE/STD)
- (2) Taiwan to South China (SCT I)
- (3) Taiwan to South China (SCT III)
- (4) Shanghai to Haiphong (CH2)
- (5) Fuzhou to Taiwan (FT1/FT2/FT3)
- (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)
- (12) China / Philippines (CPS/CPX6)

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

Impacted by global disputes, slowing of global demands and Typhoon disasters, Japan's imports and exports showed a recession trend in 2019. To stimulate economic growth, the Japanese government revised its taxation laws and through tax cuts, encouraged corporations to set up start-up enterprises with their profits. The South Korean economy is also affected by trade wars and slowing global demand. So the South Korean parliament passed a larger amount of annual expenditure budget to stimulate economic growth. The Japanese and South Korean governments adopted policies for stimulating economic growth, which hopefully will stabilize economic growth and lower the risks brought by slowing global demand. However whether future economic growth will stabilize, will still depend on the situation of global trade development and whether the economic growth of emerging markets recover and whether global demand rebounds. 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 continues to downturn, and growth in domestic demand has also slowed down, leading the Chinese government to set its 2020 economic focus on “steady progress”, and by implementing active financial policies and stable monetary policies, China hopes to make sure that it achieves the development goals of “the 13th five year plan” and “building a moderately prosperous society”. 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, due to demographic dividend, a young labor force and other advantages, global investment continues to be injected into ASEAN countries. And amid the China-US trade war, ASEAN countries benefit from order transfers, and their economies continue to maintain a high growth rate; 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 4.8% 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

The Indian domestic demand decreases sharply and the Indian government also tightens its budget. The Indian government cut corporate taxes by large amounts, to stimulate corporate investments, so as to stabilize economic growth. According to the IMF, in 2019, India’s economic growth decline significantly from 6.8% of 2018 to 4.2% . In 2020, it will continue to decline to 1.9% due to the impact of COVID-19, and will rebound to 7.4% in 2021. Emerging markets in the Middle East are still affected by geopolitical tensions and the US economic sanctions against Iran. Economic growth continues to be sluggish. The International Monetary Fund (IMF) estimates that economic growth will decline to 1.2% in 2019. The same is affected by COVID-19. It will drop to -2.8% in 2020. 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

Although impacted by the China-US trade dispute and weak global demands, US economy continued to expand steadily, thanks to favorable employment figures. 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. Economies of Latin American emerging markets continue to recover steadily and are expected to grow gradually. Furthermore, economic growth prospects remain positive for most emerging markets. The Company maintains its operating advantages in the South American West Coast market and jointly operates associated routes with the world’s major shipping companies. With its flexibility to adjust to market demand by adjusting 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:

Under the weak global demand and the continued slowdown of economic growth, according to the International Monetary Fund (IMF) observation, the economic growth will continue to decline in the next year due to the impact of COVID-19, but by 2021, consumer spending and corporate investment will be growth steadily, the global economy will rebound. Moreover, in the container shipping market, ships types in every area continue to enlarge, oversupply of freight space still persist, shipping

companies are competing fiercely for cargo volume, freight rates are unable to sustain profitability. However, after the global economies and trades hit rock bottom in 2020, and 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. Strengths, challenges, and action plans

(1) Strengths:

- 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

	2019	2018
Consolidated Revenue(TWD)	72.95 billion	66.78 billion
Operating Capacity (TEU)	4,440 thousand	4,260 thousand
Vessels in Operation (owned & chartered)	96 (65 & 31)	96 (72 & 24)

5.3 Human Resources Statistics

Data of employees for the past two years ending on the publishing date of the Annual Report.

Location \ Year		2019	2018	2020 as of Apr. 26 th
No. of Employees	Offices	2,888	2,838	2,900
	Terminals	1,445	1,500	1,393
	Total	4,333	4,338	4,293
Average Age		37.7	37.0	37.8
Average Years of Service		8.5	8.2	8.7
Level of Education	Ph. D Degree	0.05%	0.05%	0.05%
	Master's Degree	6.39%	6.45%	6.57%
	College Degree	50.89%	50.78%	50.64%
	Associate Degree	21.51%	20.52%	21.69%
	High School	11.03%	11.46%	11.20%
	Below High School	10.13%	10.74%	9.85%

* 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 from the past year and current year up to the annual report's publish date.

5.4.2 Take countermeasures

1. Protocol:

- (1) All of our Company's vessels according to MARPOL 73/78 I~VI have been insured against ship owner liability risks and equipped with or certified by the following:
 - We have an International Oil Pollution Prevention Certificate (IOPP). Our engine rooms are equipped with waste oil and sludge pipelines and joints (international standard joints) and relevant safety equipments to facilitate discharging waste oil and sludge to receiving facilities on shore.
 - 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 room.
 - To process sanitary waste water, sewage treatment plant has been installed in all engine rooms, the plant has passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition.
 - We have an International Pollution Prevention by Garbage Statement. We emphasize sorting and storing garbage, and record garbage disposal and incineration in the Garbage Record Book as required.
 - Each vessel of our Company has satisfied the requirements of a subsequently received the International Air Pollution Prevent Certificate (IAPP).
 - The main engine and auxiliary machinery for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturers 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.
- (2) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the paint maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society.
- (3) In response to IMO Data Collection System (DCS) we drew up the second part of our Energy Efficiency Management Plan, which was certified by the International Association of Classification Societies.
- (4) 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.
- (5) To prevent alien species from effecting the marine environment and ecosystem of the port country, and in accordance with The International Convention for Control and Management of Ships' Ballast Water and Sediments,we installed qualified ballast water management systems on our ships. On ships where the systems are not yet installed, we carried out standard procedures for exchanging ballast water, keep accurate records of ballast water operations to comply with ballast water management standards stipulated in the International Convention.
- (6) According to the requirements of the trading areas and port states, our vessels will use the compliant fuel oil while entering into the 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, air and Ballast Water Management System 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 install 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 retirement account according to the Table of Monthly Contribution Classification of Labor Pension. 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 has no 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 1,662 classes were run in 2019, with a total of 22,770 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost (Unit: TWD thousand)
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, English e-mail writing, 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	554	345	310
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 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) Skills for communication for 1 class. (2) POWER BI TRAINING for 2 classes (3) Data Analysis to AI for 14 classes	2,142	21,175	5,150
Professional training for supervisors	Series courses for middle-level managers and executive level managers: <Middle-level> 1. Subordinate cultivation and guidance I 2. Subordinate cultivation and guidance II 3. Precise questions and effective leadership I 4. Precise questions and effective leadership II <Executive-level> 1. Organizational optimization and efficient change management I 2. Organizational optimization and efficient change management II 3. Global economic trends and outlook 4. An analysis of managers' obligations and legal liabilities <Online Course> 1. EMBA leadership development program online courses	24	783	556
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. Change for the climate change.	2	98	3
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.	6,926	369	1,633
TOTAL		9,648	22,770	7,652

5.5.2 Damages caused by labor disputes from the past year and current year up to the annual report's publish date

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. The Company is equipped with an AED (certification) and recognized with a “Healthy Workplace Certification: Health Promotion Stamp” from the Health Promotion Administration of the Ministry of Health and Welfare in 2019.

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 Kaohsiung Port and Taichung Port are equipped with AED (certification).

5.6 Significant Contracts

5.6.1 Joint Party Contracts

Agreement	Counterparty	Period			Major Contents	Restrictions
		From		To		
Joint Venture	EVERGREEN MARINE CORP. LTD HAPAG-LLOYD AKTIENGESELLSCHAFT	2006/4/30	-	90 days pre-notice	Far East to India	no
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD	2008/11/02	-	2019/4/24	Far East to Middle East	no
Joint Venture	BENGAL TIGER LINE PTE LTD	2009/5/20	-	2019/2/27	Southeast Asia to India	no
Joint Venture	BENGAL TIGER LINE PTE LTD EVERGREEN MARINE CORP. LTD	2019/3/6	-	90 days pre-notice	Southeast Asia to India	no
Joint Venture	EVERGREEN MARINE CORP. LTD PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO SHIPPING LINES CO., LTD.	2013/5/3	-	90 days pre-notice	Asia to West Coast of South America	no
Joint Venture	INTERASIA LINES, LTD NEW GOLDEN SEA SHIPPING PTE.LTD	2016/2/27	-	2019/1/3	Far East to India	no
Joint Venture	INTERASIA LINES, LTD	2019/1/3	-	60 days pre-notice	Far East to India	no
Joint Venture	COSCO SHIPPING LINES CO., LTD. PACIFIC INTERNATIONAL LINES (PTE) LTD	2017/4/1	-	90 days pre-notice	Trans-Pacific Trade	no
Joint Venture	COSCO SHIPPING LINES CO., LTD. PACIFIC INTERNATIONAL LINES (PTE) LTD	2017/4/1	-	90 days pre-notice	Trans-Pacific Trade	no
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD INTERASIA LINES, LTD ORIENT OVERSEAS CONTAINER LINE LTD. X-PRESS FEEDERS	2018/1/23	-	2019/2/5	Far East to India	no
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD INTERASIA LINES, LTD ORIENT OVERSEAS CONTAINER LINE LTD. OCEAN NETWORK EXPRESS	2019/4/23	-	60 days pre-notice	Far East to India	no
Joint Venture	OCEAN NETWORK EXPRESS HAPAG-LLOYD AKTIENGESELLSCHAFT YANG MING MARINE TRANSPORT CORP.	2018/4/6	-	90 days pre-notice	Far East to Red Sea	no
Joint Venture	INTERASIA LINES, LTD	2018/4/11	-	2019/4/10	Japan to Southeast Asia	no
Joint Venture	INTERASIA LINES, LTD ORIENT OVERSEAS CONTAINER LINE LTD.	2019/4/11	-	90 days pre-notice	Japan to Southeast Asia	no
Joint Venture	NEW GOLDEN SEA SHIPPING PTE.LTD ORIENT OVERSEAS CONTAINER LINE LTD.	2018/10/12	-	90 days pre-notice	China to Southeast Asia	no
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	no
Joint Venture	APL CO. PTE LTD	2014/12/28	-	90 days pre-notice	Taiwan to Southeast Asia	no
Charter		2018/6/9	-	45 days pre-notice	Southeast Asia area	no
Swap	ADVANCE CONTAINER LINES (PTE) LTD	2015/4/19	-	2019/3/27	Southeast Asia	no
Swap	BENGAL TIGER LINE PTE LTD	2009/5/20	-	2019/2/27	Southeast Asia to India	no
Charter		2017/12/25	-	30 days pre-notice	Southeast Asia area	no
Swap	COSCO SHIPPING LINES CO., LTD.	2013/5/3	-	90 days pre-notice	Asia to West Coast of South America	no
Swap		2017/4/1	-	90 days pre-notice	Asia to the West Coast of America	no
Swap		2017/4/12	-	2019/4/24	Far East to Mid-East	no
Swap		2018/8/20	-	90 days pre-notice	Asia to the West Coast of America	no
Charter	CHINA UNITED LINES LTD	2009/2/10	-	30 days pre-notice	Taiwan Cross- Strait service	no
Charter		2014/7/9	-	30 days pre-notice	Taiwan Cross- Strait service	no
Charter		2015/10/18	-	30 days pre-notice	Taiwan Cross- Strait service	no
Swap	CHENG LIE NAVIGATION CO. LTD.	2018/10/30	-	30 days pre-notice	Intra East Asia	no
Joint Venture	EVERGREEN MARINE CORP. LTD	2002/9/1	-	120 days pre-notice	Japan to South China	no
Swap		2013/5/3	-	90 days pre-notice	Asia to the West Coast of America	no
Charter		2014/9/3	-	60 days pre-notice	Korea to South East Asia	no
Swap		2016/3/28	-	2019/6/6	Intra Asia	no
Swap		2017/1/22	-	45 days pre-notice	Intra East Asia	no
Joint Venture		2017/9/13	-	60 days pre-notice	Japan to South China & Vietnam	no
Swap		2019/3/24	-	2019/6/30	Intra Asia	no
Joint Venture		2016/5/13	-	90 days pre-notice	Middle East	no
Swap	GLOBAL FEEDER SHIPPING PTE LTD	2016/9/30	-	60 days pre-notice	Middle East	no

Swap	INTERASIA LINES, LTD	2009/11/9	-	30 days pre-notice	Intra Southeast Asia	no
Joint Venture		2010/5/6	-	90 days pre-notice	Japan/China to Southeast Asia	no
Joint Venture		2011/9/11	-	90 days pre-notice	Japan to Southeast Asia	no
Charter		2013/9/5	-	45 days pre-notice	Japan to Southeast Asia	no
Charter		2013/9/22	-	45 days pre-notice	Southeast Asia to India	no
Charter		2014/9/5	-	45 days pre-notice	Korea to Southeast Asia	no
Charter		2015/9/9	-	45 days pre-notice	Japan/Taiwan to Southeast Asia	no
Charter		2015/10/30	-	45 days pre-notice	China to Southeast Asia	no
Charter		2017/1/3	-	45 days pre-notice	Intra Southeast Asia	no
Joint Venture		2017/1/16	-	90 days pre-notice	Japan to Vietnam	no
Joint Venture		2017/8/5	-	60 days pre-notice	China to Southeast Asia	no
Charter		2017/11/27	-	45 days pre-notice	Japan to Southeast Asia	no
Charter		2018/7/10	-	45 days pre-notice	Japan to Southeast Asia	no
Charter		2018/9/1	-	45 days pre-notice	Northeast Asia to Southeast Asia	no
Charter		2019/4/11	-	90 days pre-notice	Japan to Singapore & Malaysia	no
Charter		2019/7/28	-	45 days pre-notice	China to Southeast Asia	no
Charter		2019/8/31	-	45 days pre-notice	China to Southeast Asia	no
Joint Venture		2019/4/30	-	60 days pre-notice	Southeast Asia	no
Charter		2019/9/11	-	45 days pre-notice	Southeast Asia to India	no
Swap		2019/5/3	-	2019/11/29	China to Southeast Asia	no
Charter		2019/12/3	-	90 days pre-notice	Japan to Southeast Asia	no
Charter	KOREA MARINE TRANSPORT CORPORATION	2018/5/11	-	45 days pre-notice	Northeast Asia to Southeast Asia	no
Joint Venture		2019/10/31	-	60 days pre-notice	Korea/China to Southeast Asia	no
Swap	MCC TRANSPORT SINGAPORE PTE LTD.	2016/10/31	-	2019/11/15	Taiwan to southeast Asia	no
Swap	SEALAND MAERSK ASIA PTE. LTD.	2019/11/16	-	30 days pre-notice	Taiwan to southeast Asia	no
Swap	MINSHENG SHIPPING CO., LTD	2005/04/28	-	60 days pre-notice	Taiwan Cross-Strait service	no
Swap	NEW GOLDEN SEA SHIPPING PTE.LTD	2017/7/14	-	60 days pre-notice	China to Southeast Asia	no
Joint Venture		2018/3/29	-	60 days pre-notice	South China to Southeast Asia	no
Charter		2018/4/7	-	60 days pre-notice	Southeast Asia	no
Swap		2018/7/11	-	30 days pre-notice	East China to Southeast Asia	no
Swap		2018/11/15	-	60 days pre-notice	Far East to India & Pakistan	no
Charter	NEW PORT CYPRESS JOINT STOCK COMPANY	2015/10/4	-	30 days pre-notice	Southeast Asia	no
Swap	OCEAN NETWORK EXPRESS	2018/4/1	-	2019/4/24	Far East to Middle East	no
Swap		2018/5/24	-	60 days pre-notice	India to Thailand	no
Swap		2018/8/5	-	30 days pre-notice	Southeast Asia	no
Swap		2018/4/1	-	90 days pre-notice	Japan to Singapore & Malaysia	no
Swap	ORIENT OVERSEAS CONTAINER LINE LTD.	2019/2/24	-	2019/7/28	Intra Asia	no
Swap	RCL FEEDER PTE LTD	2019/2/23	-	2019/6/30	Southeast Asia	no
Joint Venture	SINOTRANS CONTAINER LINES CO., LTD.	2005/5/12	-	90 days pre-notice	Taiwan Cross-Strait Service	no
Joint Venture		2012/1/4	-	90 days pre-notice	Taiwan Cross-Strait Service	no
Joint Venture		2017/1/3	-	60 days pre-notice	East China to Philippine	no
Swap		2019/1/25	-	30 days pre-notice	Taiwan Cross-Strait Service	no
Charter		2019/6/28	-	30 days pre-notice	China to Southeast Asia	no
Charter	SOVEREIGN BASE LOGISTICS HOLDINGS CO. LTD	2011/5/8	-	30 days pre-notice	Southeast Asia	no
Swap	SINOKOR MERCHANT MARINE CO.,LTD	2019/9/19	-	30 days pre-notice	Korea to Southeast Asia	no
Charter	SHANGHAI JINJIANG SHIPPING GROUP CO. LTD	2019/5/18	-	45 days pre-notice	Intra Asia	no
Charter		2019/6/7	-	45 days pre-notice	Taiwan Cross-Strait Service	no
Charter	SMART POINT SHIPPING LTD	2016/7/6	-	30 days pre-notice	Taiwan Cross-Strait service	no
Charter	SITC CONTAINER LINES CO., LTD.	2019/6/28	-	30 days pre-notice	East China to Southeast Asia	no
Charter		2019/6/28	-	30 days pre-notice	South China to Southeast Asia	no
Swap		2019/8/1	-	30 days pre-notice	South China to Southeast Asia	no
Swap		2017/5/7	-	2019/4/20	East China to Philippine	no
Charter	X-PRESS FEEDERS	2010/7/1	-	30 days pre-notice	Southeast Asia to West Asia	no
Swap		2010/11/7	-	30 days pre-notice	Southeast Asia to India	no
Swap		2019/1/19	-	30 days pre-notice	Southeast Asia	no
Charter	YANG MING MARINE TRANSPORT CORP.	2017/7/7	-	90 days pre-notice	Asia to West Coast of South America	no
Swap		2018/10/23	-	30 days pre-notice	Asia to Southeast Asia	no

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~Oct.15,2019	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	Dec.25, 2017~Dec.24,2019	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	Jan.24, 2019~Jan.24,2024	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	Mega International Commercial Bank Head Office-Foreign Dept.	Feb.11,2019~Feb.11,2024	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 Mortgage Loan	Bank of China Taipei Branch	Jul.23,2019~Jul.23,2024	The principal shall be repaid in 8 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Cheng Tung Branch	Nov.18,2019~Nov.18,2024	The principal shall be repaid in 8 successive semiannual installments.	-
Bank Mortgage Loan	First Commercial Bank Chien Chen Branch	Dec.03,2019~Dec.03,2024	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	First Commercial Bank Chien Chen Branch	Feb.11,2019~Feb.11,2024	The principal shall be repaid in 10 successive semiannual 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 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	Mega International Commercial Bank Singapore Branch	Dec.19,2019~Dec.19,2026	The principal shall be repaid in 21 successive quarterly 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~Nov.14,2019	The principal shall be repaid in 10 successive semiannual installments.	Financial Covenants
Bank Mortgage Loan	ING Bank Ltd.	Mar.16,2015~Jul.31,2019	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					2020 as of Mar. 31
		2019	2018	2017	2016	2015	
Current Assets		27,514,862	23,652,827	30,047,229	29,398,146	30,822,014	24,695,525
Property, Plant and Equipment		43,728,724	43,419,203	42,680,442	43,602,819	46,214,584	44,004,386
Right-of-Use		5,097,810	-	-	-	-	5,622,373
Intangible Assets		77,322	95,730	53,262	28,386	38,582	80,670
Other Assets		11,185,534	9,869,590	3,732,871	3,290,721	3,146,005	12,221,098
Total Assets		87,604,252	77,037,350	76,513,804	76,320,072	80,221,185	86,624,052
Current Liabilities	Before distribution	16,722,195	20,827,805	20,894,731	15,526,398	17,770,176	16,008,924
	After distribution	(Note 1)	22,171,272	22,003,880	16,413,717	20,432,133	(Note 1)
Non-current Liabilities		34,533,592	21,392,140	21,439,456	26,488,190	26,536,087	34,268,751
Total Liabilities	Before distribution	51,255,787	42,219,945	42,334,187	42,014,588	44,306,263	50,277,675
	After distribution	(Note 1)	43,563,412	43,443,336	42,901,907	46,968,220	(Note 1)
Equity attributable to owners of parent		36,104,182	34,584,452	33,966,960	34,107,950	35,733,130	36,101,074
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975	22,182,975	22,182,975
Capital Surplus		1,271,775	1,261,681	1,261,681	1,261,681	1,261,681	1,271,775
Retained Earnings	Before distribution	14,169,113	11,950,496	11,649,786	10,078,574	11,719,102	14,252,322
	After distribution	(Note 1)	11,607,029	10,540,637	9,191,255	9,057,145	(Note 1)
Other Equity		(1,519,681)	(810,700)	(1,127,482)	584,720	569,372	(1,605,998)
Treasury Stock		0	0	0	0	0	0
Non-controlling Interest		244,283	232,953	212,657	197,534	181,792	245,303
Total stockholders' equity	Before distribution	36,348,465	34,817,405	34,179,617	34,305,484	35,914,922	36,346,377
	After distribution	(Note 1)	33,473,938	33,070,468	33,418,165	33,252,965	(Note 1)

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

Note 2: The summarized financial data for 2015~2019 and the first quarter of 2020 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					2020 as of Mar. 31
	2019	2018	2017	2016	2015	
Operating revenue	72,951,183	66,778,676	60,769,645	57,351,493	63,859,142	18,007,339
Gross profit	7,230,018	5,002,376	7,115,417	5,760,837	8,013,369	1,671,416
Operating income	2,851,286	989,001	3,141,810	1,873,803	4,018,523	609,561
Non-operating income & expense	1,703,907	788,306	(22,769)	(374,297)	1,643,046	(512,749)
Net income before income tax	4,555,193	1,777,307	3,119,041	1,499,506	5,661,569	96,812
Profit after tax from continuing operations	3,587,706	1,137,238	2,558,975	1,149,307	3,930,645	93,272
Losses from discontinued segments	0	0	0	0	0	0
Profit (Loss) from this period	3,587,706	1,137,238	2,558,975	1,149,307	3,930,645	93,272
Other comprehensive profit and loss (Net value after tax)	(706,100)	849,956	(1,795,703)	(107,243)	616,276	(90,683)
Total comprehensive profit and loss from this period	2,881,606	1,987,194	763,272	1,042,064	4,546,921	2,589
Net earnings attributable to owners of parent	3,573,703	1,117,906	2,541,889	1,141,680	3,942,909	83,209
Net earnings attributable to non-controlling interest	14,003	19,332	17,086	7,627	(12,264)	10,063
Total comprehensive profit and loss attributable to owners of parent	2,863,197	1,967,988	746,329	1,036,777	4,562,247	(3,108)
Total comprehensive profit and loss attributable to non-controlling interest	18,409	19,206	16,943	5,287	(15,326)	5,697
Earnings per share (Note1)	1.61	0.50	1.15	0.51	1.78	0.04

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2015~2019 and the first quarter of 2020 have been certified by CPA.

6.1.3 Summarized balance sheets

Unit: TWD thousand

Item \ Year		Financial data in the past five years					2020 as of Mar. 31
		2019	2018	2017	2016	2015	
Current Assets		20,708,950	17,064,593	23,231,178	23,834,182	33,570,265	N/A
Property, Plant and Equipment		17,953,542	14,683,088	12,944,060	9,642,608	8,289,467	
Right-of-Use		85,001,414	-	-	-	-	
Intangible Assets		76,285	94,240	52,139	27,009	36,862	
Other Assets		37,258,492	34,814,941	28,305,282	29,481,204	21,449,268	
Total Assets		160,998,683	66,656,862	64,532,659	62,985,003	63,345,862	
Current Liabilities	Before distribution	19,695,635	15,462,430	15,409,683	11,196,555	12,324,158	
	After distribution	(Note 1)	16,805,897	16,518,832	12,083,874	14,986,115	
Non-current Liabilities		105,198,866	16,609,980	15,156,016	17,680,498	15,288,574	
Total Liabilities	Before distribution	124,894,501	32,072,410	30,565,699	28,877,053	27,612,732	
	After distribution	(Note 1)	33,415,877	31,674,848	29,764,372	30,274,689	
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975	22,182,975	
Capital Surplus		1,271,775	1,261,681	1,261,681	1,261,681	1,261,681	
Retained Earnings	Before distribution	14,169,113	11,950,496	11,649,786	10,078,574	11,719,102	
	After distribution	(Note 1)	10,607,029	10,540,637	9,191,255	9,057,145	
Other Equity		(1,519,681)	(810,700)	(1,127,482)	584,720	569,372	
Treasury Stock		0	0	0	0	0	
Total stockholders' equity	Before distribution	36,104,182	34,584,452	33,966,960	34,107,950	35,733,130	
	After distribution	(Note 1)	33,240,985	32,857,811	33,220,631	33,071,173	

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

Note 2: The summarized financial data for 2015~2019 have been certified by CPA.

6.1.4 Summarized comprehensive income statements

Unit: TWD thousand

Item \ Year	Financial data in the past five years					2020 as of Mar. 31
	2019	2018	2017	2016	2015	
Operating revenue	59,102,119	53,934,045	50,300,722	50,070,845	56,271,236	N/A
Gross profit	3,378,077	345,724	4,454,136	4,748,612	5,130,494	
Operating income	1,147,748	(1,611,199)	2,346,116	2,819,290	3,054,041	
Non-operating income & expense	3,293,183	3,281,587	687,103	(1,361,905)	2,562,015	
Net income before income tax	4,440,931	1,670,390	3,033,219	1,457,385	5,616,056	
Profit after tax from continuing operations	3,573,703	1,117,906	2,541,889	1,141,680	3,942,909	
Losses from discontinued segments	0	0	0	0	0	
Profit (Loss) from this period	3,573,703	1,117,906	2,541,889	1,141,680	3,942,909	
Other comprehensive profit and loss (Net value after tax)	(710,506)	850,082	(1,795,560)	(104,903)	619,338	
Total comprehensive profit and loss from this period	2,863,197	1,967,988	746,329	1,036,777	4,562,247	
Earnings per share (Note1)	1.61	0.5	1.15	0.51	1.78	

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for 2015~2019 have been certified by CPA.

6.1.5 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
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.
2019	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					2020 as of Mar. 31
		2019	2018	2017	2016	2015	
Financial structure (%)	Debt ratio	58.51	54.80	55.33	55.05	55.23	58.04
	Ratio of long-term capital to property, plant and equipment	162.09 (Note 1)	129.46	130.32	139.43	135.13	160.47
Solvency	Current ratio (%)	164.54 (Note 2)	113.56	143.80	189.34	173.45	154.26
	Quick ratio (%)	151.34 (Note 2)	105.95	136.46	179.70	168.06	146.40
	Times interest earned	7.58 (Note 3)	4.14	6.98	3.88	9.32	1.62
Operating performance	Accounts receivable turnover (turns)	28.40 (Note 4)	22.80	22.59	25.07	22.15	7.57
	Average collection period	12.85	16.00	16.15	14.55	16.47	11.89
	Inventory turnover (turns)	-	-	-	-	-	-
	Accounts payable turnover (turns)	8.34	8.50	8.07	8.14	8.71	2.10
	Average days in sales	-	-	-	-	-	-
	Property, plant and equipment turnover (turns)	1.67	1.55	1.41	1.28	1.40	0.41
	Total assets turnover (turns)	0.89	0.87	0.80	0.73	0.77	0.21
Profitability	Return on total assets (%)	5.03 (Note 5)	2.07	3.92	2.02	5.43	0.25
	Return on equity (%)	10.08 (Note 5)	3.30	7.47	3.27	10.95	0.26
	Ratio to issued capital of pre-tax income (%)	20.53 (Note 5)	8.01	14.06	6.76	25.52	0.44
	Profit ratio (%)	4.92 (Note 5)	1.70	4.21	2.00	6.16	0.52
	Earnings per share (\$)	1.61 (Note 5)	0.05	1.15	0.51	1.78	0.04
Cash flow(%)	Cash flow ratio	47.97 (Note 6)	24.03	33.88	26.66	49.14	5.96
	Cash flow adequacy ratio	99.52	126.32	112.48	98.28	84.45	97.88
	Cash reinvestment ratio	5.59 (Note 6)	3.61	5.73	1.30	3.77	0.80
Leverage	Operating leverage	5.91 (Note 7)	3.98	4.56	6.86	4.15	6.61
	Financial leverage	1.32 (Note 7)	2.33	1.20	1.38	1.20	1.34

Reasons for financial ratios of 2019 increased/decreased more than 20% comparing to 2018:

Note 1: Ratio of long-term capital to property, plant and equipment increased since Non-current liabilities increased.

Note 2: Current ratio & quick ratio increased since cash and cash equivalents & current financial assets at fair value through profit or loss increased.

Note 3: Times interest earned increased since net income before income tax and interest expense increased.

Note 4: Accounts receivable turnover increased since operating revenue increased & average receivable-trade decreased.

