

Since 1965

*WE CARRY, WE CARE.*



**WAN HAI LINES LTD.**

*WE CARRY, WE CARE.*



# 2015 ANNUAL REPORT



## Annual Report 2015

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### ■ Address & Telephone Numbers of its Head & Branch office

**Head office :** 10F.,No.136 Sung Chiang Rd.,Taipei,Taiwan,R.O.C.

Tel : +886-2-2567-7961

Website : <http://www.wanhai.com>

---

#### **Keelung Branch**

7F.,No.255 Rern 2nd Rd.,Keelung,Taiwan,R.O.C.

Tel : +886-2-2424-8176~9

#### **Taichung Branch**

6F.-2,No.396,Ying Tsai Rd.,Taichung,Taiwan,R.O.C.

Tel : +886-4-2328-7008

#### **Kaohsiung Branch**

12F.,No.456,Chung Shiao 1Rd.,Kaohsiung,Taiwan,R.O.C.

Tel : +886-7-236-9636

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### ■ Spokesman

Name: Mr. Davis Kao

Position: Administration Division Vice President

Tel: +886-2-2567-7961 ext.6350

E-mail Address:davis\_kao@wanhai.com

### ■ Deputy Spokesman

Name : Mr.Tommy Hsieh

Position : President

Tel : +886-2-2567-7961 ext.6169

E-mail Address : tommy\_hsieh@wanhai.com

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### ■ Stock Transfer Underwriter

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

Address : 4F.,No.54,Ming-Sheng East Road,Taipei,Taiwan,R.O.C.

Tel : +886-2-2718-6425

Website : <http://www.entrust.com.tw>

### ■ Certification of Annual Financial Statement is Provided by :

CPA : Yi-Chun, Chen 、 Chung-Yi, Chiang

Firm name : KPMG Certified Public Accountants

Address : 68F, TAIPEI 101 TOWER, No.7,Sec5.Xinyi Road,Taipei,11049,Taiwan,R.O.C.

Tel : +886-2-8101-6666

Website : <http://www.kpmg.com.tw>

### ■ Basic Information of ECB : None

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## Milestones

- 1965 Feb. WAN HAI Steamship Co., Inc. was established.  
 Aug. Bought a "LIBERTY" type vessel christened "FOSMAR" and deployed between Japan and America for transporting steel.
- 1966 Bought a 5,000 DWT second-hand log vessel from Japan christened "WAN SHOU".
- 1976 Jul. The Full-container vessel M.V. MING CHUN was deployed to Taiwan / Japan service which initiated WAN HAI's full container liner service.
- 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.
- 1988 Oct. Commenced Taiwan / Korea service.
- 1989 Jun. Commenced Singapore / Malaysia service.  
 Oct. Commenced Thailand service.
- 1990 May. Commenced Indonesia service.  
 Jul. Commenced Philippines service.
- 1991 Mar. Entered into a tonnage sharing agreement with HMM for Thailand and Southeast Asia Service.  
 Apr. Cross-charter arrangement with MAIN GROUP for Japan / Taiwan and Taiwan / Southeast Asia service.
- 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.
- 1996 Apr. Commenced Vietnam-Haiphong service.  
 May. WAN HAI listed on the first board to Taiwan Stock Exchange.  
 Jun. Commenced India service.
- 2000 May. Commenced American West Coast service.
- 2003 Mar. Start Japan dedicated terminal at Ohi pier #5, Port of Tokyo.  
 Aug. Established WAN HAI Charity Foundation.  
 May. Established subsidiary company in Germany.
- 2005 Feb. Implemented ISO 14001 Environmental Management System (EMS).  
 Nov. Commenced China / Black Sea service.  
 Jul. Commenced the first feeder service in the Middle East.  
 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.  
 Apr. Commenced new WSA service with EMC, COSCON and PIL.  
 Apr. Commenced Taiwan / Madras Direct service with EMC and IAL.  
 Apr. Commenced Japan / Taiwan / Indonesia (JTI) service with IAL.  
 Aug. YML joined in JTI service.
- 2012 Jan. Commenced North China to Taiwan Second String NT2 service with Sinotrans.  
 Aug. Commenced Japan / Indonesia service with IAL and MOL.  
 Oct. Awarded "Most Admired Company in Taiwan" 2012 in the shipping category " by Commonwealth Magazine.
- 2013 Apr. Commenced Pan Asia II (PA2) service with YML and PIL.  
 May. Commenced Asia / South America West Coast (ASA) service with PIL, EMC and COSCON.
- 2014 Mar. Launched Independent Mindanao Service.  
 Jun. Launched Far East to Pakistan / Mundra Express Service with Coscon SEA, China Shipping and PIL.  
 Oct. Awarded " Most Admired Company in Taiwan" 2014 in the shipping category " by Commonwealth Magazine.
- 2015 Jan. Launched Independent Kansai-Haiphong Service II  
 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.  
 Jun. Wins the Award of "Asian Freight, Logistics and Supply Chain Awards 2015".  
 Sep. Award "Container Shipping Line of The Year India-Far East Trade Lane" from 2015 MALA.



## **I** Letter to Shareholders

To Our Shareholders,

As we are to convene the shareholders' meeting for 2016, I would like to report that our consolidated revenue for 2015 had reached TWD 63.86 billion, a 4.65 percent decrease from 2014. Consolidated net profit after tax was TWD 3.94 billion, TWD 1.31 billion less than in 2014. Despite the volatility in the global business environment, and economic performance not being as predicted, we continued to achieve a profitability result. This would not be possible without the concerted efforts of the management team and staff, the unwavering support and trust of our shareholders, and customers.

Although the bunker price and charter hire were gradually lowered in the second half of 2015, the global economic recovery was sluggish and China's industry was in transition period, resulting in a volume growth lower than expected. The situation was further exacerbated by large investment in bigger vessels, causing further disequilibrium in market supply and demand and downwards pressure on the ocean freight. Various mergers and acquisitions taken place in 2015 revealed that the fluctuations and a downturn in the market situation posted an unprecedented threat to the container shipping industry.

Facing such a severe market situation, the company adopted a "stable and sustainable" business philosophy and committed to effective cost management and efficiency improvements. In response to market changes, shipping services and vessel deployments had been restructured to achieve optimized utilization, along with tight control of vessel operations to ensure schedule reliability and high service quality. These efforts had been well received and recognized by SeatIntel Maritime Analysis market intelligence provider, and won the award for "Asian Region and India - Far East Region Best Carrier". In addition, the company continued to foster its refrigerated cargo container business through the purchase of new reefer containers and by upgrading related hardware and software. With these dedicated yet diversified services, we have managed to gain the support and trust from customers, thereby successfully creating an incredible performance in our refrigerated cargo container business.

Looking ahead, the shipping market will remain challenging. Consistent with the company's management philosophy of "Quality Service, Team Work, and Growth", we will continue to explore business opportunities while steadily maintain the excellent business performance. We will also commit ourselves to the promotion of social responsibility. We are well prepared for the challenge ahead and determine to reward our shareholders, business partners and members with a better Wan Hai for their continuous support.

Sincerely yours,

Po-Ting Chen  
Chairman  
May 2, 2016

## II Company Profile Date of Establishment: February 24, 1965

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

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

To better serve the society and customers, Wan Hai has continued to improve its facilities through branch office establishment as well as terminal investment. The first branch office was established in Kaohsiung in 1978. Now, Wan Hai has offices and ports for direct operation in thirty-two countries. In 1987, Wan Hai leased its first exclusive container yard at Kaohsiung Port. To provide additional service and option to our customers, now Wan Hai not only has exclusive container yards or dedicated wharves at ports in Taichung, Keelung, Tokyo, Port Klang respectively but also invests Taipei and Ho Chi Ming terminals.

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 was named the “Annual Best Reputation Enterprise” by the prestigious magazine the Commonwealth in Taiwan. Besides Wan Hai also won the “Best Shipping Agent, Customer Service for Colombo - Intra Asia Sector” award from ICS; and the honor of “Best Shipping Line- Intra Asia at the 2015 AFLAS”; and the “Container Shipping Line of The Year India-Far East Trade Lane” for the fourth year from 2015 MALA. As such, Wan Hai becomes a recognized corporate brand in shipping industry.

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



### **Main Activities**

1. Marine transportation
2. Shipping agency
3. Purchasing & selling of vessels and containers
4. Container Freight Station Business
5. Leasing of vessels and containers

# ABOUT US



賞 春  
N HAI 315  
SINGAPORE  
IMO: 930265

吊具下額定起重量 66MT  
吊鈎下額定起重量 75MT  
ZPMC  
+ 安全第一

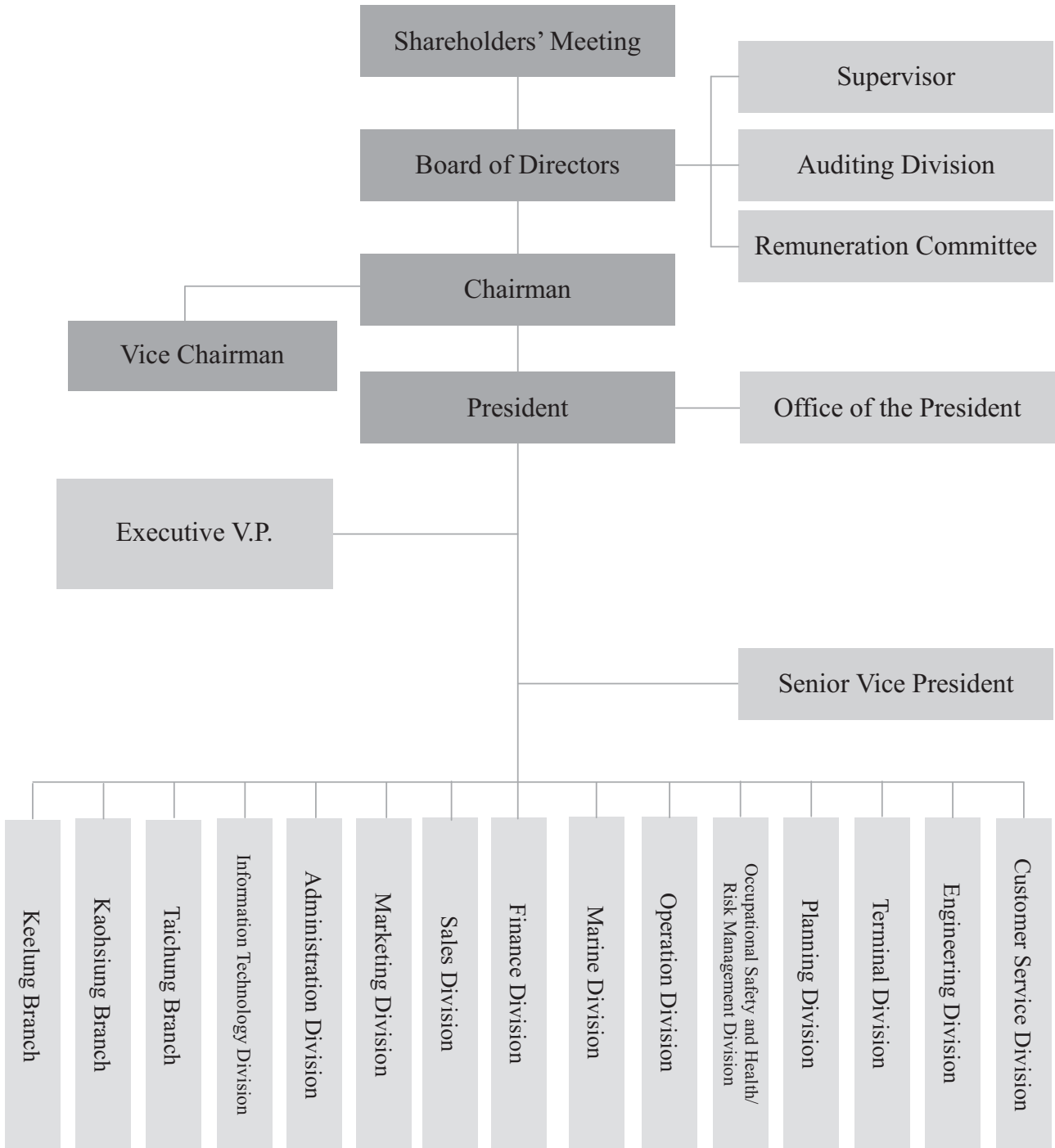
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+ 安全第一

吊具下額定起重量 66MT  
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ZPMC  
+ 安全第一

# 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
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.
Sales Division	Solicitation of domestic cargo shipments; creation of relevant sales plans.
Marketing Division	Promotion and marketing of core services; management of overseas marketing.
Customer Service Division	Issuance and payment of shipping documents; collections of shipping tariffs and service fees.
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.
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.
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.
Administration Division	Management of domestic and overseas human resources matters and general affairs.
Planning Division	Research and construction of business strategies; planning of mid to long-term business operations.
Occupational Safety and Health/ Risk Management Division	Compliance with all relevant occupational safety and health laws and regulations; legal affairs.
Marine Division	Supervision of crew, and the evaluation, registration of safety documents; marine security and safety; 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; purchase of components.
Auditing Division	Auditing the operational, financial, and accounting matters of every division of the company, as well as domestic and overseas branch offices and agents.
Office of the President	Transfer of investments, risk management, cost management, financial market analysis and recommendations; public relations; management of corporate identity.
Branch Office	Responsible for local shipping business; issuance of shipping documents; arrangement of vessels and containers.

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

### 3.2.1 Director and Supervisors

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

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

Title		Chairman	Director		Director		Director		Director	
Nationality		R.O.C.	R.O.C.	R.O.C.	U.S.A.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	
Name		Po-Ting Chen	Chen-Yung Foundation	Representative: Chih-Chao Chen	Taiili Corporation	Representative: Randy Chen	SHIH LIN PAPER CORP.	Representative: Fur-Lung Hsieh	Formosa Wonderworld Co., Ltd.	Representative: Cheng-Hsien Lin
Date elected		Jun 18, 2014	Jun 18, 2014		Jun 18, 2014		Jun 18, 2014		Jun 18, 2014	
Tenure		3 years	3 years		3 years		3 years		3 years	
Date first elected		May 6, 1999	June 24, 2011		June 24, 2011		Jun 18, 2014		June 24, 2011	
Shareholding on date elected	No. of shares	9,603,548	31,902,176 0		5,469,256 0		29,933,031 0		880,794 0	
	Holding Ration	0.43%	1.44% 0.00%		0.25% 0.00%		1.35% 0.00%		0.04% 0.00%	
Current Shareholding	No. of shares	9,603,548	31,902,176 7,884,283		5,469,256 0		29,933,031 109,312		880,794 0	
	Holding Ration	0.43%	1.44% 0.36%		0.25% 0.00%		1.35% 0.00%		0.04% 0.00%	
Current shareholding of Spouse and Minor Children	No. of shares	0	0		0		87,720		0	
	Holding Ratio	0%	0%		0%		0%		0%	
Shareholding under other names	No. of shares	0	0		0		0		0	
	Holding Ratio	0%	0%		0%		0%		0%	
Major Academic qualification and professional experience		Master of Business Administration, University of San Francisco	Stanford University		Master of Business Administration MIT SLOAN School of Management		Department of Shipping and Transportation Management, National Taiwan Ocean University		Southern Methodist University, LL.M	
Positions held in the Company and other companies		FORMOSA WONDERWORLD Co., Ltd. Chairman SHIH LIN PAPER CORP. Representative Director for legal entity / Chairman SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/Vice Chairman ASIA PACIFIC LOGISTICS INTERNATIONAL Co., Ltd./ Consultant WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity k.k. WH Corporation Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (PHILS) INC. Representative Director for legal entity Chairman WAN HAI LINES KOREA LTD. Representative Director for legal entity Chairman WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE. LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity YI CHUN SHIPPING AGENCIES SDN.BHD. Representative Director for legal entity DAWIN LOGISTIC (INTERNATIONAL)LTD. Representative Director for legal entity Wan Hai Lines Peru S.A.C. Representative Director for legal entity	YI CHAO CORP. Chairman WAN HAI LINES (AMERICA)LTD. Representative Director for legal entity WAN HAI LINES (H.K.)LTD. Representative Director for legal entity DAWIN LOGISTIC (INTERNATIONAL)LT D. 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	EVERVALIANT CORP. Director WAN HAI LINES (PHILS) INC. Representative Director for legal entity/President WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES (AMERICA)LTD. Representative Director for legal entity SHIH LIN PAPER CORP. Representative Supervisor for legal entity Wan Hai Lines Peru S.A.C. Representative Director for legal entity	WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity WAN HANG TOURISM (SHANGHAI)Co., Ltd. Representative Supervisor for legal entity	Lin Global Consultants LTD Director				
officer, director, or supervisor held by spouse or relatives within two levels of blood relations	Title	-	Supervisor		-		-		-	
	Name	-	Chih-Hsiang Chen		-		-		-	
	Relation	-	Siblings		-		-		-	

Title		Independent Director	Independent Director	Supervisor		Supervisor	Supervisor	
Nationality		R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	
Name		Ruei-Chuen Liu	Rung-Nian Lai	Yee Sing Co., Ltd	Representative: Chiu-Ling Wu	Yi Teh Optical Technology Co., Ltd	Representative: Chih-Hsiang Chen	Hwa-Mei Lin Yen
Date elected		Jun 18,2014	Jun 18,2014	Jun 18,2014		Jun 18,2014		Jun 18,2014
Tenure		3 years	3 years	3 years		3 years		3 years
Date first elected		Jun 18,2014	Jun 19 2011	June 24, 2011		June 18, 2008		June 24, 2011
Shareholding on date elected	No. of shares	525	0	1,470,000	0	7,698,024	0	19,727,001
	Holding Ratio	0.00%	0.00%	0.07%	0.00%	0.35%	0.00%	0.89%
Current Shareholding	No. of shares	525	0	1,470,000	13,335	7,698,024	2,648,785	19,727,001
	Holding Ratio	0.00%	0.00%	0.07%	0.00%	0.35%	0.11%	0.89%
Current shareholding of Spouse and Minor Children	No. of shares	0	1,000	0	0	0	0	0
	Holding Ratio	0%	0%	0%	0%	0%	0%	0%
Shareholding under other names	No. of shares	0	0	0	0	0	0	0
	Holding Ratio	0%	0%	0%	0%	0%	0%	0%
Major Academic qualification and professional experience		College of law, National Taipei University	College of Medicine, National Taiwan University	DE LIN Institute of Technology		New Jersey College of Science and Engineering		Shih Chien University
Positions held in the Company and other companies				YEE SING CO., LTD. Chairman YEE TZAO ENTERPRISE CO., LTD. Chairman UNI COOPERATE INTERNATIONAL Co., Ltd. Director SHIH LIN PAPER CORP. Representative -Director for legal entity		SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity		SUN SHINE CONSTRUCTION Co., Ltd Chairman UNI COOPERATE INTERNATIONAL Co., Ltd. Chairman
officer, director, or supervisor held by spouse or relatives within two levels of blood relations	Title	-	-	-	-	Director		-
	Name	-	-	-	-	Chih-Chao Chen		-
	Relation	-	-	-	-	Siblings		-

## 2. Major shareholders of corporation stockholders

2016.05.01

Corporation shareholders	Major Shareholders and holdings %					
Formosa Wonderworld Co., Ltd.	Ta Hsing Investment Co., Ltd. 3.85%		Yuki Holdings Group Limited 17.86%		Sunpark Investment Group Limited 17.93%	
	Blue Moon Investment Co., Ltd. 3.70%		Bank of Taipei trust account (Yu-Min Kao) 34.85%		Bank of Taipei trust account (I-Ming Chiang) 3.01%	
	Evervaliant Corp. 1.23%		Mei-Ru Chen 1.36%		Yeong Yi (Asia) Corp. Ltd. 1.23%	
Tai Li Corp.	Unimode Investment Co., Ltd. 90.821%		Evervaliant Corp 9.116%		Ching-Chih Chen 0.034%	
	Randy Chen 0.021%		Wen-Tsung Sue 0.002%		Hsiu-Wen Wang 0.002%	
Chen-Yung Foundation	None					
Yee Sing Co., Ltd.	I-Cheng, Lin 3.45%	Chiu-Ling, Wu 17.24%	Che-I, Lin 53.45%	Chia-Chin, Lin 3.45%	Yu-Syuan, Lin 18.96%	Chia-Ying, Lin 3.45%
Yi Teh Optical Technology Co., Ltd.	Chih-Yuan Chen 99.91%			Yeong Yi (Asia) Corp. Ltd. 0.09%		
Shih Lin Paper Corp.	Wan Hai Charity Foundation 6.98%		Tai Chuan Investments Co., Ltd. 6.92%		Yeong Yi (Asia) Co., Ltd. 6.35%	
	Bank of Taipei trust account (Hui-Ling Chen) 3.01%		Evervaliant Corp. 4.87%		Liu He Investment, Inc. 3.38%	
	Shui-Cheng Tu 6.26%		Ching-Chih Chen 3.89%		Zheng-Ti Cheng 3.47%	
	Hwa-Mei Lin Yen 3.22%					