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

Note 6: Cash flow ratio & cash reinvestment ratio increased since net cash provided by operating activities increased.

Note 7: Leverage ratios change since operating income increased.

1. Financial structure

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

2. Solvency

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

3. Operating performance

- (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
- (2) Average collection days = 365 / turnover of receivable
- (3) Turnover of inventories = operating cost / average inventories
- (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
- (5) Average sales days = 365 / turnover of inventories
- (6) Turnover of 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					2020 as of Mar. 31
		2019	2018	2017	2016	2015	
Financial structure (%)	Debt ratio	77.57 (Note 1)	48.12	47.36	45.85	43.59	N/A
	Ratio of long-term capital to property, plant and equipment	787.05 (Note 1)	348.66	379.50	537.08	615.50	
Solvency	Current ratio (%)	105.14	110.36	150.76	212.87	272.39	
	Quick ratio (%)	97.35	103.06	143.42	203.01	267.17	
	Times interest earned	3.51 (Note 2)	5.68	10.29	5.62	19.06	
Operating performance	Accounts receivable turnover (turns)	60.81 (Note 3)	33.78	29.37	33.48	29.52	
	Average collection period	6.00 (Note 4)	10.80	12.42	10.90	12.36	
	Inventory turnover (turns)	-	-	-	-	-	
	Accounts payable turnover (turns)	9.00	9.69	9.05	9.6	10.40	
	Average days in sales	-	-	-	-	-	
	Property, plant and equipment turnover (turns)	3.62	3.90	4.45	5.58	6.88	
	Total assets turnover (turns)	0.52 (Note 5)	0.82	0.79	0.79	0.88	
Profitability	Return on total assets (%)	4.38 (Note 6)	2.14	4.41	2.22	6.56	
	Return on equity (%)	10.11 (Note 6)	3.26	7.47	3.27	11.05	
	Ratio to issued capital of pre-tax income (%)	20.02 (Note 6)	7.53	13.67	6.57	25.32	
	Profit ratio (%)	6.05 (Note 6)	2.07	5.05	2.28	7.01	
	Earnings per share (\$)	1.61 (Note 6)	0.50	1.15	0.51	1.78	
Cash flow (%)	Cash flow ratio	51.29 (Note 7)	1.10	13.05	86.50	5.38	
	Cash flow adequacy ratio	83.65 (Note 7)	58.41	71.03	68.41	38.73	
	Cash reinvestment ratio	12.48 (Note 7)	(1.47)	1.72	10.29	(5.57)	
Leverage	Operating leverage	11.54 (Note 8)	(6.63)	4.87	2.11	5.03	
	Financial leverage	(1.84) (Note 8)	0.82	1.16	1.13	1.11	

Reasons for financial ratios of 2019 increased/decreased more than 20% comparing to 2018:

Note 1: Debt ratio & ratio of long-term capital to property, plant and equipment increased since Non-current Liabilities increased.

Note 2: Times interest earned decreased since interest expense increased.

Note 3: Accounts receivable turnover increased since average receivable-trade decreased.

Note 4: Average collection period decreased since average receivable-trade decreased.

Note 5: Total assets turnover decreased since total assets increased.

Note 6: Return on total assets, return on equity, ratio to issued capital of pre-tax income, profit ratio & earnings per share increased since net profit before tax increased.

Note 7: Cash flow ratio, cash flow adequacy ratio & cash reinvestment ratio increased since net cash provided by operating activities increased.

Note 8: Leverage ratios change since operating income increased.

1. Financial structure

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

2. Solvency

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

3. Operating performance

- (1) Turnover of receivable (including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade (including accounts receivable and receivable-trade notes)
- (2) Average collection days = 365 / turnover of receivable
- (3) Turnover of inventories = operating cost / average inventories
- (4) Turnover of payable (including accounts payable and notes payable-trade) = operating cost / average payable-trade
- (5) Average sales days = 365 / turnover of inventories
- (6) Turnover of 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 2019

6.3.1 Audit Committee's Review Report for Fiscal Year 2019

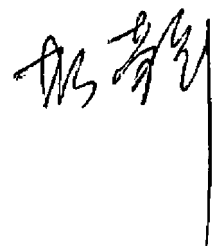
The Board of Directors has prepared the Company's financial statements for 2019, business report and earnings distribution. Of which, the Company's financial statements for 2019 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit report with unqualified 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 2020

WAN HAI LINES LTD.

Chairman of the Audit committee:

Rung-Nian Lai



Mar.26, 2020

6.3.2 Audit Committee's Review Report for Fiscal Year 2019 (Consolidated)

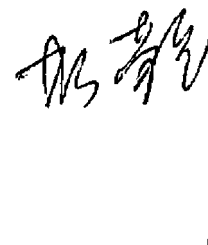
The Board of Directors has prepared the Company's consolidated financial statements for 2019 and consolidated business report for 2019. Of which, the Company's consolidated financial statements for 2019 have been audited by the CPA firm of KPMG through entrustment by the Board of Directors, and an audit 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 2020

WAN HAI LINES LTD.

Chairman of the Audit committee:

Rung-Nian Lai



Mar.26, 2020

6.4 Financial Statements for Fiscal Year 2019

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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and 2018 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 of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note(4)(o) “ Revenue” , Note (5)(a) “ Uncertainty associated with the assumptions and estimations for revenue recognition” and Note(6)(v) “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 this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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

BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019.12.31		2018.12.31			2019.12.31		2018.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
Current assets:									
Cash and cash equivalents (note 6(a))	\$ 10,326,321	7	7,834,162	12	2100				
Current financial assets at fair value through profit or loss (note 6(b))	4,125,184	3	2,345,430	4	2126				
Notes receivable, net (notes 6(c) and 6(v))	39,456	-	26,618	-	2170				
Accounts receivable, net (notes 6(e), 6(v) and (7))	674,229	-	1,203,494	2	2200				
Current contract assets (note 6(v))	733,689	-	751,084	1	2230				
Other receivables, net (note 7)	815,080	1	1,043,354	2	2280				
Inventories, net (note 6(f))	1,406,894	1	990,095	1	2320				
Receivables from agents (note 7)	2,144,272	1	2,136,118	3	2350				
Other current assets, others (note 8)	443,825	-	734,238	1	2300				
	<u>20,708,950</u>	<u>13</u>	<u>17,064,593</u>	<u>26</u>					
Non-current assets:									
Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	1,127,838	2	2511				
Non-current financial assets at fair value through other comprehensive income (note 6(c))	3,182,812	2	3,036,010	4	2530				
Investments accounted for using equity method, net (note 6(h))	31,711,924	19	29,568,822	44	2540				
Property, plant and equipment (notes 6(i), (8) and (9))	17,953,542	11	14,683,088	22	2570				
Right-of-use assets (note 6(j))	85,001,414	53	-	-	2580				
Investment property, net (note 6(k))	1,419,389	1	-	-	2640				
Intangible assets (note 6(l))	76,285	-	94,240	-	2645				
Other non-current assets (notes 8) and (9))	944,367	1	1,082,271	2					
	<u>140,289,733</u>	<u>87</u>	<u>49,592,269</u>	<u>74</u>					
Equity (notes 6(i) and (u)):									
Common stock	3100								
Capital surplus	3200								
Retained earnings:									
Legal reserve	3310								
Special reserve	3320								
Retained earnings-unappropriated	3350								
Other equity interest:									
Exchange differences on translation of foreign financial statements	3411								
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	3420								
Gains (losses) on hedging instruments (note 6(d))	3450								
Total equity									
	<u>\$ 160,998,683</u>	<u>100</u>	<u>66,656,862</u>	<u>100</u>					
Liabilities and Equity									
Current liabilities:									
Short-term borrowings (note 6(m))									
Current financial liabilities for hedging (note 6(d))									
Accounts payable (note 7))									
Other payables (note 7))									
Current tax liabilities(note 6(s))									
Current lease liabilities (note 6(p))									
Current portion of long-term loans (notes 6(n), 6(o) and (8))									
Payables to agents									
Other current liabilities (note 7))									
	<u>19,695,635</u>	<u>12</u>	<u>15,462,430</u>	<u>23</u>					
Non-current liabilities:									
Non-current financial liabilities for hedging (note 6(d))									
Bonds payable (note 6(o))									
Long-term borrowings (notes 6(n) and (8))									
Deferred tax liabilities (note 6(s))									
Non-current lease liabilities (note 6(p))									
Accrued pension liabilities-non current (note 6(r))									
Guarantee deposits received									
	<u>105,198,866</u>	<u>66</u>	<u>16,609,980</u>	<u>25</u>					
Total liabilities									
	<u>124,894,501</u>	<u>78</u>	<u>32,072,410</u>	<u>48</u>					
Equity (notes 6(i) and (u)):									
Common stock	22,182,975	14	22,182,975	33					
Capital surplus	1,271,775	1	1,261,681	2					
Retained earnings:									
Legal reserve	6,869,483	4	6,757,693	10					
Special reserve	810,700	-	1,127,482	2					
Retained earnings-unappropriated	6,488,930	4	4,065,321	6					
	<u>14,169,113</u>	<u>8</u>	<u>11,950,496</u>	<u>18</u>					
Other equity interest:									
Exchange differences on translation of foreign financial statements	(1,352,809)	(1)	(604,711)	(1)					
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(200,376)	-	(205,989)	-					
Gains (losses) on hedging instruments (note 6(d))									
	<u>33,504</u>	<u>-</u>	<u>-</u>	<u>-</u>					
Total equity									
	<u>(1,519,681)</u>	<u>(1)</u>	<u>(810,700)</u>	<u>(1)</u>					
Total liabilities and equity									
	<u>\$ 160,998,683</u>	<u>100</u>	<u>66,656,862</u>	<u>100</u>					

Seeing 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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(v) and (7))	\$ 59,102,119	100	53,934,045	100
5000 Operating costs (notes (6)(f) and (7))	55,724,042	94	53,588,321	99
Gross profit	3,378,077	6	345,724	1
6000 Operating expenses	2,230,329	4	1,956,923	4
Income from operations	1,147,748	2	(1,611,199)	(3)
Non-operating income and expenses (notes (6)(g) and (6)(x)):				
7010 Other income	308,054	-	347,462	1
7020 Other gains and losses	1,877,565	3	875,984	2
7050 Finance costs	(1,771,749)	(3)	(356,717)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	2,879,313	5	2,414,860	4
Total non-operating income and expenses	3,293,183	5	3,281,589	6
7900 Profit before tax	4,440,931	7	1,670,390	3
7950 Less: Income tax expenses	867,228	1	552,484	1
Net Profit	3,573,703	6	1,117,906	2
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit and loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(38,697)	-	(19,381)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	10,060	-	(46,035)	-
8331 Gains (losses) on the remeasurements of defined benefit plans, subsidiaries, associates and joint ventures accounted for using equity method	19,339	-	34,559	-
8336 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income, subsidiaries, associates and joint ventures accounted for using equity method	(4,447)	-	-	-
8349 Less: Income tax related to components of other comprehensive income that may not be reclassified subsequently	7,739	-	5,392	-
Total items that may not be reclassified subsequently to profit and loss	(6,006)	-	(25,465)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	(743,226)	(1)	876,341	2
8368 Gains (losses) on hedging instrument	33,504	-	-	-
8399 Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	5,222	-	(794)	-
Total items that may be reclassified subsequently to profit and loss	(704,500)	(1)	875,547	2
8300 Other comprehensive income (net of tax)	(710,506)	(1)	850,082	2
Total comprehensive income	\$ 2,863,197	5	\$ 1,967,988	4
Basic earnings per share (New Taiwan Dollars) (note (6)(u))	\$ 1.61		\$ 0.50	
Diluted earnings per share (New Taiwan Dollars) (note (6)(u))	\$ 1.61		\$ 0.50	

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Stock	Retained Earnings					Other Equity Items			
		Capital Surplus	Legal reserve	Special reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Difference Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) from financial instruments measured at fair value through other comprehensive income	Unrealized Gains (losses) on Available for sale Financial Assets	Gains (losses) on hedging instruments	Total
\$	22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	-	352,776	-	33,966,960
	-	-	-	-	271,383	-	(159,954)	(352,776)	-	(241,347)
	22,182,975	1,261,681	6,503,503	-	5,417,666	(1,480,258)	(159,954)	-	-	33,725,613
	-	-	-	-	1,117,906	-	-	-	-	1,117,906
	-	-	-	-	20,570	875,547	(46,035)	-	-	850,082
	-	-	-	-	1,138,476	875,547	(46,035)	-	-	1,967,988
	-	-	-	-	-	-	-	-	-	-
	-	-	254,190	-	(254,190)	-	-	-	-	-
	-	-	-	1,127,482	(1,127,482)	-	-	-	-	-
	-	-	-	-	(1,109,149)	-	-	-	-	(1,109,149)
	22,182,975	1,261,681	6,757,693	1,127,482	4,065,321	(604,711)	(205,989)	-	-	34,584,452
	-	-	-	-	3,573,703	-	-	-	-	3,573,703
	-	-	(11,619)	-	(11,619)	(738,004)	5,613	-	33,504	(710,506)
	-	-	-	-	3,562,684	(738,004)	5,613	-	33,504	2,863,197
	-	-	-	-	-	-	-	-	-	-
	-	-	111,790	-	(111,790)	-	-	-	-	-
	-	-	-	-	(1,343,467)	-	-	-	-	(1,343,467)
	-	-	-	(316,782)	316,782	-	-	-	-	-
	-	10,094	-	-	-	(10,094)	-	-	-	-
\$	22,182,975	1,271,775	6,869,483	810,700	6,488,930	(1,352,809)	(200,376)	-	33,504	36,104,182

Seeing accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 4,440,931	1,670,390
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	7,971,701	1,302,119
Amortization expense	54,093	45,755
Net (gain) loss on financial assets at fair value through profit or loss	(365,273)	(64,405)
Interest expense	1,771,749	356,717
Interest revenue	(107,727)	(154,448)
Dividend income	(200,327)	(193,014)
Investment income under the equity method	(2,879,313)	(2,414,860)
Gain on disposal of property, plant and equipment	(1,014,281)	(513,937)
Unrealized foreign exchange (gain) loss	(157,077)	223,091
Others	1,078	585
Total adjustments to reconcile profit (loss)	5,074,623	(1,412,397)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets	17,395	(113,755)
Notes receivable	(12,838)	(3,411)
Accounts receivable (including related parties)	529,265	99,385
Other receivables	136,877	(127,006)
Inventories	(416,799)	(9,745)
Receivables from agents	(8,154)	(584,803)
Other current assets	290,413	116,281
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(313,980)	(115,617)
Total changes in operating assets, net	222,179	(738,671)
Changes in operating liabilities, net:		
Accounts payable (including related parties)	517,373	803,695
Other payables	123,733	(169,762)
Payables to agents	370,514	857
Other current liabilities	(426,514)	317,703
Accrued pension liabilities	(113,016)	(61,927)
Total changes in operating liabilities, net	472,090	890,566
Total changes in operating assets and liabilities	694,269	151,895
Total adjustments	5,768,892	(1,260,502)
Cash inflow generated from operations	10,209,823	409,888
Income taxes paid	(107,188)	(239,479)
Net cash provided by operating activities	10,102,635	170,409
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(136,742)	(262,840)
Acquisition of long-term equity investment under equity method	-	(395,315)
Acquisition of property, plant and equipment	(5,170,405)	(3,337,194)
Proceeds from disposal of property, plant and equipment	1,215,291	572,002
Acquisition of intangible assets	(31,007)	(58,636)
Acquisition of investment property	(1,423,384)	-
Other non-current assets	(267,829)	(398,355)
Interest received	114,819	159,689
Dividends received	272,445	254,678
Net cash used in investing activities	(5,426,812)	(3,465,971)
Cash flows from financing activities:		
Proceeds from issuing bonds	8,000,000	-
Repayments of bonds	(1,000,000)	(4,500,000)
Proceeds from long-term loans	8,913,800	11,530,300
Repayment of long-term loans	(9,416,039)	(7,250,438)
Guarantee deposits	4,627	(450)
Cash dividends paid	(1,343,467)	(1,109,149)
Lease repayments- principal portions	(5,604,094)	-
Interest paid	(1,738,491)	(391,337)
Net cash used in financing activities	(2,183,664)	(1,721,074)
Net increase (decrease) in cash and cash equivalents	2,492,159	(5,016,636)
Cash and cash equivalents, beginning of period	7,834,162	12,850,798
Cash and cash equivalents, end of period	\$ 10,326,321	7,834,162

Seeing accompanying notes to financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(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 is primarily involved in the business of international marine transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

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

The Board of Directors approved and issued the financial statements on March 26, 2020.

(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, 2019.

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

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.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

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

NOTES TO THE FINANCIAL STATEMENTS

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(i).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to vessels, buildings, containers, and other equipment associated with short-terms and low-value asset leases.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- a. Applied a single discount rate to a portfolio of leases with similar characteristics.
- b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- c. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- d. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

NOTES TO THE FINANCIAL STATEMENTS

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$72,139,926 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.35%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 86,410,748
Recognition exemption for:	
short-term leases	(2,739,593)
Leases of low-value assets	<u>(1,626,162)</u>
	<u>\$ 82,044,993</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 72,139,926
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 72,139,926</u>

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

NOTES TO THE FINANCIAL STATEMENTS

The Company evaluated that the application of IFRIC 23 will have no material impact on its financial statements.

(b) The impact of IFRS issued by the 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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

(4) Summary of Significant Accounting Policies

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language consolidated 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 consolidated 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”).

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

NOTES TO THE FINANCIAL STATEMENTS

(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 at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the 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 (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) qualifying cash flow hedges to the extent that the hedges are effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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 Company 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, exchange differences 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.

(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 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 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. The Company 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 comprises cash on hand and demand deposits. 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 Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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 and interest on the 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 instrument-by-instrument basis.

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

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 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend 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.

(English Translation of Financial Statements Originally Issued in Chinese)
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 (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, 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.

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.

The Company 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’.

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).

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

NOTES TO THE FINANCIAL STATEMENTS

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

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 charge to profit or loss and is recognized in other comprehensive income in stead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written 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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Hedge accounting

The Company designates certain hedging instruments (which include non-derivatives in respect of foreign currency risk) as cash flow hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity — gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(g) Inventories

Fuels purchased by the Company are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated 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 has significant influence, but not control or joint control, over their 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 those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

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

NOTES TO THE FINANCIAL STATEMENTS

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(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) 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.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)Buildings	23~57 years
2)Vessels	1~18 years
3)Major component of vessels: docking repair assets	2.5 years
4)Containers	1~10 years
5)Privileged wharf equipment	2~15 years
6)Other equipment	4~15 years

Depreciation methods, useful lives and residual values, are reviewed at each reporting date, and adjusted if appropriate.

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

NOTES TO THE FINANCIAL STATEMENTS

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Company will allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vessels, buildings, containers and other equipments that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

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

NOTES TO THE FINANCIAL STATEMENTS

(ii) Lessee

Leases are operating leases and are not recognized in the Company's balance sheets.

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. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(m) Intangible assets

1. Recognition and measurement

Other intangible assets, including software and trademarks, that are acquired by the Company and have finite useful lives 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 brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Softwares	2~5 years
2) Trademarks	3~10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(o) Revenue

1. Revenue from contracts with customers

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.

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. Contract costs

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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:

A.the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

B.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

C.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 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 the defined contribution plans are expensed as related service is provided.

2. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling if any (excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(English Translation of Financial Statements Originally Issued in Chinese)
WAN HAI LINES LTD.**NOTES TO THE FINANCIAL STATEMENTS**

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(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 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 convertible bonds and employee compensation.

(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 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) 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**

	2019.12.31	2018.12.31
Cash	\$ 48,445	51,134
Savings accounts	3,108,775	311,464
Time deposits	7,169,101	7,471,564
Cash and cash equivalents in statement of cash flows	\$ 10,326,321	7,834,162

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ 2,958,241	2,345,430
Stocks listed on markets	9,812	-
Debt securities	<u>1,157,131</u>	<u>1,127,838</u>
Total	<u>\$ 4,125,184</u>	<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(x).

2. As of December 31, 2019 and 2018, the Company's financial assets were not pledged as collateral.

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 2,712,827	2,618,063
Stocks unlisted on domestic markets	<u>469,985</u>	<u>417,947</u>
Total	<u>\$ 3,182,812</u>	<u>3,036,010</u>

1. Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities 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.

For the years ended December 31, 2019 and 2018, no strategic investments were disposed, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

For the years ended December 31, 2019 and 2018, the dividends of \$98,478 thousand and \$98,127 thousand related to equity investments at fair value through other comprehensive income, were recognized.

2. For credit risk and market risk, please refer to Note 6(z).

3. As of December 31, 2019 and 2018, the financial assets of the Company had not been pledged as collateral.

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Financial instruments used for hedging

The amounts at the reporting date relating to the lease liabilities designated as hedging instruments were as follows:

	<u>2019.12.31</u>
Cash flow hedge:	
Financial liabilities used for hedging:	
Current lease liabilities	\$ 534,197
Non-current lease liabilities	<u>2,026,200</u>
Total	<u><u>\$ 2,560,397</u></u>

The Company's strategy is to use lease liabilities to hedge its estimated foreign currency exposure in respect of highly probable future cash revenues. The amounts at the reporting date relating to the items designated as hedging instruments were as follows:

Items to be hedged	Financial assets or liabilities designated to be hedging instruments	2019.12.31 Fair value	Time period(s) during which the future cash flows generated	Time period(s) during which the related gains or losses are expected to be recognized in the income statement
Freight revenue (USD)	Lease liabilities	\$ 989,769	2019~2024	2019~2024
WHL terminal revenue (JPY)	Lease liabilities	1,570,628	2019~2028	2019~2028

Items	<u>2019</u>
Amounts recognized as other comprehensive income	<u><u>\$ 33,504</u></u>

For the year ended December 31, 2019, no ineffective portion of cash flow hedge that should be recognized in profit or loss, for reconciliation of each component of equity, and an analysis of other comprehensive income, please refer to note (6)(t).

(e) Notes receivable and accounts receivable

	<u>2019.12.31</u>	<u>2018.12.31</u>
Notes receivable	\$ 39,456	26,618
Accounts receivable	674,587	1,203,852
Less: Allowance for doubtful receivables	<u>(358)</u>	<u>(358)</u>
	<u><u>\$ 713,685</u></u>	<u><u>1,230,112</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, 2019 and 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, 2019 and 2018 was determined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

	2019.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 702,171	0%~0.0006%	352
Overdue 0-30 days	10,898	0%~0.0007%	-
Overdue 31-120 days	742	0%~0.002%	-
Overdue 121-365 days	226	0%~0.003%	-
Overdue more than 365 days	6	0%~100%	6
	<u>\$ 714,043</u>		<u>358</u>

	2018.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
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	15	100%	15
	<u>\$ 1,230,470</u>		<u>358</u>

The movement in the allowance for notes and accounts receivables were as follows :

	2019	2018
Ending balance (equals to beginning balance)	<u>\$ 358</u>	<u>358</u>

Please refer to (6)(y) 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, 2019 and 2018, the notes and trade receivable of the Company had not been pledged as collateral.

(f) Inventories

	2019.12.31	2018.12.31
Marine diesel oil	\$ 145,084	158,399
Marine residual fuel oil	1,255,817	949,003
Fresh lubricating oil	6,153	6,784
Subtotal	1,407,054	1,114,186
Less: Allowance for inventory valuation and obsolescence losses	(160)	(124,091)
Total	<u>\$ 1,406,894</u>	<u>990,095</u>

For the years ended December 31, 2019, the reversal of write-downs amounted to \$123,931 thousand due to the previous reasons causing the net realizable value of inventories lower than its costs has disappeared. The reversals are recognized in gains on inventory value recoveries.

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018, the write-downs of inventories to net realizable value amounted to \$124,091 thousand. The write-downs were included in operating costs.

As of December 31, 2019 and 2018 the Company's inventories were not pledged as collateral.

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	2019.12.31	2018.12.31
Subsidiaries	\$ 30,752,642	28,633,999
Associates	959,282	934,823
	\$ 31,711,924	29,568,822

1. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2019 and 2018.

2. Associates

For the first half of 2017, the Company acquired 16.5% of the shares of Hai Phong International Container Terminal Company Ltd. (HICT) for USD6,459 thousand in cash. The Company gets one of HICT's directors, and participated its finance and operating policy decision. Therefore, the Company 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 financial statements were as follows:

	2019.12.31	2018.12.31
The carrying amount of individually non-significant associates' equity	\$ 959,282	934,823
	2019	2018
Attributable to the Company:		
Profit (loss) from continuing operations	\$ 110,380	81,816
Total comprehensive income	\$ 110,380	81,816

3. Collateral

The Company did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Changes in a parent's ownership interest in a subsidiary

1. Disposal of part of equity ownership of subsidiaries without losing control

The Company adjusted its organization structure in October 2019, and disposed 100% of Wan Hai Lines (America) Ltd.'s equity ownership to its subsidiary, Wan Hai Lines (Singapore) Pte. Ltd., with a price of \$436,704 thousand. The aforementioned transaction is considered an equity transaction because it does not affect the Company's ultimate control over Wan Hai Lines (America) Ltd., and the difference between its disposal price and the book value of Wan Hai Lines (America) Ltd is recognized as capital surplus.

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

NOTES TO THE FINANCIAL STATEMENTS

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Containers</u>	<u>Other equipment</u>	<u>Privileged wharf equipment</u>	<u>Total</u>
Cost:							
Balance at January 1, 2019	\$ 620,477	123,736	4,311,107	24,245,824	607,402	1,524,200	31,432,746
Additions	-	-	197,577	4,280,528	110,710	160,614	4,749,429
Reclassification	-	-	-	-	56,706	346,230	402,936
Disposals	-	-	(693,928)	(2,537,827)	(28,503)	-	(3,260,258)
Balance at December 31, 2019	<u>\$ 620,477</u>	<u>123,736</u>	<u>3,814,756</u>	<u>25,988,525</u>	<u>746,315</u>	<u>2,031,044</u>	<u>33,324,853</u>
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	<u>\$ 620,477</u>	<u>123,736</u>	<u>4,311,107</u>	<u>24,245,824</u>	<u>607,402</u>	<u>1,524,200</u>	<u>31,432,746</u>
Depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	69,341	3,639,587	11,876,504	336,379	827,847	16,749,658
Depreciation	-	2,726	81,778	1,388,091	65,365	88,418	1,626,378
Disposals	-	-	(692,262)	(2,283,959)	(28,504)	-	(3,004,725)
Balance at December 31, 2019	<u>\$ -</u>	<u>72,067</u>	<u>3,029,103</u>	<u>10,980,636</u>	<u>373,240</u>	<u>916,265</u>	<u>15,371,311</u>
Balance at January 1, 2018	\$ -	66,615	3,516,183	11,784,638	310,302	750,375	16,428,113
Depreciation	-	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	<u>\$ -</u>	<u>69,341</u>	<u>3,639,587</u>	<u>11,876,504</u>	<u>336,379</u>	<u>827,847</u>	<u>16,749,658</u>
Carrying amounts:							
Balance at December 31, 2019	<u>\$ 620,477</u>	<u>51,669</u>	<u>785,653</u>	<u>15,007,889</u>	<u>373,075</u>	<u>1,114,779</u>	<u>17,953,542</u>
Balance at January 1, 2018	<u>\$ 620,477</u>	<u>57,121</u>	<u>746,985</u>	<u>10,428,697</u>	<u>316,955</u>	<u>773,825</u>	<u>12,944,060</u>
Balance at December 31, 2018	<u>\$ 620,477</u>	<u>54,395</u>	<u>671,520</u>	<u>12,369,320</u>	<u>271,023</u>	<u>696,353</u>	<u>14,683,088</u>

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings and guaranteed financing; please refer to note (8).

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

NOTES TO THE FINANCIAL STATEMENTS

(j) Right-of-use assets

The Company leases many assets including wharfs, vessels, containers, and other equipment. Information about leases for which the Company as a lessee is presented below:

	<u>Wharfs</u>	<u>Vessels</u>	<u>Containers</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>3,670,639</u>	<u>67,570,666</u>	<u>883,649</u>	<u>14,972</u>	<u>72,139,926</u>
Balance as of January 1, 2019 after adjustments	3,670,639	67,570,666	883,649	14,972	72,139,926
Additions	-	3,924,841	467,594	-	4,392,435
Disposal	-	(848,010)	-	-	(848,010)
Remeasurement	<u>(75,302)</u>	<u>15,599,488</u>	<u>24,403</u>	<u>-</u>	<u>15,548,589</u>
Balance as of December 31, 2019	<u><u>\$ 3,595,337</u></u>	<u><u>86,246,985</u></u>	<u><u>1,375,646</u></u>	<u><u>14,972</u></u>	<u><u>91,232,940</u></u>
Accumulated depreciation and impairment losses:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Depreciation for the year	432,346	5,564,367	339,996	4,619	6,341,328
Disposal	<u>-</u>	<u>(109,802)</u>	<u>-</u>	<u>-</u>	<u>(109,802)</u>
Balance as of December 31, 2019	<u><u>\$ 432,346</u></u>	<u><u>5,454,565</u></u>	<u><u>339,996</u></u>	<u><u>4,619</u></u>	<u><u>6,231,526</u></u>
Carrying amount:					
Balance as of December 31, 2019	<u><u>\$ 3,162,991</u></u>	<u><u>80,792,420</u></u>	<u><u>1,035,650</u></u>	<u><u>10,353</u></u>	<u><u>85,001,414</u></u>

The Company leases wharfs, buildings, containers, and other equipment under the operating lease for the year ended December 31, 2018, please refer to note (6)(q).

(k) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 3 years, with the lessees having the options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts. Information about investment property of the Company is presented below:

	<u>Owned property</u>		
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Purchases	<u>1,269,509</u>	<u>153,875</u>	<u>1,423,384</u>
Balance at December 31, 2019	<u><u>\$ 1,269,509</u></u>	<u><u>153,875</u></u>	<u><u>1,423,384</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

	<u>Owned property</u>		
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Depreciation and impairment losses:			
Balance at January 1, 2019	\$ -	-	-
Depreciation	-	3,995	3,995
Balance at December 31, 2019	<u>\$ -</u>	<u>3,995</u>	<u>3,995</u>
Carrying amount:			
Balance at December 31, 2019	<u>\$ 1,269,509</u>	<u>149,880</u>	<u>1,419,389</u>
Fair value:			
Balance at December 31, 2019			<u>\$ 1,448,500</u>

As of December, 31, 2019, 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 inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

The fair value is evaluated using the discounted cash flow analysis method under the income method. The discounted cash flow analysis method of the income method is to consider the estimated sum of the estimated cash flows expected to be received from leasing the real estate and discount it using a rate of return that reflects the specific risks inherent in the net cash flow determine the value of the real estate. The ranges of yields applied to the net annual rentals used to determine the fair value of properties in the year of 2019 were as follows:

<u>Location</u>	<u>2019</u>
Taiwan	1.55%

The investment property is a commercial real estate which was bought for operation planning on December 31, 2019. That property has been currently leasing out for rental income, and no contingent rents are charged. The rent revenue is \$3,910 thousand for the year 2019.

As of December 31, 2019 the investment property of the Company had not been pledged as collateral.

(l) Intangible assets

The costs and amortization of the intangible assets of the Company for the years ended December 31, 2019 and 2018 were as follows:

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:			
Balance at January 1, 2019	\$ 144,048	5,440	149,488
Additions	29,916	1,091	31,007
Reclassification	4,888	243	5,131
Disposals	(23,342)	(2,693)	(26,035)
Balance at December 31, 2019	<u>\$ 155,510</u>	<u>4,081</u>	<u>159,591</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Computer software	Trademarks	Total
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>
Amortization and impairment loss:			
Balance at January 1, 2019	\$ 52,291	2,957	55,248
Amortization for the year	53,042	1,051	54,093
Disposals	(23,342)	(2,693)	(26,035)
Balance at December 31, 2019	<u><u>\$ 81,991</u></u>	<u><u>1,315</u></u>	<u><u>83,306</u></u>
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>
Carrying amounts:			
Balance at December 31, 2019	<u><u>\$ 73,519</u></u>	<u><u>2,766</u></u>	<u><u>76,285</u></u>
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 January 1, 2018	<u><u>\$ 49,141</u></u>	<u><u>2,998</u></u>	<u><u>52,139</u></u>

1. Recognition of amortization and impairment

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

	2019	2018
Operating costs	<u><u>\$ 2,668</u></u>	<u><u>784</u></u>
Operating expense	<u><u>\$ 51,425</u></u>	<u><u>44,971</u></u>

(m) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans — TWD	<u><u>\$ -</u></u>	<u><u>-</u></u>
Unused short-term credit lines	<u><u>\$ 4,416,160</u></u>	<u><u>4,490,230</u></u>

1. Issuance and repayment of short-term borrowings

For the years ended December 31, 2019 and 2018, the proceeds from short-term borrowings amounted to \$8,720,000 thousand and \$6,506,011 thousand respectively and the repayments amounted to \$8,720,000 thousand and \$6,506,011 thousand respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Collateral for bank loan

There were no assets pledged as collateral for the short-term borrowing of the Company.

(n) Long-term borrowings

The borrowings were summarized as follows:

2019.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.54%~3.62%	2022/12/21- 2024/02/11	\$ 978,424
Unsecured bank loans	TWD	0.95%~1%	2021/06/18	500,000
Secured bank loans	USD	2.52%~3.74%	2020/08/31- 2024/12/03	8,518,328
Secured bank loans	TWD	1.16%~1.17%	2021/12/21	333,333
Commercial paper	TWD	0.38%~0.93%	2021/04/20- 2021/12/25	2,730,000
				<u>13,060,085</u>
Less: Discount on commercial paper				(247)
Current portion				<u>(2,563,977)</u>
Total				<u><u>\$ 10,495,861</u></u>
Unused loan credit				<u><u>\$ 7,399,550</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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><u>\$ 8,194,780</u></u>
Unused loan credit				<u><u>\$ 3,828,800</u></u>

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

1. Issuance and repayment of long-term borrowings

For the years ended December 31, 2019 and 2018, the proceeds from long-term borrowings amounted to \$8,913,800 thousand and \$11,530,300 thousand respectively, and the repayment amounted to \$9,416,039 thousand and \$7,250,438 thousand, respectively.

2. Collateral for long-term borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

(o) Bonds payable

2019.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bond-2014 first domestic bond issue	TWD	1.95%	2021/08/14	\$ 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
Unsecured bank-2019 first domestic bond issue	TWD	0.95%~1.05%	2022/06/18- 2024/06/18	4,800,000
Unsecured bank-2019 second domestic bond issue	TWD	0.97%~1.07%	2024/10/07- 2026/10/07	3,200,000
Total				\$ 13,900,000
Current				\$ -
Non-current				13,900,000
Total				\$ 13,900,000

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				\$ 6,900,000
Current				\$ 1,000,000
Non-current				5,900,000
Total				\$ 6,900,000

1. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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-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 Financial Statements Originally Issued in Chinese)
WAN HAI LINES LTD.

NOTES TO THE 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 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.

3. 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.

4) Issued price: at par value

5) Nominal interest rate: 1.55%

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

NOTES TO THE FINANCIAL STATEMENTS

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 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.

4. Unsecured bond-2019 first domestic bond issue

The Company issued an unsecured corporate bond in June 2019. It was the Company's first domestic bond issue in 2019 and was effective upon submission to the regulatory authority on June 6, 2019. The issuance terms were as follows:

1) Issue amount

TWD4,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD1,500,000 thousand and series B amounting to TWD3,300,000 thousand.

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

The issuance dates are June 18, 2019; the maturity periods for series A and B are three and five years, respectively.

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 0.95%

2) Series B: 1.05%

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

NOTES TO THE FINANCIAL STATEMENTS

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 TDCC.

9) Trustee

The trustee is Jih Sun International 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

Jih Sun International Bank Ltd., Xinyi 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 under writer.

12) Announcement

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

5. Unsecured bond-2019 second domestic bond issue

The Company issued an unsecured corporate bond in October 2019. It was the Company's second domestic bond issue in 2019 and was effective upon submission to the regulatory authority on September 27, 2019. The issuance terms were as follows:

1) Issue amount

TWD3,200,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD1,200,000 thousand and series B amounting to TWD2,000,000 thousand.

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

The issuance dates are October 17, 2019; 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: 0.97%

2) Series B: 1.07%

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

NOTES TO THE FINANCIAL STATEMENTS

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 TDCC.

9) Trustee

The trustee is Jih Sun International 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

Jih Sun International Bank Ltd., Xinyi Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: Master Link Securities Corporation is the primary under writer.

12) Announcement

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

(p) Lease liabilities

The amounts of lease liabilities were as follows:

	2019.12.31
Current	\$ <u><u>8,061,223</u></u>
Non-current	\$ <u><u>77,645,529</u></u>

Please refer to note (6)(y) for the analyses of the due date.

For the year ended December 31, 2019, the Company's lease liabilities recognized as current financial liabilities for hedging were \$534,197 thousand, non-current financial liabilities for hedging were \$2,026,200 thousand, current lease liabilities were \$7,527,026 thousand, and non-current lease liabilities were \$75,619,329 thousand.

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ <u><u>1,349,706</u></u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u><u>41,306</u></u>
Expenses relating to short-term leases	\$ <u><u>2,267,292</u></u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u><u>913,402</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

The amounts recognized in statement of cash flow were as follows:

	2019
Total cash outflow for leases	\$ 10,175,800

1. Wharf, and container leases

As of December 31, 2019, the Company leases wharfs and containers for its operating needs. The leases of wharfs typically run for a period of 5 to 20 years, and of containers for 5 years.

Some payments for wharf leases depend on the variation of loading capacity, in addition, the Company has decided to apply recognition exemptions to some containers and not to recognize right-of-use assets and lease liabilities for short-term leases or leases of low-value assets.

2. Building leases

As of December 31, 2019, the Company leases buildings for its office space. The leases of office space are typically short-term leases that run within a year. The Company has decided to apply the recognition exemptions for its short-term leases, and not to recognize its right-of-use assets and lease liabilities.

3. Vessel leases

As of December 31, 2019, the Company leases vessels for its operating needs. The vessel leases are typically short-term leases that run within a year. The Company has decided to apply recognition exemptions for short-term leases or leases of low-value asset, and not to recognize right-of-use assets and lease liabilities.

4. Other leases

As of December 31, 2019, the Company leases other machinery or equipment for its operating needs. Some leases are typically short-term leases or leases of low-value asset that the Company has decided to apply recognition exemptions, and not to recognize right-of-use assets and lease liabilities.

(q) Operating leases

Non-cancellable operating lease rentals payable were as follows:

	2018.12.31
Less than one year	\$ 9,388,246
Between one and five years	26,868,418
More than five years	<u>50,154,084</u>
	\$ 86,410,748

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

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

NOTES TO THE FINANCIAL STATEMENTS

(r) Employee benefits

1. Defined benefit plans

	2019.12.31	2018.12.31
Present value of defined benefit obligation	\$ 1,092,636	1,074,314
Fair value of plan assets	(649,976)	(557,335)
Recognized liabilities for defined benefit obligations	<u>\$ 442,660</u>	<u>516,979</u>

1) Composition of plan assets

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

The Company's pension reserve account balance amounted to \$649,976 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 Company were as follows:

	2019	2018
Defined benefit obligation at January 1	\$ 1,074,314	1,142,297
Current service costs and interest cost	21,164	25,430
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	58,823	34,255
Benefit paid	(61,665)	(127,668)
Defined benefit obligation at December 31	<u>\$ 1,092,636</u>	<u>1,074,314</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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:

	2019	2018
Fair value of plan assets at January 1	\$ 557,335	582,772
Interest income	6,002	6,998
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	20,126	14,874
Contribution paid by employer	103,987	62,783
Benefit paid	(37,474)	(110,092)
Fair value of plan assets at December 31	<u>\$ 649,976</u>	<u>557,335</u>

4) Expenses recognized in profit or loss

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

	2019	2018
Current service costs	\$ 10,157	12,366
Net interest of net liabilities (assets) for defined benefit obligation	5,005	6,066
	<u>\$ 15,162</u>	<u>18,432</u>
	2019	2018
Operating costs	\$ 8,837	9,828
Selling expenses	6,325	8,604
	<u>\$ 15,162</u>	<u>18,432</u>

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	2019	2018
Accumulated amount at January 1	\$ (121,176)	(101,795)
Recognized during the period	(38,697)	(19,381)
Accumulated amount at December 31	<u>\$ (159,873)</u>	<u>(121,176)</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2019	2018
Discount rate	0.74 %	1.03 %
Future salary increase rate	3.00 %	3.00 %

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

NOTES TO THE FINANCIAL STATEMENTS

The Company will pay to the defined benefit plans which amounted to \$62,301 thousand within 1 year after the report day of 2019.

The weighted-average lifetime of the defined plans is 3~17 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, 2019		
Discount rate	\$ (55,546)	59,862
Future salary increasing rate	52,660	(49,577)
December 31, 2018		
Discount rate	(56,532)	61,051
Future salary increasing rate	54,069	(50,791)

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 2019 and 2018.

2. Defined contribution plans

The Company 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 \$50,832 and \$48,519 for the years ended December 31, 2019 and 2018, respectively.

(s) Income taxes

1. Income tax expense

The amount of income tax were as follows:

	2019	2018
Current income tax expense:		
Current period	\$ 132,083	129,045
Adjustment for prior periods	10,650	(91,514)
	<u>142,733</u>	<u>37,531</u>
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	724,495	340,776
Change in tax rate	-	174,177
	<u>724,495</u>	<u>514,953</u>
Income tax expense from continuing operations	<u><u>\$ 867,228</u></u>	<u><u>552,484</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018, no income taxes were recognized in equity and other comprehensive income.

The amount of income tax recognized in other comprehensive income for 2019 and 2018 were as follows:

	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>(7,739)</u>	<u>(5,392)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	\$ <u>(5,222)</u>	<u>794</u>

The reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Profit excluding income tax	\$ <u>4,440,931</u>	<u>1,670,390</u>
Income tax using the Company's domestic tax rate	\$ 888,186	334,078
Change in tax rate	-	174,177
Non-deductible expense	81,455	142,101
Tax-exempt income	(112,767)	(6,358)
Under (Over) provision in prior periods	10,650	(91,514)
Income tax credit	<u>(296)</u>	<u>-</u>
Total	\$ <u>867,228</u>	<u>552,484</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 2019 and 2018 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2019	\$ 1,344,375	644,288	6,730	1,995,393
Debit (Credited) Income statement	<u>506,555</u>	<u>195,988</u>	<u>11,326</u>	<u>713,869</u>
Balance at December 31, 2019	\$ <u>1,850,930</u>	<u>840,276</u>	<u>18,056</u>	<u>2,709,262</u>
Balance at January 1, 2018	\$ 704,511	384,417	-	1,088,928
Debit (Credited) Income statement	<u>639,864</u>	<u>259,871</u>	<u>6,730</u>	<u>906,465</u>
Balance at December 31, 2018	\$ <u>1,344,375</u>	<u>644,288</u>	<u>6,730</u>	<u>1,995,393</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2019	\$ 85,867	347,575	84,638	518,080
(Debit) Credited Income statement	(22,603)	(83,214)	95,191	(10,626)
(Debit) Credited Other Comprehensive Income	7,739	-	5,222	12,961
Balance at December 31, 2019	<u>\$ 71,003</u>	<u>264,361</u>	<u>185,051</u>	<u>520,415</u>
Balance at January 1, 2018	\$ 80,219	-	41,751	121,970
(Debit) Credited Income statement	256	347,575	43,681	391,512
(Debit) Credited Other Comprehensive Income	5,392	-	(794)	4,598
Balance at December 31, 2018	<u>\$ 85,867</u>	<u>347,575</u>	<u>84,638</u>	<u>518,080</u>

3. Examination and Approval

The Company's income tax returns through 2016 were examined and approved by the tax authority; and the application for the assessment of the annual income tax returns through 2017 had been submitted.

(t) Capital and other equity

As of December 31, 2019 and 2018, 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:

	2019.12.31	2018.12.31
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
The actual difference between the equity and book value of subsidiary's disposal	10,094	-
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 1,271,775</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 Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

2. Retained earnings

The industry of the Company is highly changeable and 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.

1) Legal reserve

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 2018 and 2017 was decided by the general meeting of shareholders held on June 18, 2019 and June 26, 2018, respectively.

The relevant dividend distribution to shareholders was as follows:

	2018		2017	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common stockholders				
Cash	\$ 0.60	<u>1,343,467</u>	0.50	<u>1,109,149</u>

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

NOTES TO THE 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	Available-for- sale investments	Gains (losses) on hedging instrument	Total
Balance at January 1, 2019	\$ (604,711)	(205,989)	-	-	(810,700)
Foreign currency translation differences	(738,004)	-	-	-	(738,004)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	5,613	-	-	5,613
Gains (losses) from changes in the fair value of the hedging instrument:-Exchange rate risk for anticipated transactions	-	-	-	27,540	27,540
Gains (losses) from changes in fair value of the hedging instrument that will be reclassified to profit or loss:- Exchange rate risk for anticipated transactions	-	-	-	5,964	5,964
The actual different between the equity and book value of subsidiary's disposal or purchase	(10,094)	-	-	-	(10,094)
Balance at December 31, 2019	<u>\$ (1,352,809)</u>	<u>(200,376)</u>	<u>-</u>	<u>33,504</u>	<u>(1,519,681)</u>
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)
Foreign currency translation differences	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>-</u>	<u>(810,700)</u>

(u) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2019 and 2018 are as follows:

	2019	2018
Basic earnings per share		
Profit attributable to common shareholders	\$ <u>3,573,703</u>	<u>1,117,906</u>
Weighted-average number of common shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>1.61</u>	<u>0.50</u>
Diluted earnings per share		
Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares)	\$ <u>3,573,703</u>	<u>1,117,906</u>
Weighted-average number of common shares	2,218,297	2,218,297
Effects of employee stock compensation	2,685	1,469
Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)	<u>2,220,982</u>	<u>2,219,766</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>1.61</u>	<u>0.50</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(v) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Asia	\$ 54,053,728	40,344,584
the Middle East	1,262,715	5,489,208
India	3,394,339	7,512,601
Red Sea	<u>391,337</u>	<u>587,652</u>
	<u>\$ 59,102,119</u>	<u>53,934,045</u>
Main service line:		
Freight	\$ 53,761,468	49,106,190
Rentals	4,574,656	4,038,255
WHL terminal	608,590	634,579
Other	<u>157,405</u>	<u>155,021</u>
	<u>\$ 59,102,119</u>	<u>53,934,045</u>

2. Contract balances

	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2018.1.1</u>
Notes receivable	\$ 39,456	26,618	23,207
Accounts receivable	674,587	1,203,852	1,303,237
Less: allowance for doubtful receivables	<u>(358)</u>	<u>(358)</u>	<u>(358)</u>
Total	<u>\$ 713,685</u>	<u>1,230,112</u>	<u>1,326,086</u>
Contract assets	<u>\$ 733,689</u>	<u>751,084</u>	<u>637,329</u>
Contract liabilities (recognized as other current liabilities)	<u>\$ 136,948</u>	<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.

(w) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$45,316 thousand and \$17,045 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 Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(x) Non-operating income and expenses

1. Other revenue

The details of other revenue for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income from bank deposit	\$ 96,559	154,371
Other interest income	11,168	77
Dividend revenue	200,327	193,014
	\$ 308,054	347,462

2. Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Foreign exchange gains (losses)	\$ 314,632	93,079
Gains on financial assets at fair value through profit or loss	365,273	91,048
Gains on disposal of property, plant and equipment	1,014,281	513,937
Other gains (losses)	183,379	177,920
	\$ 1,877,565	875,984

3. Finance costs

The details of finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense:		
Bank loan	\$ 275,350	196,683
Bonds payable	127,899	139,825
Commercial paper	18,794	20,209
Lease liabilities	1,349,706	-
	\$ 1,771,749	356,717

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

NOTES TO THE FINANCIAL STATEMENTS

(y) 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 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 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(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 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2019							
Non-derivative financial liabilities							
Secured bank loans	\$ 8,851,661	9,347,990	1,102,707	1,171,275	2,561,443	4,512,565	-
Unsecured bank loans	1,478,424	1,538,432	132,589	380,555	503,781	521,507	-
Commercial paper	2,729,753	2,764,750	9,621	9,739	2,745,390	-	-
Account payables (including related parties)	6,447,879	6,447,879	6,447,879	-	-	-	-
Other payables	1,341,339	1,341,339	1,341,339	-	-	-	-
Payables to agents	1,079,343	1,079,343	1,079,343	-	-	-	-
Bonds payable	13,900,000	14,523,650	116,850	48,640	3,965,490	8,349,870	2,042,800
Leases liabilities (partial recognized as financial liabilities for hedging)	85,706,752	97,808,464	4,101,119	4,042,057	7,799,706	21,979,257	59,886,325
Guarantee deposits	7,557	7,557	7,557	-	-	-	-
	<u>\$ 121,542,708</u>	<u>134,859,404</u>	<u>14,339,004</u>	<u>5,652,266</u>	<u>17,575,810</u>	<u>35,363,199</u>	<u>61,929,125</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flows	Less than 6 months	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 (including 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	-

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

	2019.12.31			2018.12.31			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
<u>Monetary items</u>							
USD	\$	267,641	29.99	8,026,564	243,798	30.74	7,493,126
JPY		12,445,782	0.28	3,434,702	7,780,315	0.28	2,166,407
CNY		374,204	4.30	1,610,929	410,783	4.49	1,842,586
INR		678,829	0.42	285,487	678,179	0.44	297,854
HKD		68,333	3.85	263,158	146,071	3.92	573,204
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		464,114	29.99	13,918,783	315,291	30.74	9,690,473
JPY		9,615,799	0.28	2,653,702	3,356,381	0.28	934,575
HKD		281,868	3.85	1,085,502	155,279	3.92	609,337
CNY		184,241	4.30	793,146	139,601	4.49	626,189
MYR		42,049	7.32	307,947	34,137	7.39	252,272
INR		579,657	0.42	243,779	394,996	0.44	173,481

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, 2019 and 2018, would have increased (decreased) the net profit before tax by \$29,706 thousand and \$1,221 thousand, respectively. For 2019, the cash flow hedge would have increased (decreased) the equity by \$25,604 thousand. This analysis assumes that all other variables remain constant, and is performed on the same basis for the years ended December 31, 2019 and 2018.

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

	2019		2018	
	Exchange gain or loss	Average rate	Exchange gain or loss	Average rate
TWD	\$ 314,632	-	93,079	-

4. Interest rate analysis

Please refer to the notes on 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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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 before tax would have increased or decreased by \$125,601 thousand and \$132,470 thousand, respectively, for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

5. Other market price risk

For the years ended December 31, 2019 and 2018, 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:

Prices of securities at the reporting date	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 27,128	23,744	26,181	18,763
Decreasing 1%	(27,128)	(23,744)	(26,181)	(18,763)

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 (financial assets available-for-sale) at fair value through other comprehensive income on a recurring basis by using the fair value method.

(English Translation of Financial Statements Originally Issued in Chinese)
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, 2019				
	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	\$ 2,958,241	2,958,241	-	-	2,958,241
Non-derivative financial assets mandatorily measured at fair value through profit or loss — domestic unlisted stocks	9,812	9,812	-	-	9,812
Non-derivative financial assets mandatorily measured at fair value through profit or loss — bond investment	1,157,131	-	-	1,157,131	1,157,131
Sub-total	<u>4,125,184</u>	<u>2,968,053</u>	<u>-</u>	<u>1,157,131</u>	<u>4,125,184</u>
Financial assets at fair value					
through other comprehensive income					
Domestic listed stocks	2,712,827	2,712,827	-	-	2,712,827
Unquoted equity instrument measured at fair value	469,985	-	-	469,985	469,985
Sub-total	<u>3,182,812</u>	<u>2,712,827</u>	<u>-</u>	<u>469,985</u>	<u>3,182,812</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	10,326,321	-	-	-	-
Notes receivable	39,456	-	-	-	-
Accounts receivable	674,229	-	-	-	-
Contract assets	733,689	-	-	-	-
Other receivable	815,080	-	-	-	-
Receivables from agents	2,144,272	-	-	-	-
Guarantee deposits paid (recognized as other non-current assets)	167,467	-	-	-	-
Sub-total	<u>14,900,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>22,208,510</u>	<u>5,680,880</u>	<u>-</u>	<u>1,627,116</u>	<u>7,307,996</u>

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

NOTES TO THE FINANCIAL STATEMENTS

		December 31, 2019				
			Fair value			
	Book value	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at amortized cost						
Accounts payable	\$ 6,447,879	-	-	-	-	
Other payables	1,341,339	-	-	-	-	
Lease liabilities (including financial liabilities for hedging)	85,706,752	-	-	-	-	
Payables to agents	1,079,343	-	-	-	-	
Bonds payable (including current portion)	13,900,000	-	-	-	-	
Long-term borrowings (including current portion)	13,059,838	-	-	-	-	
Guarantee deposits received (recognized as other current liabilities and other non-current guarantee deposits received)	7,557	-	-	-	-	
Total	\$ 121,542,708	-	-	-	-	
		December 31, 2018				
			Fair value			
	Book value	Level 1	Level 2	Level 3	Total	
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	3,473,268	2,345,430	-	1,127,838	3,473,268	
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	3,036,010	2,618,063	-	417,947	3,036,010	

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

NOTES TO THE FINANCIAL STATEMENTS

		December 31, 2018				
			Fair value			
		Book value	Level 1	Level 2	Level 3	Total
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 receivables		1,043,354	-	-	-	-
Receivables from agents		2,136,118	-	-	-	-
Guarantee deposits paid		133,585	-	-	-	-
(recognized as other current assets and other non-current assets)						
Sub-total		13,128,415	-	-	-	-
Total	\$	19,637,693	4,963,493	-	1,545,785	6,509,278
Financial liabilities measured at amortized cost						
Accounts payable	\$	5,930,506	-	-	-	-
Other payables		1,605,176	-	-	-	-
Payable to agents		708,829	-	-	-	-
Bonds payable (including current portion)		6,900,000	-	-	-	-
Long-term borrowings (including current portion)		13,746,878	-	-	-	-
Guarantee deposits received		2,930	-	-	-	-
(recognized as other current liabilities and other non-current guarantee deposits received)						
Total	\$	28,894,319	-	-	-	-

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-bid-ask spreads is an indication of non-active market.

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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:

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.

No public equity instrument:

The Company estimates the fair value by using the comparable trading company approach on the assumption that the fair values are calculated on the basis of the investees' earning 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 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, 2019 and 2018, there were no transferring of fair value hierarchy.

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2019	\$ 1,127,838	417,947	1,545,785
Total gains and losses recognized:			
In profit or loss	29,293	-	29,293
In other comprehensive income	-	52,038	52,038
Ending balance, December 31, 2019	<u>\$ 1,157,131</u>	<u>469,985</u>	<u>1,627,116</u>
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, 2019 and 2018, 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:

	2019	2018
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ 29,293	71,208
In other comprehensive income, and presented in “unrealized gains or losses on financial assets at fair value through other comprehensive income”	52,038	(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”.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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 (2.8401% and 2.6803% on December 31, 2019 and 2018)	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% on December 31, 2019 and 2018, respectively) · Price-to-book ratio (0.81 and 0.76 on December 31, 2019 and 2018, respectively) · EBITDA multiplier (9.68 and 7.73 on December 31, 2019 and 2018, respectively)	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:

		Positive and negative changes	Profit or loss		Other comprehensive income	
	Input		Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets at fair value through profit or loss						
Bond investment without an active market	Discount rate	1%	\$ 11,909	(11,909)	-	-
Financial assets at fair value through other comprehensive income						
Unlisted equity investment	Discount rate	1%	-	-	6,528	(6,528)
Unlisted equity investment	Price-to-book ratio multiplier	1%	-	-	4,567	(4,567)
Unlisted equity investment	EBITDA multiplier	1%	-	-	121	(121)
			<u>\$ 11,909</u>	<u>(11,909)</u>	<u>11,216</u>	<u>(11,216)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	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>

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.

(z) 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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused credit line for \$11,815,710 thousand and \$8,319,030 thousand, as of December 31, 2019 and 2018.

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 TWD and US Dollars (USD). The currencies used in these transactions are denominated in TWD and USD.

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

2) Interest rate risk

The Company adopts a policy of ensuring that 53.41% 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 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 and managed by the Board of Directors.

(aa) Capital management

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

The debt-to-equity ratio is as follow:

	2019.12.31	2018.12.31
Total liabilities	\$ 124,894,501	32,072,410
Less: Cash and cash equivalents	<u>(10,326,321)</u>	<u>(7,834,162)</u>
Net debt	<u>\$ 114,568,180</u>	<u>24,238,248</u>
Total equity	<u>\$ 36,104,182</u>	<u>34,584,452</u>
Debt-to-equity ratio	<u>317.33 %</u>	<u>70.08 %</u>

The increase in the debt-to-capital ratio on December 31, 2019 was mainly due to the increase in total liabilities resulting from the application of IFRS 16 "Leases".