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

2016.05.01

Corporation shareholders	Major shareholders of corporation shareholders					
UNIMODE INVESTMENT Co., LTD	LY Investments Ltd. 100%					
Evervaliant Corp.	Taili Corporation 58.185%		Yi Chun (Liberia) Shipping Co., Ltd. 25.46%		R&D Investments, Inc 9.386%	
	Chen-Yung Foundation 4.845%		UNIMODE INVESTMENT CO., LTE 2.122%			
	Chao-Heng Chen 0.001%		Ying-Hua Lin 0.001%		Ching-Chih Chen 0.001%	
Yuki Holdings Group Ltd.	Woodwind Development Limited 100%					
Sunpark Investment Group Ltd.	Wonder View Investments Ltd. 100%					
Yeong Yi (Asia) Corp. Ltd.	Smithson Crowford Murrery Capital 32.165%、Hsin Feng Corp. 25.566%、Fon Tain Belon Co. Ltd. 24.517%、Skyway Industrial Limited 4.923%、Yichao Crop. 4.144%、Chen-Yung Foundation 3.436%、Chih-Chao Chen 1.947%、Sui shih sung Crop., 1.727%、Kang TuIndustrail Co., Ltd. 0.683%、Eyon Corp. 0.550%					
Ta Hsing Investment Co., Ltd.	Huai-Long Chen 6.67%		Hui-Ying Chen 10%		Su-Xing Chen 5%	
	Po-Ting Chen 23.33%		Yin-Ru Chen 0.83%		Mei-Ru Chen 0.83%	
Blue Moon Investment Co., Ltd.	Hui-Ling Chen 4.91%		Formosa Wonderworld Co., Ltd. 5.93%		Sun Trader Holding Corp. 41.67%	
	Zhao-Di Chen 0.83%		Po-Ting Chen 72.4%		Ta Hsing Investment Co., Ltd. 2%	
Wan Hai Charity Foundation	Chao-Chuan Chen 2.7%		Su-Xing Chen 2.7%		Yin-Ru Chen 3.5%	
	Hui-Ying Chen 3%		Hui-Ling Chen 2.3%		Formosa Wonderworld Co., Ltd. 3.8%	
Tai Chuan Investments Co., Ltd.	Huai-Long Chen 4.1%		Cheng-Zhi Cheng 10.1%		Zheng-Ti Cheng 9.85%	
	None		Chao-Chuan Chen 15.66%		Cheng-Zhi Cheng 10.1%	
	Evervaliant Corp. 23.99%		Yeong Yi (Asia) Co., Ltd. 21.72%		Tai Shih Trading Co., Ltd 8.8%	
Liu He Investment, Inc.	Chih-Yuan Chen 2.53%		Hui-Rui Cheng 2.53%		Hui-Jin Cheng 2.53%	
	Su-Xing Chen 0.51%		Chih-Chao Chen 0.51%		Chao-Chuan Chen 0.2%	
	Su-Xing Chen 0.3%		Hui-Ying Chen 0.8%		Hui-Ling Chen 0.2%	
	Hui-Ling Chen 0.2%		Huai-Lung Chen 0.5%		Po-Ting Chen 16.1%	
	Ta Hsin Investment Co., Ltd. 1.9%			Sun Trader Holding Corp. 80%		

4. Information of Directors and Supervisors

2016.05.01

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

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

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

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

2016.05.01

Title	Nationality	Name	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
				Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
President	R.O.C.	Fur-Lung Hsieh	Jun 22, 2015	109,312	0.00%	87,720	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Supervisor for legal entity	-	-	-
Executive Vice President	R.O.C.	Huey-Jiuan Chen	Apr 1, 2007	123,168	0.01%	0	0.00%	0	0.00%	Department of International Trade, Tamkang University	WAN HAI LINES KOREA LTD. Representative Director for legal entity WAN HAI LINES (AMERICA) LTD. Representative Director for legal entity WAN HAI LINES(U.A.E) L.L.C Representative Director for legal entity TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity TAIPEI PORT CONTAINER TERMINAL CORP. Representative Director for legal entity	-	-	-
Executive Vice President	R.O.C.	Wen-Chau Yeh	Nov 1, 2014	936	0.00%	22,332	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	DAWIN LOGISTIC (INTERNATIONAL) LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity WAN HANG TOURISM(SHANGHAI)Co., Ltd. Representative Director for legal entity	-	-	-
Senior Vice President	R.O.C.	Jen-Yee Huang	Aug 1, 2008	10,838	0.00%	4,353	0.00%	0	0.00%	Department of Business Administration, National Cheng Kung University	WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE.LTD Representative Director for legal entity	-	-	-
Senior Vice President	R.O.C.	Jiong-Xin Lin	Sep 6, 2010	1,019	0.01%	0	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity WAN HANG TOURISM (SHANGHAI)Co., Ltd. Representative Director for legal entity/Chairman	-	-	-
Senior Vice President	R.O.C.	Li-Kuang Huang	Mar 18, 2016	105,627	0.00%	11,536	0.00%	0	0.00%	Master of Business Administration, University of Buffalo, New York	SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Kuo-Loong Kao	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	-	-	-
Vice President	R.O.C.	Ming-Shan Huang	Apr 1, 2007	17,545	0.00%	6,856	0.00%	0	0.00%	Department of International Trade, Soochow University	BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Juang-Jyh Juang	Apr 1, 2007	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, China Junior College of Technology	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-
Vice President	R.O.C.	Wei-Chien Chuang	Apr 1, 2007	9,370	0.00%	454	0.00%	0	0.00%	Department of International Trade, National ChengChi University	BLUE OCEAN LOGISTICS CO.,LTD. Representative Director for legal entity/Chairman TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor	-	-	-
Vice President	R.O.C.	Wei-Hsin Hsu	Apr 1, 2007	74,513	0.00%	395	0.00%	0	0.00%	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-

Title	Nationality	Name	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
				Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
Vice President	R.O.C.	Ren-Kai Wu	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Industrial and Information Management, National Cheng Kung University	-	-	-	
Vice President	R.O.C.	Chien-Cheng Hsiao	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University	WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity	-	-	
Project Vice President	R.O.C.	Yen-Ru Chen	Oct 24, 2011	65,951	0.00%	0	0.00%	0	0.00%	Department of Transportation and Navigation Science, National Taiwan Ocean University	-	-	-	
Special Assistant to Executive Vice President	R.O.C.	Hung-Chuan Chien	Aug 1, 2008	0	0.00%	0	0.00%	0	0.00%	Department of Transportation Technology & Management, Feng Chia University	-	-	-	
Vice President	R.O.C.	Hui-Chang Chung	Apr 1, 2007	176,297	0.01%	20,721	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	
Vice President	R.O.C.	Chih-Heng Wan	Feb 16, 2009	23,516	0.00%	10,214	0.00%	0	0.00%	Department of International Trade, Chinese Culture University	WAN HAI LINES KOREA LTD. Representative Director for legal entity	-	-	
Vice President	R.O.C.	Li-Mei Su	Feb 16, 2009	1,212	0.00%	0	0.00%	0	0.00%	Department of International Trade, National Cheng Chi University	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	
Vice President	R.O.C.	Cheng-Hsien Huang	Feb 16, 2009	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Sun Yat-sen University	SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity	-	-	
Vice President	R.O.C.	Ren-Kai Wu	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Industrial and Information Management, National Cheng Kung University	-	-	-	
Vice President	R.O.C.	Chien-Cheng Hsiao	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University	WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity	-	-	
Vice President	R.O.C.	Shen-Hsing Lo	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	
Vice President	R.O.C.	Chih-Hsien Chen	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University	WAN HAI LINES (VIETNAM) Ltd. Representative Supervisor for legal entity	-	-	
Vice President	R.O.C.	Chien-Feng Wu	Mar 18, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Marine Transportation, National Taiwan Ocean University	Interasia Lines Ltd. Representative Director for legal entity	-	-	
Deputy Vice President	R.O.C.	Pei-Tai Kuo	Jun 25, 2012	0	0.00%	0	0.00%	0	0.00%	Department of Economics, Chinese Culture University	-	-	-	
Deputy Vice President	R.O.C.	Tai-Feng Sun	Oct 31, 2011	124	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, National Taiwan Ocean University	-	-	-	
Deputy Vice President	R.O.C.	I-Feng Lin	Sep 15, 2012	135	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, Tamkang University	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	
Deputy Vice President	R.O.C.	Shyue-Jih Ma	Oct 1, 2015	0	0.00%	0	0.00%	0	0.00%	Department of Transportation and Communication Management Science, National Cheng Kung University	TK LOGISTICS INTERNATIONAL Co., LTD. Supervisor BAO SHENG SHIPPING AGENCY CO., LTD. Supervisor Qingdao Port & Win International logistics Co., LTD. Representative Director for legal entity-	-	-	
Deputy Vice President	R.O.C.	Wen-Yuan Chiang	Oct 1, 2015	0	0.00%	0	0.00%	0	0.00%	Department of Cooperative Economics, National Chung Hsing University	-	-	-	
General Manager	R.O.C.	Hsueh-Hua Lu	Apr 1, 2013	984	0.00%	0	0.00%	0	0.00%	International Business & Management, Sheffield Hallam University	-	-	-	
Assistant Vice President	R.O.C.	Chia-Yi Hsiao	Aug 13, 2007	6,199	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Chung Hsing University	-	-	-	

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

#### 1. Remuneration to directors

Title		Chairman	Director	Director	Director	Director	Independent Director	Independent Director	
Name		Po-Ting Chen	Chen-Yung Foundation Representative: Chih-Chao Chen	Chen-Yung Foundation Representative: Chih-Chao Chen	SHIH LIN PAPER CORP. Representative: Fur-Lung Hsieh	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	Ruei-Chuen Liu	Rung-Nian Lai	
Remuneration to directors	(A) Allowance	Unconsolidated	8,243,500						
		Consolidated	8,243,500						
	(B) Retirement pension	Unconsolidated	0						
		Consolidated	0						
	(C) Remuneration from retained earnings	Unconsolidated	35,816,685						
		Consolidated	35,816,685						
(D) Transportation allowance	Unconsolidated	1,719,229							
	Consolidated	1,719,229							
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0							
	Consolidated	0							
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated	4,854,045						
		Consolidated	16,904,720						
	(F) Retirement pension	Unconsolidated	0						
		Consolidated	198,549						
	(G) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	157,528					
			Stock bonus	0					
Consolidated		Cash bonus	157,528						
		Stock bonus	0						
(H) Shares of employee's stock warranty	Unconsolidated	0							
	Consolidated	0							
Percentage of (A+B+C+D+E+F+G+H) in net income after tax	Unconsolidated	0							
	Consolidated	0							
Other income		188,754							

#### Levels of remuneration

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

## 2. Remuneration to supervisors

Title		Supervisor	Supervisor	Supervisor	Supervisor
Name		Yee Sing Co., Ltd. Representative: Mei-Huei Wu (Noted 1)	Yee Sing Co., Ltd. Representative: Chiu-Ling Wu (Noted 2)	Yi Teh Optical Technology Co., Ltd. Representative: Chih Hsiang Chen	Hwa-Mei LinYen
Remuneration to supervisors	(A) Allowance	Expense (c)			
		Unconsolidated			
		0			
(B) Remuneration from retained earnings	Unconsolidated	0			
	Consolidated	21,490,008			
Transportation allowance	Unconsolidated	21,490,008			
	Consolidated	480,000			
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	480,000			
	Consolidated	480,000			
Other income		0			

Note 1: Yee Sing Co., Ltd. Representative: Mei-Huei Wu 2014/6/18~2015/9/29

Note 2: Yee Sing Co., Ltd. Representative: Chiu-Ling Wu from 2015/9/30

## Levels of remuneration

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

## 3. Remuneration to President and Vice presidents

Unit: TWD

Title		President	President	Executive Vice President	Executive Vice President	Executive Vice President
Name		Po-Ting Chen	Fur-Lung Hsieh	Fur-Lung Hsieh	Huey-Jiuan Chen	Wen-Chau Yeh
(A) Salary	Unconsolidated	7,925,784				
	Consolidated	7,925,784				
(B) Retirement pension	Unconsolidated	108,000				
	Consolidated	108,000				
(C) Bonus and specific subsidy, etc.	Unconsolidated	3,611,698				
	Consolidated	3,611,698				
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	221,202			
		Stock bonus	0			
	Consolidated	Cash bonus	221,202			
		Stock bonus	0			
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0				
	Consolidated	0				
Shares of employee's stock warranty	Unconsolidated	0				
	Consolidated	0				
Other income		282,291				

## Levels of remuneration

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

## 4. Bonus to Executives

Unit: TWD

	Title	Name	Stock Bonus	Cash Bonus	Total	Percentage in Net Income after tax
Executives	Chairman	Po-Ting Chen				
	Vice Chairman	Randy Chen				
	President	Fur-Lung Hsieh (Noted 1)				
	Executive President	Huey-Jiuan Chen				
	Executive President	Wen-Chau Yeh				
	Senior Vice President	Jen-Yee Huang				
	Senior Vice President	Jiong-Xin Lin				
	Vice President	Li-Kuang Huang				
	Vice President	Kuo-Loong Kao				
	Vice President	Ming-Shan Huang				
	Vice President	Juang-Jyh Juang				
	Vice President	Wei-Chien Chuang	0	1,367,334	1,367,334	0.03%
	Vice President	Wei-Hsin Hsu				
	Vice President	Hui-Chang Chung				
	Vice President	Chih-Heng Wan				
	Vice President	Li-Mei Su				
	Vice President	Ren-Kai Wu				
	Vice President	Chien-Cheng Hsiao				
	Vice President	Cheng-Hsien Huang				
	Project Vice President	Yen-Ju Chen				
Special Assistant to Executive President	Hung-Chuan Chien					
Assistant Vice President	Chia-Yi Hsiao					

Note 1 : President: Fur-Lung Hsieh from 2015/6/22

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

	Percentage of total remuneration in net come after tax in 2015		Percentage of total remuneration in net come after tax in 2014		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	1.29%	1.60%	0.84%	1.02%	Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation.
Supervisors	0.56%	0.56%	0.30%	0.30%	
President and Executive vice president	0.30%	0.30%	0.13%	0.13%	

### 3.3 Implementation of Corporate Governance

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

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

2015.12.31

Position	Name	Number of actual participations (or as an observer)	Number of actual participations through a proxy	Rate of actual participations (or as an observer) (%)	Remarks
<b>The 19th Board of Directors</b>					
Chairman	Po-Ting Chen	8	0	100%	
Director	Taili Corporation Representative : Randy Chen	5	2	63%	
Director	Shih Lin Paper Corp Representative : Fur-Lung Hsieh	8	0	100%	
Director	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	8	0	100%	
Director	Chen-Yung Foundation Representative : Chih-Chao Chen	8	0	100%	
Director	Ruei-Chuen Liu	8	0	100%	
Director	Rung-Nian Lai	8	0	100%	
Supervisor	Yee Sing Co., Ltd. Representative : Mei-Huei Wu	5	0	63%	Mei-Huei Wu 2014/6/18~2015/9/30
Supervisor	Yee Sing Co., Ltd. Representative : Chiu-Ling Wu	2	0	25%	Appointed on 2015/9/30
Supervisor	Hwa-Mei LinYen	7	0	88%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative : Chih-Hsiang Chen	0	0	0%	

Other noteworthy items:

- Article 14-3 of the Securities and Exchange Act states that when an independent director has a dissenting opinion or holds reservations, it shall be recorded, along with the date and term of the meeting, content of proposal, the opinion of all independent directors and how the opinion is dealt with by the Company. At each of the Board of Directors meetings this year, there were no objections or reservations with regards to the motions from the independent directors.
- In the event of a recusal by one of the directors due to shared interests, a record of the name of the director, content of the proposal, cause of the recusal, and the resolution of the issue by participants shall be made.
  - Appoint Executive Vice President Fur-Lung Hsieh as Executive President.  
Director: Fur-Lung Hsieh.
    - Motion Content: 2nd Interim Directors Meeting of the 19th term (June 22, 2015) to appoint Executive Vice President Fur-Lung Hsieh as Executive President.
    - Recusals Due to Conflicts of Interest: Executive Vice President Fur-Lung Hsieh in the appointment of Executive President.
    - Resolution: Director Fur-Lung Hsieh recused himself from the meeting. The motion passed after the directors' unanimous agreement upon the Chairperson's inquiry.
  - In order to fulfill social responsibility commitments by providing disaster relief special donations to the Ministry of Health and Welfare to be used for assistance and care of those affected by the Formosa Fun Coast colored powder explosion.
    - Directors: Po-Ting Chen and Cheng-Hsien Lin.
    - Motion Content: 2nd Interim Directors Meeting of the 19th term (July 9, 2015) upholding its philosophy of "what is taken from society, is given back to society," the Company has continued to participate in and promote charities that contribute to the community. The Company's corporate social responsibility provided medical assistance and care to the victims of the Formosa Fun Coast colored powder explosion disaster. On July 3, a donation of NTD 50 million was made to the Ministry of Health and Welfare disaster relief account, and assigned to the "Formosa Fun Coast Colored Powder Explosion Project Relief Fund"
    - Recusals Due to Conflicts of Interest: Foundation directors.
    - Resolution: Chairman Po-Ting Chen and Director Cheng-Hsien Lin recused themselves from the meeting. The motion was passed unanimously by the remaining directors.
  - Reinvestment into WAN HAI LINES (SINGAPORE) PTE LTD. to donate funds of NTD 8 million to the Wan Hai Charity Foundation.
    - Director: Po-Ting Chen.
    - Motion Content: 10th Directors Meeting of the 19th term (December 11, 2015) WAN HAI LINES (SINGAPORE) PTE LTD. in response to the Wan Hai Charity Foundation's need to provide care to disadvantaged groups and social events, and resources to remedy tragedies, a donation of NTD 8 million was made to contribute to the community.
    - Recusals Due to Conflicts of Interest: Foundation directors.
    - Resolution: Chairman Po-Ting Chen recused himself from the meeting due to his role as a Foundation director. The motion was passed unanimously by the remaining directors.
  - Reinvestment into WAN HAI LINES (HK) LIMITED to donate funds of NTD 8 million to the Wan Hai Charity Foundation.
    - Director: Po-Ting Chen.
    - Motion Content: 10th Directors Meeting of the 19th term (December 11, 2015) with the aim of "emergency relief and humanitarian care," WAN HAI LINES (HK) LIMITED donated NTD 8 million to the Wan Hai Charity Foundation to increase the involvement of the foundation in terms of sustainable development and contributing to the community.
    - Recusals Due to Conflicts of Interest: Foundation directors.
    - Resolution: Chairman Po-Ting Chen recused himself from the meeting due to his role as a Foundation director. The motion was passed unanimously by the remaining directors.
- Evaluation on the objective and performance of enhancement on the functions of Board of Directors in the current year and the most recent year: The Company plans to amend the Articles of Memorandum of Association, and will elect independent directors upon expiration of the current directors' term of office, and will have election of independent directors after the expiry of the 19th board of directors, in order to comply with the requirements defined by the competent authority.

### 3.3.2 Performance of the Audit Committee: Not applicable, as the Company has not established any independent director so far.

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

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

Position	Name	Number of actual participations (or as an observer)	Rate of actual participations (or as an observer) (%)	Remarks
<b>The 19th Board of Directors Meeting</b>				
Supervisor	Yee Sing Co., Ltd. Representative : Mei-Huei Wu	5	63%	Mei-Huei Wu 2014/6/18-2015/9/30
Supervisor	Yee Sing Co., Ltd. Representative : Chiu-Ling Wu	2	25%	Appointed on 2015/9/30
Supervisor	Hwa-Mei LinYen	7	88%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative : Chih-Hsiang Chen	0	0%	

Other remarks required:

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

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

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

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

Item	Description of the operation		Distinction from the operation and governance of those TSEC/GTSM listed companies	
	Yes	No		
1. Is the Company in accordance with the “Corporate Governance Best-Practice Principles” having established and disclosed its own corporate governance principles?		^V	The Company has not yet established its own principles relating to the operation of the Company’s corporate governance, please refer to “III. Corporate Governance” in the annual report for further information.	Although the Company has not yet established its own corporate governance principles, it has established the relevant regulations for “Procedures for the Election of Directors and Supervisors”, “Procedures for Board of Directors Meetings”, “Internal Audit Organization and Operation”, and the “Remuneration Committee Organization and Memorandum of Association”. The Company has published this information on the Wan Hai website to facilitate inquiry by interested parties/individuals, and also established the “Internal Management Control for the Prevention of Insider Trading” to strengthen corporate governance.
2. Company’s shares structure and shareholders right (1) Company’s dealings with shareholders suggestions and disputes  (2) The status of the roster of company’s controlling shareholders and major shareholders  (3) Establishment of risk control mechanism and firewall between company and its affiliates  (4) Has the Company established internal standards in order to prohibit insider undisclosed information trading of securities on the market?	V		(1) The Company has designated a spokesperson and an acting spokesperson 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. which in turn provides the latest share register of the Company including the controlling shareholders and major shareholders  (3) Risk control mechanism for trades, capital transaction, and information independence between the Company and its affiliates has already been established and strictly followed.  (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) Can the Board of Directors’ members develop and implement diversified policies?  (2) In addition to being in accordance with the law for establishing a Remuneration Committee and an Audit Committee, is there any voluntary establishment of other functional committees?  (3) Has the Company defined its Board of Directors’ evaluation performance appraisals, and are there regular annual performance appraisals?  (4) Does the Company regularly use an independent certified accountant for assessment?	V		(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 currently has no written regulations to assess the Board of Directors’ performance, but each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments.  (4) The motion for certified accountants to be appointed by the Company’s Board of Directors for remuneration has already passed. The professional and independent certified accountants have already been evaluated.	(1) No Difference  (2) In accordance with the law an Audit committee will be established by 2017.  (3) Although the Company has no written regulations to assess the Board of Directors’ performance, each motion is discussed in detail by the Board of Directors, and the implemented resolution performance assessment can be reviewed at any time to facilitate necessary amendments. The Board of Directors actively participate in training courses studying with competent authorities for relevant academic skills, and they engage with relevant think tanks on a regular basis. The Board of Directors occasionally engages in activities of outcome macro review.  (4) No Difference
4. Has the Company established a communication channel with interested parties/individuals, and an area for them on the Company’s website, in order to respond appropriately to questions concerning the Company’s corporate social responsibility?	V		The Company has constructed an English website with PR mailbox system (PR@wanhai.com) with a spokesperson as a clear communications channel with the interested parties/individuals. The shareholder services has been commissioned to Hua Nan Securities Co., Ltd. Registrar & Transfer Agency Dept., in order to maintain shareholder relationships. The Market Observation Post system provides shareholders and interested parties/individuals with a full understanding of the Company’s finances, and business situation through the implementation of corporate governance.	No Difference
5. Has the company appointed a professional shareholder Services agency for shareholders affairs?	V		Hua Nan Securities Co., Ltd. Registrar & Transfer Agency Dept.	No Difference

Item	Description of the operation		Distinction from the operation and governance of those TSEC/GTSM listed companies	
	Yes	No		Remark
6. Disclosure of Information (1) Has the company established a website disclosing financial operations and corporate governance information?  (2) Does the Company disclose information in other ways (such as an English website, a designated person responsible for the Company's collection and disclosure of information, a company spokesman system, or will the legal process descriptions be placed on the Company's website)?	V		(1) Company website ( <a href="http://www.wanhai.com.tw">http://www.wanhai.com.tw</a> ) A. Finance and business related information: investor relations and a related news area are on the website, as well as financial reports, shareholder and dividend stock price information and business news so that the public are informed about relevant information. B. Corporate Governance Information: the investor relations area on the website shows the Company's Memorandum of Association to the general public, as well as the procedure for asset acquisition and disposal, the procedure for endorsements and guaranties, the procedure for capital financing and lending, the procedure for derivative financial products acquisition and disposal, internal auditing of organization, and the organizations and departments of the Company. (2) The Company has designated a person responsible to collect and disclose company information, and also build an English website with PR mailbox system ( <a href="mailto:PR@wanhai.com">PR@wanhai.com</a> ) 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 legal process descriptions.	No Difference
7. Any other information that is beneficial to and may enhance the understanding of corporate governance (for example, employees right, employees welfare, investor relation, supplier relation, right of interested parties/individuals, continuing education for corporate directors and supervisors, risk management policy and risk assessment criteria and their execution, execution of customer policy, and purchase of liability insurance for company directors and supervisors, etc.	V		(1) The Company's Director/ Fur-Lung Hsieh had completed the workshop for Business Ethics Leadership Forum for TWSE-Listed Companies administered by Taiwan Stock Exchange (Taiwan) held in Taipei. (2) The Company's Director/ Fur-Lung Hsieh had completed the seminar for Seminar with Directors and Supervisors of TWSE or TPEx Listed Companies - New Perspectives on Corporate Integrity Risk and Corporate Social Responsibility administered by Taiwan Stock Exchange (Taiwan) held in Taipei. (3) The Company's Director/ Fur-Lung Hsieh had completed the workshop for 11th International Corporate Governance Forum administered by Taiwan Corporate Governance association (Taiwan) held in Taipei. (4) The Company's Supervisor/ Chiu-Ling Wu had completed the workshop for Directors and Supervisors' Liability and risk management of Financial Statement Fraud administered by Securities & Futures Institute (Taiwan) held in Taipei. (5) The Company's Supervisor/ Chiu-Ling Wu had completed the workshop for Human resources of Enterprise's Mergers and acquisitions administered by Securities & Futures Institute (Taiwan) held in Taipei. (6) The Company's Supervisor/ Chiu-Ling Wu had completed the workshop for Skills of Finance statement Reading for Directors and Supervisors administered by Securities & Futures Institute (Taiwan) held in Taipei. (7) The Company's Supervisor/ Chiu-Ling Wu had completed the workshop for How Corporate Governance Assessment strengthening corporate Governance administered by Securities & Futures Institute (Taiwan) held in Taipei. (8) The Company's Independent Director/ Rung-Nian Lai had completed the workshop for The practice and regulation of management authority competition behavior administered by Securities & Futures Institute (Taiwan) held in Taipei. (9) The Company's Independent Director/ Ruei-Chuen Liu had completed the workshop for Strategies and tools of employee salary and bonus administered by Securities & Futures Institute (Taiwan). (10) We keep going on the steps taken on the environmental protection even the office or vessels along with maintaining the certificated management system of ISO14001. (11) We put emphasis on the on-site safety towards human beings and property with the framework such as occupational safety and hygiene management system, CNS15506 & OHSAS 18001. (12) We take care of all employees' health, including the friendly workplace set up for the female or pregnant ones, like health center and baby caring room. Also, we keep closed eyes on the physical exercising, fitness or hold the mental growth oriented workshop. (13) The company was purchase of liability insurance for company directors, supervisors and staff.	No Difference
8. Does the Company have a self-assessed corporate governance report, or has the Company commissioned another professional institution to conduct a corporate governance evaluation report? (If yes, please stating the Board of Directors opinions, the evaluation results of the self-assessed or externally commissioned report, and the main improvement recommendations)	V		The Company has not constructed self evaluation report for corporate governance nor has it appointed outside professional firm for such report.	No Difference

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

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

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Fur-Lung Hsieh	Director	May 27,2015	Taiwan Stock Exchange	Business Ethics Leadership Forum for TWSE-Listed Companies	3
		Aug 27,2015	Taiwan Stock Exchange	Seminar with Directors and Supervisors of TWSE or TPEX Listed Companies - New Perspectives on Corporate Integrity Risk and Corporate Social Responsibility	3
		Nov 05,2015	Taiwan Corporate Governance association	11th International Corporate Governance Forum	3
Chiu-Ling Wu	Supervisor	Dec 18,2015	Securities & Futures Institute	Directors and Supervisors' Liability and risk management of Financial Statement Fraud	3
		Dec 23,2015	Securities & Futures Institute	Human resources of Enterprise's Mergers and acquisitions	3
		Dec 23,2015	Securities & Futures Institute	Skills of Finance statement Reading for Directors and Supervisors	3
		Dec 24,2015	Securities & Futures Institute	How Corporate Governance Assessment strengthening corporate governance	3
Rung-Nian Lai	Independent Director	Dec 18,2015	Securities & Futures Institute	The practice and regulation of management authority competition behavior	3
Ruei-Chuen Liu	Independent Director	Dec 02,2015	Securities & Futures Institute	Strategies and tools of employee salary and bonus	3

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

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

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

\* Continuing Education for Auditing Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Pei-tai Kuo	Audit Supervisor	Sep 30,2015	Accounting Research and Development Foundation	Internal auditors for audit purposes "Corporate bribery " Investigative Unit prosecutors practices and analytical point of view	6

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

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	May 19,2015	Accounting Research and Development Foundation	The regulation for director and supervisor and Corporate Governance practice under Corporate Governance Assessment structure.	3
		Sep 11,2015	Accounting Research and Development Foundation	Liability and cases of trading in its own shares	3
		Oct 05,2015	Accounting Research and Development Foundation	Under accountant viewpoint financial instruments related to the evolution and development of IFRS.	6
Chih-Hsien Chen	Financial Supervisor	May 15,2015	Accounting Research and Development Foundation	The regulation for director and supervisor and Corporate Governance practice under Corporate Governance Assessment structure.	3
		Sep 14,2015	Accounting Research and Development Foundation	From the staff broke the news event to talk about liability and protection of those disadvantages	3
		Nov 23,2015	Accounting Research and Development Foundation	Accounting personnel should be aware of the COSO internal control framework overall depth Discussion	3
		Dec 21,2015	Accounting Research and Development Foundation	Liability and cases of trading in its own shares	3

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

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

Items	Status of Work			Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N	Comment	
<p>1. Policies implemented and promoted by the Company:</p> <p>(1) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness.</p> <p>(2) The status of full and part-time work units established by the Company for promotion of corporate responsibility</p> <p>(3) Does the company set up a unit to promote corporate social responsibility and authorized by the Board of Directors and report to the Board?</p> <p>(4) Does the company set a reasonable salary policies and employee performance appraisal system combined with corporate social responsibility, and establish clear and effective system of reward and punishment?</p>	V		<p>(1) In 2015 the Company completed the preparation of its Corporate Social Responsibility code, which was implemented through the Board of Directors. The code cover's the Company and all operational activities of the Company's subsidiary businesses. Contents include: implementation of corporate governance, sustainable development and the environment, social welfare maintenance, a focus on employee care, improved customer services, strengthening supplier management, and corporate social responsibility information disclosure. The Company's annual Corporate Social Responsibility report is issued in June, with the aspiration of reconciling the expectations of interested parties/individuals. The report is issued to interested parties/individuals to communicate the Company's implementation of corporate social responsibility, and the possible contact or impact of interested parties/individuals should be identified in understanding the needs and expectations of the Company in the pursuit of sustainable development and profitability at the same time; the Company pays attention to environmental factors, social and corporate governance factors, in terms of their integration into the Company's management policy and business activities.</p> <p>(2) <u>The Company's implementation of corporate social responsibility is through the organization of regular social responsibility education and training. In 2015 the implementation was as follows:</u>  20150318 – Corporate anti-corruption legal education  20150429 – Sexual Harassment  20150512 – Promote Labor Relations - Labor Conference  20150521 – Gender Mainstreaming, Prevention of Sexual Harassment in the Workplace  20151216 – Prevention of Criminal Violations in the Workplace (Workplace Violence)  20150629 – Wan Hai Charity Volunteer Training  20150701 – The first half of the year fire drill  20151223 – The second half of the year fire drill  20150829~20150903 – Practical Knowledge of Escape Evacuation Drills  20150930 – Emergency Service Personnel Education and Training  20151016 – Personal Fitness Evaluation  20151029 – Shore Crew Members Health Seminars  20151030 – Physical Education Seminar  20151120 – Crew Members Health Promotion Seminar  A 3-hour health advisory session with a doctor once every month</p> <p>(3) In order to integrate resources to promote CSR, the Company established a permanent Corporate Social Responsibility unit that is responsible for business operations in accordance with corporate social responsibility. This includes the approval of the annual target areas, implementation of the scope of the program, execution and review of tracking performance of the program, and the production of the Board of Directors report and Corporate Social Responsibility report. The Chairperson serves in the Corporate Social Responsibility unit as a joint steering committee member. The unit covers corporate governance, employee care, customer care, economic/environmental care, and social/welfare groups.</p> <p>(4) According to the company's employee guide book: salary, performance appraisal, and incentives regulations chapters.</p>	No difference
<p>2. Developing a sustainable environment</p> <p>(1) The status of the Company devotion to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact</p> <p>(2) Whether the status of the establishment of an environmental management system suited to the special characteristics of our industry?</p>	V		<p>2. Developing a sustainable environment:</p> <p>(1) WHL has devoted itself to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact in the following ways:  A. Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment  B. Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life  C. Current ships have been outfitted with a new type of oily water separator, purifying the discharge of waste water on ship, and avoiding any possible ocean pollution  D. Starting in 2010, newly-built ships will be fitted with a water ballast treatment system, protecting the ocean ecology and avoiding the foreign organisms from being released via the water ballast, as well as environmental pollution  E. Damaged or worn machines or fitting on vessels, if able to be repaired, are arranged to be reused by the manufacturer  F. Instruction of manufacturers working on the ship to recycle and dispose of trash on shore</p> <p>(2) Current environmental management system employed by the company as related to the shipping industry is as follows:  A. Both newly built and current vessels have been fitted with sewage and bilge water treatment system,  B. Engines and generators on ships built after 2000 are all up to Tier 1 emissions standards,  C. Waste oil from engine rooms discharged to the shore is recycled by a qualified company  D. Bilge water from the engine room passes through a 15 PPM bilge water separator before being released, thus decreasing ocean pollution  E. On-board bilge water passes through a bilge water separator where organic matter is filtered out before being released  F. All engine room internal combustion engines, boilers, and incinerators comply with emissions laws and regulations  G. Our vessels use low-sulfur fuel in the ECA (Emission Control Area) and carry out the changeover procedure in order to comply with the regulations of MARPOL Annex VI, EU Directive and special port states.  H. Our vessels use low-sulfur fuel in the HONG KONG area.</p>	No difference

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

Items	Status of Work		Comment	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
	Y	N		
(1) Corporate Governance Wan Hai insists on operational transparency and places great emphasis on shareholder rights and interests coupled with a firm belief in a sound and efficient Board of Directors as the main foundation for excellent corporate governance. The Board of Directors is comprised of the directors, supervisors, and independent directors. A Remuneration Committee has been formed to ensure a sound compensation system for directors, supervisors, and managers. The Company has also established an Auditing Division with the goal of providing the Board of Directors and managers with assistance in inspections and examinations of deficiencies of the internal control system and measurement of operational performance and timely suggestions for improvement to ensure a continued and effective implementation of the internal control system. We dedicated units and personnel in charge of promoting corporate social responsibility will be assigned to assist the Board of Directors in the provision of educational training on corporate social responsibility from 2015. An Audit Committee will be established in the future to assist the Board of Directors in the execution of its supervisory duties. In addition, dedicated units and personnel in charge of promoting ethical corporate management will formulate Ethical Corporate Management Best Practice Principles to express the dedication and determination of the Company in the field of corporate governance and CSR.				
(2) Environmental Management A. Compliance with relevant articles of the International Safety Management Code, international conventions and regulations, and any other environmental protection requirements signed and issued by the Company. B. Monitoring and modifying the extent of pollution and minimizing impact on the environment. C. Full implementation of the ISO 14001 Environmental Management System (EMS), and establishment of an ISO Committee for periodic review of environmental protection performance. D. Integrating environmental protection and awareness concepts into the Company's everyday operations. E. Advocacy of resource recycling and energy saving to reduce waste. F. Requesting contractors and business partners to enhance environmental protection awareness. Joint observation of environmental protection regulations. G. Improving safety management skills of personnel onshore and aboard ships, including emergency preparations related to safety and environmental protection.				
(3) Concern for Employees Human talent represents the most valuable asset of the company. We therefore provide highly competitive salaries and a comprehensive benefit system. A working environment characterized by safety and equality is created with concern for employees and employee care as the starting point. We fully comply with norms set forth in relevant labor terms and conditions to safeguard the labor rights and interests of our employees.				
(4) Social Engagement The Company embraces a spirit of giving back to society and has therefore made a long-term commitment to social welfare. The Wan Hai Charity Foundation (hereinafter referred to as the "Foundation") was established in August 2003 to ensure a long-term promotion of charity activities and welfare services through a dedicated organization. The main objective of the Foundation is to provide services for disadvantaged groups in our society including seniors, children, persons with physical or mental disabilities, or financially challenged families as the main beneficiaries. The Foundation strives to provide unlimited services, listen to the voices of disadvantaged members of society, and fulfill the needs of various groups.				
(5) Customer satisfaction This Company warrants the quality of its services in compliance with shipping related laws and regulations and international principles. No acts involving fraud, deception, breach of customer trust, or impairment of customer rights and interests are committed in the marketing and labeling of services. Risks such as the impact of unstable international conditions or natural disasters are assessed and managed. Various effects are constantly assessed and ports of call of shipping routes are adjusted in a timely manner to minimize impacts on customers and society. The company provides premium shipping services for its customers and constantly increases the speed of terminal operations. Dedicated units in charge of control and management of container status have been established. The goal of these measures is to provide customers with safe and danger-free shipping containers as well as smooth and highly efficient container loading and unloading procedures.				
(6) Green Supply Chain This Company focuses on local procurement and selects cooperating suppliers based on the principles of fairness and objectivity. We also require that products and services provided by suppliers conform to environmental regulations, international laws, and health and safety principles. We will pay continued attention to and raise the awareness of suppliers in the field of CSR. In addition, human right concepts will be incorporated into the supply chain to allow the joint promotion of CSR in cooperation with suppliers.				
7. Description of accreditation given by relevant accrediting organizations the Company's products or corporate responsibility report may have received: Besides in 2005, the Company received ISO14001 2004 environmental management system accreditation by Det Norske Veritas (DNV), the Company also received CNS15506 & OHSAS 18001 Occupational Safety and Health Management System accreditation by Bureau Veritas Certification(BVC).				

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

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

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

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

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

### 3.3.10 Internal Control System Execution Status

#### 1. The Declaration of Internal Control

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

March 18, 2016

Based on the self-assessment of Company's internal control system for year ended of 2015, 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 bylaws.
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, 2015 that the design and implementation of its internal control system (including supervision and management of subsidiaries), consisting of understanding the effectiveness and efficiency of business operations, reliability, timeliness, transparency, and regulatory compliance of reporting and their compliance with applicable laws, regulations, and bylaws, are effective and reasonably assure the achievement of the aforementioned goals.
6. This Statement shall become a major part of the annual report of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the R.O.C. Securities & Exchange Law.
7. This Statement has been unanimously approved by 7 directors and objected by 0 directors of the Company present at the meeting held on Mar 18, 2016.

WAN HAI LINES LTD.

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

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

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

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

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

Date	Resolutions
2015 General Shareholder's Meeting (Jun 22, 2015)	<p><b>Acknowledgments :</b>  1st Motion:  Agenda: Presenting the 2014 Financial report and Business Report for acknowledgements.  Resolution: This motion was passed according to the e-voting and live voting results.</p> <p>2nd Motion:  Agenda: Presenting the 2014 Earnings Appropriation for acknowledgements.  Resolution: This motion was passed according to the e-voting and live voting results.</p> <p><b>Discussions :</b>  1st Motion:  Agenda: Discussing the Regulations for Acquisition and Disposal of Assets by WAN HAI LINES LTD. and its Subsidiaries.  Resolution: This motion was passed according to the e-voting and live voting results.</p> <p>2nd Motion:  Agenda: Discussing the removal of the non-compete clause for the Company's Board of Directors.  Resolution:  <ol style="list-style-type: none"> <li>1. Release of the Non-Competition Restriction for Director Po-Ting Chen: This motion was passed according to the e-voting and live voting results.</li> <li>2. Release of the Non-Competition Restriction for juristic-person director Mr. Randy Chen: This motion was passed according to the e-voting and live voting results.</li> <li>3. Release of the Non-Competition Restriction for juristic-person director Mr. Chih-Chao Chen: This motion was passed according to the e-voting and live voting results.</li> <li>4. Release of the Non-Competition Restriction for juristic-person director Mr. Fur-Lung Hsieh: This motion was passed according to the e-voting and live voting results.</li> </ol></p> <p>3rd Motion:  Agenda: Discussing amending the WAN HAI LINES LTD. Company's Memorandum of Association.  Resolution: This motion was passed according to the e-voting and live voting results.</p>

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

Date	Resolutions
5th Directors Meeting of 19th term, 2015 (March 9, 2015)	Motion: A proposal the removal of non-compete clause for company managers was submitted for discussion. Resolution: Chairman Po-Ting Chen and Director Randy Chen both recused themselves from the meeting. The motion was passed unanimously by the remaining directors.
5th Directors Meeting of 19th term, 2015 (March 9, 2015)	Motion: Setting the discussion of related matters for the 2015 Shareholders' Meeting. Resolution: All directors present at the meeting passed the motion unanimously.
5th Directors Meeting of 19th term, 2015 (March 9, 2015)	Motion: The replacement of the Company's certified public accountants in the fourth quarter of 2014 and for the certified public accountants to conduct regular independent evaluations was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
5th Directors Meeting of 19th term, 2015 (March 9, 2015)	Motion: As older shipping containers should be removed for new operations, a proposal to dispose of second-hand shipping containers was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
6th Directors Meeting of 19th term, 2015 (April 21, 2015)	Motion: Amending the company's 2015 shareholders convening of meetings was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
6th Directors Meeting of 19th term, 2015 (April 21, 2015)	Motion: The 2014 earnings appropriation was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
2nd Directors Interim Meeting of 19th term, 2015 (June 22, 2015)	Motion: Election of the 19th term Vice Chairman of the Board of Directors. Resolution: 1. The nominated Taili Corporation representative Director Randy Chen was elected as the Vice Chairman of the Board of Directors for the 19th term as all directors present at the meeting passed the motion unanimously. 2. Director Randy Chen's duties as joint Special Assistant to the President and Information Technology Department Supervisor at the Taizhong and Kaohsiung company branches remain unchanged. However, as the position of Vice Chairman is very work intensive, from the date the motion goes into effect there is no need for him to also participate in the Management Committee.
2nd Directors Interim Meeting of 19th term, 2015 (June 22, 2015)	Motion: Preparation of the final version of the company's 2014 earnings appropriation ex-dividend date and cash dividend payment date was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.
2nd Directors Interim Meeting of 19th term, 2015 (June 22, 2015)	Motion: A proposal to appoint Executive Vice President Fur-Lung Hsieh as Executive President was submitted for discussion. Resolution: 1. Director Fur-Lung Hsieh recused himself from the meeting. The motion passed after the directors' unanimous agreement upon the Chairperson's inquiry. 2. Executive Vice President Fur-Lung Hsieh duties as a Supervisor of the Finance Department, Port Affairs, Taichung Port, and Kaohsiung Port remain unchanged. However, as the position of Executive President is very work intensive, from the date the motion goes into effect there is no need for him to also participate in the Management Committee.
9th Directors Meeting of 19th term, 2015 (November 11, 2015)	Motion: The first half of 2016 business requirement for the purchase of new shipping containers was submitted for discussion. Resolution: All directors present at the meeting passed the motion unanimously.

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

**3.3.14 Summary of resignations and dismissals during the past year and up to the annual report publishing date that connected with the company's financial report :**

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Po-Ting Chen	2011/3/18	2015/6/22	Internal position Adjustment
Financial Officer	Fur-Lung Hsieh	2008/7/1	2016/3/18	Internal position Adjustment

### 3.3.15 Procedure for dealing with important internal information

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

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

### 3.3.16 Discussion about execution of the resolutions made in the shareholders' meeting 2015

1. Ratification issues:
  - (1) Ratification of the 2014 accounting documentation: according to company law and other relevant laws the related accounting documentation has been sent to the authorities for reference and declaration.
  - (2) Ratification of the 2014 earnings appropriation: according to company law and the Company's Memorandum of Association, 10% of the total amount, NT\$525,407,405, has been appropriated as legal reserve and complete remuneration was made to Directors and Supervisors, along with the payment of employee bonuses and dividends.
2. Discussion issues:
  - (1) Amendment to the Regulations for Acquisition and Disposal of Assets by WAN HAI LINES LTD. and its Subsidiaries: has already been implemented.
  - (2) Removal of the non-compete clause for the company's Board of Directors: has already been implemented.
  - (3) Amend the WAN HAI LINES LTD. Company's Memorandum of Association: has already been implemented.

### 3.3.17 Company Remuneration Committee

#### 1. Remuneration Committee Member Information

Position (Note 1)	Name	Condition	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 (Note 3)	
			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	1	2	3	4	5	6	7	8			
Director	Ruei-Chuen Liu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	In conformance
Director	Rung-Nian Lai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	In conformance
Other	Ming-Zhu Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Not applicable

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

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

- (1) Not employed by the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship.
- (5) Not a director, supervisor, or employee Company shareholder that directly holds 5% or more of the total number of issued shares of the company or ranks as one of its top five shareholders.
- (6) Not a director, supervisor, officer, or shareholder that holds 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not being a person of any conditions defined in Article 30 of the Company Law.

Note 3: If the committee member serves as a Director of the Board, demonstrate if he/she complies with Paragraph 5 of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded Over the Counter."