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

NOTES TO THE FINANCIAL STATEMENTS

(ab) 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, 2019 were as follows:

1. Acquired right-of-use assets through leasing, please refer to notes (6)(j).

The Company had no investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities were as follows:

				Non-cash changes		
	2019.1.1	Cash flows	Others	Foreign exchange movement	Fair value changes	2019.12.31
Long-term borrowings	\$ 13,746,878	(502,387)	-	(184,653)	-	13,059,838
Bonds payable	6,900,000	7,000,000	-	-	-	13,900,000
Lease liabilities (some recognized as financial liabilities for hedging)	72,139,926	(6,953,800)	20,520,626	-	-	85,706,752
Total liabilities from financing activities	<u>\$ 92,786,804</u>	<u>(456,187)</u>	<u>20,520,626</u>	<u>(184,653)</u>	<u>-</u>	<u>112,666,590</u>

				Non-cash changes		
	2018.1.1	Cash flows	Others	Foreign exchange movement	Fair value changes	2018.12.31
Long-term borrowings	\$ 9,205,607	4,280,621	-	260,650	-	13,746,878
Bonds payable	11,400,000	(4,500,000)	-	-	-	6,900,000
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>

(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(Note 1)
TK LOGISTICS INTERNATIONAL CO., LTD (TK)	Subsidiary
k.k. WH Corporation(WH Corporation)	Subsidiary
Wan Hai Lines (Germany) GmbH (WHL Germany)	Subsidiary
BAO SHENG SHIPPING AGENCY CO., LTD. (BS)	Subsidiary
Wan Hai Lines (M) Sdn. Bhd. (WHL Malaysia)	Indirect subsidiary
Wan Hai Lines (Hong Kong) Limited (WHL Hongkong)	Indirect subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS

Name of related party	Relationship with the Company^t
Wan Hai Lines (Phils.), Inc. (WHL Phils.)	Indirect subsidiary
Wan Hai Lines (Korea) Ltd. (WHL Korea)	Indirect subsidiary
Wan Hai International Pte. Ltd. (WHL INTL.)	Indirect subsidiary
Yi Chun Shipping Agencies Sdn. Bhd.(Yi Chun)	Indirect subsidiary
Wan Hai (Vietnam) Ltd. (WHL Vietnam)	Indirect subsidiary
Wan Hai Lines (Thailand) Limited (WHL Thailand)	Indirect subsidiary
Wan Hai Lines (Ecuador) S.A. (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 Limited.(Bravely (Myannar))	Indirect subsidiary
Guangzhou Wan Hai Informaton Technology Ltd. (GZIT)	Indirect subsidiary
Dawin Logistics (International) Ltd.(Dawin)	Indirect subsidiary
Shenzhen Uniwin International Logistics Ltd. (Uniwin)	Indirect subsidiary
Blue Ocean Logistics (Shanghai) Ltd (Blue)	Indirect subsidiary
Shanghai Clipper International Shipping Agency Ltd. (Clipper)	Indirect subsidiary
Shenzhen Yong Chun International Shipping Managerment 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 LIMITED (HE CHUN)	Indirect subsidiary
Wan Hai Shipping Limited (WHL Shipping)	Indirect subsidiary
WAN Hai Lines Peru S.A.C. (WHL Peru)	Indirect subsidiary(Note 2)
Tan Cang-Cai Mep International Terminal Co.,Ltd (Tan Cang-Cai Mep)	An associate
HAI PHONG INTERNATIONAL CONTAINER TERMINAL COMPANY LIMITED (HAI PHONG)	An associate
Wan Hai Lines (UAE) LLC. (WHL UAE)	Joint venture
Phuc Xuan Maritime Service Company Limited (Phux Xuan)	Joint venture

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

NOTES TO THE FINANCIAL STATEMENTS

Name of related party	Relationship with the Company
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
New Sincere Transportation Corp. (NSTC)	Related party in substance
New Safety Transportation Corp. (NSaTC)	Related party in substance
An Chun Tally Co., Ltd.	Related party in substance
Taipei Port Container Terminal Corp. (Taipei Port)	Corporate director of the company
Taian Insurance Co., Ltd.	Related party in substance
Wan Chun International Corp. (WCIC)	Subsidiary of ECTC
Apezgo Digital Information Co., Ltd.	Subsidiary of APCT
AP PETROLEUM BUSINESS CO., LTD	Subsidiary of APCT
Formosa Wonderland Co., Ltd. (Formosa Wonderland)	Related party in substance
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 INT'L TRAVEL SERVICE CO., LTD.	Subsidiary of APCT
New Speed Transportation & Terminal Co., Ltd. (NS)	Related party in substance

Note 1: WHL America was originally a subsidiary of the company. The organizational structure of the Company was adjusted to the Company's sub-subsidiary and merged with WHL USA in October 2019. WHL USA is the surviving company, while WHL America is the dissolved entity. WHL America completed its liquidation process in October 2019.

Note 2: WHL Peru was originally a joint venture of the Company's subsidiaries, WHL Singapore and WHL INTL. On July 1, 2019, it acquired control of the company through the acquisition of 49% of WHL Peru's shares. The relationship was changed to the company's grandson.

(b) Significant transactions with related parties

1. Sales to related parties:

	2019	2018
Subsidiaries	\$ 3,228,411	2,960,456
Joint venture	2,010	
Other related parties	1,156,445	834,996
	<u>\$ 4,386,866</u>	<u>3,795,452</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

2. Consideration for services related to the entity:

	2019	2018
Subsidiary		
WH Corporation	\$ 381,405	7,986,350
WHL Singapore	6,002,973	117,446
Other subsidiary	1,563,249	1,433,053
Associates	122,395	66,813
Other related parties	3,457,743	3,342,890
	\$ 11,527,765	12,946,552

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

3. Receivables from related parties

Receivables of the Company from related parties were as follows :

Item	Related party categories	2019.12.31	2018.12.31
Accounts receivable	Other related parties	\$ 29,656	28,546
	Subsidiary:		
other receivable	WH Corporation	157,610	145,690
other receivable	Others	81,376	50,347
other receivable	Associates	-	132
other receivable	Other related parties	40,381	6,953
other receivable	Joint venture	-	602
	Subsidiary:		
Receivable from agents	Clipper	699,944	641,732
Receivable from agents	WHL India	249,127	269,648
Receivable from agents	Others	294,380	411,205
Receivable from agents	Associates	18,492	16,650
	Other related parties		
Receivable from agents	WHL Japan	736,864	659,090
Other current assets	Subsidiary	-	46,479
		\$ 2,307,830	2,277,074

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

NOTES TO THE FINANCIAL STATEMENTS

4. Payables from related parties

Payable of the Company related parties were as follows :

Item	Related party categories	2019.12.31	2018.12.31
Accounts payable	Subsidiary	\$ 308,993	676,993
Accounts payable	Other related parties	103,648	143,022
Other payables	Subsidiary	4	88
Other payables	Other related parties	11,531	6,880
	Subsidiary:		
Payable to agents	WHL Hong Kong	808,094	347,586
Payable to agents	WHL INTL.	26,153	109,673
Payable to agents	WHL Thailand	190,231	158,552
Payable to agents	Others	42,302	82,546
Other current liabilities	Subsidiary	7,419	6,174
Other current liabilities	Other related parties	22,952	4,413
		<u>\$ 1,521,327</u>	<u>1,535,927</u>

5. Property transactions

1) Acquisition of property, plant and equipment

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

	2019	2018
Subsidiary	\$ <u>139,388</u>	<u>-</u>

In August 2019, the Company purchased a vessel from its subsidiary with the purchasing price of USD 4,500 thousand (TWD 139,387 thousand) depending on the valuation report. The gain on disposal of property was 59,541 thousand, which was not entirely realized. As of December 31, 2019, the unrealized gain of \$50,238 thousand was recognized as the deduction of long-term equity investment under equity method.

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, and loss on disposal of property was \$95,983 thousand, but not entirely realized. As of December 31, 2019 and 2018, the unrealized loss was \$76,432 thousand and \$81,888 thousand depending on the useful life of the vessel, 18 years, as the induction of long-term equity investment under equity method.

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

NOTES TO THE FINANCIAL STATEMENTS

2) Disposals of property, plant and equipment

From January to June 2006, the Company sold five vessels to its subsidiaries. The selling price was USD73,470 thousand (TWD2,386,986 thousand) depending on the valuation report. The carrying value of the five vessels was \$2,021,430 thousand, and gain on disposal of property was \$365,556 thousand, was recognized depending on the useful life of the vessel. As of December 31, 2018, the gain was entirely realized.

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

Related party categories	2019		2018	
	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Subsidiaries				
WHL Singapore	\$ -	-	65,298	-
Subsidiaries	31	31	-	-
Other related parties	238	191	443	431
	<u>\$ 269</u>	<u>222</u>	<u>65,741</u>	<u>431</u>

6. Other related-party transactions

For the year ended December 31, 2018, the Company received payments of claims from related parties amounting to \$442 thousand.

7. Loans to Related Parties

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

8. Guarantees

Endorsement guarantees offered to related parties were as follows:

	2019.12.31	2018.12.31
Subsidiaries	\$ <u>22,666,372</u>	<u>15,073,429</u>

9. Leasing

In January 2019, the Company rented containers from its related enterprise. A 12-year lease contract was signed. The total value of the contract was \$53,467 thousand. The Company applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized then the additional amount of \$48,765 of both thousand of right-of-use assets and lease liabilities. For the year ended December 31, 2019, the Company recognized the amount of \$1,190 thousand as interest expense, with the balance of lease liabilities amounting to \$49,728 thousand.

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

NOTES TO THE FINANCIAL STATEMENTS

In January 2019, the Company rented vessels from its subsidiary-WHL Singapore. A 1-to-20 year lease contract was signed, in which the rental fee was determined based on the market condition. The total value of the contract was \$77,110,472 thousand. The Company applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized the additional amount of \$67,570,666 thousand of both right-of-use assets and lease liabilities. For the year ended December 31, 2019, the Company recognized the amount of \$1,252,142 thousand as interest expense, with the balance of lease liabilities amounting to \$86,246,985 thousand.

(c) Key management personnel remuneration

Key management personnel remuneration comprised:

	2019	2018
Short-term employee benefits	\$ 67,617	37,541
Post-employment benefits	18	-
	<u>\$ 67,635</u>	<u>37,541</u>

Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2019.12.31	2018.12.31
Time deposits (recorded in other non-current assets)	Lease contract for wharf	\$ 86,515	49,315
Guarantee deposits paid (recorded in other non-current assets)	Lease contract for wharf, building lease contract and lawsuit	80,952	84,270
Containers	Long-term loans	10,651,838	6,218,080
Buildings	Long-term loans	14,069	14,623
		<u>\$ 10,833,374</u>	<u>6,366,288</u>

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, 2019, the lease deposit amounted to ¥255,775,000 (TWD 70,594 thousand) was recorded in guarantee deposits paid.

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, 2019, the total amount claimed to the Company is approximately \$50,252 thousand, and the related cases are under negotiation or under trial.

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

NOTES TO THE FINANCIAL STATEMENTS

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events

The Company purchased 2,262 thousand shares of Delta Electronics, Inc. and 4,528 thousand shares of Chunghwa Telecom Co., Ltd. which amounted to \$287,967 and \$489,351 thousand and recognized as current financial assets at fair value through profit and loss and non-current financial assets at fair value through other comprehensive income respectively, as of the issuance date of the financial report.

(12) Others

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

By function By item	For the years ended December 31, 2019			For the years ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	440,390	998,749	1,439,139	403,697	801,429	1,205,126
Labor and health insurance	22,936	74,302	97,238	21,799	72,820	94,619
Pension	22,645	43,349	65,994	22,792	44,159	66,951
Remuneration of directors	-	55,534	55,534	-	28,015	28,015
Others employee benefits	30,313	57,125	87,438	24,244	53,954	78,198
Depreciation	7,946,468	25,233	7,971,701	1,288,443	13,676	1,302,119
Amortization	2,668	51,425	54,093	784	44,971	45,755

The Company's number of employees and additional information on employee benefits in December 31, 2019 and 2018 are as follows:

	2019	2018
Number of employees	<u>1,107</u>	<u>1,090</u>
Number of non-employee directors	<u>4</u>	<u>4</u>
Average fee on employee benefits	<u>\$ 1,532</u>	<u>1,330</u>
Average fee on salaries	<u>\$ 1,305</u>	<u>1,110</u>
Average adjustment on salaries	<u>17.57 %</u>	

(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 Company for the year ended December 31, 2019:

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

NOTES TO THE FINANCIAL STATEMENTS

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	7,703,250	7,703,250	-	-	1	-	Note 4	-	Promissory note	7,703,250	13,387,521	14,441,673
1	WHL INTL	WHL India	Other receivable related	Yes	146,362	146,362	115,549	4.5%	1	-	Note 3	-	Promissory note	146,362	151,975	151,975
2	WHL Singapore	Yi Chun	Other receivable related	Yes	92,418	92,418	53,676	3.36-4.01 %	1	-	Note 4	-	Promissory note	92,418	10,710,017	10,710,017

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

Note 5: Financing amount shall not exceed 40 percent of the lending company's net worth and the following:

- Individual funding loan limits of financing for single borrower who has business with the lending company cannot exceed the total transaction amount of the current year.
- Individual funding loan limits for short-term borrower cannot exceed the lower of 40 percent of the lending company's net worth or 50 percent of borrower's net worth.
- An individual loaned amount between the foreign companies whose voting shares are wholly owned by the Company directly or indirectly, or the foreign companies whose voting shares are wholly owned by the Company directly or indirectly to the Company, shall not exceed 40 percent of the lending company's net worth.

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	28,883,345	24,269,896	22,657,179	11,839,040	-	62.76 %	72,208,363	Y	N	N
0	The Company	TK	2	28,883,345	27,580	9,193	9,193	-	0.03 %	72,208,363	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.

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

NOTES TO THE FINANCIAL STATEMENTS

3. Securities held as of December 31, 2019 (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	8,296,579	362,146	- %	362,146	
"	Formosa Plastics Corporation	-	"	376,288	37,554	- %	37,554	
"	Formosa Chemicals & Fibre Corporation	-	"	245,480	21,479	- %	21,479	
"	Tainan Spinning Co., Ltd.	-	"	3,498,898	36,738	- %	36,738	
"	China Steel Corporation	-	"	2,291,162	54,759	- %	54,759	
"	Delta Electronics, Inc.	-	"	1,608,000	243,612	- %	243,612	
"	Hon Hai Precision Ind. Co., Ltd.	-	"	93,440	8,484	- %	8,484	
"	Transcend Information, Inc.	-	"	89,111	6,942	- %	6,942	
"	Amtran Technology Co., Ltd.	-	"	984,058	10,480	- %	10,480	
"	Yang Ming Marine Transport Corp.	-	"	957,526	6,904	- %	6,904	
"	China Airlines Ltd.	-	"	23,753,862	215,210	- %	215,210	
"	Chinese Maritime Transport Ltd.	-	"	435,050	12,943	- %	12,943	
"	Mega Financial Holding Co., Ltd.	-	"	10,758,646	329,214	- %	329,214	
"	Taishin Financial Holding Co., Ltd.	-	"	20,215,416	293,123	- %	293,123	
"	First Financial Holding Co., Ltd.	-	"	14,643,234	347,045	- %	347,045	
"	Kinsus Interconnect Technology Corp.	-	"	334,627	17,334	- %	17,334	
"	Shih Wei Navigation Co., Ltd.	-	"	678,680	5,497	- %	5,497	
"	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	30,023,845	622,995	- %	622,995	
"	Taiwan Secom Co., Ltd.	-	"	2,419,000	214,807	- %	214,807	
"	The Eslite Spectrum Corporation	-	"	965,000	110,975	- %	110,975	
"	Tigerair Taiwan	-	"	195,997	9,812	0.10	9,812	
"	Shihlin Paper Corporation	Related party in substance	Financial assets at fair value through other comprehensive income-non-current	5,419,088	183,707	2.08 %	183,707	
"	Chunghwa Telecom Co., Ltd.	-	"	22,992,000	2,529,120		2,529,120	

(English Translation of Financial Statements Originally Issued in Chinese)
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	Domestic unlisted stocks:							
	Taipei Port Container Terminal Corp.	Related party in substance	Financial assets at fair value through other comprehensive income-non-current	79,315,476	456,743	15.25	456,743	
"	United Stevedoring Corporation	-	"	781,250	13,242	15.63 %	13,242	
WHL Singapore	Foreign listed stocks:							
	Da Nang Port Joint Stock Company	-	"	20,038,000	513,571	20.24 %	513,571	
The Company	Bond							
	Royal Bank of Scotland PLC	-	Financial assets at fair value through profit or loss-current	-	1,157,131	- %	1,157,131	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Price	Cost	Disposal gain (loss)	Shares/ Units	Amount
WHL Singapore	Da Nang Port Joint Stock Company	Financial assets at fair value through other comprehensive income – non-current	-	-	-	-	20,038,000	536,497	-	-	-	-	20,038,000	513,571

Note 1: Includes valuation adjustments on financial assets.

5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid in capital:

Name of Company	Name of property	Transaction/ Occurrence date	Transaction amount	Conditions of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the precious transfer information				References for determining price	Purpose for obtaining and usage status	Notes
							Owner	Relationship with the Company	Transfer date	Amount			
The Company	Land and building	108.5.13	1,420,000	Paid	Lungyen Life Service Corporation	Not related party	-	-	-	-	Market value and appraisal report	For issuing loan-term ticket	None

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	Taipei Port	Corporate director of the company	Container fee, terminal handling charges	816,988	1.47 %	30 days	-	-	-	- %	
"	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	381,405	0.68 %	"	-	-	(30,872)	0.41 %	Note 2
"	WHL-Singapore	Subsidiary	Rent income, commission revenue, shipping agent revenue	(3,218,718)	5.45 %	"	-	-	-	- %	Note 2
"	WHL-Singapore	Subsidiary	Vessel rental expense, Oil expense	6,002,973	10.77 %	"	-	-	(129,704)	1.72 %	Note 2
"	WHL Hongkong	Subsidiary	Commission fee	805,703	1.45 %	"	-	-	(808,094)	10.74 %	Note 2
"	WHL (Japan)	Same director with the company	Commission fee	249,657	0.45 %	"	-	-	-	- %	
"	IAL Singapore	Related party in substance	Joint venture revenue, container rental revenue, shipping agent revenue, ship rental revenue	(1,062,835)	1.80 %	"	-	-	11,598	0.32 %	
"	IAL Singapore	Related party in substance	Joint venture expense, container rental expense	334,277	0.60 %	"	-	-	-	- %	
"	Hyaline	Same director with the company	Commission fee	623,001	1.12 %	"	-	-	-	- %	
"	NSTC	Related party in substance	Tow charge	524,959	0.94 %	"	-	-	(38,633)	0.51 %	
"	APLI	Related party in substance	Container fee	317,754	0.57 %	"	-	-	(9,208)	0.12 %	
"	WCIC	Related party in substance	Turnkey charges, terminal handling charge	160,916	0.29 %	"	-	-	(18,520)	0.25 %	
"	NSaTC	Related party in substance	Tow charge, container fee	127,919	0.23 %	"	-	0	(7,809)	0.10 %	

(English Translation of Financial Statements Originally Issued in Chinese)
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	WHL Malaysia	Subsidiary	Commission fee	117,895	0.21 %	30 days	-	0	-	- %	Note 2
"	New World Container Services Corporation	Related party in substance	Container fee	115,240	0.21 %	"	-	0	(9,980)	0.13 %	
"	T.k. Logistics International Co., Ltd.	Subsidiary	Container fee, service fee, terminal handling fee	121,343	0.22 %	"	-	0	(15,522)	0.21 %	Note 2
"	WHL Korea	Subsidiary	Commission fee	108,305	0.19 %	"	-	0	-	- %	Note 2
"	WHL Thailand	Subsidiary	Commission fee	103,542	0.19 %	"	-	-	(190,231)	2.53 %	Note 2
WHL-Singapore	The Company	Subsidiary	Rent expense, commission fee, shipping agent expense	3,218,718	15.74 %	"	-	-	-	- %	Note 2
"	The Company	Subsidiary	Vessel rental revenue, oil revenue	(6,002,973)	24.34 %	"	-	-	129,704	6.00 %	Note 2
WHL Hongkong	The Company	Subsidiary	Commission income	(805,703)	93.45 %	"	-	-	808,094	100.00 %	Note 2
k.k. WH Corporation	The Company	Subsidiary		(381,405)	98.79 %	"	-	-	30,872	70.97 %	Note 2
WHL Malaysia	The Company	Subsidiary	Commission income	(117,895)	99.92 %	"	-	-	-	- %	Note 2
WHL Korea	"	"	"	(108,305)	100.00 %	"	-	-	-	- %	Note 2
T.k. Logistics International Co., Ltd.	"	"	Container revenue, service revenue, terminal handling revenue	(121,343)	49.55 %	"	-	-	15,522	58.90 %	Note 2
WHL Thailand	"	"	Commission fee	(103,542)	97.35 %	"	-	-	190,231	95.51 %	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	WHL Malaysia	Subsidiary	125,198	- %	-		125,198	-
"	WHL Japan	Coporate director of the Company	736,864	- %	-		716,989	-
"	WHL India	Subsidiary	249,127	- %	-		245,303	-
"	LUEN CHUN	Subsidiary	699,944	- %	-		600,365	-
WHL-HongKong	The Company	Subsidiary	808,094	- %	-		438,637	-

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

NOTES TO THE 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		
WHL-Singapore	The Company	Subsidiary	129,704	- %	-		129,704	-
WHL-Thailand	The Company	Subsidiary	190,231	- %	-		190,231	-
Bao Sheng	The Company	Subsidiary	135,406	- %	-		132,822	-

Note: Eliminated in the consolidated financial statements.

9. Derivative transactions: None.

(b) Information on investees

For the year ended December 31, 2019, 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			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	21,983,099	21,546,395	979,399,234	100.00 %	30,538,179	2,119,271	2,748,242	Subsidiary (Note 2 ÷ 3)
"	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	-	401,460	-	- %	-	6,324	6,324	Subsidiary (Note 3 ÷ 4)
"	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	21,819	3,782	3,782	Subsidiary (Note 3)
"	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	1,533	(503)	(503)	Subsidiary (Note 1 ÷ 3)
"	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	419,869	614,096	130,987	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 %	149,290	8,501	4,676	Subsidiary (Note 3)
"	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01 %	41,821	9,159	6,413	Subsidiary (Note 3)
"	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	598,211	598,211	-	16.50 %	539,413	(107,160)	(20,607)	Associate (Note 1)
WHL-Singapore	Wan Hai Lines (Phils.), Inc.	Philippines	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	13,740	(146)	(146)	Indirect subsidiary (Note 3)
"	Wab Hai Lines (H.K.) Limited	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	3,103,897	456,132	456,132	Indirect subsidiary (Note 3)
"	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	79,836	(2,632)	(2,632)	Indirect subsidiary (Note 3)
"	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	14,991	6,172	6,172	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	36,577	10,699	10,699	Indirect subsidiary (Note 3)
"	Wan Hai International Pte. Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	630,172	49,769	49,769	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Thailand) Ltd.	Thailand	Transportation and shipping agency services	2,805	2,805	29,400	49.00 %	67,476	9,753	4,779	Indirect subsidiary (Note 3)
"	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	44,972	12,773	12,773	Indirect subsidiary (Note 1 ÷ 3)

(English Translation of Financial Statements Originally Issued in Chinese)
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	HE CHUN LOGISTICS COMPANY LTD.	Vietnam	ODD operations	60,857	60,857	-	100.00 %	74,576	14,688	14,688	Indirect subsidiary (Note 1 · 3)
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	1,942	1,000	211,860	99.00 %	14,059	12,154	6,163	Indirect subsidiary (Note 3)
"	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	9,247	14,097	7,189	Indirect subsidiary (Note 3)
"	PHUC XUAN MARITIME SERVICE CO.,LTD.	Vietnam	Container yard business	9,186	-	-	49.00 %	10,496	3,266	1,600	Associate (Note 1)
"	Bravely International Pte. Ltd.	Singapore	Transportation and investment	413,778	413,778	18,332,701	100.00 %	(78,227)	(170,676)	(170,676)	Indirect subsidiary (Note 3)
"	WAN HAI LINES (USA) LTD.	America	Transportation and shipping agency services	437,514	4,469	284,381	100.00 %	435,776	8,885	8,885	Indirect subsidiary (Note 3)
"	Wan Hai Shipping Limited	Myanmar	Transportation and shipping agency services	1,075	-	35,000	70.00 %	1,036	(67)	(47)	Indirect subsidiary (Note 3)
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	34,758	69,007	33,814	Associate
"	Infinite Marine Investment Co., Ltd.	Cayman	Investment	173,463	173,463	5,550,000	100.00 %	(1,697)	(1,013)	(1,013)	Indirect subsidiary (Note 3)
"	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	125,588	50,286	50,286	Indirect subsidiary (Note 3)
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	20	-	2,140	1.00 %	142	12,154	121	Indirect subsidiary (Note 3)
WHL Hongkong	Dawin Logistics (International) Limited	Hong Kong	Managing container, storage and logistics services	570,480	570,480	144,640,000	100.00 %	907,136	20,042	20,042	Indirect subsidiary (Note 3)
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Myanmar	Freight storage and logistics business	127,584	127,584	4,000,000	80.00 %	89,889	(6,054)	(4,843)	Indirect subsidiary (Note 3)
WAN HAI LINES (USA) LTD.	Wan Hai Lines (Arizona) LLC.	America	House rental and management	359,760	359,760	-	100.00 %	372,790	6,500	6,500	Indirect subsidiary (Note 1 · 3)

Note 1: Limited companies with no common shares issued.

Note 2: The difference is due to the unrealized gain /loss.

Note 3: Eliminated in the consolidated financial statements.

Note 4: Completed its liquidation process in October 2019.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount						
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	2,076	100.00 %	2,076	23,599	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	7,164	100.00 %	7,164	773,276	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	(5,912)	49.00 %	(2,897)	(431)	-

(English Translation of Financial Statements Originally Issued in Chinese)
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						
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	3,567	100.00 %	3,567	66,981	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	(2,043)	90.00 %	(1,839)	23,782	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	287,330	(1)	-	-	-	-	6,256	50.00 %	3,128	119,237	-
Qingdao port & Win International Logistics Co., Ltd.	Container yard station	50,188	(1)	-	-	-	-	24,541	50.00 %	12,270	37,617	-

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	21,662,509

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

3. Significant transactions:

As of December 31, 2019, the significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(14) Segment Information

Please refer to the consolidated financial report.

Wan Hai Lines Ltd.
STATEMENT OF CASH AND CASH
EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description				Amount
Cash on hand					\$ 48,445
Saving accounts-NT					124,485
Saving accounts-Foreign currency	USD	79,748	thousand @	29.99	2,984,290
	THB	91,915	thousand @	1.01	
	KRW	96,623	thousand @	0.03	
	CNY	76,681	thousand @	4.30	
	JPY	600,001	thousand @	0.28	
	SGD	4	thousand @	22.28	
	HKD	519	thousand @	3.85	
Time deposits-NT					845,000
Time deposits-Foreign currency	USD	106,794	thousand @	29.99	6,324,101
	JPY	8,685,958	thousand @	0.28	
	CNY	112,392	thousand @	4.30	
	HKD	62,425	thousand @	3.85	
Total					<u><u>\$ 10,326,321</u></u>

Wan Hai Lines Ltd.
**STATEMENT OF CHANGES IN FINANCIAL ASSETS
MEASURED AT FAIR VALUE THROUGH PROFIT OR
LOSS**

DECEMBER 31, 2019

(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		
Da Chan Greathall Group	Domestic listed stocks	8,297	\$	-	-	- %	171,013	43.65	362,146	-	
Formosa Plastics Corporation	"	376		-	-	- %	29,619	99.80	37,554	-	
Formosa Chemicals & Fiber Corporation	"	245		-	-	- %	17,917	87.50	21,479	-	
Tainan Spinning Co., Ltd.	"	3,499		-	-	- %	53,258	10.50	36,738	-	
China Steel Corporation	"	2,291		-	-	- %	57,287	23.90	54,759	-	
Delta Electronics, Inc.	"	1,608		-	-	- %	205,720	151.50	243,612	-	
Hon Hai Precision Ind.Co., Ltd.	"	93		-	-	- %	9,552	90.80	8,484	-	
Transcend Information, Inc.	"	89		-	-	- %	9,530	77.90	6,942	-	
Amtran Technology Co., Ltd.	"	984		-	-	- %	35,642	10.65	10,480	-	
Yang Ming Marine Transport Corp.	"	958		-	-	- %	38,942	7.21	6,904	-	
China Airlines Ltd.	"	23,754		-	-	- %	457,957	9.06	215,210	-	
Chinese Maritime Transport Ltd.	"	435		-	-	- %	51,519	29.75	12,943	-	
Mega Financial Holding Co., Ltd.	"	10,759		-	-	- %	240,274	30.60	329,214	-	
Taishin Financial Holding Co., Ltd.	"	20,215		-	-	- %	218,224	14.50	293,123	-	
First Financial Holding Co., Ltd.	"	14,643		-	-	- %	216,016	23.70	347,045	-	
Kinsus Interconnect Technology Corp.	"	335		-	-	- %	39,588	51.80	17,334	-	
Shih Wei Navigation Co., Ltd.	"	679		-	-	- %	60,607	8.10	5,497	-	
Taiwan Cooperative Financial Holding Co., Ltd.	"	30,024		-	-	- %	442,739	20.75	622,995	-	
Taiwan Secom Co., Ltd.	"	2,419		-	-	- %	213,522	88.80	214,807	-	
The Eslite spectrum Corporationh	Over the - counter stocks	965		-	-	- %	125,006	115.00	110,975	-	
Tigerair Taiwan	Domestic emerging stocks	196		-	-	- %	8,036	50.0600	9,812	-	
					<u>-</u>		<u>2,701,968</u>		<u>2,968,053</u>	<u>-</u>	

Wan Hai Lines Ltd.

STATEMENT OF CHANGES IN FINANCIAL ASSETS
MEASURED AT FAIR VALUE THROUGH PROFIT OR
LOSS (CON'T)

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019		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	-	\$ 1,127,838	-	29,293	-	-	-	1,157,131	None	

Wan Hai Lines Ltd.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(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>96,942</u>	
Accounts receivable-freight, additional fee and container loading / discharge			
Related parties:			
Others (Note 1)		<u>29,656</u>	
Non-Related parties:			
Formosa Plastics Corporation	Freight and additional fees revenue	48,845	
Formosa Chemicals & Fiber Corporation	"	35,512	
Others (Note 1)	"	<u>463,632</u>	
		674,587	
Less: Allowance for doubtful receivables		<u>(358)</u>	
Total		<u><u>\$ 674,229</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, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related parties:			
Accounts receivable-disposal of assets	Revenue from sale of containers	\$ 16,460	
Accounts receivable-vessel rental revenue	Revenue from charters of the remaining fuel at the end of rental period or others	184,016	
Other		<u>78,891</u>	
Sub total		<u>279,367</u>	
Non-Related parties:			
Receivables	Discount on expense of containers loading / discharge	40,792	
Accounts receivable-vessel rental revenue	Revenue from charters of the remaining fuel at the end of rental period or others	169,573	
Indemnity income receivables	Receivables of insurance	233,635	
Tax receivable	Income tax refunds	28,237	
Other		<u>63,476</u>	
Sub total		<u>535,713</u>	
Total		<u><u>\$ 815,080</u></u>	

Wan Hai Lines Ltd.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount		Note
	Cost	Net Realizable Value	
Marine diesel oil	\$ 145,084	145,084	
Marine residual fuel oil	1,255,817	1,255,817	
Fresh lubricating oil	6,153	5,993	
Less: Allowance for inventory valuation and obsolescence losses	(160)	-	
	<u><u>\$ 1,406,894</u></u>	<u><u>1,406,894</u></u>	

Wan Hai Lines Ltd.

STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses:			
Prepaid rent expense	Rent expenses of vessels and office	\$ 53,591	
Prepaid insurance expense	Insurance expenses of containers, fire disaster, public liability insurance and mutual insurance	7,327	
Prepaid expenses from agents		2,011	
Others (The individual account does not exceed 5% of the amount balance)		64,820	
Sub total		<u>127,749</u>	
Payment on behalf of others:			
Payment on behalf of others-charters	Payment of fuel expense, accommodation fee, medical expense and others	145,234	
Others (The individual account does not exceed 5% of the amount balance)		170,842	
Sub total		<u>316,076</u>	
Total		<u><u>\$ 443,825</u></u>	

Wan Hai Lines Ltd.

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019		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	\$ 162,573	-	21,134	-	-	5,419	183,707	None	
Chunghua Telecom Co., Ltd.	21,730	2,455,490	1,262	73,630	-	-	22,992	2,529,120	"	
Taipei Port Container Terminal Corp.	79,315	406,487	-	50,256	-	-	79,315	456,743	"	
United Stevedoring Corporation	781	11,460	-	1,782	-	-	781	13,242	"	

Wan Hai Lines Ltd.

STATEMENT OF CHANGES IN INVESTMENTS
ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED IN DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019		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	\$ 28,001,054	19,442,034	2,537,125	-	-	979,399,234	100.00 %	31.18	30,538,179	None	
Wan Hai Lines (America) Ltd.	280,000	426,140	-	-	280,000	426,140	-	%	-	-	"	Note 2
K.K. WH Corporation	500	18,293	-	3,526	-	-	500	100.00 %	43,638.00	21,819	"	
Wan Hai Lines (Germany) GmbH	Note 1	2,120	-	-	-	587	Note 1	100.00 %	-	1,533	"	
Tan Cang-Cai Mep International Terminal Co., Ltd.	Note 1	361,735	-	58,134	-	-	Note 1	21.33 %	-	419,869	"	
T.K. Logistics International Co., Ltd.	14,300,000	147,616	-	1,674	-	-	14,300,000	55.00 %	10.44	149,290	"	
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	38,776	-	3,045	-	-	3,000,000	70.01 %	13.94	41,821	"	
Hai Phong International Container Terminal Co Ltd.	Note 1	573,088	-	-	-	33,675	Note 1	16.50 %	-	539,413	"	
		<u>\$ 29,568,822</u>		<u>2,603,504</u>		<u>460,402</u>				<u>31,711,924</u>		

Note 1: Limited companies with no common share issued.

Note 2: Wan Hai Lines (America) Ltd. was reorganized in October 2019, and merged with Wan Hai Lines (USA) LTD., with Wan Hai Lines (America) Ltd. being the dissolved entity, and Wan Hai Lines (USA) LTD. being the surviving company, Wan Hai Lines (America) Ltd., completed its liquidation process in October 2019.

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Deferred tax assets-non-current		\$ 520,415	
Refundable deposits		167,467	
Others		<u>256,485</u>	
Total		<u><u>\$ 944,367</u></u>	

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Accounts payable			
Related parties:			
Other (Note 1)		\$ <u>412,641</u>	
Non-related parties			
Other (Note 1)		<u>5,745,232</u>	
Accounts payable-agents commision		14,492	
Accounts payable-containers fee		72,161	
Accounts payable-charters		131,907	
Accounts payable-joint service		36,918	
Accounts payable-rental fee		<u>34,529</u>	
Total		<u><u>\$ 6,447,880</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, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Accrued expense		\$ 490,197
Payable to acquisition of equipments		505,579
Others		<u>345,563</u>
		<u><u>\$ 1,341,339</u></u>

STATEMENT OF LEASE LIABILITIES
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wharf equipments	Lease terms are 5~9 years, while discount rates are 1.8182%~1.9%	\$ 3,189,018	
Vessels	Lease terms are 1~20 years, while discount rates are 1.8%~2.36%	81,468,560	
Containers	Lease terms are 1~5 years, while discount rates are 3.45~4.039%	1,039,497	
Other	Lease terms are 1~4 years, while discount rates are 2%	<u>9,677</u>	
Total		<u><u>\$ 85,706,752</u></u>	

Wan Hai Lines Ltd.
STATEMENT OF OTHER CURRENT
LIABILITIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts in advance	Revenue from disposal of containers or over payment	\$ 136,831	
Temporary collection-others	Receipts under custody of income tax expense and labor / health insurance expense	59,120	
Payables to charters	Receipts under custody of freight expense	3,920	
Guarantee deposits received	Deposit	<u>2,003</u>	
Total		<u><u>\$ 201,874</u></u>	

Wan Hai Lines Ltd.
STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Creditor	Description	Balance, December 31, 2019	Contract period	Range of Interest Rates	Collateral	Note
Land bank of Taiwan-Chang-an Branch		\$ 740,921	2018.04.12~2023.04.12		Containers	
Mizuho Bank Taipei Branch		809,730	2019.01.24~2024.01.24		Containers	
Mega International Commercial Bank Head Office -Foreign Dept.		279,907	2016.08.08~2021.08.08		Containers	
"		239,920	2017.10.23~2022.10.23		Containers	
"		599,800	2019.02.11~2024.02.11		Containers	
First Commercial Bank Chien-cheng Branch		209,930	2018.06.12~2023.06.12		Containers	
"		839,720	2018.08.15~2023.06.12		Containers	
"		1,499,500	2019.12.03~2024.12.03		Containers	
Bank of China-Taipei Branch		899,700	2019.07.23~2024.07.23		Containers	
Hua Nan Commercial Bank-Chengdong Branch		1,499,500	2019.11.18~2024.11.18		Containers	
Chang Hwa Commercial Bank-Chilin Branch		299,900	2015.08.31~2020.08.31		Containers	
"		599,800	2016.07.28~2021.07.28		Containers	
"		333,333	2016.12.21~2021.12.21		Buildings, land	
Taipei Star Bank Changan Branch		168,694	2017.12.21~2022.12.21		-	
First Commercial Bank Chien-Cheng Branch		809,730	2019.02.11~2024.02.11		-	
MUFG Bank-Taipei Branch		500,000	2018.06.19~2021.06.18		-	
China Bills finance Corporation		210,000	2018.06.15~2021.06.14		-	
"		420,000	2016.12.27~2021.12.25		-	
Mega Bills finance Corporation		700,000	2017.08.22~2021.12.20		-	
"		700,000	2016.12.27~2021.12.20		-	
International Bills Finance Corporation		<u>700,000</u>	2018.06.15~2021.04.20		-	
		13,060,085		0.38%~3.74%		
Less: Current portion		(2,563,977)				
Discount on commercial paper		(247)				
		<u><u>\$ 10,495,861</u></u>				

Wan Hai Lines Ltd.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED IN DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Numbers	Amount	Note
Freight revenue		\$ 46,542,393	
Additional freight revenue		4,836,983	
Slottage revenue		3,039,944	
Revenue from WHL terminal		608,621	
Agency revenue		157,405	
Documentation revenue		2,984,247	
Container rental revenue		1,320,980	
Vessel rental revenue		<u>213,736</u>	
		59,704,309	
Less: Sales returns and allowances		<u>(602,190)</u>	
Net amount of operating revenue		<u><u>\$ 59,102,119</u></u>	

STATEMENT OF OPERATING COSTS

Item	Amount
Agency Service	\$ 1,899,551
Port charges	3,461,250
Stevedorage expense	20,079,642
Container expense	6,088,056
Vessel expense	7,233,869
Fuel Cost	11,400,349
Loss on inventory valuation	(123,931)
Vessel rental expense	2,204,695
Slottage rental expense	1,315,100
WHL terminal expense	<u>2,165,461</u>
	<u><u>\$ 55,724,042</u></u>

Wan Hai Lines Ltd.

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED IN DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary		\$ 998,749	
Entertainment		101,976	
Taxes		355,514	
Service fee		16,938	
Other expenses		<u>757,152</u>	No single amount exceed 5%
Total		<u>\$ 2,230,329</u>	

Note 1: For the statement of changes in property, plant and equipment, please refer to note (6)(d).

2: For a detailed list of changes in real property, plant and equipment, please refer to note (6)(i).

3: Please refer to note (6)(i) for the detailed list of changes in accumulated depreciation of real property, plant and equipment.

4: Please refer to note (6)(j) for the detailed list of changes in the right-of-use assets.

5: For the detailed depreciation changes of the right-of-use assets, please refer to note (6)(j).

6: For a detailed list of changes in investment real estate, please refer to note (6)(k).

7: Please refer to note (6)(k) for details of the changes in accumulated depreciation of investment real estate.

8: Please refer to note (6)(l) for the detailed list of changes in intangible assets.

9: For the defined benefit obligation liabilities, please refer to note (6)(r).

10: For a detailed list of deferred income tax assets and liabilities, please refer to note (6)(s).

11: For details of other income, please refer to note (6)(x).

12: For details of other benefits and losses, please refer to note (6)(x).

13: For a detailed statement of financial costs, please refer to note (6)(x).

6.5 Consolidated Financial Statements for Fiscal Year 2019

6.5.1 Independent Auditor's Report

Representation Letter

The entities that are required to be included in the combined financial statements of Wan Hai Lines Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission "Consolidated and Separate Financial Statements."

In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wan Hai Lines Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Wan Hai Lines Ltd.
Chairman: Shihlin Paper Co., Ltd.
Representative: Po Ting Chen
Date: March 26, 2020

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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 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)(v) “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, 2019 and 2018, 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 26, 2020

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.

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

WAN HAI LINES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019.12.31		2018.12.31			2019.12.31		2018.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 15,479,460	18	13,418,582	17	2100 Short-term borrowings (note 6(m))	\$ 70,000	-	60,000	-
1110 Current financial assets at fair value through profit or loss (note 6(b))	4,125,184	5	2,345,430	3	2126 Current financial liabilities for hedging (note 6(x)(d))	534,197	1	-	-
1150 Notes receivable, net (notes 6(e) and 6(v))	39,735	-	29,636	-	2170 Accounts payable (note 7)	8,124,379	9	7,644,956	10
1170 Accounts receivable, net (notes 6(e), 6(v) and (7))	2,206,775	3	2,861,696	4	2170 Other payables (note 7)	2,536,977	3	2,692,144	3
1140 Current contract assets (note 6(c))	733,689	1	751,084	1	2170 Current tax liabilities (note 6(s))	84,397	-	109,290	-
1200 Other receivables, net (note 7)	1,197,291	1	1,382,358	2	2170 Current lease liabilities (note 6(p))	382,244	-	-	-
1330 Inventories, net (note 6(f))	1,996,453	2	1,341,644	2	2170 Current portion of long-term loans (notes 6(x), 6(o) and (8))	3,356,533	4	8,288,389	11
1475 Receivables from agents (note 7)	939,080	1	834,068	1	2170 Payables to agents	12,563	-	10,472	-
1479 Other current assets, others (note 8)	797,195	1	688,329	1	2170 Other current liabilities (note 7)	1,620,905	2	2,022,554	3
	27,514,862	32	23,652,827	31		16,722,195	19	20,827,805	27
Non-current assets:					Non-Current liabilities:				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	1,127,838	1	2026 Bonds payable (note 6(o))	2,026,200	2	-	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(e))	3,696,383	4	3,036,010	4	2026 Long-term borrowings (notes 6(n) and (8))	13,900,000	16	5,900,000	8
1550 Investments accounted for using equity method, net (note 6(g))	1,161,390	1	1,141,225	1	2026 Deferred tax liabilities (note 6(s))	12,374,200	14	12,122,591	16
1600 Property, plant and equipment (notes 6(i), (8) and (9))	43,728,724	50	43,419,203	56	2026 Non-current lease liabilities (note 6(p))	2,735,115	3	2,010,571	2
1755 Right-of-use assets (note 6(k))	5,097,810	6	-	-	2026 Accrued pension liabilities-non current (note 6(r))	2,186,345	2	-	-
1760 Investment property, net (note 6(k))	1,740,224	2	314,759	1	2026 Guarantee deposits received	703,424	1	767,936	1
1780 Intangible assets (note 6(l))	77,322	-	95,730	-		608,308	1	591,042	1
1900 Other non-current assets (notes (8) and (9))	4,587,537	5	4,249,758	6		34,533,592	39	21,392,140	28
	60,089,390	68	53,384,523	69		51,255,787	58	42,219,945	55
					Total liabilities				
					Equity attributable to owners of parent (notes 6(t) and (u)):				
					Common stock	22,182,975	26	22,182,975	29
					Capital surplus	1,271,775	2	1,261,681	2
					Retained earnings:				
					Legal reserve	6,869,483	8	6,757,693	9
					Special reserve	810,700	1	1,127,482	1
					Retained earnings-unappropriated	6,488,930	7	4,065,321	5
						14,169,113	16	11,950,496	15
					Other equity interest				
					Exchange differences on translation of foreign financial statements	(1,352,809)	(2)	(604,711)	(1)
					Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(200,376)	-	(205,989)	-
					Gains (losses) on hedging instruments (notes 6(d))	33,504	-	-	-
						(1,519,681)	(2)	(810,700)	(1)
					Total equity attributable to owners of parent:	36,104,182	42	34,584,452	45
					Non-controlling interests	244,283	-	232,953	-
					Total equity	36,348,465	42	34,817,405	45
					Total liabilities and equity	87,604,252	100	77,037,350	100
						\$ 87,604,252	100	77,037,350	100

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(v) and (7))	\$ 72,951,183	100	66,778,676	100
5000 Operating costs (notes (6)(f) and (7))	65,721,165	90	61,776,300	92
Gross profit	7,230,018	10	5,002,376	8
6000 Operating expenses	4,378,732	6	4,013,375	6
Income from operations	2,851,286	4	989,001	2
Non-operating income and expenses (notes (6)(g) and (6)(x)):				
7010 Other income	397,179	1	441,013	1
7020 Other gains and losses	1,831,735	2	772,064	1
7050 Finance costs	(692,460)	(1)	(565,345)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	167,453	-	140,574	-
Total non-operating income and expenses	1,703,907	2	788,306	1
7900 Profit before tax	4,555,193	6	1,777,307	3
7950 Less: Income tax expenses	967,487	1	640,069	1
Net Profit	3,587,706	5	1,137,238	2
Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit and loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(19,358)	-	15,178	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	5,613	-	(46,035)	-
8349 Less: Income tax related to components of other comprehensive income that may not be reclassified subsequently	7,739	-	5,392	-
Total items that may not be reclassified subsequently to profit and loss	(6,006)	-	(25,465)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	(738,820)	(1)	876,215	1
8368 Gains (losses) on hedging instrument	33,504	-	-	-
8399 Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	5,222	-	(794)	-
Total items that may be reclassified subsequently to profit and loss	(700,094)	(1)	875,421	1
Other comprehensive income (net of tax)	(706,100)	(1)	849,956	1
8500 Total comprehensive income	\$ 2,881,606	4	1,987,194	3
Profit (loss), attributable to:				
8610 Owners of the parent company	\$ 3,573,703	5	1,117,906	2
8620 Non-controlling interests	14,003	-	19,332	-
	\$ 3,587,706	5	1,137,238	2
Comprehensive income attributable to:				
8710 Owners of the parent company	\$ 2,863,197	4	1,967,988	3
8720 Non-controlling interests	18,409	-	19,206	-
	\$ 2,881,606	4	1,987,194	3
9750 Basic earnings per share (New Taiwan Dollars) (note (6)(u))	\$ 1.61		0.50	
9850 Diluted earnings per share (New Taiwan Dollars) (note (6)(u))	\$ 1.61		0.50	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
 WAN HAI LINES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Stock	Retained Earnings				Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Other Equity Items			
		Capital Surplus	Legal reserve	Special reserve	Retained Earnings - Unappropriated		Unrealized Gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized Gains (losses) on Available for sale Financial Assets	Gains (losses) on hedging instruments	Total Equity Attributable to Owners of Parent
\$	22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	-	352,776	212,657	34,179,617
	-	-	-	-	271,383	-	(159,954)	(352,776)	-	(241,347)
	22,182,975	1,261,681	6,503,503	-	5,417,666	(1,480,258)	(159,954)	-	212,657	33,938,270
	-	-	-	-	1,117,906	-	-	-	19,332	1,137,238
	-	-	-	-	20,570	875,547	(46,035)	-	(126)	849,956
	-	-	-	-	1,138,476	875,547	(46,035)	-	19,206	1,987,194
	-	-	-	-	-	-	-	-	-	-
	-	-	254,190	-	(254,190)	-	-	-	-	-
	-	-	-	1,127,482	(1,127,482)	-	-	-	-	-
	-	-	-	-	(1,109,149)	-	-	-	-	(1,109,149)
	-	-	-	-	-	-	-	-	1,090	1,090
	22,182,975	1,261,681	6,757,693	1,127,482	4,065,321	(604,711)	(205,989)	-	232,953	34,817,405
	-	-	-	-	3,573,703	-	-	-	14,003	3,587,706
	-	-	-	-	(11,619)	(738,004)	5,613	-	4,406	(706,100)
	-	-	-	-	3,562,084	(738,004)	5,613	-	18,409	2,881,606
	-	-	-	-	-	-	-	-	-	-
	-	-	111,790	-	(111,790)	-	-	-	-	-
	-	-	-	-	(1,343,467)	-	-	-	-	(1,343,467)
	-	-	-	(316,782)	316,782	-	-	-	-	-
	-	10,094	-	-	-	(10,094)	-	-	-	-
	-	-	-	-	-	-	-	-	(7,079)	(7,079)
\$	22,182,975	1,271,775	6,869,483	810,700	6,488,930	(1,352,809)	(200,376)	-	244,283	36,348,465

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 4,555,193	1,777,307
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	5,283,403	4,124,116
Amortization expense	55,031	46,437
Net (gain) loss on financial assets at fair value through profit or loss	(365,273)	(64,405)
Interest expense	692,460	565,345
Interest revenue	(186,199)	(247,999)
Dividend income	(210,980)	(193,014)
Investment income under the equity method	(167,453)	(140,574)
Gain on disposal of property, plant and equipment	(1,119,393)	(512,526)
Property, plant and equipment transferred to expenses	19,016	-
Unrealized foreign exchange (gain) loss	(157,316)	223,091
Others	55	585
Total adjustments to reconcile profit (loss)	3,843,351	3,801,056
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets	17,395	(113,435)
Notes receivable	(10,099)	(4,206)
Accounts receivable (including related parties)	672,724	(558,082)
Other receivables	87,120	(245,556)
Inventories	(654,809)	(22,597)
Receivables from agents	(105,012)	(137,120)
Other current assets	(103,250)	(106,937)
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(313,980)	(115,617)
Total changes in operating assets, net	(409,911)	(1,303,550)
Changes in operating liabilities, net:		
Accounts payable (including related parties)	440,452	754,130
Other payables	252,181	(210,121)
Payables to agents	2,090	6,920
Other current liabilities	(387,438)	532,740
Accrued pension liabilities	(83,869)	(39,548)
Total changes in operating liabilities, net	223,416	1,044,121
Total changes in operating assets and liabilities	(186,495)	(259,429)
Total adjustments	3,656,856	3,541,627
Cash inflow generated from operations	8,212,049	5,318,934
Income taxes paid	(191,023)	(314,206)
Net cash provided by operating activities	8,021,026	5,004,728
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(654,760)	(262,840)
Acquisition of long-term equity investment under equity method	(8,817)	(395,362)
Net cash flow from acquisition of subsidiaries	29,883	-
Acquisition of property, plant and equipment	(5,628,755)	(4,185,886)
Proceeds from disposal of property, plant and equipment	1,466,041	555,867
Acquisition of intangible assets	(31,401)	(59,667)
Acquisition of investment property	(1,442,746)	(5,267)
Other non-current assets	(778,618)	(3,246,657)
Interest received	194,767	252,784
Dividends received	332,840	312,370
Net cash used in investing activities	(6,521,566)	(7,034,658)
Cash flows from financing activities:		
Increase in short-term loans	10,000	-
Proceeds from issuing bonds	8,000,000	-
Repayments of bonds	(1,000,000)	(4,500,000)
Proceeds from long-term loans	9,222,250	11,530,300
Repayment of long-term loans	(12,667,734)	(9,298,111)
Guarantee deposits	2,267	48,686
Cash dividends paid	(1,343,467)	(1,109,149)
Lease repayments- principal portions	(827,245)	-
Interest paid	(682,044)	(596,047)
Change in non-controlling interests	(7,079)	1,090
Net cash used in financing activities	706,948	(3,923,231)
Foreign exchange rate effects	(145,530)	126,303
Net increase (decrease) in cash and cash equivalents	2,060,878	(5,826,858)
Cash and cash equivalents, beginning of period	13,418,582	19,245,440
Cash and cash equivalents, end of period	\$ 15,479,460	13,418,582

See 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, 2019 and 2018

(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 26, 2020.

(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, 2019.

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

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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(d).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to vessels, buildings, containers, and other equipment associated with short-terms and low-value asset leases.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- a. Applied a single discount rate to a portfolio of leases with similar characteristics.
- b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- c. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- d. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$5,463,590 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.26%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 10,821,969
Recognition exemption for:	
short-term leases	(3,350,185)
Leases of low-value assets	(1,629,114)
Extension and termination options reasonably certain to be exercised	<u>152,060</u>
	<u>\$ 5,994,730</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 5,463,590
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 5,463,590</u>

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group evaluated that the application of IFRIC 23 will have no material impact on its consolidated financial statements.

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

(b) The impact of IFRS issued by the 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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

(4) Summary of Significant Accounting Policies

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

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

WAN HAI LINES LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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) Hedging financial instruments are measured at fair value;
- 4) 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) Basis of Consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2019.12.31	2018.12.31	
The Company	Wan Hai Lines (Singapore) Pte Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing	100.00 %	100.00 %	

(English Translation of Consolidated Financial Statements 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
			2019.12.31	2018.12.31	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	- %	100.00 %	Completed the liquidation process in October 2019
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 %	
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 %	

(English Translation of Consolidated Financial Statements 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
			2019.12.31	2018.12.31	
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 %	100.00 %	
WHL Singapore	Bravely International Pte. Ltd. (Bravely)	International freight transportation and investment	100.00 %	100.00 %	
WHL Singapore	HE CHUN LOGISTICS COMPANY LTD. (HE CHUN)	ODD operations	100.00 %	100.00 %	
WHL Singapore	Wan Hai Shipping Limited.	International freight transportation and agency services for transport affairs	70.00 %	- %	
WHL Singapore 、 WHL INTL.	Wan Hai Lines Peru S.A.C.(WHL Peru)	International freight transportation and agency services for transport affairs	100.00 %	51.00 %	The Group previously used the equity method on its joint venture with WHL Peru, which the Group had significant influence over it. In July 2019, the Group acquired the entire shares of WHL Peru and obtained full control over it, resulting in WHL Peru to become a subsidiary of the Group.
WHL USA	Wan Hai Lines (Arizona) LLC (WHL Arizona)	House rental and management services	100.00 %	100.00 %	The shares of WHL Arizona was originally held by WHL America, However, there was a change in the organization structure in October 2019, resulting WHL Arizona to become a 100% owned subsidiary of WHL USA.
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 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
			2019.12.31	2018.12.31	
WHL-Hong Kong	Guangzhou Wan Hai Information Technology Ltd. (GZIT)	Information software service	100.00 %	100.00 %	
WHL-Hong Kong	Dawin Logistics (International) Ltd. (Dawin)	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. Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) qualifying cash flow hedges to the extent that the hedges are effective.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange 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, exchange differences 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 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. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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 and interest on the 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 instrument-by-instrument basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend 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.

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

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

NOTES TO THE CONSOLIDATED 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 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(ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, 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.

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’.

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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2. Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Hedge accounting

The Group designates certain hedging instruments (which include non-derivatives in respect of foreign currency risk) as cash flow hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity — gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Group expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(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 has significant influence, but not control or joint control, over their financial and operating policies.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Joint Arrangements

A joint arrangement is an arrangement of 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 parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Group qualifies for exemption from that Standard. Please refer to note (4)(i) for the application of the equity method.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(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.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3.Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)Buildings	23~57 years
2)Vessels	1~25 years
3)The major compoment of vessels: docking repair assets	2.5 years
4)Containers	1~10 years
5)Privileyed wharf equipment	2~15 years
6)Other equipment	1~16 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vessels, buidings,containers and other equipments that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

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

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases are operating leases and are not recognized in the Group's balance sheets.

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. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(n) Intangible assets

1. Recognition and measurement

Other intangible assets, including software and trademarks, that are acquired by the Group and have finite useful lives 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 brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Softwares	2~5 years
2) Trademarks	3~10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Contract costs

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:

- A. the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- B. 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
- C. 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.

(q) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling if any (excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset if the following criteria are met:

- 1.the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- 2.the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(t) Earnings per share

The Group 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 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 employee compensation.

(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.

(5) Significant accounting assumptions and judgments, and major sources of 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.

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash	\$ 61,130	58,981
Savings accounts	6,366,857	2,647,703
Time deposits	<u>9,051,473</u>	<u>10,711,898</u>
Cash and cash equivalents in statement of cash flows	<u><u>\$ 15,479,460</u></u>	<u><u>13,418,582</u></u>

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

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ 2,958,241	2,345,430
Emerging stocks on domestic markets	9,812	-
Debt securities	<u>1,157,131</u>	<u>1,127,838</u>
Total	<u><u>\$ 4,125,184</u></u>	<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(x).

2. As of December 31, 2019 and 2018, the Group's financial assets were not pledged as collateral.

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 2,712,827	2,618,063
Stocks listed on foreign markets	513,571	-
Stocks unlisted on domestic markets	<u>469,985</u>	<u>417,947</u>
Total	<u><u>\$ 3,696,383</u></u>	<u><u>3,036,010</u></u>

1. Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities 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.

For the year ended December 31, 2019 and 2018, the dividends of \$109,132 and \$98,127 thousand were recognized as equity investments at fair value through other comprehensive income.

For the years ended December 31, 2019 and 2018, no strategic investments were disposed, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has acquired a 20.24% stake in Da Nang Port Joint Stock Company (Da Nang Port JSC), and the main activities of Da Nang JSC are to provide logistics services. The Management claimed that this ownership did not allow the Group to have significant influence over Da Nang Port JSC, since the Group did not occupy any seat in the Board of Directors, and did not participate in any daily operation as well as policy-making processes of the Group.