2. Remuneration Committee operation

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

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

Other information:

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

Note :

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

3.3.18 Corporate Conduct and Ethics Implementation

Assessment Item	Implementation Status		Summary	Discrepancy with industry standards and reasons
	Yes	No		
<p>1. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(1) Does the Company have regulations and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?</p> <p>(2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, and complaint procedures in such policies?</p> <p>(3) Does the Company establish appropriate compliance measures for the business activities as prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?</p>	V	V	<p>(1) Although the corporate conduct and ethics policy has not yet been fully developed, the Company's documents are publicly available. The ideals of placing the customer first, full staff participation, environmental protection, and the sustainable business philosophy are being actively implemented by the Board of Directors and the management team. The development of a complete accounting system and internal control system, such as improving management systems, the internal management, and external business activities has also been implemented.</p> <p>(2) The Company places emphasis on its staff attitude and moral integrity, and has the staff abide by the code of practice and the established general rules, so the Company has essentially a fundamental spirit of corporate conduct and ethics which is implemented through management practices.</p> <p>(3) As expressed in the Company's work rules, employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law.</p>	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.
<p>2. Ethical Management Practices</p> <p>(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?</p> <p>(2) Does the Company set up a unit which is dedicated to or tasked with promoting the company's ethical standards that reports directly to the Board of Directors with periodical updates on relevant matters?</p>	V	V	<p>(1) The Company conducts its business in a fair and transparent way. Before engaging in business, the Company considers the legality of and ethical records of agents, suppliers, customers or other business transactions in order to ascertain whether there is poor ethical conduct record, and then avoids engaging in business with those who have a poor ethical conduct record.</p> <p>(2) The Company's management team actively promotes the implementation of ethical standards, the Company Directors uphold a high standard of discipline in conducting motions listed by the Board of Directors, the Company itself, and with represented interested parties/individuals. Where those posing a risk of causing harm to the interests of the Company are not allowed to join or vote in discussions.</p>	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.

Assessment Item	Implementation Status		Summary	Discrepancy with industry standards and reasons
	Yes	No		
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication, complaint channels, and implement such policies properly?	V		(3) The company must abide by the Company Act, the Securities Exchange Act, the Business Entity Accounting Act, the business-related regulations for TWSE/GTSM Listed Companies, and other industry standard regulations to implement relevant policies on ethical conduct, which are implemented by the Directors and Supervisors and internal interested parties/individuals. Company work rules establish which actions constitute violation of the regulations and the disciplinary system, and if the investigation of the violation of the regulations is verified, depending on the seriousness of the violation, are dealt with in accordance with the relevant regulations.	
(4) To implement relevant policies on ethical conduct, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) A stringent accounting system and a dedicated accounting unit has been established, and financial reports are confirmed by a CPA to ensure their fairness. Risk assessment plan auditing is performed in accordance with the annual auditing plan, and then approved by the Board of Directors before execution. Projects are checked by auditors prior to execution. Once at the end of every month the audit report statement results are checked and recommendations for improvement are reported to the Company's President, Chairman, Supervisors and independent Directors. When a situation occurs, if anything is missing or abnormal, then recommendations are made to improve coordination, and there is a regular reminder to inspect the improved the situation. Supervisory internal units and subsidiary companies manage their own internal examinations at least once a year, and then the self-reviewed report is then audited. If the audit finds defects and irregularities in internal control then to improve the situation the Board of Directors and management team assess the overall internal control system effectiveness and issue a statement regarding the internal control system. The Company's internal audit documents all use the prescribed format according to the Financial Supervisory Commissions Internet information system reporting reference: Annual internal audit plan: before the end of each fiscal year. Previous year annual audit plan implementation: within two months after the end of the fiscal year. Previous year internal audit discovered internal control systems defects and irregularities: after the end of each fiscal year within five months. Previous year internal control system statement: within three months after the end of each fiscal year. In accordance with the regulations published in the annual reports, brochures and IPO prospectuses.	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) Company internal regularly new personnel training/management vocational training/in-service training courses are organized, and well as external training courses. The Company places emphasis on its staff attitude and moral integrity. In addition to having the staff abide by the code of practice and the established general rules, the Company will include work attitude and moral integrity performance evaluation indicators for all of its staff: A. The staff should be proud of being a part of Wan Hai Lines Ltd., and must abide by Wan Hai's various work environment, work attitude, and employee relations, notices and announcement requirements. B. The staff shall maintain official business services and commercial business secrets, whereby non-approved articles shall not be removed from the office (or sent by e-mail). If the above mentioned circumstances occur, in addition to the offending employee's dismissal punishment, and depending on the severity of the occurrence, also be prosecuted in accordance with the law. C. Company employees shall not solicit or accept commissions, kickbacks or improper acceptance of hospitality or any other illegal gifts and other personal benefits. If unethical conduct is identified, the perpetrator is to be removed from office, and if the Company has suffered a loss, will seek compensation according to the law. D. The Company's employees should respect and care for the credibility of the company, whereby personal opinions involving the company, if not authorized, may not be published. Except for Company specified tasks, the use of the Company name is not authorized. E. The staff should have a sincere, positive, and responsible attitude towards work, actively identify problems, and take the initiative to propose possible solutions.	

Assessment Item	Implementation Status		Summary	Discrepancy with industry standards and reasons
	Yes	No		
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?  (2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?  (3) Does the Company adopt proper measures to prevent a complainant from retaliation for filing a complaint?	V		The Company has established an e-mail address in order to report cases of corporate conduct and ethics policy violations. If reported, a dedicated investigation team will investigate the event in accordance with procedures, and a personnel appraisal committee will consider the report's findings in accordance with the Company's relevant disciplinary regulations.	None
	V			
	V			
4. Information Disclosure (1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?		V	(1) The Company's website has a company profile and investor relations area that provides manufactures, customers, and other interested parties/individuals with an information platform to immediately understand our business status, Memorandum of Association, internal audit operations, and corporate social responsibility situation. (2) The Company had also built an English website for non-Chinese readers, where the Chinese web pages are instantly synchronized, which actively promotes indicators revealed by the ROC Securities and Futures Institute, enhances the Company's information transparency, and increases corporate value.	Although the Company has not yet established specific Corporate Conduct and Ethics Policy regulations, similar regulations are currently being implemented in the Company's external and internal documents for general rules and operating procedures; the Company plans to formally establish written information. The draft needs to be approved by the Board of Directors before it can be formally implemented.
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): None				

### 3.4 Information on CPA professional fees

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

Name of CPA firm	Name of CPA		Audit Period	Remarks
KPMG	Chung-Yi Chiang	Yi-Chun Chen	Jan. 1,2015~Dec.31,2015	

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

Expressed in thousands of New Taiwan dollars

Fees item		Audit fees	Non-audit fees	Total
1	Under 2,000 thousand dollars		1,513	1,513
2	2,000~4,000 thousand dollars			
3	4,000~6,000 thousand dollars	5,300		5,300
4	6,000~8,000 thousand dollars			
5	8,000~10,000 thousand dollars			
6	Above 10,000 thousand dollars			

#### 2. Information on CPA professional fees

Expressed in thousands of New Taiwan dollars

Name of CPA firm	Name of CPA	Audit fees	Non-audit fees					Audit period	Remark (Note)
			System design	Company Registration	Human resources	Others	Subtotal		
KPMG	Chung-Yi Chiang	5,300	0	0	0	1,513	1,513	2015/1/1~2015/12/31	Non-audit fees - including the other following items: Transfer pricing reports, Fees for CPA's business trip
	Yi-Chun Chen								

Note: Non-audit fee services are listed, if the amount of non-audit fees "other" reaches 25% of the total amount, the services involved should be listed in the remarks column.

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

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

### 3.5. Information on replacement of CPA :

#### (1) Regarding the former CPAs

Date of replacement	Passed by the Board of Directors on March 9, 2015		
Reason and description of replacement	Due to the internal adjustment requirements of the accounting firm KPMG, in the fourth quarter of 2014 the financial statements managed by CPAs Lily Lu and Fu-Wei Chen were transferred to their successors, the CPAs Chung-Yi Chiang and Yi-Chun Chen.		
Specify whether the appointment is terminated or unaccepted by the appointer or CPA.	Related parties	CPA	Appointer
	Voluntary termination of appointment	-	-
	No further acceptance (continuation) of appointment	-	-
Opinion and reason for any audit report other than unqualified opinion in the last two years	None		
Any disagreement with the Company	None		
Other Disclosures (disclosure guideline Article 10.5(1) (iv))	None		

#### (2) Regarding the successor CPAs

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

(3) The former CPA's written response to the matters referred to in Article 10.5(1) and Article 10.5(2) (iii): None.

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

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

Title (note1)	Name	2015/1/1~2015/12/31		2016/1/1~2016/5/1		Remark
		Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	
Chairman	Po-Ting Chen	0	0	0	0	
Director	Formosa Wonderworld Co. Ltd. Representative: Cheng-Hsien Lin	0	0	0	0	
Director	TAILI Corporation Representative: Randy Chen	0	1,662,591	0	0	
Director	CHEN-YUNG Foundation Representative: Chih-Chao Chen	0	0	0	0	
Director	SHIH LIN PAPER CORP. Representative: Fur-Lung Hsieh	0	0	0	0	
independent Director	Ruei-Chuen Liu	0	0	0	0	
independent Director	Rung-Nian Lai	0	0	0	0	
Supervisor	Yee Sing Co., Ltd. Representative: Chiu-Ling Wu	0	0	0	0	
Supervisor	Yi The Optical Technology Co., Ltd. Representative: Chih Hsiang Chen	0	0	0	0	
Supervisor	Hwa Mei Lin Yen	0	0	0	0	
Main shareholder	Yi Chun (Liberia) Shipping Co., Ltd.	0	(21,000,000)	0	0	
GM	Fur-Lung Hsieh	0	0	0	0	2015.06.22 On board
Executive Vice President	Huey-Jiuan Chen	0	0	0	0	
Executive Vice President	Wen-Chau Yeh	0	0	0	0	
Senior Vice President	Jen-Yee Huang	0	0	0	0	
Senior Vice President	Jiong-Xin Lin	(126,000)	0	0	0	
Senior Vice President	Li- Kuang Huang	0	0	0	0	
Vice President	Kuo-loong kao	0	0	0	0	
Vice President	Otto Huang	0	0	0	0	
Vice President	Juang-Jyh Juang	0	0	0	0	
Vice President	Wei-Chien Chuang	0	0	0	0	
Vice President	Wei-Hsin Hsu	(54,000)	0	0	0	
Vice President	Jen-Kai Wu	0	0	0	0	
Vice President	Chien-Cheng Hsiao	0	0	0	0	
Project Vice President	Yen-Ru Chen	0	0	0	0	
Executive Assistant	Hung-Chuan Chien	0	0	0	0	
Vice President	Hui-Chang Chung	0	0	0	0	
Vice President	Chih-Heng Wan	0	0	0	0	
Vice President	Li-Mei Su	0	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	
Vice President	Chih-Hsien Chen	0	0	0	0	2016.03.18 On board
Vice President	Shen-Hsing Lo	0	0	0	0	2016.03.18 On board
Vice President	Chien-Feng Wu	0	0	0	0	2016.03.18 On board
Assistant Vice President	Chia-Yi Hsiao	(4,836)	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

May 1, 2016

Name	Shareholding		Spouse and minors shareholding on current date		Shareholding in others name		The company's 10 largest shareholders are related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio	Name	Relation	
Yi Chun (Liberia) Shipping Co., Ltd. Representative: Chao-Heng Chen	285,234,291 4,885,320	12.85% 0.22%	0 8,477,127	0% 0.38%	0 0	0% 0%	None Ching-Chih Chen Chih-Yuan Chen Chih-Chao Chen	None Relatives within the second degree Relatives within the second degree Relatives within the second degree	None None
TCE Representative: Hui-Ying Chen	170,902,859 0	7.70% 0.00%	0 0	0% 0%	0 0	0% 0%	None Da Shin Investment, Inc Liu He Investment, Inc. Po-Ting Chen	None Director Supervisor Relatives within the second degree	None None
CCE Representative: Randy Chen	170,902,859 0	7.70% 0%	0 0	0% 0%	0 0	0% 0%	None Ching-Chih Chen	None Relatives within the second degree	None None
Asia Pacific Container Terminal Inc. Representative: Fur-Tian Huang	124,823,398 0	5.62% 0%	0 0	0% 0%	0 0	0% 0%	None None	Director None	None None
Evervaliant Corp. Representative: Ching-Chih Chen	57,173,950 0	2.57% 0%	0 9,095,335	0% 0.41%	0 0	0% 0%	None Chao-Heng Chen Randy Chen	None Relatives within the second degree Relatives within the second degree	None None
Chun-Hsing Lin	56,667,820	2.55%	39,713	0%	0	0%	None	None	None
Yeong Yi (Asia) Co., Ltd. Representative: Chih-Yuan Chen	47,617,724 15,500,552	2.14% 0.69%	0 9,251,742	0% 0.41%	0 0	0% 0%	None Chao-Heng Chen Chih-Chao Chen	None Relatives within the second degree Relatives within the second degree	None None
Da Shin Investment, Inc. Representative: Po-Ting Chen	38,287,219 9,603,548	1.72% 0.43%	0 0	0% 0%	0 0	0% 0%	Liu He Investment, Inc. Hui-Ying Chen Hui-Ying Chen Liu He Investment, Inc.	Director Director Relatives within the second degree Representative of corporate director	None None
Liu He Investment, Inc. Representative: Po-Ting Chen	32,977,554 9,603,548	1.48% 0.43%	0 0	0% 0%	0 0	0% 0%	Da Shin Investment, Inc. Hui-Ying Chen Hui-Ying Chen Da Shin Investment, Inc.	Director Supervisor Relatives within the second degree Director	None None
Chen-Yung Foundation Representative: Chih-Chao Chen	31,902,176 7,761,283	1.43% 0.35%	0 0	0% 0%	0 0	0% 0%	None Chao-Heng Chen Chih-Yuan Chen	None Relatives within the second degree Relatives within the second degree	None 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.

May 1, 2016;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	-	-	901,540	100%	901,540	100%
Wan Hai Lines (HK) Ltd.	-	-	160,000,000	100%	160,000,000	100%
Wan Hai Lines (S) Pte. Ltd.	538,075,000	100%	0	0%	538,075,000	100%
Wan Hai Lines (M) Sdn. Bhd.	-	-	500,000	100%	500,000	100%
Yi chun Shipping Agencies(M) Sdn. Bhd	-	-	200,000	100%	200,000	100%
Wan Hai Lines Korea Ltd.	-	-	80,000	100%	80,000	100%
Wan Hai Lines (America) Ltd.	90,000	100%	0	0%	90,000	100%
Guangzhou Wan Hai Information Technology Ltd.	No shares issued	-	No shares issued	100%	No shares issued	100%
Wan Hai International Pte. Ltd.	-	-	50,000	100%	50,000	100%
Wan Hai Lines (India) Pvt. Ltd.	-	-	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.	-	-	147	49%	147	49%
Wan Hai Lines (Peru) LLC.	-	-	58,140	51%	58,140	51%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	18,038,137	6.94%	23,457,225	9.02%
Taipei Port Container Terminal Corp.	79,315,476	15.25%	0	0%	79,315,476	15.25%
TK Logistics International Co., Ltd.	14,300,000	55%	0	0%	14,300,000	55%
Dawin Logistics (International) Ltd.	-	-	144,640,000	100%	144,640,000	100%
Wan Hang Tourism (ShangHai)Co., Ltd.	No shares issued	-	No shares issued	50%	No shares issued	50%
Shenzhen Uniwin International Logistics Ltd.	No shares issued	-	No shares issued	100%	No shares issued	100%
Clipper International shipping Agency Ltd.	No shares issued	-	No shares issued	49%	No shares issued	49%
Blue Ocean Logistics Co, Ltd.	No shares issued	-	No shares issued	100%	No shares issued	100%
Wan Hai Lines (Thailand) Ltd.	-	-	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	-	No shares issued	90%	No shares issued	90%
Wan Hai (Vietnam) Ltd.	No shares issued	-	No shares issued	100%	No shares issued	100%
Tan Cang-Cai Mep International Terminal Co., Ltd	No shares issued	21.33%	No shares issued	0%	No shares issued	21.33%
Bravely International Pte Ltd	-	-	3,828,301	100%	3,828,301	100%
Bravely (Myanmar) Transport and Logistic Co., Ltd	-	-	1,600,000	80%	1,600,000	80%
Qingdao Port & Win International logistics Co., LTD.	No shares issued	-	No shares issued	50%	No shares issued	50%

Note 1: Long term investment Wan Hai Lines and subsidiary companies.

Note2: Shenzhen Asia World Logistics Ltd. has already been liquidated and dissolved at the end of 2015.

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

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

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

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

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

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

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

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

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

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

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

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

May 1, 2016

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

May 1, 2016

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No.	2	30	142	43,737	244	44,155
Holding shares	20,191,165	32,121,666	714,230,584	595,515,982	856,238,069	2,218,297,466
Holding percentage	0.91%	1.45%	32.20%	26.84%	38.60%	100.00%

#### 4.1.3 Shares' Distribution

May 1, 2016

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	13,912	2,980,530	0.13%
1,000-----5,000	19,435	45,035,782	2.03%
5,001-----10,000	4,868	38,360,273	1.73%
10,001-----15,000	1,735	21,918,567	0.99%
15,001-----20,000	1,140	21,309,639	0.96%
20,001-----30,000	1,005	25,837,478	1.17%
30,001-----50,000	874	35,777,102	1.61%
50,001----100,000	579	42,161,629	1.90%
100,001----200,000	274	38,836,712	1.75%
200,001----400,000	121	33,210,844	1.50%
400,001----600,000	31	14,807,523	0.67%
600,001----800,000	24	16,537,583	0.75%
800,001----1,000,000	22	20,020,478	0.90%
1,000,001----1,200,000	9	9,553,684	0.43%
1,200,001----1,400,000	11	14,184,950	0.64%
1,400,001----1,600,000	4	6,022,050	0.27%
1,600,001----1,800,000	1	1,652,137	0.07%
1,800,001----2,000,000	4	7,749,295	0.35%
2,000,001 以上	106	1,822,341,210	82.15%
Total	44,155	2,218,297,466	100.00%

#### 4.1.4 Main share holders

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

May 1, 2016

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.	124,823,398	5.62%
Evervaliant Corp.	57,173,950	2.57%
Chun-Hsing Lin	56,667,820	2.55%
Yeong Yi (Asia) Co., Ltd.	47,617,724	2.14%
Da Shi Investment, Inc.	38,287,219	1.72%
Liu He Investment, Inc.	32,977,554	1.48%
Chen-Yung Foundation	31,902,176	1.43%

### 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	2015	2014	2016/01/01~2016/05/02
Market Price per share (Note 1)	Highest		38.80	29.00	21.70
	Lowest		15.20	14.05	16.20
	Average		25.45	20.52	18.55
Net Value per share (note 2)	Before Distribution		16.11	16.05	16.06
	After Distribution		(Note 4)	16.05	-
Earnings per share	Weighted Average shares		2,218,297,466	2,218,297,466	2,218,297,466
	Earning Per Share (Note 3 & 4)		1.77	2.37	
Dividend per share	Cash Dividend		1.2	2	-
	Stock Dividend	Dividends from Retained Earnings	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated dividend not paid (Note 5)		0	0	-
Return on Investment	Price / Earning Ratio (Note 6)		14.38	8.66	-
	Price / Dividend Ratio (Note 7)		21.21	10.26	-
	Cash Dividend Yield Rate (Note 8)		0.05	0.1	-

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

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

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

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

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

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

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

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

### 4.1.6 The Dividend Policy and Execution

#### 1. Dividend policy

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

The industry in which the Company operates is changeable, and is capital-intensive. In times of stable growth, the Company considers future capital needs, and long-term financial plans, as well as satisfying shareholder needs pertaining to cash inflows. The current income after the Company's final accounting shall reimburse losses made in previous years as well as 10% of the remainder to be provided for a legal earnings reserve, except in accordance with legal provisions or reverse special reserve, the special reserve could be defined if any plan to expand transportation equipment and improved the financial structure. 30% or more of the remaining balance, plus any unappropriated earnings accumulated at the beginning of the period and any undistributed earnings adjustment in the current year, shall be distributed. The Board of Directors is responsible for planning the earnings appropriation, and these may be distributed after adoption by the shareholders meeting. Appropriation must include:

- (1) Employees' bonuses of no less than 1%.
- (2) Directors' and Supervisors' remuneration, totaling 1%.
- (3) The remainder after deducting amounts in subparagraphs 1 and 2 shall be shareholders' dividends.
- (4) Independent directors shall not take part in the allocation of earnings, whose remuneration shall be decided upon resolution of a directors' meeting.

The proportion of stock dividends or cash dividends distributed must be done in accordance with the current years' actual profit, capital position, and plans for increasing capital. The proportion of cash dividends may not be below 10% of total dividends. In the event of having previous years' accumulated earnings, or the current years' earnings, but be unable to provide for the current years' shareholders' equity, the accumulated earnings from the previous year should be used to provide for an identical special earnings reserve, which must first be deducted before being apportioned.

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

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

The industry in which the Company operates is changeable, and is capital-intensive. In times of stable growth, the Company considers future capital needs, and long-term financial plans, as well as satisfying shareholder needs pertaining to cash inflows, any surplus earnings after the Company's total annual accounts have been calculated, after tax, and compensation for accumulated losses, are then carried to the 10% legal reserve, and according to the law, set aside or added to the reversal of special reserve. If there is a requirement for the expansion of transportation equipment and an improvement of the financial structure, this shall be made using the surplus within the special reserve, along with undistributed earnings within the same year to complete the amount needed, including 30% or more of the undistributed earnings at the beginning of the period will be considered in regards to the Company's capital requirements by the Board of Directors, along with the capital budget and other factors. The interests of shareholders and the company's long-term financial planning will be taken into account, with the proportion of dividends and dividend distribution being assigned after the shareholders' meeting. The cash or shares distribution ratio, is subject to the current years' profits, financial conditions, and capital expansion program dividend distribution scheme, where the proportion of cash dividends may not be below 10% of total dividends.

## 2. Proposed distribution of retained earnings of year 2015

- (1) The Company's 2015 net income after tax was NT\$3,942,909,485. In accordance with relevant laws and the Memorandum of Association, 10% of this amount NT\$394,290,949, and the reversal of special reserve was NT\$63,721,236, with the addition of beginning period undistributed earnings of NT\$677,900,643, and other comprehensive losses with a deduction of NT\$ 13,755,331 (the 2015 annual benefit scheme number was re-evaluated), the available undistributed earnings was NT\$4,276,485,084. In addition to the non-allocation at the beginning period of undistributed earnings, the 2015 annual earnings appropriation was NT\$2,661,956,959 for distribution to shareholders as cash dividend of NT\$1.2 per share. The influence of stock dividends toward operating performance, EPS, and ROE of the company: It is not applicable.
- (2) Employees' bonus and Directors' and Supervisors' remuneration:  
The current period estimated employees' remuneration and Directors' and Supervisors' remuneration is based on the calculation of number of stock dividends issued and actual issued monetary amount. Any differences between the estimated and actual amount are then accounted for: the current period estimated employees' remuneration was NT\$57,306,693, and the Directors' and Supervisors' remuneration was NT\$57,306,693, as the same figure was allotted by the Board of Directors for both groups.

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

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

1. The percentages or ranges with respect to employee bonuses and director/supervisor remuneration, as set forth in the company's articles of incorporation : Please refer to 4.1.6 -1.
2. The basis for estimating the amount of employee bonuses and director/supervisor remuneration, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for year 2015 : The estimated figures for the fiscal year of 2014 for employee bonuses is NT\$57,306,693 and remunerations for Director and Supervisor is NT\$57,306,693 is as same as distributed amount of the resolutions in the board of directors meeting.
3. Information on any employee bonus distribution proposal approved by the board of directors:
  - (1) Distribution of cash bonuses or stock bonuses to employees, and remuneration for directors and supervisors :  
In 2014, the Company appropriated NT\$45,271,377 as Director and Supervisor remunerations and NT\$45,271,377 as employee cash bonuses.
  - (2) The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses: There's no proposed distribution of employee stock bonuses in 2014.
  - (3) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor remuneration: Diluted earnings per share is NT\$2.37/share.
4. The actual distribution of employee bonuses and director/supervisor remuneration for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor remuneration, additionally the discrepancy, cause, and how it is treated: In 2013, the Company appropriated NT\$ 17,746,380 as Director and Supervisor remunerations and NT\$ 18,470,721 as employee cash bonuses. Total reduction between these amounts and estimated figures for the fiscal year of NT\$21,004,575 and NT\$21,861,905 was NT\$6,649,379. This discrepancy was listed in 2014 as a gain or loss

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

## 4.2. Status of Corporate Bond

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

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

Note: Due to operational requirements, on May 11, the Company's Board of Directors approved the single or multiple times issue of domestic corporate bonds, with the issued amount not exceeding more than NT\$5.7 billion. The Chairman of the Board was authorized on the behalf of the Company, in accordance with market conditions, to determine the conditions of issue, which plans to repay loans and to strengthen financial structure.

**4.3. Status of preferred stock: None.**

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

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

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

**4.7. Financing Plans and Implementation.**

Capital Expenditure of Ordinary Bond :

A. Domestic ordinary corporate bonds capital status and planning:

2011 Wan Hai domestic ordinary corporate bonds:

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

Unit : TWD thousand

Program Item	Execution Situation		Accumulated till DEC. 31,2015	Reason for being ahead or behind schedule
Vessel purchase	Amount	Program	18,223,738	actual payment according to contract schedule
		Actual	18,223,738	
	Progress	Program	100.00%	
		Actual	100.00%	

B. 2014 Wan Hai domestic ordinary corporate bonds:

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

Unit : TWD thousand

Program Item	Execution Situation		Accumulated till DEC. 31,2015	Reason for being ahead or behind schedule
Loan payment	Amount	Program	4,538,478	actual payment according to contract schedule
		Actual	4,538,478	
	Progress	Program	100.00%	
		Actual	100.00%	
Increase operating fund	Amount	Program	461,522	actual payment according to contract schedule
		Actual	461,522	
	Progress	Program	100.00%	
		Actual	100.00%	

## Condition of the Business Operation

### 5.1 Business profile

#### 5.1.1 Scope of business

1. Marine transportation ( 94.55 %)
2. Shipping agency ( 0.70 %)
3. Purchase & sales of vessels and containers ( 1.39 %)
4. Container freight station business ( 1.04 %)
5. Leasing of vessels and containers ( 2.33 %)

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

#### 5.1.2 General state of the industry

##### 1. General state of the industry

In 2015 there was a continued drop in the crude oil and bulk goods prices due to weak global demand, the continuing decline in strength of the emerging markets expansion, and other related factors. The global momentum in economic growth was not as optimistic as predicted at the beginning of that year as overall economic activity last year was moderate. According to the International Monetary Fund (IMF) forecast, there was a slight decline in the world economic growth rate of 3.1% in 2015, as the growth rate was 3.4% in 2014. Ocean freight was unable to maintain a certain standard as they were affected by demand and falling raw material prices.

Affected by the factors of dropping ocean freight, most global shipping companies showed a decline in operation income, which lead container liner shipping carriers start to merge with each other; such as the world's third largest shipping carrier CMA-CGM's purchase of the Singapore shipping carrier APL, and the merger between COSCO Container Lines Co., Ltd. and the China Shipping Group. Container liner shipping carriers are gradually moving towards larger-scale business models, as competitiveness between ocean carriers is becoming more intense. Facing these challenges, the company continually decommissioning old ships and improving the operational efficiency of its own fleet, the company is being more flexible in adjusting its chartering ship composition; while strengthening joint venture cooperation among other carriers to low costs while providing high quality services that our customer base has faith in. The company is also looking to expand market share and improve profitability.

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

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

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

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

###### (2) Midstream:

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

(3) Downstream:

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

### 5.1.3 Container shipping industry trends and competition situation

1. Industry development trends:

(1) The development trend for larger vessels:

In order to improve operating efficiency, container shipping companies have expanded the size of the market by continuously building larger ships to achieve economies of scale and reduce the unit cost of operations. According to statistics from Alphaliner, by the end of 2014 there were 265 vessels with a capacity of more than 10,000 TEU, which accounted for 19% of all container ships total carrying capacity. By the end of 2015 there were 337 vessels with a capacity of more than 10,000 TEU, which accounted for 23% of all container ships total carrying capacity. It is estimated that in 2016 there will be an increase to 398 vessels with a capacity of more than 10,000 TEU, which will account for 25% of all container ships total carrying capacity.

(2) The development trend in green shipping:

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

2. Industry competition situation:

(1) Large-scale shipping companies:

In pursuit of lower unit operating costs the scope of market operations has been expanded. Shipping companies continue to build new ships to expand their fleets, or engage in mergers and acquisitions to expand their fleet and position in the market to enhance the competitiveness of their operations. According to statistics from Alphaliner (March 10, 2016), the global transport capacity reached 20,507,723 TEU, with the top three shipping companies accounting for about 36.39% of that amount, and the top 20 shipping companies transporting as much as 83% of that amount. As there had been a gradual move toward a large-scale container vessel shipping business model, competitiveness between container carriers has become more intense.

(2) The development trend towards larger strategic alliances:

In the development trend towards larger ships, in order to reduce business risk container shipping companies has sought for more efficient business models, where the world's major shipping companies have been forming strategic alliances: the world's top two shipping companies, APM-Maersk and Mediterranean Shipping Co., have formed the 2M network; CMA-CGM, CSCL and UASC have formed the

Ocean Three alliance; and Evergreen Marine joined the CKYH alliance, and so the major shipping companies have been competing with each other to form larger strategic alliances.

#### 5.1.4 General state of technology and development

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

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

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

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

Year	Total expense	Accomplishment
2014	TWD 33,340,000	1.Suitable type of vessel for service study 2.The Central and Southern American services 3.The Eastern Mediterranean area 4.The Southeastern Asia (Southern Philippines, Borneo, Singapore and Malaysia) 5.Promotion of E-commerce 6.Strengthening strategic alliance
2015	TWD 35,636,000	1.Optimal ships' routing with matched ship type 2.Service from India to Middle-East and Europe 3.Red Sea area 4.Black Sea area 5.Promotion of E-commerce 6.Strengthening strategic alliance

In addition, the company due to it industry function, to enhance the future economic benefits, cut costs, and prevent losses caused by natural disasters may suffer, dedicated to saving and measures against Typhoon and other R & D projects, we do as follows:

1. measures to avoid typhoon:
  - (1) the marine developed typhoon notification rules and circular to fleet to implement
  - (2) the marine division has strengthen on navigation safety, berthing safety during typhoon influence period.
  - (3) provide guidelines to fleet for avoidance of typhoon
    - A. Countermeasure
      - a. Once the ship at berth or waiting for berth, due to influence of typhoon and order by the port authority to be sail, The master shall collect all weather information and take necessary avoidance typhoon measurement for safety of the ship accordingly
      - b. The master and all crewmembers to be taking good care of ship safety during typhoon infect period, the master to take all means to collect relevant weather information such as Navtex, Inmarsat-C. FAX and monitoring it development of the typhoon and take necessary action to avoid typhoon influence as early as possible.
      - c. If the typhoon is coming, The fleet master shall observe ISM PR-0705 to take proper action to avoid Typhoon, to make sure crew, cargo and ship in safety. Once the ship can not avoid to enter the typhoon circle the master shall prevent to enter it first quadrant, due to where are easy to cause hull and cargo damage, at this same time Marine PIC keep the ship monitoring by every six hourly interval. Once the ship is stay in port shall be requested to stand by her engine and seek instruction for departure for ship safety.
      - d. In case of evading typhoon at outer harbor, master should seek an appropriate shelter. For the sake of Fuel Saving Policy, a safe shelter nearby port is a first priority. Meanwhile, the master is kindly requested to keep in close touch with the OPD, Maritech, agent, port control or pilot station for returning port in time.
      - e. Make good use of the weather service's software to planning sailing route, simulation on it to fine out the optima route.
    - B. Evading typhoon plan:
      - a. Judging typhoon movement from weather information, plot the path of the center of typhoon on the nautical chart and beware of the change of squall radius.
      - b. Avoid anchoring as Typhoon approaching, since anchor for evading typhoon could involve dragging danger and collide with other vessels.

- c. Select the waters with plenty room for shielding from land or island could be the good shelters from strong wind and swell.
- d. Keep vessel out of squall radius of wind force over 30 knots or Beaufort wind force 8, and ensure the vessel to return port in time.
- e. Send the plan of evading typhoon soonest to your port captain(PIC) of Maritech who can easily monitor the ship's movement.

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

## 2. Carbon Reduction Measures

In accordance with the Ministry of Shipping directives:

- (1) Route benefits: analysis of the various sections of route to ensure that each ship is on a beneficial route. Analysis of route efficiency, to reach maximize benefits for the company.
- (2) Route plan monitoring: to develop the best sailing plan. Before departure, the best sailing route plan will be developed through consideration of a number of related factors, including water currents, monsoons, and weather changes. Appropriate changes to the route will be made based on the meteorological data available at the time.
- (3) Speed monitoring (punctual arrival at port of destination): while the ship is en route from the departure point to the next destination, reasonable control of boat speed must be maintained, which also increases energy savings. During the voyage, the captain will maintain close ties with the destination port OP and agent, and according to the port of destination port OP and agent's BP, will endeavor to reasonably develop the best permitted sailing speed. When there is ample sailing time, T/C cut off to slow steaming speed sailing will be selected in order to avoid premature arrival, and achieve fuel savings.
- (4) Bow Thruster Control: when the ship is leaving port, the bow thruster preparation time is controlled under the safety condition that the bow thruster time should try to be shortened, and avoid early ignition that keeps the generator idle and results in unnecessary fuel consumption. When two tugs boats are used in port (such as in Port Klang), this minimizes the bow thruster preparation and usage time, and achieves the best fuel economy targets.
- (5) Reduction and reasonable loading of ballast water: when the ship is conducting loading and unloading operations in port, the first mate will actively coordinate with the local OP. A rational loading plan will be developed, ensuring that dockworkers reasonably handle the loading and unloading operations: coordinating the crane operations so that quay cranes avoiding loading and unloading too much on one side of the ship which would cause tilting. This can reduce the frequently of using the ballast pump to adjust the amount of ballast water, saving motor fuel consumption. In ensuring the stability of the ship under maximum loading, the ship should be properly adjusted before proceeding with the minimum ballast water status; reducing ballast water can also reduce the main load on the ship during voyage, achieving fuel economy targets.
- (6) Trim adjustment: Software of trim optimization has been installed in WH50/51 series. The system is build up by ship CFD database will provide a recommendation value according to present ship speed and mean draft. C/O can use the recommended value to adjust cargo arrangement. After departure, C/O can adjust trim by B/W for ensuring maximum efficiency of navigation.
- (7) Ship fuel inventory management: combining each leg of a ship's voyage to estimate fuel consumption, so that the on board ROB\_IFO fuel inventory can be controlled, while increasing cargo, beneficial routes, and taking advantage of differences in fuel while at berth in selected ports.
- (8) Efficiency analysis on shell renewed plate: While age is older, the outer plate painting aging effects speed of the ship. Therefore, 100% sandblasting on vertical side bottom & flat bottom, using senior level paint to protect the shell plate for reducing friction with the water and the hull.(The first year of fuel efficiency after docking is about 1-2%)
- (9) Propeller polishing: Propeller blade polishing not only reduces M/E load% and fuel consumption, but also extends the life of M/E.
- (10) Benefit analysis of outer hull painting: as some ships are older, the outer hull paint has aged (multilevel peeling) which impacts the speed of the ship. It affects the speed of the ship's vertical side bottom and flat bottom by surface sand peeling, and the use of the high grade of paint effectively protects hull plates, which reduces friction on the hull to reduce fuel consumption (in the first year out of dock, there is a 1-2% saving in fuel efficiency).
- (11) ES BOW: Designed of original bow is to reduce the resistance in higher speed. But from the beginning of 2012, the international oil prices continued to rise and some of shipping owners adopt new energy-saving bow(ES BOW) for slow steaming to increase fuel efficiency.
- (12) Automated machinery acquisition and installation: installed equipment can automatically collect route data. Onboard analysis tools can directly find and present the optimum fuel efficiency results, and the ship's personnel can adjust the ship's route directly in accordance with the adjusted effective real-time monitoring and analysis.

- (13) Improve personal operations:
- A. Turn off lights in public places, such as salons, restaurants, warehouses and other places of entertainment when there is no one present.
  - B. Try not to turn on lights during the day to save power generator fuel consumption.
  - C. Reduce the use of the lift.
  - D. Avoid high-power electrical use in individual's rooms, such as electric cookers or electric heaters.
  - E. During summer the air temperature of the air conditioner is set at 26 degrees.
  - F. Depending on the temperature conditions, reducing air conditioner usage.
  - G. Reduce heat exchange (such as closing windows, curtains etc.) in living areas to reduce the work load of the air conditioning system.
  - H. Onboard household appliances, such as computers, TVs, DVD players, stereos, and microwave ovens, should be turned off when not in use.
  - I. Conserve water, and turn off the tap.

In 2015 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 2015 and up to printing of the annual report.

Fuel economy plan	Unit: TWD thousand	
Project	2015	2016 ending March 31st
R&D expenses	39,752	45,584
Consolidated net revenues	63,859,142	14,069,688
R&D expenses as a percentage of total revenue	note	note

Note: Less than 0.01%

#### 2. R&D technology success in 2015 and up to the printing of the annual report.

Project	Estimated project completion date	Achievement
Shore-based monitoring system	March 31, 2016	(1) Onboard automatic data collection machine (2) Land-based automatic analysis of ship data (3) Immediate feedback with best results provided to decision-makers (4) Land-based real-time monitoring of target ships

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

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

## 5.2 General Situation of Market and sales

### 5.2.1 Operational Plan for 2016

Fleet: by the end of year 2016, Wan Hai has a total fleet of 89 vessels among which, 72 are self-owned vessels and 17 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 23 strings; and C. Slot Charter 8 strings.

#### 1. Independent Services: 20 strings

- (1) Japan Kanto to S.E.A (JTS) service deployed with four vessels.  
Japan Kanto – Taiwan – Hong Kong – Singapore – Malaysia
- (2) Japan Kanto to Thailand service (JTT) deployed with four vessels.  
Japan Kanto – Taiwan – Hong Kong – Thailand / Vietnam
- (3) Japan Kansai – Thailand service (JST) deployed with four vessels.

- Japan Kansai – Taiwan – Shekou – Thailand
- (4) Korea / Vietnam / S.E.A service (KVS) deployed with four vessels.  
Korea – Taiwan – Vietnam – Singapore / Malaysia
  - (5) Japan Kansai to Vietnam (JSV) deployed with three vessels.  
Japan Kansai / Korea – Taiwan / Vietnam
  - (6) Taiwan to Haiphong I (HPH) deployed with one vessel.  
Taiwan – Haiphong
  - (7) Japan / South China / Vietnam (JSH) deployed with three vessels  
Japan Kansai / Korea – Taiwan / Hong Kong / South China – Haiphong
  - (8) South China / Malaysia / Haiphong (CVM) deployed with two vessels  
South China – Malaysia – Haiphong
  - (9) Taiwan – Xiamen (XMN) deployed with one vessel  
Taiwan – Xiamen / Fuzhou
  - (10) Taiwan to Fuzhou (FOC) deployed with one vessel  
Taiwan — Fuzhou / Jiangyin / Xiamen
  - (11) Taiwan to Philippines I (TPS) deployed with one vessel  
Taiwan – Philippines
  - (12) Taiwan to Philippines II (TPF) deployed with one vessel  
Hong Kong – Philippines
  - (13) Taiwan to Hong Kong I (HKG) deployed with one vessel  
Taiwan – Hong Kong
  - (14) Taiwan to Hong Kong II (HKG III) deployed with one vessel  
Taiwan – Hong Kong
  - (15) Mindanao/Hong Kong / Taiwan (MHT) deployed with two vessels  
Taiwan – Cebu – Mindanao – Hong Kong
  - (16) Taiwan / Hong Kong / Indonesia service (TPI) deployed with three vessels  
Taiwan – Hong Kong / South China – Indonesia
  - (17) Malaysia to Belawan, Indonesia (MBS) deployed with one vessel  
Malaysia – Belawan
  - (18) Korea to South East Asia (KSS), deployed with four vessels  
Korea – Taiwan – Hong Kong / Shekou – South East Asia
  - (19) Persian Gulf / Pakistan (PSX) deployed with two vessels  
Pakistan – Persian Gulf
  - (20) Japan Kanto to Thailand (NTE) deployed with four vessels  
Japan Kanto – Hong Kong / South China – Vietnam / Thailand
2. Joint Service: 23 stings
- (1) China / Vietnam / Thailand (CVT), joint venture with OOCL. WHL deploys three vessels and OOCL deploys one vessel.  
China – Vietnam – Thailand
  - (2) 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
  - (3) Japan / Taiwan / South China/ Philippines (JTP), joint venture with EMC, WHL deploys two vessels and EMC deploys one vessel.  
Japan – Taiwan – Hong Kong / South China – Philippines
  - (4) Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys two vessels and IAL deploys one vessel.  
Japan – China – Hong Kong / South China – Vietnam
  - (5) China to Middle East I (CMS), joint venture with PIL. WHL deploys four vessels and PIL deploys two vessels.  
East China – Taiwan / Hong Kong / South China – Singapore / Malaysia – Middle East
  - (6) China to Middle East II (CMS2), joint venture with PIL, COSCO, and YML. WHL deploys one vessel, PIL deploys one vessel, COSCO deploys one vessel, and PIL deploys three vessels.  
Korea – China / Taiwan – Singapore / Malaysia – Middle East
  - (7) Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.  
Japan Kansai – Taiwan – Hong Kong
  - (8) Taiwan to Shanghai (SHA), joint venture with Shanghai Minsheng. WHL deploys one vessel and Shanghai Minsheng deploys one vessel.

- Taiwan – Shanghai
- (9) 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
- (10) Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.  
Taiwan – North China
- (11) Taiwan to North China (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.  
Taiwan – North China
- (12) Japan / Korea / China/ Vietnam (KCV), joint venture with YML. WHL deploys two vessels; YML deploys one vessel.  
Japan / Korea – China – Vietnam
- (13) 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
- (14) Thailand / Singapore / Indonesia (TJS), joint venture with K LINE. WHL and KLINE each deploy one vessel.  
Thailand – Singapore – Indonesia
- (15) Singapore / Malaysia / Chennai (SC1), joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.  
Singapore / Malaysia – Chennai (Madras)
- (16) China / Singapore / Malaysia / India (IFX), joint venture with PIL, SCI, K LINE, and Simatech. WHL deploys two vessels and PIL, SCI, K LINE and Simatech each deploy one vessel.  
Central China – Hong Kong – Singapore / Malaysia – India
- (17) China / Singapore / Malaysia / India II (WIN), joint venture with Seacon, YML, Hapag-Lloyd, and NYK. WHL, Seacon, YML, and Hapag-Lloyd each deploy one vessel, and NYK deploys two vessels.  
Central China – Hong Kong – Singapore / Malaysia – India
- (18) South China to West Coast of USA (CAL), joint venture with K LINE and COSCO. WHL deploys one vessel, K LINE deploys two vessels, and COSCO deploys three vessels.  
South China – Long Beach
- (19) China to West Coast of USA (CCD), joint venture with K LINE and PIL. WHL deploys two vessels, K LINE deploys three vessels, and PIL deploys one vessel.  
China – Long Beach
- (20) Singapore / Malaysia to Yangon (SYM), joint venture with IAL and YML. WHL, IAL, and YML each deploy one vessel.  
Singapore / Malaysia – Yangon
- (21) Japan / Singapore / Malaysia / Vietnam (CH3), joint venture with MOL. WHL deploys one vessel and MOL deploys three vessels.  
Japan – Singapore / Malaysia – Vietnam – South China
- (22) 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 EMC and COSCO each deploy one vessel.  
Taiwan – South China – Central China – West Coast of South America
- (23) Central China / South China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with CSCL, COSCO, and PIL. WHL and COSCO each deploy two vessels and CSCL and PIL each deploy one vessel.  
Central China / South China – Singapore / Malaysia – Pakistan – India
3. Fixed Slot Charter: 8 strings
- (1) Japan / Hong Kong / Singapore & Malaysia (CHS)
  - (2) South China to Taiwan (GTE)
  - (3) Taiwan to South China (SCT I)
  - (4) Taiwan to South China (SCT III)
  - (5) Hochiming to Cambodia (PNS)
  - (6) Hochiming to Cambodia (PNH)
  - (7) Singapore / Malaysia / Chittagong (SBX)
  - (8) India / Middle East / Dubai (FAS)

### 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, the Black Sea, Europe, and the Americas. They are further elaborated as follows:

##### (1) Northeast Asia:

Since 2014 Japan has been raising its consumer tax rate, which has weakened private consumerism demand, coupled with exports from China and the decline in emerging markets demand, which has led to weak overall economic performance. The Korean economy was also affected by slowing domestic demand and export decline due to China and the slowdown of growth in emerging markets. However, in the long term, the Japanese government plans to reduce its corporate tax rate from 32.11% in 2015 to 29.74% in 2018, in order to stimulate business investment and boost the economy. After operating in Northeast Asia for so long, the company has established deep roots in the region, and so can cope with the rapidly changing markets and emerging economic trends. By keeping track with the economic pulse and market trends in Northeast Asia, taking the initiative to adjust existing routes, and actively exchanging freight space with the company's joint venture partners, the company has demonstrated the application of more flexible business policies, and the implementation of its customer-oriented business philosophy.