2. For credit risk and market risk, please refer to Note 6(z).

3. As of December 31, 2019 and 2018, the financial assets of the Group had not been pledged as collateral.

(d) Financial instruments used for hedging

The amounts at the reporting date relating to the lease liabilities designated as hedging instruments were as follows:

	2019.12.31
Cash flow hedge:	
Financial liabilities used for hedging:	
Current lease liabilities	\$ 534,197
Non-current lease liabilities	<u>2,026,200</u>
Total	<u><u>\$ 2,560,397</u></u>

The Group's strategy is to use lease liabilities to hedge its estimated foreign currency exposure in respect of highly probable future cash revenues. The amounts at the reporting date relating to the items designated as hedging instruments were as follows:

Items to be hedged	Financial assets or liabilities designated to be hedging instruments	2019.12.31 Fair value	Time period(s) during which the future cash flows generated	Time period(s) during which the related gains or losses are expected to be recognized in the income statement
Freight revenue (USD)	Lease liabilities	\$ 989,769	2019~2024	2019~2024
WHL terminal revenue (JPY)	Lease liabilities	1,570,628	2019~2028	2019~2028

Items	2019
Amounts recognized as other comprehensive income	<u><u>\$ 33,504</u></u>

For the year ended December 31, 2019, no ineffective portion of cash flow hedge that should be recognized in profit or loss, for reconciliation of each component of equity, and an analysis of other comprehensive income, please refer to note (6)(t).

(e) Notes receivable and accounts receivable

	2019.12.31	2018.12.31
Notes receivable	\$ 39,735	29,636
Accounts receivable	2,207,133	2,862,054
Less: Allowance for doubtful receivables	<u>(358)</u>	<u>(358)</u>
	<u><u>\$ 2,246,510</u></u>	<u><u>2,891,332</u></u>

(English Translation of Consolidated Financial Statements 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, 2019 and 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, 2019 and 2018 was determined as follows:

	2019.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,862,445	0%~0.0006%	-
Overdue 0-30 days	340,098	0%~0.0007%	-
Overdue 31-120 days	31,616	0%~0.002%	-
Overdue 121-365 days	3,506	0%~0.003%	-
Overdue more than 365 days	9,203	0%~100%	358
	\$ 2,246,868		358

	2018.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,476,227	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
	\$ 2,891,690		358

The movement in the allowance for notes and account receivables were as follows :

	For the years ended December 31,	
	2019	2018
Ending balance (equals to beginning balance)	\$ 358	358

Please refer to (6)(y) 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, 2019 and 2018, the notes and trade receivable of the Group had not been pledged as collateral.

(f) Inventories

	2019.12.31	2018.12.31
Marine diesel oil	\$ 196,062	201,738
Marine residual fuel oil	1,682,155	1,180,128
Fresh lubricating oil	118,546	135,101
Subtotal	1,996,763	1,516,967
Less: Allowance for inventory valuation and obsolescence losses	(310)	(175,323)
Total	\$ 1,996,453	1,341,644

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019, the reversal of write-downs amounted to \$175,194 thousand due to the previous reasons causing the net realizable value of inventories lower than its costs has disappeared. The reversals are recognized in gains on inventory value recoveries.

During the year ended December 31, 2018, the write-downs of inventories to net realizable value amounting to \$174,123 thousand was included in operating costs.

As of December 31, 2019 and 2018 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:

	2019.12.31	2018.12.31
Associates	\$ 994,040	971,154
Joint venture	167,350	170,071
	\$ 1,161,390	1,141,225

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:

	2019.12.31	2018.12.31
The carrying amount of individually non-significant associates' equity	\$ 994,040	971,154
	2019	2018
Attributable to the Group:		
Profit (loss) from continuing operations	\$ 144,194	115,474
Total comprehensive income	\$ 144,194	115,474

2. Joint venture

On July 1, 2019, the Group obtained control over WHL Peru by acquiring the remaining 49% of its shares, resulting in the Group's shares in WHL Peru to increase from 51% to 100%. The Group previously used the equity method on its joint venture with WHL Peru, which the Group had significant influence over it. For more information please refer to note (6)(h).

In July 2019, the Group entered into a joint venture agreement with other shareholders using the equity method, and made a capital injection of USD294 thousand to acquire the 49% shares of Phuc Xuan Maritime Service Co., Ltd. (Phuc Xuan).

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

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

	2019.12.31	2018.12.31
The carrying amount of individually non-significant joint venture equity	<u>\$ 167,350</u>	<u>170,071</u>
	2019	2018
Attributable to the Group:		
Profit (loss) from continuing operations	\$ 23,259	25,100
Total comprehensive income	<u>\$ 23,259</u>	<u>25,100</u>

3.Collateral

The Group did not provide any investment accounted for using equity method as collaterals for its loans.

(h)Acquisition of subsidiary and non-controlling interest

1.Acquisition of subsidiary

On July 1, 2019, the Group obtained control over WHL Peru (transportation and shipping agency service) by acquiring the remaining 49% of its shares, resulting in the Group's shares in WHL Peru to increase from 51% to 100%.

For the six months ended December 31, 2019, the liquidation of WHL Peru resulted in the Group's revenue and profit after tax to increase by \$56,687 thousand and \$102 thousand, respectively. If the acquisition had occurred on January 1, 2019, the management estimates that the consolidated revenue would have been \$125,120 thousands, and the consolidated profit after income tax would have been \$12,210 thousands. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019, and the provisional fair value are adjusted accordingly.

The following are the transfer pricing and the assets acquired at the acquisition date, as well as the liabilities incurred:

(1)The transfer price at the acquisition date was PEN\$774 thousands (NTD\$7,302 thousand) in cash.

(2)The identifiable assets acquired and the liabilities incurred were as follows.

Property, plant and equipment	\$ 135
Intangible assets (note (6)(i))	107
Trade receivables (note (6)(l))	17,803
Cash and cash equivalents	37,185
Trade and other payables	<u>(40,327)</u>
	<u>\$ 14,903</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Containers</u>	<u>Other equipment</u>	<u>Privileged wharf equipment</u>	<u>Total</u>
Cost:							
Balance at January 1, 2019	\$ 660,316	1,625,344	69,557,087	24,245,858	1,626,243	1,901,164	99,616,012
Acquired due to business combination	-	-	-	-	135	-	135
Additions	-	518	475,919	4,280,529	283,735	168,900	5,209,601
Reclassification	-	-	213	-	96,201	346,231	442,645
Disposals	-	-	(1,792,869)	(2,537,827)	(111,450)	(14,380)	(4,456,526)
Effect of movements in exchange rates	(966)	(36,561)	(1,517,814)	(1)	(13,328)	(328)	(1,568,998)
Balance at December 31, 2019	<u>\$ 659,350</u>	<u>1,589,301</u>	<u>66,722,536</u>	<u>25,988,559</u>	<u>1,881,536</u>	<u>2,401,587</u>	<u>99,242,869</u>
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>\$ 660,316</u>	<u>1,625,344</u>	<u>69,557,087</u>	<u>24,245,858</u>	<u>1,626,243</u>	<u>1,901,164</u>	<u>99,616,012</u>
Depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	454,414	41,963,470	11,876,538	868,953	1,033,434	56,196,809
Depreciation	-	42,281	2,676,374	1,388,091	155,058	116,012	4,377,816
Impairment loss disposal	-	-	-	-	19,016	-	19,016
Disposals	-	-	(1,731,567)	(2,283,958)	(104,116)	(6,108)	(4,125,749)
Effect of movements in exchange rates	-	(9,650)	(935,939)	(1)	(8,051)	(106)	(953,747)
Balance at December 31, 2019	<u>\$ -</u>	<u>487,045</u>	<u>41,972,338</u>	<u>10,980,670</u>	<u>930,860</u>	<u>1,143,232</u>	<u>55,514,145</u>
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>454,414</u>	<u>41,963,470</u>	<u>11,876,538</u>	<u>868,953</u>	<u>1,033,434</u>	<u>56,196,809</u>
Carrying amounts:							
Balance at December 31, 2019	<u>\$ 659,350</u>	<u>1,102,256</u>	<u>24,750,198</u>	<u>15,007,889</u>	<u>950,676</u>	<u>1,258,355</u>	<u>43,728,724</u>
Balance at January 1, 2018	<u>\$ 658,948</u>	<u>1,197,734</u>	<u>28,736,139</u>	<u>10,428,697</u>	<u>724,597</u>	<u>934,327</u>	<u>42,680,442</u>
Balance at December 31, 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>

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings and guaranteed financing; please refer to note (8).

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

(j) Right-of-use assets

The Group leases many assets including wharfs, buildings, containers, and other equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Wharfs</u>	<u>Buildings</u>	<u>Containers</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	4,313,428	218,820	883,649	47,693	5,463,590
Balance as of January 1, 2019 after adjustments	4,313,428	218,820	883,649	47,693	5,463,590
Additions	60,931	129,480	467,594	4,491	662,496
Disposal	-	(15,735)	-	(649)	(16,384)
Remeasurement	(75,302)	(58,197)	24,403	(4,547)	(113,643)
Effect of changes in foreign exchange rates	(1,689)	(5,979)	-	(546)	(8,214)
Balance as of December 31, 2019	<u>\$ 4,297,368</u>	<u>268,389</u>	<u>1,375,646</u>	<u>46,442</u>	<u>5,987,845</u>
Accumulated depreciation and impairment losses:					
Balance as of January 1, 2019	\$ -	-	-	-	-
Depreciation for the year	468,800	69,205	339,996	18,302	896,303
Disposal	-	(4,476)	-	(70)	(4,546)
Effect of changes in foreign exchange rates	(91)	(1,298)	-	(333)	(1,722)
Balance as of December 31, 2019	<u>\$ 468,709</u>	<u>63,431</u>	<u>339,996</u>	<u>17,899</u>	<u>890,035</u>
Carrying amount:					
Balance at December 31, 2019	<u>\$ 3,828,659</u>	<u>204,958</u>	<u>1,035,650</u>	<u>28,543</u>	<u>5,097,810</u>

The Group leases wharfs, buildings, containers, and other equipment under the operating lease for the year ended December 31, 2018, please refer to note (6)(q).

(k) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 3 to 10 years. The leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts. Information about investment property of the Group is presented below:

	<u>Owned property</u>		
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ 143,416	176,166	319,582
Purchases	1,269,509	173,237	1,442,746
Effect of changes in foreign exchange rates	(3,477)	(4,806)	(8,283)
Balance at December 31, 2019	<u>\$ 1,409,448</u>	<u>344,597</u>	<u>1,754,045</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Owned property		
	Land and improvements	Buildings	Total
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	\$ 143,416	176,166	319,582
Depreciation and impairment losses:			
Balance at January 1, 2019	\$ -	4,823	4,823
Depreciation	-	9,284	9,284
Effect of changes in foreign exchange rates	-	(286)	(286)
Balance at December 31, 2019	\$ -	13,821	13,821
Balance at January 1, 2018	\$ -	176	176
Depreciation	-	4,540	4,540
Effect of changes in foreign exchange rate	-	107	107
Balance at December 31, 2018	\$ -	4,823	4,823
Carrying amount:			
Balance at December 31, 2019	\$ 1,409,448	330,776	1,740,224
Balance at January 1, 2018	\$ 138,493	164,745	303,238
Balance at December 31, 2018	\$ 143,416	171,343	314,759
Fair value:			
Balance at December 31, 2019		\$ 1,790,983	
Balance at December 31, 2018		\$ 325,791	

The fair value of investment properties in America at December 31, 2019 and 2018, is based on market value. 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 fair value of investment properties (as measure or disclosed in the financial statements) in Taiwan at December 31, 2019 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 2019, and 2018 were as follows:

Location	2019	2018
America	6.25%~7%	6.0%~7.5%
Taiwan	1.55%	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The investment property is a commercial real estate which was bought for operation planning in Taiwan and America on 2019 and 2017. That property has been currently leasing out for rental income, and no contingent rents are charged. The rent revenue is \$26,761 thousand and \$17,305 thousand for the year 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the investment property of the Group had not been pledged as collateral.

(l) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group in 2019 and 2018 were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2019	\$ 152,419	5,440	157,859
Additions	30,310	1,091	31,401
Reclassification	4,888	244	5,132
Acquisition through business combinations	107	-	107
Disposals	(23,342)	(2,694)	(26,036)
Effect of movement in exchange rates	(100)	-	(100)
Balance at December 31, 2019	<u><u>\$ 164,282</u></u>	<u><u>4,081</u></u>	<u><u>168,363</u></u>
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><u>\$ 152,419</u></u>	<u><u>5,440</u></u>	<u><u>157,859</u></u>
Amortization and impairment loss:			
Balance at January 1, 2019	\$ 59,172	2,957	62,129
Amortization for the year	53,979	1,052	55,031
Disposals	(23,342)	(2,694)	(26,036)
Effect of movement in exchange rates	(83)	-	(83)
Balance at December 31, 2019	<u><u>\$ 89,726</u></u>	<u><u>1,315</u></u>	<u><u>91,041</u></u>
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><u>\$ 59,172</u></u>	<u><u>2,957</u></u>	<u><u>62,129</u></u>

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

WAN HAI LINES LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Computer software	Trademarks	Total
Carrying amounts:			
Balance at December 31, 2019	\$ <u>74,556</u>	<u>2,766</u>	<u>77,322</u>
Balance at December 31, 2018	\$ <u>93,247</u>	<u>2,483</u>	<u>95,730</u>
Balance at January 1, 2018	\$ <u>50,264</u>	<u>2,998</u>	<u>53,262</u>

1. Recognition of amortization and impairment

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

	2019	2018
Operating costs	\$ <u>2,668</u>	<u>784</u>
Operating expense	\$ <u>52,363</u>	<u>45,653</u>

(m) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans — TWD	\$ <u>70,000</u>	<u>60,000</u>
Unused short-term credit lines	\$ <u>4,554,445</u>	<u>4,638,757</u>

1. Issuance and repayment of short-term borrowings

For the years ended December 31, 2019 and 2018, the proceeds from short-term borrowings amounted to \$9,050,000 thousand and \$6,716,011 thousand respectively and the repayments amounted to \$9,040,000 thousand and \$6,716,011 thousand respectively.

2. Collateral for bank loan

There were no assets pledged as collateral for the short-term borrowing of the Group.

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

(n) Long-term borrowings

The borrowings were summarized as follows:

2019.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	2.54%-3.62%	2022/12/21~ 2024/02/11	\$ 978,424
Unsecured bank loans	TWD	0.95%~1.67%	2020/05/19~ 2021/06/18	509,465
Secured bank loans	USD	2.52%~3.74%	2020/8/31~ 2026/12/19	11,172,508
Secured bank loans	TWD	1.16%~1.67%	2020/05/19~ 2021/12/21	340,583
Commercial paper	TWD	0.38%~0.93%	2021/04/20~ 2021/12/25	2,730,000
				<u>15,730,980</u>
Less: Discount on commercial paper				(247)
Current portion				<u>(3,356,533)</u>
Total				<u><u>\$ 12,374,200</u></u>
Unused loan credit				<u><u>\$ 7,399,550</u></u>

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

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

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%	2019/01/15~ 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 Current portion				(99) <u>(7,288,389)</u>
Total				<u><u>\$ 12,122,591</u></u>
Unused loan credit				<u><u>\$ 3,828,800</u></u>

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

1. Issuance and repayment of long-term borrowings

For the years ended December 31, 2019 and 2018, the proceeds from long-term borrowings amounted to \$9,222,250 thousand and \$11,530,300 thousand respectively, and the repayment amounted to \$12,667,734 thousand and \$9,298,111 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 Originally Issued in Chinese)
WAN HAI LINES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(o) Bonds payable

2019.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bond-2014 first domestic bond issue	TWD	1.95%	2021/08/14	\$ 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
Unsecured bank-2019 first domestic bond issue	TWD	0.95%~1.05%	2022/06/18- 2024/06/18	4,800,000
Unsecured bank-2019 Second domestic bond issue	TWD	0.97%~1.07%	2024/10/07- 2026/10/07	3,200,000
Total				<u><u>\$ 13,900,000</u></u>
Current				\$ -
Non-current				<u>13,900,000</u>
Total				<u><u>\$ 13,900,000</u></u>

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><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>

1. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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-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 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 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.

3. 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 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 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.

4. Unsecured bond-2019 first domestic bond issue

The Company issued an unsecured corporate bond in June 2019. It was the Company's first domestic bond issue in 2019 and was effective upon submission to the regulatory authority on June 6, 2019. The issuance terms were as follows:

1) Issue amount

TWD4,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD1,500,000 thousand and series B amounting to TWD3,300,000 thousand.

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

The issuance dates are June 18, 2019; the maturity periods for series A and B are three and five years, respectively.

4) Issued price: at par value

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

5) Nominal interest rate

1) Series A: 0.95%

2) Series B: 1.05%

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 TDCC.

9) Trustee

The trustee is Jih Sun International 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

Jih Sun International Bank Ltd., Xinyi 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 under writer.

12) Announcement

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

5. Unsecured bond-2019 second domestic bond issue

The Company issued an unsecured corporate bond in October 2019. It was the Company's second domestic bond issue in 2019 and was effective upon submission to the regulatory authority on September 27, 2019. The issuance terms were as follows:

1) Issue amount

TWD3,200,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD1,200,000 thousand and series B amounting to TWD2,000,000 thousand.

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

The issuance dates are October 17, 2019; the maturity periods for series A and B are five and seven years, respectively.

4) Issued price: at par value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5) Nominal interest rate

1) Series A: 0.97%

2) Series B: 1.07%

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 TDCC.

9) Trustee

The trustee is Jih Sun International 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

Jih Sun International Bank Ltd., Xinyi Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

11) Underwriter: Master Link Securities Corporation is the primary under writer.

12) Announcement

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

(p) Lease liabilities

The amounts of lease liabilities were as follows:

	2019.12.31
Current	\$ <u><u>916,441</u></u>
Non-current	\$ <u><u>4,212,545</u></u>

Please refer to note (6)(y) for the analyses of the due date.

For the year ended December 31, 2019, the Group's lease liabilities recognized as current financial liabilities for hedging were \$534,197 thousand, non-current financial liabilities for hedging were \$2,026,200 thousand, current lease liabilities were \$382,244 thousand, and non-current lease liabilities were \$2,186,345.

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ <u><u>122,161</u></u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u><u>43,190</u></u>
Expenses relating to short-term leases	\$ <u><u>4,201,861</u></u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u><u>914,551</u></u>

The amounts recognized in statement of cash flow were as follows:

	2019
Total cash outflow for leases	\$ <u><u>6,109,008</u></u>

1. Wharf, and container leases

As of December 31, 2019, the Group leases wharfs and containers for its operating needs. The leases of wharfs typically run for a period of 5 to 20 years, and of containers for 5 years.

Some payments for wharf leases depend on the variation of loading capacity, in addition, the Group has decided to apply recognition exemptions to some containers and not to recognize right-of-use assets and lease liabilities for short-term leases or leases of low-value assets.

2. Building leases

As of December 31, 2019, the Group leases buildings for its office space. The leases of office space typically run for a period for 1 to 20 years. Some leases depend on the fluctuations of local consumer price index; others are not recognized as right-of-use assets and lease liabilities, because the Group has decided to apply recognition exemptions for short-term leases or leases of low-value asset; yet others leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

3. Vessel leases

As of December 31, 2019, the Group leases vessels for its operating needs. The vessel leases are typically short-term leases that run within a year. The Group has decided to apply recognition exemptions for short-term leases or leases of low-value asset, and not to recognize right-of-use assets and lease liabilities.

4. Other leases

As of December 31, 2019, the Group leases other machinery or equipment for its operating needs. Some leases are typically short-term leases or leases of low-value asset that the Group has decided to apply recognition exemptions, and not to recognize right-of-use assets and lease liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(q) Operating leases

Non-cancellable operating lease rentals payable were as follows:

	2018.12.31
Less than one year	\$ 4,031,991
Between one and five years	4,596,818
More than five years	<u>2,193,160</u>
	<u>\$ 10,821,969</u>

(r) Employee benefits

1. Defined benefit plans

	2019.12.31	2018.12.31
Present value of defined benefit obligation	\$ 1,353,400	1,325,271
Fair value of plan assets	<u>(649,976)</u>	<u>(557,335)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 703,424</u>	<u>767,936</u>

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 \$649,976 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:

	2019	2018
Defined benefit obligation at January 1	\$ 1,325,271	1,405,434
Current service costs and interest cost	64,417	71,524
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	39,484	(304)
Benefit paid	<u>(75,773)</u>	<u>(151,383)</u>
Defined benefit obligation at December 31	<u>\$ 1,353,399</u>	<u>1,325,271</u>

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

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:

	2019	2018
Fair value of plan assets at January 1	\$ 557,335	582,772
Interest income	6,002	6,998
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	20,126	14,874
Contribution paid by employer	103,987	62,783
Benefit paid	(37,474)	(110,092)
Fair value of plan assets at December 31	<u><u>\$ 649,976</u></u>	<u><u>557,335</u></u>

4) Expenses recognized in profit or loss

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

	2019	2018
Current service costs	\$ 51,107	55,685
Net interest of net liabilities (assets) for defined benefit obligation	7,308	8,841
	<u><u>\$ 58,415</u></u>	<u><u>64,526</u></u>
	2019	2018
Operating costs	\$ 52,090	55,922
Selling expenses	6,325	8,604
	<u><u>\$ 58,415</u></u>	<u><u>64,526</u></u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2019	2018
Discount rate	0.74 %	1.03 %
Future salary increase rate	3.00 %	3.00 %

The Group will pay to the defined benefit plans which amounted to \$62,301 thousand within 1 year after the report day of 2019.

The weighted-average lifetime of the defined plans is 3~17 years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6) 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, 2019		
Discount rate	\$ (67,258)	72,786
Future salary increasing rate	64,107	(60,089)
December 31, 2018		
Discount rate	(67,492)	73,067
Future salary increasing rate	64,668	(60,583)

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 2019 and 2018.

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 \$54,904 and \$52,581 for the years ended December 31, 2019 and 2018, respectively.

3. The foreign Group's pension costs under the local law were \$49,132 thousand and \$53,586 thousand for the years ended December 31, 2019 and 2018, respectively.

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

(s) Income taxes

1. Income tax expense

The amount of income tax were as follows:

	<u>2019</u>	<u>2018</u>
Current income tax expense:		
Current period	\$ 222,893	209,208
Adjustment for prior periods	<u>12,095</u>	<u>(89,820)</u>
	<u>234,988</u>	<u>119,388</u>
Deferred tax expense (benefit):		
Change in tax rate	-	174,177
Origination and reversal of temporary differences	<u>732,499</u>	<u>346,504</u>
	<u>732,499</u>	<u>520,681</u>
Income tax expense from continuing operations	<u>\$ <u>967,487</u></u>	<u><u>640,069</u></u>

For the years ended December 31, 2019 and 2018, no income taxes were recognized in equity and other comprehensive income.

The amount of income tax recognized in other comprehensive income for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ <u>(7,739)</u></u>	<u><u>(5,392)</u></u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>\$ <u>(5,222)</u></u>	<u><u>794</u></u>

(English Translation of Consolidated Financial Statements 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 2019 and 2018 was as follows:

	2019	2018
Profit excluding income tax	\$ <u>4,555,193</u>	<u>1,777,307</u>
Income tax using the Company's domestic tax rate	\$ 911,039	355,461
Effect of tax rates in foreign jurisdiction	300,679	507,379
Change in tax rate	(2,299)	173,544
Non-deductible expense	559,216	655,950
Tax-exempt income	(854,738)	(966,824)
Tax incentive	(3,866)	(2,129)
Recognition of previously unrecognized tax losses	83	(389)
Current-year losses for which unrecognized deferred tax asset was recognized	6,318	882
Change in unrecognized temporary difference	35,434	7,219
Under (Over) provision in prior periods	15,981	(90,999)
Income tax credit	(296)	-
Others	(64)	(25)
Total	\$ <u>967,487</u>	<u>640,069</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 2019 and 2018 were as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2019	\$ 1,344,375	659,151	7,045	2,010,571
Debit (Credited) Income statement	506,555	205,319	13,337	725,211
Foreign currency translation difference for foreign operations	-	(584)	(83)	(667)
Balance at December 31, 2019	\$ <u>1,850,930</u>	<u>863,886</u>	<u>20,299</u>	<u>2,735,115</u>
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>

(English Translation of Consolidated Financial Statements 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, 2019	\$ 91,086	347,575	91,360	530,021
(Debit) Credited Income statement	(20,964)	(83,214)	96,890	(7,288)
(Debit) Credited Other Comprehensive Income	7,739	-	5,222	12,961
Foreign currency translation difference	921	-	343	1,264
for foreign operations				
Balance at December 31, 2019	<u>\$ 78,782</u>	<u>264,361</u>	<u>193,815</u>	<u>536,958</u>
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	(367)	-	(59)	(426)
for foreign operations				
Balance at December 31, 2018	<u>\$ 91,086</u>	<u>347,575</u>	<u>91,360</u>	<u>530,021</u>

3. Examination and Approval

The Company's income tax returns through 2016 were examined and approved by the tax authority; and the application for the assessment of the annual income tax returns through 2017 had been submitted.

(t) Capital and other equity

As of December 31, 2019 and 2018, 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:

	2019.12.31	2018.12.31
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
The actual differences between the equity and the book value of subsidiaries' disposal	10,094	-
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 1,271,775</u>	<u>1,261,681</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2. Retained earnings

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

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

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

1) Legal reserve

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.

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

3) Earnings distribution

The earnings distribution for 2018 and 2017 was decided by the general meeting of shareholders held on June 18, 2019 and June 26, 2018, respectively.

The relevant dividend distribution to shareholders was as follows:

	2018		2017	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 0.60	<u>1,343,467</u>	0.50	<u>1,109,149</u>

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	Available-for-sale investments	Gains (losses) on hedging instrument	NCI	Total
Balance at January 1, 2019	\$ (604,711)	(205,989)	-	-	232,953	(577,747)
Net profit (loss)	-	-	-	-	14,003	14,003
Foreign currency translation differences	(738,004)	-	-	-	4,406	(733,598)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	5,613	-	-	-	5,613
Gains (losses) from changes in the fair value of the hedging instrument:- Exchange rate risk for anticipated transactions	-	-	-	27,540	-	27,540
Gains (losses) from changes in fair value of the hedging instrument that will be reclassified to profit or loss:-Exchange rate risk for anticipated transactions	-	-	-	5,964	-	5,964
The actual differences between the equity and the book value of subsidiaries' disposal or purchase	(10,094)	-	-	-	-	(10,094)
Capital increase in subsidiaries non-controlling interest	-	-	-	-	450	450
Cash dividends from subsidiaries paid to non-controlling interest	-	-	-	-	(7,529)	(7,529)
Balance at December 31, 2019	<u>\$ (1,352,809)</u>	<u>(200,376)</u>	<u>-</u>	<u>33,504</u>	<u>244,283</u>	<u>(1,275,398)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for- sale investments	Gains (losses) on hedging instrument	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 subsidiaries non- controlling interest	-	-	-	-	7,684	7,684
Cash dividends from subsidiaries paid to non-controlling interest	-	-	-	-	(6,594)	(6,594)
Balance at December 31, 2018	<u>\$ (604,711)</u>	<u>(205,989)</u>	<u>-</u>	<u>-</u>	<u>232,953</u>	<u>(577,747)</u>

(u) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Basic earnings per share		
Profit attributable to common shareholders	\$ <u>3,573,703</u>	<u>1,117,906</u>
Weighted-average number of common shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>1.61</u>	<u>0.50</u>
Diluted earnings per share		
Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares)	\$ <u>3,573,703</u>	<u>1,117,906</u>
Weighted-average number of common shares	2,218,297	2,218,297
Effects of employee stock compensation	<u>2,685</u>	<u>1,469</u>
Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)	<u>2,220,982</u>	<u>2,219,766</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>1.61</u>	<u>0.50</u>

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

(v) Revenue from contracts with customers

1. Disaggregation of revenue

	2019	2018
Primary geographical markets:		
Asia	\$ 46,769,004	42,811,809
the Middle East	5,048,221	5,489,208
India	8,951,110	7,512,601
United States	5,639,126	6,043,470
South America	5,464,044	4,333,936
Red Sea	1,079,678	587,652
	<u><u>\$ 72,951,183</u></u>	<u><u>66,778,676</u></u>
Main service line:		
Freight	\$ 69,259,615	63,530,746
Rentals	2,268,423	1,937,705
WHL terminal	803,538	754,596
Other	619,607	555,629
	<u><u>\$ 72,951,183</u></u>	<u><u>66,778,676</u></u>

2. Contract balances

	2019.12.31	2018.12.31	2018.1.1
Notes receivable	\$ 39,735	29,636	25,430
Accounts receivable	2,207,133	2,862,054	2,303,972
Less: allowance for doubtful receivables	(358)	(358)	(358)
Total	<u><u>\$ 2,246,510</u></u>	<u><u>2,891,332</u></u>	<u><u>2,329,044</u></u>
Contract assets	<u><u>\$ 733,689</u></u>	<u><u>751,084</u></u>	<u><u>637,649</u></u>
Contract liabilities (recognized as other current liabilities)	<u><u>\$ 223,257</u></u>	<u><u>557,368</u></u>	<u><u>252,606</u></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.