##### (2) Mainland China

In the past year, China has faced sluggish domestic and overseas demand, and so its economic growth has been moderate. However, as China has sped up the implementation of its free trade zone strategy, its economic growth is expected to remain robust. Due to the company's organization within China, it has a comparative advantage over the competition, as it is still actively researching strategic routes connecting with China's market. In terms of cross-strait direct shipping, as both sides of Taiwan and China's straight are officially opened to traffic, the volume of cross-strait shipping is stable. The Company has continually adjusted its business strategy as required by the market, in order to grasp the pulse of the market, expand the number of routes in an area to meet operational needs, and provide customers with a more convenient and faster service.

##### (3) Southeast Asia

The main ASEAN (Association of Southeast Asian Nations) countries were all affected by the slowing demand for global economic growth, the impact of raw material prices, exchange rate fluctuations, and other factors in 2015. However, these countries have also benefited from being part of the ASEAN Economic Community, as being a highly integrated regional economy, it has a population of 600 million and relatively cheaper labor than China's domestic market, and will be able to attract more investment. According to the International Monetary Fund (IMF) it estimated that five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) overall economic growth rate was still 4.7% in

2015, and will grow to 4.8% in 2016. The company has cultivated the Southeast Asian regional routes, and has activity researched and developed new routes, and exchanged freight space with other Southeast Asia joint venture business partners to gradually expand into the Southeast Asia region, to provide a more complete, secure, and faster routes, as well as enhancing the competitiveness of the company's market share in Southeast Asia.

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

Despite the affect from the weak global demand and future development prospects in 2015, India still benefited from the advantages of energy-importing countries. India's performance is still the most attractive amongst the global emerging markets, with the IMF's 2015 forecasting the economic growth of India at 7.3%, which surpasses the rate of 6.9% that the IMF gave to China, for India to become the world's fastest-growing major economy. In regards to the Middle East emerging market economies, although oil prices lowered economic growth, the region's second largest economy, Iran, is expected to experience accelerated growth after the embargo sanctions were lifted, injecting new momentum into the Middle East market. The company has strengthened business between Asia, India and Pakistan, the Middle East services, and diversified international trade development with the Gulf countries; through increased joint venture cooperation with partners affiliated with the Far East, India and Pakistan, and the Middle East routes, the company has strengthened its Middle East region business feeder services to form a complete route network that reduces cost, improves efficiency, and expands market share.

(5) The America:

The US economy has overall benefited from continued loose monetary policies, as the US labor market continues to improve, and there is continued optimism for future economic expectations. The company's Pan-Pacific route, adjusted according to market demand and competitive advantages of joint venture routes, reduced operating costs, and has maintained stable and steady operations. Despite the economic growth of emerging markets in Latin America the development continued to slow mainly due to the impact of the recession in Brazil, but these emerging markets remain positive about economic growth in the future. The company maintained its operating advantages in the West Coast of South America market, where the world's major shipping companies jointly operate the West Coast of South America routes, with the flexibility to adjust to market demand by supplying freight space, and maintain stable and steady operations to continually strengthen the company's West Coast of South America market competitive advantage.

(6) The Black Sea and Europe:

The economic recovery in the Eurozone region is still slow, as the world's major shipping companies continued to enlarge their Far East - European shipping route configurations, with the results being that the increased market freight space is much larger than the sustained growth in demand with the market, and so the market's ocean freight continued to fall, leading many shipping companies to operating difficulties. The company's response to the fierce change and turmoil in the European transport market was to suspend further investment into this area to avoid the loss of shipping routes, while keeping track of changes in the regional market, and conducting market research looking into the opportunity when the company should return to this market.

2. Future supply, demand, and growth potential:

According to observations from the IMF, the global economic recovery had moved into a sustained slowdown period, and future market prospects will be subject to China's economic growth slow down and industrial restructuring, international crude oil and bulk materials prices, tightening of US monetary policy and other effects related to economic loose monetary policies. The continued weak global demand has influenced the maritime container shipping market by making it more difficult to operate, especially in terms of certain regional businesses. However, the future projected global economic and trade growth indicators have shown positive growth, and global shipments are expected to continue in terms of moderate growth. The flexible business strategy of Wan Hai Lines allows the company to face difficult challenges. Although the company is based in Asia, in addition to cultivating the Asian market, it will continue to extend its reach around the globe to allow for continued strong growth and sustainable development.

3. Strength, challenges, and action plans

(1) Strength:

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

(2) Challenges:

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

(3) Action plans:

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

#### 5.2.4 Key features of major products and production procedures

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

1. Business representatives solicit business with importers and exporters based on the shipping charges and schedules offered by the Company. Upon customer's acceptance, the business representative will forward the designated S/O (shipping order) number to customer. The container yard releases empty container to the customer after verifying the S/O number with sales department.
2. Customer picks up the empty container and loads his cargo into the container, and then delivers the loaded container with the relevant cargo documents to the container yard prior to the cargo acceptance closing date. The container yard forwards the customer's documents to the Company for uploading of data into computer and production of bill of lading along with other forms required by Customs, and then

- forwards the documents to the unloading port.
3. Customer pays fees to the Company according to the S/O number and picks up his invoice and original copy of bill of lading.
  4. As soon as the ships arrive at the port, the Company sends a trailer to pick up container from container yard to the ship's side for loading onto the ship. For imports, the Company arranges for a trailer to pick up container from ship's side to the container yard for storage.
  5. Upon receipt of export documents from the exporting port, the unloading port produces notice of cargo's arrival and notifies customers to pick up the cargo and pay the related charges. Customer presents the original copy of bill of lading and settles all expenses in exchange of delivery order, then presents the delivery order to the container yard to pick up the laden container.

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

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

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

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

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

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

### 5.2.8 Sales volume of last 2 years

	2015	2014
Consolidated Revenue(TWD)	63.86 billion	66.97 billion
Operating Capacity (TEU)	3,523 thousand	3,356 thousand
Vessels in Operation (owned & chartered)	92 (72 & 20)	90 (74 & 16)

## 5.3 Human Resources Statistics

Location		Year	2015	2014	2016 as of May. 2 <sup>nd</sup>
No. of Employees	Offices		2,735	2,659	2,733
	Terminals		427	427	479
	Total		3,162	3,162	3,212
Average Age			36.1	35.8	36.0
Average Years of Service			8.7	8.4	8.6
Level of Education	Ph. D Degree		1	1	2
	Master's Degree		259	247	256
	College Degree		1,855	1,770	1,905
	Associate Degree		604	591	604
	High School		350	346	353
	Below High School		93	97	92

## 5.4 Disbursements for environmental protection

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

### 5.4.2 Currently preventative and corrective measures

1. All of our company's vessels have been insured against ship owner liability risks and equipped with or certified by the following:
  - (1) In accordance with revised MARPOL 73/78 Annex I, we have obtained the International Oil Prevention Certificate issued by Class Society approval.
  - (2) In order to enhance the separation of bilge water and attain the highest level of environmental standards, all of our vessels are equipped with bilge water separators and also have Bilge Water Primary tanks located in the engine rooms. The bilge water separator is equipped with automatic detected alarms (15ppm alarm) and automatic shut-off mechanisms for the three-way valve. Its functions satisfy and act in accordance with MARPOL 73/78 rules (the convention of International Oil Pollution Prevention in 1973, as amended in 1978).
  - (3) To process sanitary waste water, sewage treatment plans have been installed in all engine rooms. These plans have passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition as satisfied in MARPOL 73/78 Annex IV regulations.
  - (4) Each vessel of our company has satisfied the requirements of an subsequently received the International Air Pollution Prevent Certificate (IAPP). This certificate completely satisfies the 1997 resolution for the amended edition of MARPOL 73/78 Annex IV regulations.
  - (5) The main engine and auxiliary engine equipment for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturer-provided technical files and parameters of diesel engines have passed the relevant examinations. The Engine International Air Pollution Prevention Certificate (EIAPP) has been issued by the Classification Society after passing examinations in accordance with the amendment edition article 13, as satisfied in MARPOL 73/78 Annex IV.
  - (6) Engine rooms are equipped with incinerators (according to Reg. VI/16 (2)) approved by the Classification Society, in accordance with Regulation 16 requirement (Shipboard Incineration) in amendment edition of MARPOL 73/78 Annex VI regulations.
  - (7) To assist in on-shore discharging of waste oil and sludge, the discharging piping system and connecting system are compatible with international standard flanges for waste oil and sludge on shore side receiving facilities. These facilities and standards are based on the amendment edition article 17 as outlined in MARPOL 73/78 Annex VI.
  - (8) Our company has received the International Pollution Prevention by Garbage Statement issued by the Classification Society. To comply with the amendment edition as satisfied in MARPOL 73/78 Annex V regulations, our company has enhanced the garbage disposal and trash treatment systems and records garbage incineration events in the garbage record book.
  - (9) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the paint maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society.
  - (10) In order to prevent oil leakage, oil collection coamings are installed in the pipe joints at the filling pipe system and air vent piping of the F.O. And the L.O. system on deck.
  - (11) The purchases of ship's bunker has complied with the sulfur content limit as required by MARPOL, and has also met with international and local regulations, such as ECA of Europe, and California of USA.
  - (12) As per the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunker Convention), we have furnished all vessels with the Bunker Convention Certificate (BCC), which has covered the liability for pollution damage by bunker oil from our vessels.
  - (13) In order to phase into compliance with the International Convention for the Control and Manage of Ship Ballast Water and Sediments, 2004 at an earlier time, we have prepared all vessels' Ballast Water Management Plan, and some have been sent for Class approval. We also follow the local regulations for ballast water exchange with well-documented evidence in ballast water exchange as well as training records.

- (14) All pollution prevention facilities are installed at the shipyard prior to delivery to the Company. Thus, all equipment costs and subsequent depreciation have been included into the total shipbuilding costs. Since all such facilities comply with international pollution control criteria and all of our ships have been operated in accordance with internationally accepted practices, the company has not been assessed with any environmental violations.
2. The estimated capital expenditure of environmental protection for the next three years:  
All pollution prevention facilities purchased in the future will correspond to MARPOL 73/78/97 rules. These pollution prevention facilities for oil, water, and air will be installed at the time of shipbuilding. Thus, the cost will be included into the overall cost of ship construction.
  3. The influence of installed facilities to the Company:  
In accordance with the MARPOL 73/78/97 rules and regulations, all of our vessels are equipped with anti-pollution facilities for the disposal of residue oil, bilge water, and polluted air to comply with the international environmental protection standards.

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

## **5.5 Labor Relations**

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

1. Employee benefit program:  
The Company provides labor and health insurance in line with relevant laws and regulations. The Employee Benefit Committee was established in March 1989 and is charged with all matters concerning employee welfare. The major employee benefits are as follows:
  - (1) Employee benefit program: includes meal allowances, group insurance, provision of uniforms, bonus distribution, and regular health examinations.
  - (2) The Employee Benefit committee implements a benefit program that includes birthday parties, cash gifts for weddings, childbirth support, monetary condolence, aid for grave accidents, and leisure travel expense reimbursement.
2. Retirement plan:  
Pursuant to the Labor Standards Act and the Labor Pension Act, on July 1, 2005, the Company issued written inquiries to employees with respect to their selection of the new or old pension plan. The Company subsequently reported the results to the Bureau of Labor Insurance (BLI). Accordingly, the Company sets aside a sum equal to 15% of total monthly wage to the retirement funds of those who chose the old pension plan. A sum equal to 6% of total monthly wage is set aside for those who chose the new pension plan. These amounts are deposited into each employee's individual account with the BLI. The Company has also set aside the full amount covering the provisional difference between the new and old pension plans for those employees who chose to switch to the new pension plan within five years. The Company has actuarial reports on file for such provisions prepared by qualified actuary.
3. Other major agreements  
The Company maintains harmonious labor relations, and never has labor disputes
4. Continuing education and training for employees  
The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. In total 1,447 classes were run in 2015, with a total of 23,007 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture ,the organization and function of each department The program consists of: 1. Corporate culture: corporate culture and business ideals 2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization 3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site 4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers 5. On-site visit: a visit to Taichung harbor and TK Logistics International, guided tour of each floor of the company 6. General awareness: professional integrity and legal responsibilities	568	777	\$844,391
Professional training for general staff	1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities 2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given 3. Seminars and other activities aimed at employees personal and professional development 4. Off-Job training: (1) Happy work/positive mind (2) Communication skills cross generation (3) Accountability (4) Image of the workplace etiquette	1,572	20,073	\$2,278,867
Professional training for management associate	Series courses for management associate to build human capital: 1. Advanced shipping industry knowledge 2. The experience of overseas operation and cross-cultural management 3. The practice of international etiquette 4. Business conversation and meeting English 5. Social English	29.5	624	\$64,400
Professional training for supervisors	Series courses for middle-level managers and executive level managers: <Middle-level> 1. Challenge of Big Data 2. Managing multigenerational workforce 3. Employee Problems Handling  <Executive-level> 1. World Economic and Fuel analysis 2. Challenge of Big Data	18	237	\$190,262
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. Exotic traveling experience – Hawaii, USA 2. Paradise of Ocean 3. Global Fund financial investment 4. Parenting educational seminar	14.5	518	\$100,000
External training courses	1. As required by law, internal auditing personnel must complete a minimum of twelve hours of training related to their profession 2. Labor safety courses : Labor safety and sanity, fire safety training 3. Finance classes: IFRS, taxes in Mainland China 4. Information technology courses. 5. For the first-time supervisor courses.	4,680	778	\$ 2,263,112
<b>TOTAL</b>		<b>6,882</b>	<b>23,007</b>	<b>\$5,741,032</b>

5. 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:

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. 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:

- A. 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.
- B. 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.
- C. Activeness and Accountability: employees are to be held accountable by their superiors for working hard to complete their assigned duties.
- D. 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.

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

As the Company has faithfully followed the relevant laws and regulations, included those newly issued by the competent authority, we have enjoyed and maintained harmonious labor relations with its employees. This is evident in the continued lack of labor conflicts resulting in loss.

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

The principles of upholding workplace safety and lowering employee occupational hazards have been a long-term pursuit of Wanhai. This is demonstrated in three broad areas:

1. Occupational health and safety training

In addition to the acquiring the required certification for employee health and safety, the Company has also provided regular health and safety guidance, fire prevention training, and emergency drills. At the same time, yearly health inspections, hygienic instruction, and other medical assistance, providing employees with the proper health and safety management.

2. Policies for occupational health and safety coordination

The Company has carried out regular inspections and maintenance of automatic equipment as required by law, and has also heightened awareness of health and safety via regular meetings. In addition, the Company has carried out a management policy pertaining to health and safety documents. By better understanding the concepts of occupational health and safety, we hope to create a surprise-free workplace, and prevent the occurrence of occupational hazards.

3. Standard on-site peer working safety:

Aimed at the vendor management of peers, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies.

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

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

1. Occupational health and safety training

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

2. Policies for occupational health and safety 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 health and safety via regular events and Occupational Safety and Health Management System. By better understanding the concepts of occupational health and safety, we hope to create a surprise-free workplace, and prevent the occurrence of occupational hazards.

3. Standard on-site pier working safety:

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

## 5.6 Significant Contracts

### 5.6.1 Joint Party Contracts

Agreement	Counterparty	Period		Major Contents	Restrictions
		From	To		
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO CONTAINER LINES CO., LTD YANG MING MARINE TRANSPORT CORP.	2015/04/05	- 90 days pre-notice	Far East to Middle East	-
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD KAWASAKI KISEN KAISHA, LTD SHIPPING CORPORATON OF INDIA LTD SIMATECH SHIPPING AND FORWARDING L.L.C.	2010/04/30	- 90 days pre-notice	Far East to India	-
Joint Venture	PACIFIC INTERNATIONAL LINES (PTE) LTD	2008/11/02	- 90 days pre-notice	Far East to Middle East	-
Joint Venture	COSCO CONTAINER LINES CO., LTD PACIFIC INTERNATIONAL LINES (PTE) LTD CHINA SHIPPING CONTAINER LINES CO., LTD	2014/06/25	- 90 days pre-notice	Far East to India & Pakistan	-
Swap	COSCO CONTAINER LINES CO., LTD	2012/09/02	- 30 days pre-notice	South east Asia	-
Swap		2013/05/03	- 90 days pre-notice	Asia to the West Coast of America	-
Swap		2013/10/26	- 90 days pre-notice	Trans-Pacific Trade	-
Joint Venture	EVERGREEN MARINE CORP. LTD PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO CONTAINER LINES CO., LTD	2013/05/03	- 90 days pre-notice	Asia to West Coast of South America	-
Joint Venture	NIPPON YUSEN KAISHA HAPAG-LLOYD AKTIENGESELLSCHAFT X-PRESS FEEDERS YANG MING MARINE TRANSPORT CORP.	2014/06/08	- 150 days pre-notice	Far East to India	-
Joint Venture	EVERGREEN MARINE CORP. LTD HAPAG-LLOYD AKTIENGESELLSCHAFT	2006/04/30	- 90 days pre-notice	Far East to India	-
Joint Venture	APL CO. PTE LTD	2014/12/28	- 90 days pre-notice	Asia to Southeast Asia	-
Joint Venture	EVERGREEN MARINE CORP. LTD	2002/09/01	- 120 days pre-notice	Japan to South China	-
Joint Venture		2008/09/12	- 60 days pre-notice	Japan to South China & Philippine	-
Swap		2012/03/19	- 2015/7/9	Intra Asia	-
Swap		2013/05/03	- 90 days pre-notice	Asia to the West Coast of America	-
Charter		2014/09/03	- 60 days pre-notice	Korea to South East Asia	-
Joint Venture		2005/05/12	- 90 days pre-notice	Taiwan Cross-Strait Service I	-
Joint Venture		2012/01/04	- 90 days pre-notice	Taiwan Cross-Strait Service II	-
Swap	SINOTRANS CONTAINER LINES CO., LTD.	2010/02/14	- 45 days pre-notice	China to Southeast Asia	-
Swap		2009/11/13	- 21 days pre-notice	Taiwan -Fuzhou Cross-Strait service	-
Swap		2009/04/07	- 45 days pre-notice	Japan to Southeast Asia	-
Swap	MITSUI O.S.K LINES, LTD	2014/10/27	- 45 days pre-notice	South east asia to India & Pakistan	-
Charter		2012/09/06	- 45 days pre-notice	Japan to Singapore & Malaysia	-
Joint Venture	MITSUI O.S.K LINES, LTD INTERASIA LINES, LTD	2014/03/05	- 90 days pre-notice	Japan to Singapore & Malaysia	-
Joint Venture	OIRENT OVERSEAS CONTAINER LINE LTD.	2011/04/03	- 90 days pre-notice	China to Southeast Asia	-
Charter	X-PRESS FEEDERS	2010/07/01	- 30 days pre-notice	Southeast Asia to West Asia	-
Swap		2010/11/7	- 30 days pre-notice	Southeast Asia to India	-
Swap		2014/05/23	- 2015/5/16	Southeast Asia	-
Swap	YANG MING MARINE TRANSPORT CORP.	2014/05/09	- 30 days pre-notice	Intra Asia	-
Joint Venture		2014/07/18	- 60 days pre-notice	Northeast Asia to Southeast Asia	-
Charter		2014/07/18	- 60 days pre-notice	Northeast Asia to Southeast Asia	-
Joint Venture	YANG MING MARINE TRANSPORT CORP.INTERASIA LINES, LTD	2014/06/17	- 60 days pre-notice	Southeast Asia	-
Swap	KAWASAKI KISEN KAISHA, LTD	2014/04/23	- 30 days pre-notice	Southeast Asia to India	-
Swap		2014/05/11	- 90 days pre-notice	Trans-Pacific Trade	-

Agreement	Counterparty	Period		Major Contents	Restrictions	
		From	To			
Joint Venture		2014/05/11	2015/5/10	Trans-Pacific Trade	-	
Joint Venture		2009/02/16	60 days pre-notice	Southeast Asia	-	
Joint Venture	KAWASAKI KISEN KAISHA, LTD COSCO CONTAINER LINES CO., LTD	2015/05/10	90 days pre-notice	Trans-Pacific Trade	-	
Joint Venture	KAWASAKI KISEN KAISHA, LTD PACIFIC INTERNATIONAL LINES (PTE) LTD	2015/05/10	90 days pre-notice	Trans-Pacific Trade	-	
Swap	MINSHENG SHIPPING CO., LTD	2005/04/28	60 days pre-notice	Taiwan Cross-Strait service	-	
Charter	CHINA UNITED LINES LTD	2015/10/18	30 days pre-notice	Taiwan Cross- Strait service	-	
Charter		2014/07/09	30 days pre-notice	China to Southeast Asia	-	
Charter		2009/02/10	30 days pre-notice	Taiwan Cross- Strait service	-	
Swap	INTERASIA LINES, LTD	2013/07/17	45 days pre-notice	Intra Asia	-	
Charter		2015/09/09	45 days pre-notice	Intra Asia	-	
Charter		2015/10/30	45 days pre-notice	Intra Asia	-	
Charter		2015/05/29	45 days pre-notice	Far East to India	-	
Charter		2013/09/04	45 days pre-notice	Intra Asia	-	
Charter		2013/09/22	45 days pre-notice	Southeast Asia to India	-	
Charter		2013/12/13	45 days pre-notice	North east Asia to Southeast Asia	-	
Charter		2014/10/14	45 days pre-notice	Southeast Asia	-	
Swap		2009/11/09	30 days pre-notice	Intra Asia	-	
Joint Venture		2010/05/06	90 days pre-notice	Intra Asia	-	
Joint Venture		2011/09/11	90 days pre-notice	Japan to Southeast Asia	-	
Joint Venture		BENGAL TIGER LINE PTE LTD	2009/05/20	60 days pre-notice	Southeast Asia to India	-
Swap			2009/05/20	60 days pre-notice	Southeast Asia to India	-
Charter			2013/03/01	2015/12/16	India to Middle East	-
Swap	2015/12/21		30 days pre-notice	India to Middle East	-	
Charter	MCC TRANSPORT SINGAPORE PTE LTD.	2011/12/04	2015/9/7	Southeast Asia	-	
Charter	SOVEREIGN BASE LOGISTICS HOLDINGS CO. LTD	2011/05/08	30 days pre-notice	Southeast Asia	-	
Charter	GEMADEPT CORPORATION	2015/04/06	2015/10/2	Southeast Asia	-	
Swap	ADVANCE CONTAINER LINES (PTE) LTD	2012/10/22	30 days pre-notice	Southeast Asia	-	
Swap		2015/04/19	30 days pre-notice	Southeast Asia	-	
Charter	HYUNDAI MERCHANT MARINE CO., LTD.	2013/07/19	2015/7/3	Asia to West Coast of South America	-	
Swap	SIMATECH SHIPPING AND FORWARDING L.L.C.	2015/08/21	30 days pre-notice	Asia to Southeast Asia	-	
Charter	HAMBURG SÜD	2013/04/01	90 day pre-notice	Japan to Thailand	-	
Charter	GOLDEN SEA SHIPPING PTE LTD	2015/03/12	30 days pre-notice	Southeast Asia	-	
Swap	SINOKOR MERCHANT MARINE CO.,LTD	2015/11/24	30 days pre-notice	Korea to South China	-	
Swap	KOREA MARINE TRANSPORT CORPORATION	2015/12/02	30 days pre-notice	Korea/North China to India	-	
Swap	MILAHA MARITIME & LOGISTICS	2015/12/21	30 days pre-notice	Middle East area	-	
Charter	SITC CONTAINER LINES CO., LTD.	2015/11/15	30 days pre-notice	South China to Japan	-	
Charter	NEW PORT CYPRESS JOINT STOCK COMPANY	2015/10/04	30 days pre-notice	Southeast Asia	-	

### 5.6.2. Long –Term Loan

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	Bank SinoPac Banking Division	Jun.26,2009~Jun.26,2016	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	Bank SinoPac Banking Division	Mar.12,2010~Mar.12,2017	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Mar.14,2011~Jun.12,2015	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Mar.24,2011~Jun.12,2016	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.16,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.18,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.25,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	May.16,2012~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jun.26,2009~Jun.26,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Sep.9,2010~Sep.9,2015	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.20,2012~Jul.20,2022	The principal shall be repaid in 20 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.9,2013~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jan.29,2014~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Nov.25,2014~Nov.25,2019	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Cheng-Tung Branch	Sep.21, 2011~Sep.21,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	May.9, 2014~May.9,2018	The principal shall be repaid in 7 successive semiannual installment with 20% of the principal for the first two installments and with 12% of the principal for the rest 5 installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	Jul.15, 2015~Jul.15,2020	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Chang Hwa Bank Chilin Branch	Aug.31,2015~Aug.31,2020	The principal shall be repaid in 6 successive semiannual installments.	-
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Sep.22,2009~Sep.22,2016	The principal shall be repaid in 21 successive quarterly installments.	-
Bank Mortgage Loan	Mega International Commercial Bank 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	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	May.23,2012~May.23,2019	The principal shall be repaid in 21 successive quarterly installments.	-
Bank Mortgage Loan	Chang Hwa Bank Singapore Branch	Feb.14,2012~Dec.5,2018	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Apr.12,2012~Apr.12,2022	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Aug.14,2013~Aug.14,2023	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	First Bank Singapore Branch	Sep.30,2009~Sep.30,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Singapore Branch	Aug.27,2009~Aug.27,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	DBS Bank Ltd.	May.14,2015~May.14,2020	The principal shall be repaid in 10 successive semiannual installments.	Financial Covenants
Bank Mortgage Loan	ING Bank Ltd.	Mar.16,2015~Jan.31,2023	The principal shall be repaid in 16 successive semiannual installments.	Financial Covenants
Bank Credit Loan	Mega International Commercial Bank Central Branch	Jul.24,2006~Aug.3,2015	The principal shall be repaid in 15 successive semiannual installments.	-
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.	-



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

### 6.1.1 Summarized consolidated balance sheets – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2016 as of Mar. 31
		2015	2014	2013	2012	2011	
Current Assets		30,822,014	37,328,054	30,621,006	34,298,483		28,463,807
Property, Plant and Equipment		46,214,584	44,775,808	44,580,103	38,154,635		45,784,766
Intangible Assets		38,582	43,237	65,141	76,312		36,046
Other Assets		3,146,005	3,080,461	3,313,433	5,467,168		3,176,623
<b>Total Assets</b>		<b>80,221,185</b>	<b>85,227,560</b>	<b>78,579,683</b>	<b>77,996,598</b>		<b>77,461,242</b>
Current Liabilities	Before distribution	17,770,176	21,720,427	13,739,272	12,107,539		16,404,085
	After distribution	(Note 1)	26,157,022	15,513,909	13,882,178		(Note 1)
Non-current Liabilities		26,536,087	27,659,153	33,651,071	35,647,756		25,283,940
Total Liabilities	Before distribution	44,306,263	49,379,580	47,390,343	47,755,295		41,688,025
	After distribution	(Note 1)	53,816,175	49,164,980	49,529,934		(Note 1)
Equity attributable to parent company holding		35,733,130	35,607,478	31,014,750	30,079,795		35,618,199
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975		22,182,975
Capital surplus		1,261,681	1,261,681	1,261,681	2,446,570		1,261,681
Retained Earnings	Before distribution	11,719,102	12,226,543	8,687,097	7,097,783		11,762,100
	After distribution	(Note 1)	7,789,948	6,912,460	5,323,144		(Note 1)
Other Equity		569,372	(63,721)	(1,117,003)	(1,647,533)		411,443
Treasury Stock		0	0	0	0		0
Non-Controlling Equity		181,792	240,502	174,590	161,508		155,018
Total stockholders' equity	Before distribution	35,914,922	35,847,980	31,189,340	30,241,303		35,733,217
	After distribution	(Note 1)	31,411,385	29,414,703	28,466,664		(Note 1)

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

Note 2 : The summarized financial data for 2012~2015 and the first quarter of 2016 have been certified by CPA.

### 6.1.2 Summarized consolidated comprehensive income statements - IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2016 as of Mar. 31
		2015	2014	2013	2012	2011	
Operating revenue		63,859,142	66,974,244	59,688,505	62,935,731		14,053,240
Gross profit		8,013,369	9,143,653	5,484,197	5,914,270		1,233,724
Operating income		4,018,523	5,404,502	2,226,661	2,858,657		204,660
Non-operating income & expense		1,643,046	1,174,691	278,103	(616,919)		(178,428)
Net income before income tax		5,661,569	6,579,193	2,504,764	2,241,738		26,232
Profit after tax from continuing operations		3,930,645	5,317,594	2,144,182	1,852,010		15,218
Losses from discontinued segments		0	0	0	0		0
Profit (Loss) from this period		3,930,645	5,317,594	2,144,182	1,852,010		15,218
Other comprehensive profit and loss (Net value after tax)		616,276	1,118,185	578,012	(222,214)	N/A	(156,923)
Total Comprehensive profit and loss from this period		4,546,921	6,435,779	2,722,194	1,629,796		(141,705)
Net earnings attributable to parent company holding		3,942,909	5,254,074	2,129,108	1,848,228		42,998
Net earnings attributable to non-controlling interest		(12,264)	63,520	15,074	3,782		(27,780)
Total comprehensive profit and loss attributable to parent company holding		4,562,247	6,367,365	2,709,594	1,626,909		(114,931)
Total comprehensive profit and loss attributable to non-controlling Equity		(15,326)	68,414	12,600	2,887		(26,774)
Earnings per share (Note1)		1.78	2.37	0.96	0.83		0.02

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2015 and the first quarter of 2016 have been certified by CPA.

### 6.1.3 Summarized balance sheets – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2016 as of Mar. 31
		2015	2014	2013	2012	2011	
Current Assets		35,570,265	36,714,935	30,573,198	28,591,844		
Property, Plant and Equipment		8,289,467	8,064,091	7,776,229	6,337,352		
Intangible Assets		36,862	41,488	64,933	75,199		
Other Assets		21,449,268	19,875,018	18,590,293	21,506,313		
Total Assets		63,345,862	64,695,532	57,004,653	56,510,708		
Current Liabilities	Before distribution	12,324,158	10,331,216	9,286,708	8,606,229		
	After distribution	(Note 1)	14,767,811	11,061,345	10,380,868		
Non-current Liabilities		15,288,574	18,756,838	16,703,195	17,824,684		
Total Liabilities	Before distribution	27,612,732	29,088,054	25,989,903	26,430,913		
	After distribution	(Note 1)	33,524,649	27,767,540	28,205,552		N/A
Common Stock		22,182,975	22,182,975	22,182,975	22,182,975		
Capital surplus		1,261,681	1,261,681	1,261,681	2,446,570		
Retained Earnings	Before distribution	11,719,102	12,226,543	8,687,097	7,097,783		
	After distribution	(Note 1)	7,889,948	6,912,460	5,323,144		
Other Equity		569,372	(63,721)	(1,117,003)	(1,647,533)		
Treasury Stock		0	0	0	0		
Total stockholders' equity	Before distribution	35,733,130	35,607,478	31,014,750	30,079,795		
	After distribution	(Note 1)	31,170,883	29,240,113	28,305,156		

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

Note 2 : The summarized financial data for 2012~2015 have been certified by CPA.

### 6.1.4 Summarized comprehensive income statements – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2016 as of Mar. 31
		2015	2014	2013	2012	2011	
Operating revenue		56,271,236	57,438,243	52,491,030	56,929,558		N/A
Gross profit		5,130,494	6,191,055	4,611,256	4,521,474		
Operating income		3,054,041	4,191,993	2,963,860	2,900,149		
Non-operating income & expense		2,562,015	2,254,337	(502,218)	(719,825)		
Net income before income tax		5,616,056	6,446,330	2,461,642	2,180,324		
Profit after tax from continuing operations		3,942,909	5,254,074	2,129,108	1,848,228		
Losses from discontinued segments		0	0	0	0		
Profit (Loss) from this period		3,942,909	5,254,074	2,129,108	1,848,228		
Other comprehensive profit and loss (Net value after tax)		619,338	1,113,291	580,486	(221,319)		
Total Comprehensive profit and loss from this period		4,562,247	6,367,365	2,709,594	1,626,909		
Earnings per share (Note1)		1.78	2.37	0.96	0.83		

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2015 have been certified by CPA.

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

### 6.2.1 Summarized consolidated balance sheets – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2015	2014	2013	2012	2011
Current Assets					34,414,998	33,819,124
Fund and Investment					2,252,722	2,301,438
Fix Assets					40,234,459	35,579,764
Intangible Assets					467,013	547,193
Other Assets					638,425	703,075
Total Assets					78,007,617	72,950,594
Current Liabilities	Before distribution				12,140,573	12,674,711
	After distribution				13,915,212	12,674,711
Long-term Liabilities					33,457,784	29,267,017
Other Liabilities					1,771,731	1,895,632
Total Liabilities	Before distribution				47,370,088	43,837,360
	After distribution				49,144,727	43,837,360
Common stock	Before distribution		N/A		22,182,975	22,182,975
	After distribution				22,182,975	22,182,975
Capital surplus					2,446,570	2,446,570
Retained Earnings	Before distribution				7,758,014	5,929,659
	After distribution				5,983,375	5,929,659
Unrealized gain (loss) on financial instruments					(539,526)	(592,164)
Accumulated currency adjustments					(1,108,007)	(750,066)
Unrecognized pension cost					(265,532)	(268,062)
Revaluation increments					1,527	1,527
Minority interest					161,508	162,795
Total stockholders' equity	Before distribution				30,637,529	29,113,234
	After distribution				28,862,890	29,113,234

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

Note 2 : The summarized financial data for 2011~2012 have been certified by CPA.

## 6.2.2 Summarized consolidated income statements – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2015	2014	2013	2012	2011
Operating revenue					62,615,224	66,824,814
Gross profit					5,889,521	2,460,488
Operating income(loss)					2,787,490	(325,272)
Non-operating income & gain					1,508,007	2,541,584
Non-operating expense & loss					2,081,642	1,784,014
Net income before income tax					2,213,855	432,298
Net income after income tax			N/A		1,832,137	32,308
Income (loss) from operations of discontinued segments					0	0
Extraordinary gain or loss					0	0
Cumulative effect of changes in accounting principles					0	0
Net income					1,832,137	32,308
Earnings per share (Note1)					0.82	0.01

Note 1 : Base on retroactive adjustment calculation.

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

Note 3 : The summarized financial data for 2011~2012 have been certified by CPA.

## 6.2.3 Summarized balance sheets – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2015	2014	2013	2012	2011
Current Assets					28,551,675	29,822,523
Fund and Investment					18,563,385	13,636,647
Fix Assets					8,416,604	12,037,781
Intangible Assets					307,816	323,954
Other Assets					586,126	661,200
Total Assets					56,425,606	56,482,105
Current Liabilities	Before distribution				8,638,610	8,900,837
	After distribution				10,413,249	8,900,837
Long-term Liabilities					15,983,159	17,264,300
Other Liabilities					1,327,816	1,366,529
Total Liabilities	Before distribution				25,949,585	27,531,666
	After distribution				27,724,424	27,531,666
Common stock	Before distribution		N/A		22,182,975	22,182,975
	After distribution				22,182,975	22,182,975
Capital surplus					2,446,570	2,446,570
Retained Earnings	Before distribution				7,758,014	5,929,659
	After distribution				5,983,375	5,929,659
Unrealized gain (loss) on financial instruments					(539,526)	(592,164)
Accumulated currency adjustments					(1,108,007)	(750,066)
Unrecognized pension cost					(265,532)	(268,062)
Revaluation increments					1,527	1,527
Total stockholders' equity	Before distribution				30,476,021	28,950,439
	After distribution				28,701,382	28,950,439

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

Note 2 : The summarized financial data for 2011~2012 have been certified by CPA.

## 6.2.4 Summarized income statements – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2015	2014	2013	2012	2011
Operating revenue					56,591,314	62,697,925
Gross profit					4,401,472	(329,732)
Operating income					2,753,471	(1,966,612)
Non-operating income & gain					1,328,887	3,310,412
Non-operating expense & loss					1,929,917	963,825
Net income before income tax					2,152,441	379,975
Net income after income tax					1,828,355	20,306
Income (loss) from operations of discontinued segments			N/A		-	-
Extraordinary gain or loss					-	-
Cumulative effect of changes in accounting principles					-	-
Net income					1,828,355	20,306
Earnings per share (Note 1)					0.82	0.01

Note 1 : Base on retroactive adjustment calculation.

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

Note 3 : The summarized financial data for 2011~2012 have been certified by CPA.

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

Year	CPA name	Audit results
2011	Lily-Lu Fu-Wei Chen	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2012	Lily-Lu Fu-Wei Chen	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2013	Lily-Lu Fu-Wei Chen	Unqualified opinion.
2014	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.
2015	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.

## 6.3 Summarized financial analysis for the past 5 years – IFRS

### 6.3.1 Consolidated financial analysis - IFRS

Item		Year	Financial analysis in the past five years					2016 as of Mar. 31
			2015	2014	2013	2012	2011	
Financial structure (%)	Ratio of liabilities to assets		55.23	57.94	60.31	61.23		53.82
	Ratio of long-term capital to Property, Plant and Equipment		135.13	141.83	145.45	172.69		133.36
Solvency (%)	Current ratio		173.45	171.86	222.87	283.28		173.52
	Quick ratio		168.06	165.95	211.48	271.59		168.27
	Times interest earned ratio		9.32	9.02	4.10	3.83		1.20
Operating Performance	Accounts receivable turnover (turns)		22.15	20.41	21.95	24.27		6.57
	Average collection period		16.47	17.88	16.62	15.03		55.57
	Inventory turnover (turns)		-	-	-	-		-
	Accounts payable turnover (turns)		8.71	9.42	8.89	9.12		2.08
	Average days in sales		-	-	-	-		-
	Fixed assets turnover (turns)		1.40	1.50	1.44	1.79		0.31
	Total assets turnover (turns)		0.77	0.82	0.76	0.83		0.18
Profitability	Return on total assets (%)		5.43 (Note 1)	7.32	3.60	3.33	N/A	0.16
	Return on equity (%)		10.95 (Note 1)	15.86	6.98	6.29		0.04
	Ratio to issued capital of pre-tax income (%)		25.52	29.66	11.29	10.11		0.12
	Profit ratio (%)		6.16 (Note 1)	7.94	3.59	2.94		0.11
	Earnings per share (\$)		1.78 (Note 1)	2.37	0.96	0.83		0.02
Cash flow	Cash flow ratio (%)		49.14	56.86	51.62	57.43		6.03
	Cash flow adequacy ratio (%)		84.45	102.82	77.46	72.13		100.79
	Cash reinvestment ratio (%)		3.77 (Note2)	9.46	4.93	6.66		0.88
Leverage	Operating leverage		4.15 (Note 3)	3.09	5.71	4.69		16.04
	Financial leverage		1.20	1.18	1.57	1.38		2.78

The reasons for all financial ratio of 2015 increase/decrease more than 20% comparing to 2014 are as follows.

Note 1 : The return on total assets, return on equity, profit ratio & earnings per share decreased since net profit after tax in 2015 decreased.

Note 2 : The cash flow adequacy ratio decreased since net cash provided by operating activities in 2015 decreased.

Note 3 : The operating leverage increased since the profit in 2015 decreased.

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

### 6.3.2 Financial analysis - IFRS

Year		Financial analysis in the past five years					2016 as of Mar. 31
		2015	2014	2013	2012	2011	
Item							
Financial structure (%)	Ratio of liabilities to assets	43.59	44.96	45.59	46.77		
	Ratio of long-term capital to fixed assets	615.5	674.15	613.64	755.91		
Solvency (%)	Current ratio	272.39 (Note 1)	355.38	329.21	332.22		
	Quick ratio	267.17 (Note 1)	346.38	317.13	319.41		
	Times interest earned ratio	19.06	22.66	9.76	9.34		
Operating Performance	Accounts receivable turnover (turns)	29.52	26.74	26.54	27.86		
	Average collection period	12.36	13.64	13.75	13.10		
	Inventory turnover (turns)	-	-	-	-		
	Accounts payable turnover (turns)	10.40	9.85	9.26	9.91		
	Average days in sales	-	-	-	-		
	Fixed assets turnover (turns)	6.88	7.25	7.44	7.71		N/A
	Total assets turnover (turns)	0.88	0.94	0.92	1.01		
Profitability	Return on total assets (%)	6.56 (Note 2)	9.04	4.16	3.66		
	Return on stockholders' equity (%)	11.05 (Note 2)	15.77	6.97	6.32		
	Ratio to issued capital of pre-tax income (%)	25.32	29.06	11.10	9.83		
	Profit ratio (%)	7.01 (Note 2)	9.15	4.06	3.25		
	Earnings per share (\$)	1.78 (Note 2)	2.37	0.96	0.83		
Cash flow	Cash flow ratio (%)	5.38 (Note 3)	70.73	10.39	62.49		
	Cash flow adequacy ratio (%)	38.73 (Note 3)	57.61	47.45	52.08		
	Cash reinvestment ratio (%)	(5.57) (Note 3)	7.69	(1.25)	8.37		
Leverage	Operating leverage	5.03 (Note 4)	3.21	3.70	4.12		
	Financial leverage	1.11	1.08	1.10	1.10		

The reasons for all financial ratio of 2015 increase/decrease more than 20% comparing to 2014 are as follows.

Note 1 : The current ratio & quick ratio decreased since current liabilities in 2015 increased.

Note 2 : The return on total assets, return on stockholders' equity, profit ratio & earnings per share decreased since net profit after tax in 2015 decreased.

Note 3 : The cash flow ratio, cash flow adequacy ratio & cash reinvestment ratio decreased since net cash provided by operating activities in 2015 decreased.

Note 4 : The operating leverage increased since the profit in 2015 decreased.

#### 1. Financial structure

(1) Liabilities to total asset = total liabilities / total assets

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

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets-inventories-prepaid expenses) / current liabilities

(3) Times interest earned (times) = net income before income tax and interest expense / interest expenses

#### 3. Operating performance

(1) Turnover of receivable(including accounts receivable and receivable-trade notes) = net operating revenue / average receivable-trade(including accounts receivable and receivable-trade notes)

(2) Average collection days = 365 / turnover of receivable

(3) Turnover of inventories = operating cost / average inventories

(4) Turnover of payable(including accounts payable and notes payable-trade) = operating cost / average payable-trade

(5) Average sales days = 365 / turnover of inventories

(6) Turnover of properties (times) = net operating revenue / average net Property ,Plant and Equipment

(7) Turnover of total assets (times) = net operating revenue / average total assets

#### 4. Profitability

(1) Return on total assets = [net income after tax + interest expense x (1-tax rate)] / average total assets

(2) Return on equity = net income after tax / average total equity

(3) Profit margin = net income after tax / net operating revenue

(4) Earnings per share = (net income after tax-dividend of prefer stock) / weighted average number of outstanding shares

#### 5. Cash flow

(1) Cash flow ratio = net cash provided by operating activities / current liabilities

(2) Cash flow adequacy ratio = net cash provided by operating activities for past 5 years / (fixed assets expenditure + inventories increase + cash dividend) for past 5 years

(3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (Property ,Plant and Equipment + long-term investment + other non-current assets + working capital)

#### 6. Leverage

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

(2) Financial leverage = operating profit / (operating profit-interest expenses)

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

### 6.4.1 Consolidated financial analysis – ROC GAAP

Item		Year	Financial analysis in the past five years				
		2015	2014	2013	2012	2011	
Financial Structure (%)	Ratio of liabilities to assets					60.72	60.09
	Ratio of long-term capital to fixed assets					159.3	164.08
Solvency (%)	Current ratio					283.47	266.82
	Quick ratio					271.81	252.64
	Times interest earned ratio					3.80	1.67
Operating Performance	Accounts receivable turnover (turns)					22.54	21.29
	Average collection period					16.19	17.14
	Inventory turnover (turns)					-	-
	Accounts payable turnover (turns)					8.77	10.36
	Average days in sales					-	-
	Fixed assets turnover (turns)					1.65	1.97
	Total assets turnover (turns)			N/A		0.83	0.96
Profitability	Return on total assets (%)					3.30	0.82
	Return on stockholders' equity (%)					6.13	0.11
	Ratio to issued capital of pre-tax income (%)					9.98	1.95
	Profit ratio (%)					2.93	0.05
	Earnings per share (\$)					0.83	0.01
Cash flow	Cash flow ratio (%)					53.76	32.19
	Cash flow adequacy ratio (%)					71.05	67.42
	Cash reinvestment ratio (%)					6.31	1.95
Leverage	Operating leverage					4.19	(29.73)
	Financial leverage					1.40	0.33

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

## 1. Financial structure

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

## 2. Solvency

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

## 3. Operating performance

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

## 4. Profitability

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

## 5. Cash flow

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

## 6. Leverage

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

### 6.4.2 Financial analysis – ROC GAAP

Item		Year		Financial analysis in the past five years				
		2015	2014	2013	2012	2011		
Financial structure (%)	Ratio of liabilities to assets				45.99	48.74		
	Ratio of long-term capital to fixed assets				551.99	383.91		
Solvency (%)	Current ratio				330.51	335.05		
	Quick ratio				317.75	319.45		
	Times interest earned ratio				9.24	3.10		
Operating Performance	Accounts receivable turnover (turns)				27.10	32.21		
	Average collection period				13.46	11.33		
	Inventory turnover (turns)				-	-		
	Accounts payable turnover (turns)				9.48	11.15		
	Average days in sales				-	-		
	Fixed assets turnover (turns)				5.53	5.78		
	Total assets turnover (turns)			N/A	1.00	1.16		
Profitability	Return on total assets (%)				3.62	0.32		
	Return on stockholder s 'equity (%)				6.15	0.07		
	Ratio to issued capital of pre-tax income (%)				9.70	1.71		
	Profit ratio (%)				3.23	0.03		
	Earnings per share (\$)				0.82	0.01		
Cash flow	Cash flow ratio (%)				62.97	9.87		
	Cash flow adeqiacu ratio (%)				65.52	65.72		
	Cash reinvestment ratio (%)				8.59	(2.22)		
Leverage	Operating leverage				4.29	(6.05)		
	Financial leverage				1.10	0.92		

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

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

## 6.5 Supervisors' Report for Fiscal Year 2015

### 6.5.1 Supervisors' Report for Fiscal Year 2015

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2015 final statements, including the business report, financial statements of the company and earnings appropriation. The Supervisors have examined the reports and found that they fairly present the company's financial position. Based on this result, we issued this Supervisors' Report and submitted year 2015 financial statements herewith to be approved.