(w) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018, the Group estimated its employee remuneration amounting to \$45,316 thousand and \$17,045 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 2019 and 2018. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(x) Non-operating income and expenses

1. Other revenue

The details of other revenue for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income from bank deposit	\$ 186,199	247,999
Dividend revenue	210,980	193,014
	\$ 397,179	441,013

2. Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Foreign exchange gains (losses)	\$ 310,426	130,717
Impairment loss of investments	(19,016)	-
Gains on financial assets at fair value through profit or loss	365,273	91,048
Gains on disposal of property, plant and equipment	1,119,393	512,526
Other gains (losses)	55,659	37,773
	\$ 1,831,735	772,064

3. Finance costs

The details of finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense:		
Bank loan	\$ 423,606	405,311
Bonds payable	127,899	139,825
Commercial paper	18,794	20,209
Lease liabilities	122,161	-
	\$ 692,460	565,345

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

(y) 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(g). 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:

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2019							
Non-derivative financial liabilities							
Short-term borrowings	\$ 70,000	70,250	70,250	-	-	-	-
Secured bank loans	11,513,091	12,154,805	1,533,258	1,589,146	3,394,879	5,519,652	117,870
Unsecured bank loans	1,487,889	1,547,963	142,120	380,555	503,781	521,507	-
Commercial paper	2,729,753	2,764,750	9,621	9,739	2,745,390	-	-
Account payables (including related parties)	8,124,379	8,124,379	8,124,379	-	-	-	-
Other payables	2,536,977	2,536,977	2,536,977	-	-	-	-
Payables to agents	12,563	12,563	12,563	-	-	-	-
Bonds payable	13,900,000	14,523,650	116,850	48,640	3,965,490	8,371,270	2,021,400
Lease liabilities (partial recognized as financial liabilities for hedging)	5,128,986	5,575,648	490,338	438,414	830,352	2,151,053	1,665,491
Guarantee deposits	670,292	670,292	670,292	-	-	-	-
	\$ 46,173,930	47,981,277	13,706,648	2,466,494	11,439,892	16,563,482	3,804,761

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
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>

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:

	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	316,562	29.99	9,493,680	315,042	30.74	9,682,831
CNY	805,005	4.30	3,465,507	716,758	4.49	3,215,055
JPY	12,445,782	0.28	3,434,702	7,780,315	0.28	2,166,407
INR	678,829	0.42	285,487	678,179	0.44	297,854
HKD	68,333	3.85	263,158	146,071	3.92	573,204
Non-monetary items						
VND	396,752,400	0.0013	513,446	-	-	-
Financial liabilities						
Monetary items						
USD	464,195	29.99	13,921,222	337,786	30.74	10,381,861
JPY	9,615,799	0.28	2,653,702	3,356,381	0.28	934,575
CNY	309,164	4.30	1,330,936	263,608	4.49	1,182,425
HKD	281,868	3.85	1,085,502	115,279	3.92	609,337
MYR	42,049	7.32	307,947	34,137	7.39	252,272

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A strengthening (weakening) of 1% of the TWD against the USD, HKD and JPY etc. as at December 31, 2019 and 2018, would have increased (decreased) the net profit before tax by \$1,522 thousand and \$22,519 thousand, respectively. For 2019, the cash flow hedge would have increased (decreased) the equity by \$20,470 thousand. This analysis assumes that all other variables remain constant, and is performed on the same basis for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$310,426 thousand and \$130,717 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 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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1%, the Group's net profit before tax would have increased or decreased by \$153,010 thousand and \$189,711 thousand, respectively, for the years ended December 31, 2019 and 2018 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, 2019 and 2018, 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:

Prices of securities at the reporting date	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 32,264	23,744	26,181	18,763
Decreasing 1%	(32,264)	(23,744)	(26,181)	(18,763)

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 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 lease liability, disclosure of fair value information is not required:

	December 31, 2019				
	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	\$ 2,958,241	2,958,241	-	-	2,958,241
Non-derivative financial assets mandatorily measured at fair value through profit or loss—domestic emerging stocks	9,812	9,812	-	-	9,812
Non-derivative financial assets mandatorily measured at fair value through profit or loss—bond investment	1,157,131	-	-	1,157,131	1,157,131
Sub-total	<u>4,125,184</u>	<u>2,968,053</u>	<u>-</u>	<u>1,157,131</u>	<u>4,125,184</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	2,712,827	2,712,827	-	-	2,712,827
Foreign listed stocks	513,571	513,571	-	-	513,571
Unquoted equity instrument measured at fair value	469,985	-	-	469,985	469,985
Sub-total	<u>3,696,383</u>	<u>3,226,398</u>	<u>-</u>	<u>469,985</u>	<u>3,696,383</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	15,479,460	-	-	-	-
Notes receivable	39,735	-	-	-	-
Accounts receivable	2,206,775	-	-	-	-
Contract assets	733,689	-	-	-	-
Other receivable	1,197,291	-	-	-	-
Receivables from agents	939,080	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	288,112	-	-	-	-
Sub-total	<u>20,884,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,705,709</u>	<u>6,194,451</u>	<u>-</u>	<u>1,627,116</u>	<u>7,821,567</u>

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

		December 31, 2019				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	70,000	-	-	-	-
Accounts payable		8,124,379	-	-	-	-
Other payables		2,536,977	-	-	-	-
Lease liabilities (including financial liabilities for hedging)		5,128,986	-	-	-	-
Payables to agents		12,563	-	-	-	-
Bonds payable (including current portion)		13,900,000	-	-	-	-
Long-term borrowings (including current portion)		15,730,733	-	-	-	-
Guarantee deposits received (recognized as other current liabilities and other non-current guarantee deposits received)		670,292	-	-	-	-
Total	\$	<u>46,173,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		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>

(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						
		Fair value				
		Book value	Level 1	Level 2	Level 3	Total
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 receivables		1,382,358	-	-	-	-
Receivables from agents		834,068	-	-	-	-
Guarantee deposits paid		264,606	-	-	-	-
(recognized as other current assets and other non-current assets)						
Sub-total		19,542,030	-	-	-	-
Total	\$	26,051,308	4,963,493	-	1,545,785	6,509,278
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	60,000	-	-	-	-
Accounts payable		7,644,956	-	-	-	-
Other payables		2,692,144	-	-	-	-
Payable 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	-	-	-	-
(recognized as other current liabilities and other non-current guarantee deposits received)						
Total	\$	37,386,577	-	-	-	-

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

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, 2019 and 2018, there were no transferring of fair value hierarchy.

4) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income	
	Non-derivative measured at fair value through profit or loss (held-for-trading financial assets)	Unquoted equity instruments	Total
Opening balance, January 1, 2019	\$ 1,127,838	417,947	1,545,785
Total gains and losses recognized:			
In profit or loss	29,293	-	29,293
In other comprehensive income	-	52,038	52,038
Ending balance, December 31, 2019	\$ 1,157,131	469,985	1,627,116

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

	Fair value through profit or loss	Fair value through other comprehensive income	
	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, 2019 and 2018, 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:

	2019	2018
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	29,293	71,208
In other comprehensive income, and presented in “unrealized gains or losses on financial assets at fair value through other comprehensive income”	52,038	(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”.

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 (2.8401% and 2.6803% on December 31, 2019 and December 31, 2018)	The estimated fair value would increase (decrease) if the liquidity adjusted discount rate were lower (higher).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income — Unlisted equity investments	Comparable trading company method	· Liquidity-adjusted discount rate (28% on December 31, 2019 and December 31, 2018, respectively) · Price-to-book ratio (0.81 and 0.76 on December 31, 2019 and December 31, 2018, respectively) · EBITDA multiplier (9.68 and 7.73 on December 31, 2019 and December 31, 2018, respectively)	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:

		Positive and negative changes	Profit or loss		Other comprehensive income	
	Input		Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets at fair value through profit or loss						
Bond investment without an active market	Discount rate	1%	\$ 11,909	(11,909)	-	-
Financial assets at fair value through other comprehensive income						
Unlisted equity investment	Discount rate	1%	-	-	6,528	(6,528)
Unlisted equity investment	Price-to-book ratio multiplier	1%	-	-	4,567	(4,567)
Unlisted equity investment	EBITDA multiplier	1%	-	-	121	(121)
			\$ 11,909	(11,909)	11,216	(11,216)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Input	Positive and negative changes	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
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>

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.

(z) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 \$11,953,995 thousand and \$8,467,557 thousand, as of December 31, 2019 and 2018.

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 TWD and US Dollars (USD). The currencies used in these transactions are denominated in TWD, USD.

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

2) Interest rate risk

The Group adopts a policy of ensuring that 48.48% 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.

(aa) 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:

	2019.12.31	2018.12.31
Total liabilities	\$ 51,255,787	42,219,945
Less: Cash and cash equivalents	<u>(15,479,460)</u>	<u>(13,418,582)</u>
Net debt	<u>\$ 35,776,327</u>	<u>28,801,363</u>
Total equity	<u>\$ 36,348,465</u>	<u>34,817,405</u>
Debt-to-equity ratio	<u>98.43 %</u>	<u>82.72 %</u>

The increase in the debt-to-capital ratio on December 31, 2019 was mainly due to the increase in total liabilities resulting from the application of IFRS 16 "Leases".

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

(ab) 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 year ended December 31, 2019 were as follows:

1. Acquired right-of-use assets through leasing, please refer to notes (6)(j).

The Group had no investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities were as follows:

				Non-cash changes		
	2019.1.1	Cash flows	Others	Foreign exchange movement	Fair value changes	2019.12.31
Long-term borrowings	\$ 19,410,980	(3,445,632)	-	(234,615)	-	15,730,733
Short-term borrowings	60,000	10,000	-	-	-	70,000
Bonds payable	6,900,000	(1,000,000)	-	-	-	5,900,000
Lease liabilities (some recognized as financial liabilities for hedging)	5,463,590	(949,405)	614,801	-	-	5,128,986
Total liabilities from financing activities	<u>\$ 31,834,570</u>	<u>(5,385,037)</u>	<u>614,801</u>	<u>(234,615)</u>	<u>-</u>	<u>26,829,719</u>

				Non-cash changes		
	2018.1.1	Cash flows	Others	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	11,400,000	(4,500,000)	-	-	-	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>

(7) Related-Party Transactions

(a) Names and relationship with related parties

Name of related party	Relationship with the Company^t
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 (UAE) LLC. (WHL UAE)	An associate
Qingdao port & Win International Logistics Co., Ltd.	Joint Venture
Asia Pacific Logistics International Co., Ltd. (APLI)	Related party in substance
New World Container services Corporation	Subsidiary of APLI
Universal Checker Co., Ltd.	Related party in substance
Express Container Terminal Corp. (ECTC)	Related party in substance

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

WAN HAI LINES LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of related party	Relationship with the Company
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 APLI
AP PETROLEUM BUSINESS CO., LTD.	Subsidiary of APLI
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. (IAL(M))	Related party in substance
AP INT'L TRAVEL SERVICE CO., LTD.	Subsidiary of APLI
New Speed Transportation & Terminal Co., Ltd. (NS)	Related party in substance
Alpha Total Solution Pte. Ltd.	Subsidiary of APLI
PHUC XUAN MARITIME SERVICE CO., LTD. (Phuc Xuan)	Joint Venture
TRANSTOTAL AGENCIA MARITIMA S.A.	Related party in substance

(b) Significant transactions with related parties

1. Sales to related parties:

	2019	2018
Other related parties	\$ 1,478,096	1,159,598
Joint venture	2,010	-
	<u>\$ 1,480,106</u>	<u>1,159,598</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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Consideration for services related to the entity:

	2019	2018
Associate	\$ 122,395	66,813
Other related parties	3,574,916	3,455,659
	\$ 3,697,311	3,522,472

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	2019.12.31	2018.12.31
Accounts receivable	Other related party	\$ 35,405	30,851
Other receivables	Associate	-	132
Other receivables	Joint Venture	-	602
Other receivables	Other related party	40,615	7,372
Receivables from agents	Other related party- WHL Japan	736,864	659,090
Receivables from agents	Associate	18,492	16,650
		\$ 831,376	714,697

4. Payables from related parties

Payable of the Group related parties were as follows :

Item	Related party categories	2019.12.31	2018.12.31
Accounts payable	Other related party	\$ 364,583	336,074
Accounts payable	Joint venture	6,343	5,668
Other payables	Other related party	11,614	6,880
Other current liabilities	Other related party	22,952	4,413
		\$ 405,492	353,035

5. Other related-party transactions

For the year ended December 31, 2018, the Group received payments of claims from related parties amounting to \$442 thousand.

For the years ended December 31, 2019 and 2018, the Group sold the property, plant and equipment amounting to \$238 thousand and \$443 thousand to the related party, and gains on disposal of it were \$191 thousand and \$431 thousand, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Leasing

In January 2019, the Group rented office buildings from its related enterprises to be used as its offices. 2-18-year lease contracts were signed, in which the rental fees were determined based on nearby office rental rates. The total value of the contracts was \$14,441 thousand. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized additional amounts of both \$9,665 thousand of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Group recognized the amount of \$441 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$8,681 thousand.

In January 2019, the Group rented containers from its related enterprise. A 12-year lease contract was signed. The total value of the contract was \$53,467 thousand. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized additional amounts of both \$48,765 thousand of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Group recognized the amount of \$1,190 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$49,728 thousand.

(c) Key management personnel remuneration

Key management personnel remuneration comprised:

	2019	2018
Shorts-term employee benefits	\$ 79,525	50,769
Post-employment benefits	<u>160</u>	<u>138</u>
	<u>\$ 79,685</u>	<u>50,907</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2019.12.31	2018.12.31
Time deposits (recorded in other current assets)	Registration of container storage and truck lease contract	\$ 6,542	6,135
Time deposits (recorded in other non-current assets)	Refundable deposits of harbor bureau and lease contract for wharf	106,565	69,365
Guarantee deposits paid (recorded in other non-current assets)	Lease contract for wharf, building lease contract and lawsuit	175,005	189,106
Terminal privileged wharf	Long-term loans	76,834	89,640
Containers	Long-term loans	10,651,838	6,218,080
Vessels	Long-term loans	11,965,572	14,786,002
Buildings	Long-term loans	<u>14,069</u>	<u>14,623</u>
		<u>\$ 22,996,425</u>	<u>21,372,951</u>

(English Translation of Consolidated Financial Statements 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 December 31, 2019, the lease deposit amounted to ¥255,775,000 (TWD 70,594 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, 2019, the total amount claimed to the Group is approximately \$52,995 thousand, and the related cases are under negotiation or under trial.

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events

(a) The Group purchased 2,262 thousand shares of Delta Electronics, Inc. and 4,528 thousand shares of Chunghwa Telecom Co., Ltd. which amounted to \$287,967 and \$489,351 thousand and recognized as current financial assets at fair value through profit and loss and non-current financial assets at fair value through other comprehensive income respectively, as of the issuance date of this financial report.

(b) On March 2, 2020, The Group decided to purchase two feeder boxships each having a volume of 11,923 TEUs, from Pacific International Lines (Private) Limited, costing \$185,000 thousand, for the development of its business.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(12) Others

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

By item	By function	2019			2018		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		2,188,840	2,172,873	4,361,713	2,135,302	1,977,630	4,112,932
Labor and health insurance		26,795	224,309	251,104	25,648	206,953	232,601
Pension		67,855	94,596	162,451	70,894	99,799	170,693
Remuneration of directors		-	55,534	55,534	-	28,015	28,015
Others employee benefits		166,553	87,335	253,888	159,249	84,216	243,465
Depreciation		5,070,626	212,777	5,283,403	4,016,637	107,479	4,124,116
Amortization		2,668	52,363	55,031	784	45,653	46,437

(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, 2019:

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	7,703,250	7,703,250	-	-	1	-	Note 4	-	Promissory note	7,703,250	13,387,521	14,441,673
1	WHL INTL.	WHL India	Other receivable related	Yes	146,362	146,362	115,549	4.5%	1	-	Note 3	-	Promissory note	146,362	151,975	151,975
2	WHL Singapore	Yi Chun	Other receivable related	Yes	92,418	92,418	53,676	3.36~4.01 %	1	-	Note 4	-	Promissory note	92,418	10,710,017	10,710,017

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

Note 5: Financing amount shall not exceed 40 percent of the lending company's net worth and the following:

- Individual funding loan limits of financing for single borrower who has business with the lending company cannot exceed the total transaction amount of the current year.
- Individual funding loan limits for short-term borrower cannot exceed the lower of 40 percent of the lending company's net worth or 50 percent of borrower's net worth.
- An individual loaned amount between the foreign companies whose voting shares are wholly owned by the Company directly or indirectly, or the foreign companies whose voting shares are wholly owned by the Company directly or indirectly to the Company, shall not exceed 40 percent of the lending company's net worth.

Note 6: Eliminated in the consolidated financial statement.

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

2. Guarantees and endorsements for other parties:

(In thousands of TWD)

Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	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	28,883,345	24,269,896	22,657,179	11,839,040	-	62.76 %	72,208,363	Y	N	N
0	The Company	TK	2	28,883,345	27,580	9,193	9,193	-	0.03 %	72,208,363	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.

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, 2019 (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	8,296,579	362,146	- %	362,146	- %	
"	Formosa Plastics Corporation	-	"	376,288	37,554	- %	37,554	- %	
"	Formosa Chemicals & Fibre Corporation	-	"	245,480	21,479	- %	21,479	- %	
"	Tainan Spinning Co., Ltd.	-	"	3,498,898	36,738	- %	36,738	- %	
"	China Steel Corporation	-	"	2,291,162	54,759	- %	54,759	- %	
"	Delta Electronics, Inc.	-	"	1,608,000	243,612	- %	243,612	- %	
"	Hon Hai Precision Ind. Co., Ltd.	-	"	93,440	8,484	- %	8,484	- %	

(English Translation of Consolidated Financial Statements 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	Domestic listed stocks:								
	Transcend Information, Inc.	-	Financial assets at fair value through profit or loss-current	89,111	6,942	- %	6,942	- %	
	Amtran Technology Co., Ltd.	-	"	984,058	10,480	- %	10,480	- %	
	Yang Ming Marine Transport Corp.	-	"	957,526	6,904	- %	6,904	- %	
	China Airlines Ltd.	-	"	23,753,862	215,210	- %	215,210	- %	
	Chinese Maritime Transport Ltd.	-	"	435,050	12,943	- %	12,943	- %	
	Mega Financial Holding Co., Ltd.	-	"	10,758,646	329,214	- %	329,214	- %	
	Taishin Financial Holding Co., Ltd.	-	"	20,215,416	293,123	- %	293,123	- %	
	First Financial Holding Co., Ltd.	-	"	14,643,234	347,045	- %	347,045	- %	
	Kinsus Interconnect Technology Corp.	-	"	334,627	17,334	- %	17,334	- %	
	Shih Wei Navigation Co., Ltd.	-	"	678,680	5,497	- %	5,497	- %	
	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	30,023,845	622,995	- %	622,995	- %	
	Taiwan Secom Co., Ltd.	-	"	2,419,000	214,807	- %	214,807	- %	
	The Eslite Spectrum Corporation	-	"	965,000	110,975	- %	110,975	- %	
	Domestic Emerging stocks:								
"	Tigerair Taiwan	-	Financial assets at fair value through profit or loss-current	195,997	9,812	0.10 %	9,812	- %	
				-	-	- %	-	- %	
	Shihlin Paper Corporation	Related party in substance	Financial assets at fair value through other comprehensive income-non-current	5,419,088	183,707	2.08 %	183,707	- %	
	Chunghwa Telecom Co., Ltd.	-	"	22,992,000	2,529,120	- %	2,529,120	- %	
"	Domestic unlisted stocks:								
	Taipei Port Container Terminal Corp.	Related party in substance	"	79,315,476	456,743	15.25 %	456,743	- %	
"	United Stevedoring Corporation	-	"	781,250	13,242	15.63 %	13,242	- %	

(English Translation of Consolidated Financial Statements 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		
WHL Singapore	Foreign listed stocks: Da Nang Port Joint Stock Company	-	Financial assets at fair value through other comprehensive income-non-current	20,038,000	513,571	20.24 %	513,571	- %	
The Company	Bond Royal Bank of Scotland PLC	-	Financial assets at fair value through profit or loss-non-current	-	1,157,131	- %	1,157,131	- %	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Price	Cost	Disposal gain (loss)	Shares/ Units	Amount
WHL Singapore	Da Nang Port Joint Stock Company	Financial assets at fair value through other comprehensive income — non-current	-	-	-	-	20,038,000	536,497	-	-	-	-	20,038,000	513,571

Note 1: Includes valuation adjustments on financial assets.

5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid in capital:

Name of Company	Name of property	Transaction/ Occurrence date	Transaction amount	Conditions of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose for obtaining and usage status	Notes
							Owner	Relationship with the Company	Transfer date	Amount			
The Company	Land and building	108.5.13	1,420,000	Paid	Lungyen Life Service Corporation	Not related party	-	-	-	-	Market value and appraisal report	For development	None

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

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

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	Taipei Port	Corporate director of the company	Container fee, terminal handling charges	816,988	1.47 %	30 days	-	-	-	- %	

(English Translation of Consolidated Financial Statements 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	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	381,405	0.68 %	30 days	-	-	(30,872)	0.41 %	Note 2
"	WHL-Singapore	Subsidiary	Rent income, commission revenue, shipping agent revenue	(3,218,718)	5.45 %	"	-	-	-	- %	Note 2
"	WHL-Singapore	Subsidiary	Vessel rental expense, Oil expense	6,002,973	10.77 %	"	-	-	(129,704)	1.72 %	Note 2
"	WHL Hongkong	Subsidiary	Commission fee	805,703	1.45 %	"	-	-	(808,094)	10.74 %	Note 2
"	WHL (Japan)	Same director with the company	Commission fee	249,657	0.45 %	"	-	-	-	- %	
"	IAL Singapore	Related party in substance	Joint venture revenue, container rental revenue, shipping agent revenue, ship rental revenue	(1,062,835)	1.80 %	"	-	-	11,598	0.32 %	
"	IAL Singapore	Related party in substance	Joint venture expense, container rental expense	334,277	0.60 %	"	-	-	-	- %	
"	Hyaline	Same director with the company	Commission fee	623,001	1.12 %	"	-	-	-	- %	
"	NSTC	Related party in substance	Tow charge	524,959	0.94 %	"	-	-	(38,633)	0.51 %	
"	APLI	Related party in substance	Container fee	317,754	0.57 %	"	-	-	(9,208)	0.12 %	
"	WCIC	Related party in substance	Turnkey charges, terminal handling charge	160,916	0.29 %	"	-	-	(18,520)	0.25 %	
"	NSaTC	Related party in substance	Tow charge, container fee	127,919	0.23 %	"	-	-	(7,809)	0.10 %	
"	WHL Malaysia	Subsidiary	Commission fee	117,895	0.21 %	"	-	-	-	- %	Note 2
"	New World Container Services Corporation	Related party in substance	Container fee	115,240	0.21 %	"	-	-	(9,980)	0.13 %	

(English Translation of Consolidated Financial Statements 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	T.k. Logistics International Co., Ltd.	Subsidiary	Container fee, service fee, terminal handling fee	121,343	0.22 %	30 days	-	-	(15,522)	0.21 %	Note 2
"	WHL Korea	Subsidiary	Commission fee	108,305	0.19 %	"	-	-	-	- %	Note 2
"	WHL Thailand	Subsidiary	Commission fee	103,542	0.19 %	"	-	-	(190,231)	2.53 %	Note 2
WHL-Singapore	The Company	Subsidiary	Rent expense, commission fee, shipping agent expense	3,218,718	15.74 %	"	-	-	-	- %	Note 2
"	The Company	Subsidiary	Vessel rental revenue, oil revenue	(6,002,973)	24.34 %	"	-	-	129,704	6.00 %	Note 2
WHL Hongkong	The Company	Subsidiary	Commission income	(805,703)	93.45 %	"	-	-	808,094	100.00 %	Note 2
k.k. WH Corporation	The Company	Subsidiary	Terminal port revenue, rent revenue	(381,405)	98.79 %	"	-	-	30,872	70.97 %	Note 2
WHL Malaysia	The Company	Subsidiary	Commission income	(117,895)	99.92 %	"	-	-	-	- %	Note 2
WHL Korea	The Company	Subsidiary	Commission income	(108,305)	100.00 %	"	-	-	-	- %	Note 2
T.k. Logistics International Co., Ltd.	The Company	Subsidiary	Container revenue, service revenue, terminal handling revenue	(121,343)	49.55 %	"	-	-	15,522	58.90 %	Note 2
WHL Thailand	The Company	Subsidiary	Commission income	(103,542)	97.35 %	"	-	-	190,231	95.51 %	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	WHL Malaysia	Subsidiary	125,198	- %	-		125,198	-
"	WHL Japan	Coporate director of the Company	736,864	- %	-		716,989	-
"	WHL India	Subsidiary	249,127	- %	-		245,303	-
"	LUEN CHUN	Subsidiary	699,944	- %	-		600,365	-
WHL-HongKong	The Company	Subsidiary	808,094	- %	-		438,637	-
WHL-Singapore	The Company	Subsidiary	129,704	- %	-		129,704	-
WHL-Thailand	The Company	Subsidiary	190,231	- %	-		190,231	-
Bao Sheng	The Company	Subsidiary	135,406	- %	-		132,822	-

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

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 2019			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets (Note 3)
0	The Company	WHL-Hongkong	1	Commission fee	805,703	No significant differences	1.10 %
0	"	WHL-Singapore	1	Rent income, commission revenue, shipping agent revenue	3,218,718	"	4.41 %
1	WHL-Singapore	The Company	2	Vessel rental revenue, oil revenue	6,002,973	"	8.23 %

Note 1: numbers denote the following:

1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note 3: The disclosed amounts are above 1% of total assets for balance sheet accounts or 1% of total operating revenue for income statement accounts of the Group.

(b) Information on investees

For the year ended December 31, 2019, 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	21,983,099	21,546,395	979,399,234	100.00 %	30,538,179	100.00 %	2,119,271	2,748,242	Subsidiary (Note 2 · 3)
"	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	-	401,460	-	- %	-	100.00 %	6,324	6,324	Subsidiary (Note 3 · 4)
"	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	21,819	100.00 %	3,782	3,782	Subsidiary (Note 3)
"	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	1,533	100.00 %	(503)	(503)	Subsidiary (Note 1 · 3)
"	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	419,869	21.33 %	614,096	130,987	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 %	149,290	55.00 %	8,501	4,676	Subsidiary (Note 3)
"	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01 %	41,821	70.01 %	9,159	6,413	Subsidiary (Note 3)
"	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	598,211	598,211	-	16.50 %	539,413	16.50 %	(107,160)	(20,607)	Associate (Note 1)

(English Translation of Consolidated Financial Statements 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				
WHL-Singapore	Wan Hai Lines (Phils.), Inc.	Philippines	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	13,740	100.00 %	(146)	(146)	Indirect subsidiary (Note 3)
"	Wan Hai Lines (H.K.) Limited	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	3,103,897	100.00 %	456,132	456,132	Indirect subsidiary (Note 3)
"	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	79,836	100.00 %	(2,632)	(2,632)	Indirect subsidiary (Note 3)
"	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	14,991	100.00 %	6,172	6,172	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	36,577	100.00 %	10,699	10,699	Indirect subsidiary (Note 3)
"	Wan Hai International Pte. Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	630,172	100.00 %	49,769	49,769	Indirect subsidiary (Note 3)
"	Wan Hai Lines (Thailand) Ltd.	Thailand	Transportation and shipping agency services	2,805	2,805	29,400	49.00 %	67,476	49.00 %	9,753	4,779	Indirect subsidiary (Note 3)
"	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	44,972	100.00 %	12,773	12,773	Indirect subsidiary (Note 1 + 3)
"	HE CHUN LOGISTICS COMPANY LTD.	Vietnam	ODD operations	60,857	60,857	-	100.00 %	74,576	100.00 %	14,688	14,688	Indirect subsidiary (Note 1 + 3)
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	1,942	1,000	211,860	99.00 %	14,059	99.00 %	12,154	6,163	Indirect subsidiary (Note 3)
"	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	9,247	51.00 %	14,097	7,189	Indirect subsidiary (Note 3)
"	PHUC XUAN MARITIME SERVICE CO.,LTD.	Vietnam	Container yard business	9,186	-	-	49.00 %	10,496	49.00 %	3,266	1,600	Associate (Note 1)
"	Bravely International Pte. Ltd.	Singapore	Transportation and investment	413,778	413,778	18,332,701	100.00 %	(78,227)	100.00 %	(170,676)	(170,676)	Indirect subsidiary (Note 3)
"	WAN HAI LINES (USA) LTD.	America	Transportation and shipping agency services	437,514	4,469	284,381	100.00 %	435,776	100.00 %	8,885	8,885	Indirect subsidiary (Note 3)
"	Wan Hai Shipping Limited	Myanmar	Transportation and shipping agency services	1,075	-	35,000	70.00 %	1,036	70.00 %	(67)	(47)	Indirect subsidiary (Note 3)
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	34,758	49.00 %	69,007	33,814	Associate
"	Infinite Marine Investment Co., Ltd.	Cayman	Investment	173,463	173,463	5,550,000	100.00 %	(1,697)	100.00 %	(1,013)	(1,013)	Indirect subsidiary (Note 3)
"	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	125,588	100.00 %	50,286	50,286	Indirect subsidiary (Note 3)
"	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	20	-	2,140	1.00 %	142	1.00 %	12,154	121	Indirect subsidiary (Note 3)
WHL Hongkong	Dawin Logistics (International) Limited	Hong Kong	Managing container, storage and logistics services	570,480	570,480	144,640,000	100.00 %	907,136	100.00 %	20,042	20,042	Indirect subsidiary (Note 3)
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Myanmar	House rental and management services	127,584	127,584	4,000,000	80.00 %	89,889	80.00 %	(6,054)	(4,843)	Indirect subsidiary (Note 3)
WAN HAI LINES (USA) LTD.	Wan Hai Lines (Arizona) LLC.	America	House rental and management	359,760	359,760	-	100.00 %	372,790	100.00 %	6,500	6,500	Indirect subsidiary (Note 1 + 3)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Note 4: The liquidation process was completed in October 2019.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Peak Holding Percentage	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount							
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	2,076	100.00 %	100.00 %	2,076	23,599	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	7,164	100.00 %	100.00 %	7,164	773,276	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	(5,912)	49.00 %	49.00 %	(2,897)	(431)	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	3,567	100.00 %	100.00 %	3,567	66,981	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	(2,043)	90.00 %	90.00 %	(1,839)	23,782	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	287,330	(1)	-	-	-	-	6,256	50.00 %	50.00 %	3,128	119,237	-
Qingdao port & Win International Logistics Co., Ltd.	Container yard station	50,188	(1)	-	-	-	-	24,541	50.00 %	50.00 %	12,270	37,617	-

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	21,662,509

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

3. Significant transactions:

As of December 31, 2019, 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".

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

(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.

(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>2019</u>	<u>2018</u>
Revenue from external customers:		
Asia	\$ 46,769,004	42,811,809
the Middle East	5,048,221	5,489,208
India	8,951,110	7,512,601
America	5,639,126	6,043,470
South America	5,464,044	4,333,936
Red sea	<u>1,079,678</u>	<u>587,652</u>
Total	<u><u>\$ 72,951,183</u></u>	<u><u>66,778,676</u></u>
<u>By region</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Non-current assets:		
Asia	\$ 53,878,603	46,733,460
India	209,125	208,071
America	<u>325,362</u>	<u>349,428</u>
Total	<u><u>\$ 54,413,090</u></u>	<u><u>47,290,959</u></u>

Non-current assets include property, plant and equipment, investment property, intangible assets, right-of-use 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 from the past year and current year up to the annual report's publish date: None.



Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: TWD thousand; %

Item \ Year	2019	2018	Difference	
			Amounts	%
Current assets	27,514,862	23,652,827	3,862,035	16.33
Property, Plant and Equipment	43,728,724	43,419,203	309,521	0.71
Right-of-Use	5,097,810		5,097,810	N/A
Intangible Assets	77,322	95,730	(18,408)	(19.23)
Other Assets	11,185,534	9,869,590	1,315,944	13.33
Total Assets	87,604,252	77,037,350	10,566,902	13.72
Current Liabilities	16,722,195	20,827,805	(4,105,610)	(19.71)
Non-current Liabilities	34,533,592	21,392,140	13,141,452	61.43
Total Liabilities	51,255,787	42,219,945	9,035,842	21.40
Equity attributable to owners of parent	36,104,182	34,584,452	1,519,730	4.39
Common Stock	22,182,975	22,182,975	0	0.00
Capital surplus	1,271,775	1,261,681	10,094	0.80
Retained Earnings	14,169,113	11,950,496	2,218,617	18.57
Other Equity	(1,519,681)	(810,700)	(708,981)	(87.45)
Treasury Stock	0	0	0	0.00
Non-Controlling Interest	244,283	232,953	11,330	4.86
Total stockholders' equity	36,348,465	34,817,405	1,531,060	4.40

Note: Illustration for significant variance

1. The increase in right-of-use was mainly due to the adoption of IFRS 16-Lease from 2019.
2. The increase in non-current liabilities was mainly due to the increase in lease liabilities.
3. The decrease in other equities was mainly due to the decrease 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	2019	2018	Difference	
			Amounts	%
Operating revenue	72,951,183	66,778,676	6,172,507	9.24
Operating cost	65,721,165	61,776,300	3,944,865	6.39
Gross profit	7,230,018	5,002,376	2,227,642	44.53
Operating expense	4,378,732	4,013,375	365,357	9.10
Operating income	2,851,286	989,001	1,862,285	188.30
Non-operating income and expenses	1,703,907	788,306	915,601	116.15
Net income before income tax	4,555,193	1,777,307	2,777,886	156.30
Income tax	967,487	640,069	327,418	51.15
Net income after income tax	3,587,706	1,137,238	2,450,468	215.48
Other comprehensive profit and loss (Net value after tax)	(706,100)	849,956	(1,556,056)	(183.08)
Total Comprehensive profit and loss from this period	2,881,606	1,987,194	894,412	45.01
Net earnings attributable to owners of parent	3,573,703	1,117,906	2,455,797	219.68
Net earnings attributable to non-controlling interest	14,003	19,332	(5,329)	(27.57)
Total comprehensive profit and loss attributable to owners of parent	2,863,197	1,967,988	895,209	45.49
Total comprehensive profit and loss attributable to non-controlling interest	18,409	19,206	(797)	(4.15)

Note: Illustration for significant variance

1. The increase in operating income was mainly due to increase in operating revenue.
2. The increase in non-operating income and expenses was mainly due to increase in gains on financial assets at fair value through profit or loss & gains on disposal of property, plant and equipment.
3. The decrease in other comprehensive profit and loss (net value after tax) was mainly due to decrease in foreign currency translation differences arising from foreign operations.

7.3 Analysis of cash flow

7.3.1 Analysis of short-term liquidity for the last two years

Items \ Year	2019	2018	Increase(Decrease)(%)
Cash flow ratio	47.97	24.03	+99%
Cash flow adequacy ratio	99.52	126.32	-21%
Cash re-investment ratio	5.59	3.61	+54%
Analysis of increase/decrease ratios: Net cash flow provided by operating activities increase resulted in the increase of cash flow ratio and cash re-investment ratio.			

7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
15,479,460	9,417,447	6,633,706	18,263,201	-	-

- Analysis of cash flow for this year:
 - Operating activities: Expected demand and the average ocean freight rate will have a minor correction, so the Company estimated that the cash inflow from operating activities is TWD 9,417,447 thousand.
 - 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 14,669,127 thousand.
 - 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 8,035,421 thousand.
- 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)				
				2019	2020	2021	2022	2023
Investing terminal	Loans	Investing terminal/Purchasing containers, vessels and office in Year 2019	30,596,456	4,673,812	15,957,229	7,138,104	2,827,311	0
Purchasing containers/ vessels/ office	Internal funds	Purchasing containers and vessels in Year 2020~2022						
	Financing from capital market							

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 167,453 thousand, 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

No significant change in interest rates in this year. And 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 40,079 thousand.

Studies conducted will cover the following subjects:

1. Optimal ships' routing with matched ship type
2. Introducing new services or adjusting existing ones in response to market changes
3. Expanding in India and its surrounding countries
4. Further developing in the South American West Coast market
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.

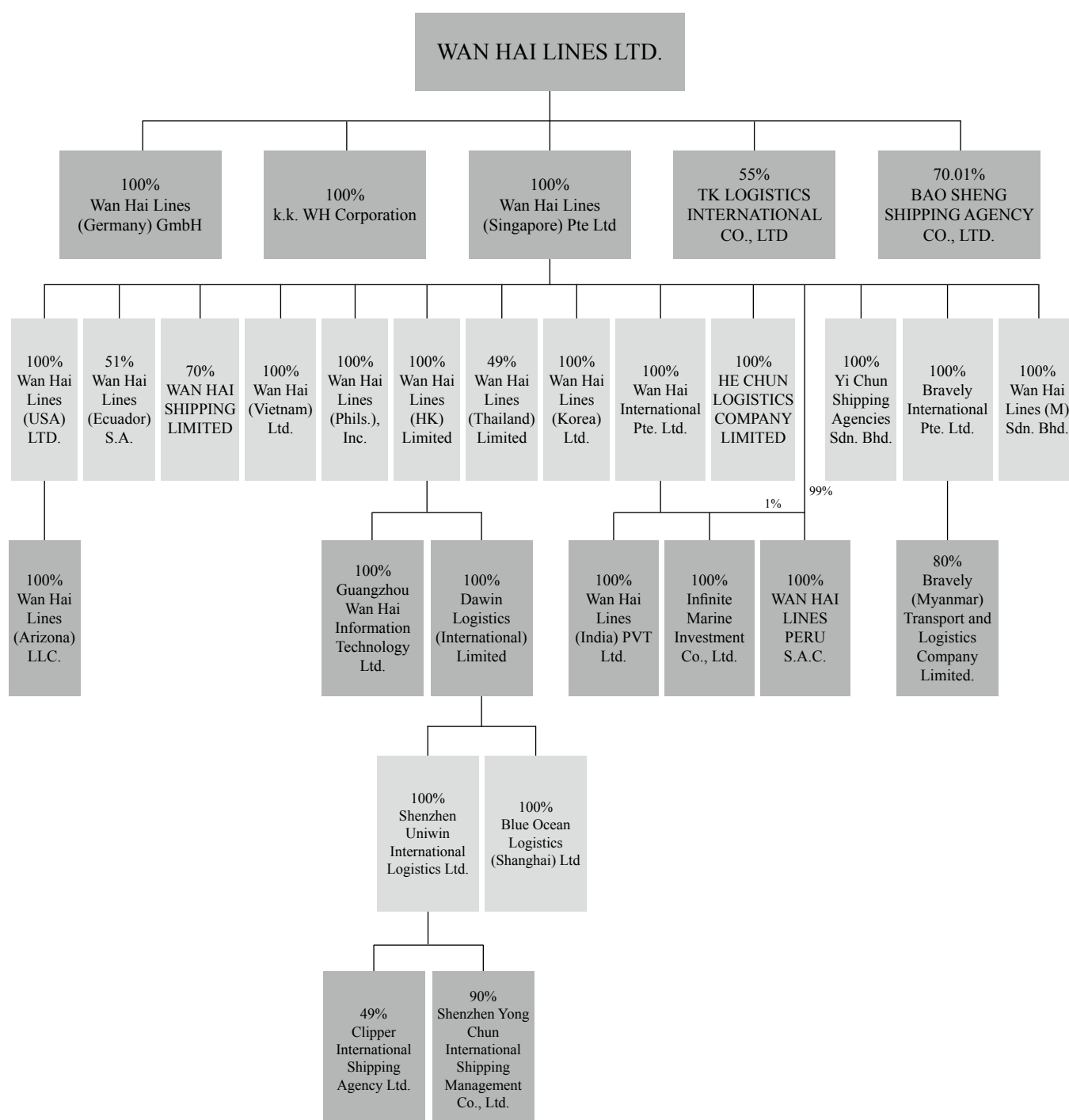


Special Disclosure

8.1 Related Parties Information

8.1.1 Consolidated Operation Report(2019/12/31)

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: 50.68/ 29.99	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (HK) Limited	1986.10.17	3F., Singga Commercial Centre,144-151. Connaught Road West, Hong Kong	160,000,000(HKD) EX rate: 7.7874/29.99	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (Singapore) Pte Ltd	1991.05.09	79, Anson Road #10-01 Singapore 079906	714,259,854.86(USD) EX rate: 29.99	International sea transportation, operations, agencies for transport affairs,leasing of vessels
Wan Hai Lines (M) Sdn. Bhd.	1992.02.28	K-2-06, Jalan PJU 1A/41B, Pusat Dagangan NZX, Ara Jaya,47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia	500,000(MYR) EX rate: 4.0950/29.99	International sea transportation, operations, agencies for transport affairs
Yi Chun Shipping Agencies Sdn. Bhd.	1992.10.30	K-2-06, Jalan PJU 1A/41B, Pusat Dagangan NZX, Ara Jaya,47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia	200,000(MYR) EX rate: 4.0950/29.99	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: 1155.64/ 29.99	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: 6.9664/29.99	International shipping management
Guangzhou Wan Hai Information Technology Ltd.	2000.07.13	20F, Baolizhongjing, 406 Huasui Rd., Guangzhou, China	2,125,450 (RMB) EX rate: 6.9664/29.99	Information and Software service
Wan Hai International Pte. Ltd.	2002.07.22	79, Anson Road #10-01 Singapore 079906	10,312,460 (SGD) EX rate: 1.3463/29.99	International sea transportation, operations, agencies for transport affairs
Bravely International Pte. Ltd.	2014.05.26	79, Anson Road #10-01 Singapore 079906	13,195,987.42(USD) EX rate:29.99	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:29.99	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: 71.31/ 29.99	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(JPY) EX rate: 108.67/ 29.99	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: 0.8921/29.99	International sea transportation, operations, agencies for transport affairs
Dawin Logistics (International) Limited	1980.11.18	2/F.,Singga Commercial Centre,144-151. Connaught Road,West, Hong Kong	144,640,000(HKD) EX rate: 7.7874/29.99	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	132,615,268 (RMB) EX rate: 6.9664/29.99	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: 6.9664/ 29.99	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: 6.9664/ 29.99	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: 29.84/29.99	International sea transportation, operations, agencies for transport affairs
Wan Hai (Vietnam) Ltd.	2012.07.02	Mezz Floor & 9th Floor,MB Sunny Tower,259 Tran Hung Dao st,1st Dist, HCM City, S.R Vietnam	6,300,000,000(VND) EX rate: 23174/ 29.99	International sea transportation, operations, agencies for transport affairs
HE CHUN LOGISTICS COMPANY LIMITED	2018.10.05	Floor 6, TD Business Center Building, 20A Le Hong Phong Street, Dong Khe Ward, Ngo Quyen District, Hai Phong City, Vietnam	46,000,000,000(VND) EX rate: 23174/ 29.99	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:1480/29.99	Haulage service and barge business
WAN HAI SHIPPING LIMITED	2019.01.16	Room(6), No.(30/A) , Yaw Min Gyi Street, Yaw Min Gyi Ward, Dagon Township, Yangon, Myanmar	76,170,000(MMK) EX rate: 1480/29.99	International sea transportation, operations, agencies for transport affairs
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:29.99	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES PERU S.A.C.	2015.05.14	CALLE ENRIQUE PALACIOS 335, OFC 205, MIRAFLORES, LIMA, PERU	214,000(PEN) EX rate: 3.3190/29.99	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:29.99	House rental and management services
Wan Hai Lines (USA) LTD.	2018.05.17	17200 N Perimeter Dr.,STE200,Scottsdale AZ 85255	14,219,059.77 (USD) EX rate:29.99	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 S. 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	979,399,234	100%
	Director	WH-TPE Representative Chih-Yuan Chen		
	Director	WH-TPE Representative Fei-Fei Chuang		
	Director	WH-TPE Representative Yi-Cheng Lin		
WAN HAI LINES PERU S.A.C.	Director	WH-SG Representative Randy Chen	214,000	100%
	Director	WH-SG Representative Meng-Chuan Chang		
	Director	WH-SG Representative Jen-Yang Yu		
Wan Hai International Pte. Ltd.	Director	WH-SG Representative Chih-Yuan Chen	10,312,460	100%
	Director	WH-SG Representative Fei-Fei Chuang		
	Director	WH-SG Representative Yi-Cheng Lin		

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%
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		

Company Name	Title	Name	Holding shares on current date	
			shares	%
k.k. WH Corporation	President	WH-TPE Representative Ching-Chih Chen	500	100%
	Vice President	WH-TPE Representative Jen-Kai Wu		
	Director	WH-TPE Representative Chao-Hon Chen		
	Director	WH-TPE Representative Fur-Lung Hsieh		
	Supervisor	WH-TPE Representative Mitsuru Ito		
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 Kwang-Ming Quek		
	Director	Sumate Lopinich	30,000	50%
	Director	Thanapol Thitipichetkul	600	1%
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		

Company Name	Title	Name	Holding shares on current date	
			shares	%
Wan Hai (Vietnam) Ltd.	Chairman	WH-SG Representative Fur-Lung Hsieh	-	100%
	Director	WH-SG Representative Jen-Kai Wu		
	Director	WH-SG Representative Jen-Yi Liao		
	Supervisor	WH-SG Representative Chih-Hsien Chen		
HE CHUN LOGISTICS COMPANY LIMITED	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-USA Representative Randy Chen	-	100%
	Director	WH-USA Representative Chih-Chao Chen		
	Director	WH-US Representative Fur-Lung Hsieh		
	Director	WH-US Representative Shen-Hsing Lo		
Wan Hai Lines (USA) LTD.	Director	WH-SG Representative Randy Chen	284,381	100%
	Director	WH-SG Representative Chih-Chao Chen		
	Director	WH-SG Representative Fur-Lung Hsieh		
	Director	WH-SG Representative Shen-Hsing Lo		
WAN HAI SHIPPING LIMITED	Chairman	Dr. Kyaw Win	15,000	30%
	Director	WH-SG Representative Fur-Lung Hsieh	35,000	70%
	Director	WH-SG Representative Li-Mei Su		
	Director	WH-SG Representative Jen-Kai Wu		
	Director	WH-SG Representative Yi-Cheng Lin		

6. Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD
2019.12.31

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 9,015,400.00)	366,199 (PHP 618,837,939.88)	352,459 (PHP 595,618,884.97)	13,740 (PHP 23,219,054.91)	45,246 (PHP 76,004,146.45)	(1,735) (PHP -2,913,761.59)	(146) (PHP -244,823.04)	N/A
Wan Hai Lines (HK) Limited	695,246 (HKD 160,000,000.00)	5,093,576 (HKD 1,322,631,297.66)	1,987,486 (HKD 516,083,503.99)	3,106,090 (HKD 806,547,793.69)	1,855,648 (HKD 471,476,544.96)	377,616 (HKD 95,943,339.15)	456,132 (HKD 115,892,331.77)	2.85 (HKD 0.72)
Guangzhou Wan Hai Information Technology Ltd.	7,922 (RMB 2,125,450.00)	30,107 (RMB 6,993,377.95)	6,508 (RMB 1,511,750.48)	23,599 (RMB 5,481,627.47)	70,487 (RMB 15,760,935.00)	2,829 (RMB 632,469.42)	2,076 (RMB 464,244.25)	N/A
Dawin Logistics (International) Limited	570,480 (HKD 144,640,000.00)	2,903,666 (HKD 753,984,945.34)	1,994,336 (HKD 517,862,364.36)	909,330 (HKD 236,122,580.99)	974,095 (HKD 247,494,743.14)	(15,452) (HKD -3,925,949.84)	20,042 (HKD 5,092,128.75)	0.14 (HKD 0.04)
Shenzhen Uniwin International Logistics Ltd.	644,016 (RMB 132,615,268.00)	2,787,992 (RMB 647,596,610.18)	2,012,522 (RMB 467,470,017.35)	775,470 (RMB 180,126,592.83)	733,246 (RMB 163,953,804.58)	(14,963) (RMB -3,345,617.18)	7,164 (RMB 1,601,876.25)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	29,068 (RMB 6,000,000.00)	35,978 (RMB 8,356,915.70)	9,554 (RMB 2,219,066.94)	26,424 (RMB 6,137,848.76)	43,732 (RMB 9,778,532.49)	(2,192) (RMB -490,123.54)	(2,043) (RMB -456,772.84)	N/A
Clipper International Shipping Agency Ltd.	4,070 (RMB 1,000,000.00)	1,931,884 (RMB 448,739,277.54)	1,932,764 (RMB 448,943,675.81)	(880) (RMB -204,398.27)	434,101 (RMB 97,064,874.90)	(12,745) (RMB -2,849,718.42)	(5,912) (RMB -1,321,887.69)	N/A
Wan Hai Lines (Singapore) Pte Ltd	21,983,099 (USD 714,259,854.86)	39,244,997 (USD 1,308,602,765.77)	9,308,993 (USD 310,403,248.50)	29,936,004 (USD 998,199,517.19)	24,660,372 (USD 799,493,337.52)	2,186,754 (USD 70,894,924.84)	2,119,271 (USD 68,707,104.85)	2.16 (USD 0.07)
Wan Hai International Pte. Ltd.	239,979 (SGD 132,412,460.00)	1,605,282 (SGD 72,063,739.83)	975,110 (SGD 43,774,301.71)	630,172 (SGD 28,289,438.12)	382,220 (SGD 16,905,351.64)	68,016 (SGD 3,008,305.60)	49,769 (SGD 2,201,270.55)	N/A
Bravely International Pte. Ltd.	413,778 (USD 13,195,987.42)	188,460 (USD 6,284,084.98)	244,215 (USD 8,143,210.11)	(55,755) (USD -1,859,125.17)	43,140 (USD 1,398,592.64)	(114,543) (USD -3,713,493.76)	(170,676) (USD -5,533,339.03)	N/A
Infinite Marine Investment Co., Ltd.	173,463 (USD 5,550,000.00)	802 (USD 26,753.84)	2,499 (USD 83,335.41)	(1,697) (USD -56,581.57)	0 (USD 0)	(982) (USD -31,840.75)	(1,013) (USD -32,846.41)	N/A
Wan Hai Lines (M) Sdn. Bhd.	4,613 (MYR 500,000.00)	409,829 (MYR 55,960,374.62)	329,993 (MYR 45,059,132.25)	79,836 (MYR 10,901,242.37)	118,002 (MYR 15,847,744.63)	(13,430) (MYR -1,803,603.84)	(2,632) (MYR -353,510.28)	N/A
Yi Chun Shipping Agencies Sdn. Bhd.	1,845 (MYR 200,000.00)	135,113 (MYR 18,449,117.60)	120,122 (MYR 16,402,197.50)	14,991 (MYR 2,046,920.10)	79,403 (MYR 10,663,917.83)	5,229 (MYR 702,199.63)	6,172 (MYR 828,866.66)	30.86 (MYR 4.14)
Wan Hai Lines (Korea) Ltd.	11,019 (WON 400,000,000)	188,339 (WON 7,257,502,102)	151,762 (WON 5,848,053,931)	36,577 (WON 1,409,448,171)	114,927 (WON 4,139,964,011)	13,577 (WON 489,070,314)	10,699 (WON 385,416,870)	133.74 (WON 4,818)
Wan Hai Lines (India) PVT Ltd.	69 (INR 100,000.00)	678,832 (INR 1,614,122,847.98)	553,244 (INR 1,315,501,080.08)	125,588 (INR 298,621,767.90)	156,612 (INR 357,563,029.99)	69,322 (INR 158,270,049.07)	50,286 (INR 114,808,116.58)	5,028.58 (INR 11,480.81)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	1,667 (EUR 49,583)	134 (EUR 3,981)	1,533 (EUR 45,602)	0 (EUR 0)	0 (EUR 0)	(503) (EUR -14,561)	N/A
k.k. WH Corporation	7,141 (JPY 25,000,000)	73,762 (JPY 267,278,738)	51,943 (JPY 188,215,841)	21,819 (JPY 79,062,897)	386,075 (JPY 1,364,222,552)	6,029 (JPY 21,302,356)	3,782 (JPY 13,364,700)	7,564.42 (JPY 26,729)
TK LOGISTICS INTERNATIONAL CO., LTD	260,000	999,465	728,029	271,436	244,888	23,108	8,501	0.33
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	121,649	61,914	59,735	61,956	12,109	9,160	2.14
Blue Ocean Logistics (Shanghai) Ltd	32,596 (RMB 7,824,000.00)	90,478 (RMB 21,016,378.48)	23,497 (RMB 5,457,995.15)	66,981 (RMB 15,558,383.33)	222,025 (RMB 49,644,702.97)	2,674 (RMB 597,859.88)	3,567 (RMB 797,537.22)	N/A
Wan Hai Lines (Thailand) Limited	5,725 (THB 6,000,000)	357,190 (THB 355,403,738)	219,484 (THB 218,386,850)	137,706 (THB 137,016,888)	106,313 (THB 107,039,660)	19,155 (THB 19,285,980)	9,753 (THB 9,819,737)	162.55 (THB 164)
Wan Hai (Vietnam) Ltd.	8,691 (VND 6,300,000,000)	192,691 (VND 148,896,696,215)	147,719 (VND 114,145,560,861)	44,972 (VND 34,751,135,354)	92,656 (VND 71,274,168,036)	16,240 (VND 12,491,446,845)	12,773 (VND 9,825,083,593)	N/A
HE CHUN LOGISTICS COMPANY LIMITED	60,857 (VND 46,000,000,000)	117,518 (VND 90,809,295,016)	42,942 (VND 33,182,429,133)	74,576 (VND 57,626,865,883)	53,359 (VND 41,045,090,928)	19,619 (VND 15,091,051,240)	14,688 (VND 11,298,128,528)	N/A
Bravely (Myanmar) Transport and Logistics Company Limited.	159,480 (MMK 6,773,500,000.00)	113,024 (MMK 5,577,710,892)	663 (MMK 32,705,888)	112,361 (MMK 5,545,005,004)	19,224 (MMK 890,368,460)	(1,917) (MMK -88,771,096)	(6,054) (MMK -280,386,181)	N/A
Wan Hai Lines (Ecuador) S.A.	3,190 (USD100,000.00)	87,240 (USD 2,908,973.27)	69,109 (USD 2,304,407.56)	18,131 (USD 604,565.71)	78,787 (USD 2,554,301.81)	19,707 (USD 638,902.15)	14,097 (USD 457,011.75)	141 (USD 4.57)
WAN HAI LINES PERU S.A.C.	1,962 (PEN 214,000.00)	54,758 (PEN 6,060,039.11)	40,557 (PEN 4,488,425.91)	14,201 (PEN 1,571,613.20)	92,182 (PEN 9,898,862.78)	8,886 (PEN 942,683.47)	6,284 (PEN 666,682.33)	57 (PEN 6.14)
Wan Hai Lines (Arizona) LLC.	359,760 (USD 12,000,000.00)	375,700 (USD 12,527,525.16)	2,910 (USD 97,043.33)	372,790 (USD 12,430,481.83)	27,286 (USD 884,615.08)	5,899 (USD 191,249.50)	6,500 (USD 210,724.98)	N/A
Wan Hai Lines (USA) LTD.	437,514 (USD 14,219,059.77)	681,586 (USD 22,727,084.45)	245,810 (USD 8,196,388.87)	435,776 (USD 14,530,695.58)	57,009 (USD 1,848,248.00)	12,160 (USD 394,219.92)	8,885 (USD 288,041.22)	31.24 (USD 1.01)
WAN HAI SHIPPING LIMITED	1,536 (MMK 76,170,000)	1,480 (MMK 73,059,200)	0 (MMK 0)	1,480 (MMK 73,059,200)	0 (MMK 0)	(25) (MMK -1,135,640)	(67) (MMK -3,110,800)	N/A

(1) 20191231 CLOSE RATE

USD/TWD: 29.99 EUR/TWD: 33.6173 JPY/TWD: 0.2760 VND/TWD: 0.0013 CNY/HKD: 1.1179 HKD/TWD: 3.8510 INR/SGD: 0.0189 USD/VND: 23174
USD/SGD: 1.3463 USD/MYR: 4.0950 USD/KRW: 1155 USD/PHP: 50.68 USD/THB: 29.8400 USD/PEN: 3.3190 USD/MMK: 1480 USD/HKD: 7.7874

(2) 2019 AVERAGE RATE

USD/TWD: 30.8450 EUR/TWD: 34.5323 JPY/TWD: 0.2830 VND/TWD: 0.0013 CNY/HKD: 1.1363 INR/SGD: 0.0194 INR/SGD: 0.0194 USD/VND: 23726
USD/SGD: 1.3643 USD/MYR: 4.1425 USD/KRW: 1111 USD/PHP: 51.81 USD/THB: 31.0559 USD/PEN: 3.3367 USD/MMK: 1428 USD/HKD: 7.8370

(3) The capital amount was calculated by historical rate.

8.1.2 The consolidated financial statements of the affiliated enterprises

Statement

For 2019 (January 1 to December 31, 2019), 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 26, 2020

8.1.3 Affiliation report: None.

8.2 Summary of private-equity from the past year and current year up to the annual report's publish date: None.

8.3 Summary of parent's shares held or disposed by subsidiaries from the past year and current year up to the annual report's publish date: 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 from the past year and current year up to the annual report's publish date: None.

WAN HAI LINES LTD.



Chairman

Shihlin Paper Co., Ltd.



Representative

Po-Ting Chen



WE CARRY, WE CARE.

📍 10th Floor, 136, Sung Chiang Road, Taipei, 104528 Taiwan, R.O.C.

☎ 886-2-2567-7961

📠 886-2-2521-6000