To the general shareholders' meeting of 2016

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Chiu-Ling Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd



Representative

Chih-Hsiang Chen



Mar. 21, 2016

### 6.5.2 Supervisors' Report for Fiscal Year 2015 (Consolidated)

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2015 final statements, including the consolidated business report and consolidated financial statements. The Supervisors have examined the reports and found that they fairly present the financial groups' position. Based on this result, we issued this Supervisors' Report and submitted year 2015 consolidated financial statements herewith to be approved.

To the general shareholders' meeting of 2016

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Chiu-Ling Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd



Representative

Chih-Hsiang Chen



Mar. 21, 2016

## 6.6 Financial Statement for Fiscal Year 2015

### 6.6.1 Independent Auditor's Report

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

We have audited the accompanying balance sheets of Wan Hai Lines Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wan Hai Lines Ltd. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

March 18, 2016



**WAN HAI LINES LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the Year Ended December 31,			
	2015		2014	
	Amount	%	Amount	%
<b>Operating revenue (note (6)(o) and (7))</b>	\$ 56,271,236	100	57,438,243	100
<b>Operating cost (notes (6)(d) and (7))</b>	51,140,742	91	51,247,188	89
<b>Gross profit</b>	5,130,494	9	6,191,055	11
<b>Operating expenses</b>	2,076,453	4	1,999,062	3
<b>Income from operations</b>	3,054,041	5	4,191,993	8
<b>Non-operating income and expenses (note (6)(e) and (p)):</b>				
Other income	479,888	1	390,920	1
Other gains and losses	1,567,781	3	1,370,724	2
Finance costs	(310,932)	-	(297,562)	(1)
Share of profit (loss) of associated and joint ventures accounted for using equity method	825,278	1	790,255	1
<b>Total non-operating income and expenses</b>	2,562,015	5	2,254,337	3
<b>Profit before tax from continuing operations</b>	5,616,056	10	6,446,330	11
<b>Less: Income tax expense (note (6)(l))</b>	1,673,147	3	1,192,256	2
<b>Net profit</b>	3,942,909	7	5,254,074	9
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial losses and gains on defined benefit plans	(42,601)	-	30,537	-
Share of other comprehensive income (loss) of associated and joint ventures accounted for using equity method	21,604	-	27,069	-
Income tax related to components of other comprehensive income	7,242	-	2,403	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>	(13,755)	-	60,009	-
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign operations	555,434	1	923,385	2
Gain (loss) on valuation of available-for-sale financial assets	77,369	-	132,364	-
Share of other comprehensive income (loss) of associated and joint ventures accounted for using equity method	680	-	(40)	-
Income tax expenses related to components of other comprehensive income	(390)	-	(2,427)	-
<b>Total items that will be reclassified subsequently to profit or loss</b>	633,093	1	1,053,282	2
<b>Other comprehensive income (net of tax)</b>	619,338	1	1,113,291	2
<b>Total comprehensive income</b>	<u>\$ 4,562,247</u>	<u>8</u>	<u>6,367,365</u>	<u>11</u>
<b>Basic earnings per share (New Taiwan Dollars) (note (6)(n))</b>	<u>\$ 1.78</u>		<u>2.37</u>	
<b>Diluted earnings per share (New Taiwan Dollars) (note (6)(n))</b>	<u>\$ 1.77</u>		<u>2.37</u>	

**WAN HAI LINES LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Stock	Capital Surplus	Legal Reserve	Retained Earnings	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Other Equity	Total
<b>Balance as of January 1, 2014</b>	\$ 22,182,975	1,261,681	5,256,726	1,911,538	1,518,833	(683,820)	(433,183)	31,014,750
Net profit	-	-	-	-	5,254,074	-	-	5,254,074
Other comprehensive income	-	-	-	-	60,009	920,958	132,324	1,113,291
Total comprehensive income	-	-	-	-	5,314,083	920,958	132,324	6,367,365
Appropriation of retained earnings:								
Legal reserve	-	-	212,911	-	(212,911)	-	-	-
Cash dividends	-	-	-	-	(1,774,637)	-	-	(1,774,637)
Reversal of special reserve	-	-	-	(794,535)	794,535	-	-	-
<b>Balance as of December 31, 2014</b>	22,182,975	1,261,681	5,469,637	1,117,003	5,639,903	237,138	(300,859)	35,607,478
Net profit	-	-	-	-	3,942,909	-	-	3,942,909
Other comprehensive income	-	-	-	-	(13,755)	555,044	78,049	619,338
Total comprehensive income	-	-	-	-	3,929,154	555,044	78,049	4,562,247
Appropriation of retained earnings:								
Legal reserve	-	-	525,407	-	(525,407)	-	-	-
Cash dividends	-	-	-	-	(4,436,595)	-	-	(4,436,595)
<b>Balance as of December 31, 2015</b>	\$ 22,182,975	1,261,681	5,995,044	1,117,003	4,607,055	792,182	(222,810)	35,733,130

**WAN HAI LINES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 5,616,056	6,446,330
<b>Adjustments:</b>		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,298,824	1,327,127
Amortization	27,749	34,831
Interest expense	310,932	297,562
Interest revenue	(344,109)	(279,971)
Dividend revenue	(135,779)	(110,949)
Investment income under the equity method	(825,278)	(790,255)
Gain on disposal of property, plant and equipment, net	(879,572)	(314,342)
Prepayment for equipment re-classified into expense	-	476
Gain on disposal of available-for-sale assets-current	(2,299)	(61,242)
Loss on impairment of financial assets	343,253	65,000
Unrealized foreign exchange loss	63,354	282,716
Total adjustments to reconcile net income to net cash provided by operating activities	<u>(142,925)</u>	<u>450,953</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	6,091	6,277
Accounts receivable (including related parties)	748,223	(277,729)
Other receivables	(3,279,832)	280,326
Inventories	361,491	190,336
Receivables from agents	397,676	(97,053)
Other current assets	(122,533)	78,699
Total changes in operating assets, net	<u>(1,888,884)</u>	<u>180,856</u>
Changes in operating liabilities, net:		
Accounts payable (including related parties)	(953,359)	376,539
Other payables	(55,911)	228,284
Payables to agents	318,210	(102,077)
Other current liabilities	(353,605)	219,496
Accrued pension liabilities	(197,083)	(61,695)
Total changes in operating liabilities, net	<u>(1,241,748)</u>	<u>660,547</u>
Total changes in operating assets and liabilities, net	<u>(3,130,632)</u>	<u>841,403</u>
Total Adjustments	<u>(3,273,557)</u>	<u>1,292,356</u>
Cash inflow generated from operations	2,342,499	7,738,686
Income tax paid	(1,679,699)	(431,497)
<b>Net cash provided by operating activities</b>	<u>662,800</u>	<u>7,307,189</u>

**WAN HAI LINES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2015	2014
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(261,320)	(477,972)
Proceeds from sale of available-for-sale financial assets	14,859	360,181
Acquisition of property, plant and equipment	(1,584,361)	(2,365,932)
Disposal of property, plant and equipment	887,282	295,815
Acquisition of intangible assets	(19,407)	(10,354)
Other non-current assets	(16,199)	40,737
Interest received	342,378	274,484
Dividends received	146,699	116,459
<b>Net cash used in investing activities</b>	<u>(490,069)</u>	<u>(1,766,582)</u>
<b>Cash flows from financing activities:</b>		
Issuance of corporate bond	-	1,800,000
Increase in long-term loans	1,934,600	2,322,380
Repayment of long-term loans	(2,440,542)	(1,640,227)
Guarantee deposits	(24,617)	3,763
Dividends paid	(4,436,595)	(1,774,637)
Interest paid	(313,725)	(282,278)
<b>Net cash (used in) provided by financing activities</b>	<u>(5,280,879)</u>	<u>429,001</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(5,108,148)</u>	<u>5,969,608</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>22,789,896</u>	<u>16,820,288</u>
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 17,681,748</b></u>	<u><b>22,789,896</b></u>

**WAN HAI LINES LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

**1 Organization and Business**

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

**2 Approval Date and Procedures of the Financial Statements**

The Board of Directors approved and issued the financial statements on March 18, 2016.

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

- (1) Impact of new issuances or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC").

The Company has adopted the 2013 version of IFRS (excluding IFRS 9, "Financial instruments") as endorsed by the FSC in preparing the financial statements. The related new standards, interpretations and amendments are as follows:

New Standards, Interpretations and Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures - transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, "Consolidated financial statements"	January 1, 2013 (Investment entities are required to adopt on January 1, 2014)
IFRS 11, "Joint arrangements"	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	January 1, 2013
IFRS 13, "Fair value measurement"	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: Recovery of underlying assets (amendment to IAS 12)	January 1, 2012
Employee benefits (as amendment to IAS 19)	January 1, 2013
Separate financial statements (as amendment to IAS 27)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, "Stripping costs in the production phase of a surface mine"	January 1, 2013

Based on the Company's assessment, the adoption of the 2013 version of IFRS has no significant impact on the financial statements of the Company, except for the following:

A. IAS 1 Presentation of Financial Statements

This standard requires that an entity present separately the items of other comprehensive income that would be classified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of other comprehensive income before related tax effects would also have to allocate the aggregate tax amount between these classifications. The Company has adopted the new presentation method regulated by the standard. Also, the comprehensive income statements for comparative periods are restated.

B. IFRS 12 Disclosure of interests in other entities

The Company has disclosed the information required by the standard (Please refer to Note 6).

C. IFRS 13 Fair Value Measurement

This standard revised the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Group has disclosed the information required by the standard (Please refer to Note 6(r).) However, for the new disclosure requirement, comparison with prior periods is not needed. Also, the Company has postponed the application of the new fair value measurement, according to the transitional implementation guidance. As the adoption of this standard will be postponed until after 2015, the Company does not expect any significant influence on its financial condition and performance.

(2) New standards, interpretations and amendments not endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, "Financial instruments"	January 1, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Not yet endorsed by IASB
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 "Regulatory deferral accounts"	January 1, 2016
IFRS 15 "Revenue from contracts with customers"	January 1, 2018
IFRS16 "Lease"	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and 38)	January 1, 2016

<b>New Standards, Interpretations and Amendments</b>	<b>IASB Effective Date</b>
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity Method in Separate Financial Statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
The Annual Improvements: 2010-2012 and 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS: 2012-2014 Cycles	January 1, 2016
IFRIC 21, "Levies"	January 1, 2014

The Company is assessing the potential impact of these new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the financial statements.

#### 4 Significant Accounting Policies

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

##### (1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

##### (2) Basis of preparation

###### A. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

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

###### B. Functional and presentation currency

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

(3) Foreign currency

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

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

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

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

(4) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset 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.

An entity shall classify a liability as current when:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(5) Cash and cash equivalents

Cash and cash equivalents 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 which are subject to an insignificant risk of changes in value. The time deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

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

(6) Financial instruments

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

A. Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Company purchases or sales financial assets are recognized using trade-date accounting.

(a) Financial assets at fair value through profit or loss

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

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

(b) Available-for sale financial assets

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

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

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

(c) Loans and receivables

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

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

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

(d) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

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

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

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

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

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

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

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

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

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

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

(e)Derecognition of financial assets

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

B.Financial liabilities and equity instruments

(a)Classification of debt or equity

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

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

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

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

(c)Other financial liabilities

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

(d)Derecognition of financial liabilities

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

(e) Offsetting of financial assets and liabilities

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

(7) Inventories

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

(8) Investment in associates

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

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

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

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

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

(9) Subsidiaries

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

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

(10) Property, plant, and equipment

A. Recognition and measurement

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

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

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

#### B.Subsequent cost

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

#### C.Depreciation

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

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

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

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

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

#### (11)Leases

Other leases are operating leases and are not recognized in the Group's statement of financial position.

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

## A Intangible assets

### (a). Intangible assets

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

### (b). Subsequent expenditure

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

### (c). Amortization

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

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

Software	3~5 years
Trademarks	10 years

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

## (12) Impairment – non-financial assets

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

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

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

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

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

(13) Revenue

A. Freight Revenue

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

B. Rental Revenue

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

C. Terminal operating revenue

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

D. Other service revenue

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

(14) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

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

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

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

#### C. Termination benefits

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

#### D. Short-term employee benefits

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

### (15) Income taxes

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

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

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

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

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

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

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

#### (16) Earnings per share

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

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

#### (17) 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 Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty**

The preparation of the financial statements 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.

Management continued to monitor accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

There is no information about critical judgments in applying the accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements.

There is no information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

## 6 Summary of Major Accounts

### (1) Cash and cash equivalents

	<u>2015.12.31</u>	<u>2014.12.31</u>
Cash on hand	\$ 48,684	55,387
Savings accounts	183,217	268,100
Time deposits	<u>17,449,847</u>	<u>22,466,409</u>
Cash and cash equivalents in statement of cash flows	<u>\$ 17,681,748</u>	<u>22,789,896</u>

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

### (2) Financial assets

#### A. Details of financial assets:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Available-for-sale financial assets	3,606,482	3,623,606
Financial assets measured at cost	735,967	735,967
Bond portfolios with inactive market	<u>1,315,200</u>	<u>1,268,720</u>
Total	<u>\$ 5,657,649</u>	<u>5,628,293</u>
Current	\$ 3,439,032	3,414,700
Non-current	<u>2,218,617</u>	<u>2,213,593</u>
Total	<u>\$ 5,657,649</u>	<u>5,628,293</u>

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

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2014, the impairment loss was \$65,000 thousand.

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

As of December 31, 2015 and 2014, the Company's financial assets were not pledged as collateral.

## B. Sensitivity analysis-equity price risk:

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

Equity price at reporting date	2015		2014	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 1%	\$ 36,065	-	36,236	-
Decrease 1%	\$ (36,065)	-	(36,236)	-

## (3) Notes receivable, accounts receivable, other receivable, and receivable from agents

	2015.12.31	2014.12.31
Notes receivable	\$ 25,844	31,935
Accounts receivable	1,503,682	2,251,914
Other receivables	7,993,205	4,663,111
Receivable from agents	1,512,069	1,909,745
Less: Allowance for impairment loss	(364)	(373)
	<u>\$ 11,034,436</u>	<u>8,856,332</u>

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

	2015.12.31	2014.12.31
Past due 0-30 days	\$ 39,809	70,379
Past due 31-120 days	16,037	79,500
Past due 121-365 days	50,101	29,974
Past due more than 365 days	3	3,779
	<u>\$ 105,950</u>	<u>183,632</u>

Movements of allowance for doubtful receivables for the years ended December 31, 2015 and 2014 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2015	\$ -	373	373
Amounts written off	-	(9)	(9)
Balance as of December 31, 2015	<u>\$ -</u>	<u>364</u>	<u>364</u>
Balance as of January 1, 2014	<u>\$ -</u>	<u>373</u>	<u>373</u>
Balance as of December 31, 2014	<u>\$ -</u>	<u>373</u>	<u>373</u>

## (4) Inventories

	<u>2015.12.31</u>	<u>2014.12.31</u>
Marine diesel oil	\$ 88,353	136,712
Marine residual fuel oil	353,331	629,666
Fresh lubricating oil	<u>5,902</u>	<u>6,988</u>
Sub total	447,586	773,366
Less: Allowance for inventory valuation and obsolescence losses	(41,420)	(5,709)
Total	<u><u>\$ 406,166</u></u>	<u><u>767,657</u></u>

In 2015 and 2014, the write-down of inventories to net realizable value amounted to \$35,711 thousand and \$5,709 thousand respectively. The write-downs are included in cost of sales.

As of December 31, 2015 and 2014, the Company's inventories were not pledged as collateral.

## (5) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Subsidiaries	\$ 18,500,975	17,113,823
Associate	<u>248,592</u>	<u>214,192</u>
	<u><u>\$ 18,749,567</u></u>	<u><u>17,328,015</u></u>

## A. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2015 and 2014.

## B. Associates

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
The carrying amount of individually non-significant associates equity	<u><u>\$ 248,592</u></u>	<u><u>214,192</u></u>
	<u>2015</u>	<u>2014</u>
Comprehensive income attributable to owners of parent:		
Profit after tax from continuing operations	<u><u>\$ 32,107</u></u>	<u><u>37,690</u></u>

As of December 31, 2015 and 2014, the Company's investments accounted for using the equity method were not pledged as collateral.

## (6) Property, plant and equipment

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

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:							
Balance at January 1, 2015	\$ 620,477	123,736	3,559,803	19,081,280	1,084,776	1,181,850	25,651,922
Additions	-	-	78,277	1,489,694	34,900	950	1,603,821
Reclassification	-	-	-	-	5,643	-	5,643
Disposals	-	-	-	(2,027,960)	(148,506)	-	(2,176,466)
Balance at December 31, 2015	<u>\$ 620,477</u>	<u>123,736</u>	<u>3,638,080</u>	<u>18,543,014</u>	<u>976,813</u>	<u>1,182,800</u>	<u>25,084,920</u>
Balance at January 1, 2014	\$ 620,477	123,736	3,528,694	18,574,874	1,191,799	676,921	24,716,501
Additions	-	-	31,109	1,054,917	23,218	115,293	1,224,537
Reclassification	-	-	-	-	7,500	389,636	397,136
Disposals	-	-	-	(548,511)	(137,741)	-	(686,252)
Balance at December 31, 2014	<u>\$ 620,477</u>	<u>123,736</u>	<u>3,559,803</u>	<u>19,081,280</u>	<u>1,084,776</u>	<u>1,181,850</u>	<u>25,651,922</u>
Depreciation and impairment loss:							
Balance at January 1, 2015	\$ -	58,436	3,039,442	13,223,812	701,331	564,810	17,587,831
Depreciation for the year	-	2,726	138,861	1,011,374	99,004	46,859	1,298,824
Reclassification	-	-	-	-	(453)	-	(453)
Disposals	-	-	-	(1,942,242)	(148,507)	-	(2,090,749)
Balance at December 31, 2015	<u>\$ -</u>	<u>61,162</u>	<u>3,178,303</u>	<u>12,292,944</u>	<u>651,375</u>	<u>611,669</u>	<u>16,795,453</u>
Balance at January 1, 2014	\$ -	55,710	2,886,179	12,756,574	712,908	528,901	16,940,272
Depreciation for the year	-	2,726	153,263	1,009,065	126,164	35,909	1,327,127
Disposals	-	-	-	(541,827)	(137,741)	-	(679,568)
Balance at December 31, 2014	<u>\$ -</u>	<u>58,436</u>	<u>3,039,442</u>	<u>13,223,812</u>	<u>701,331</u>	<u>564,810</u>	<u>17,587,831</u>
Carrying amounts:							
Balance at December 31, 2015	<u>\$ 620,477</u>	<u>62,574</u>	<u>459,777</u>	<u>6,250,070</u>	<u>325,438</u>	<u>571,131</u>	<u>8,289,467</u>
Balance at December 31, 2014	<u>\$ 620,477</u>	<u>65,300</u>	<u>520,361</u>	<u>5,857,468</u>	<u>383,445</u>	<u>617,040</u>	<u>8,064,091</u>
Balance at January 1, 2014	<u>\$ 620,477</u>	<u>68,026</u>	<u>642,515</u>	<u>5,818,300</u>	<u>478,891</u>	<u>148,020</u>	<u>7,776,229</u>

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

## (7) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2015 and 2014 were as follows:

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:			
Balance at January 1, 2015	\$ 82,355	1,913	84,268
Additions	19,407	-	19,407
Reclassification	3,716	-	3,716
Disposals	(40,898)	-	(40,898)
Balance at December 31, 2015	<u>\$ 64,580</u>	<u>1,913</u>	<u>66,493</u>
Balance at January 1, 2014	\$ 139,397	1,913	141,310
Additions	10,354	-	10,354
Reclassification	1,032	-	1,032
Disposals	(68,428)	-	(68,428)
Balance at December 31, 2014	<u>\$ 82,355</u>	<u>1,913</u>	<u>84,268</u>
Amortization and impairment loss:			
Balance at January 1, 2015	\$ 42,232	548	42,780
Amortization for the year	27,558	191	27,749
Disposals	(40,898)	-	(40,898)
Balance at December 31, 2015	<u>\$ 28,892</u>	<u>739</u>	<u>29,631</u>
Balance at January 1, 2014	\$ 76,020	357	76,377
Amortization for the year	34,640	191	34,831
Disposals	(68,428)	-	(68,428)
Balance at December 31, 2014	<u>\$ 42,232</u>	<u>548</u>	<u>42,780</u>
Carrying amounts:			
Balance at December 31, 2015	<u>\$ 35,688</u>	<u>1,174</u>	<u>36,862</u>
Balance at December 31, 2014	<u>\$ 40,123</u>	<u>1,365</u>	<u>41,488</u>
Balance at January 1, 2014	<u>\$ 63,377</u>	<u>1,556</u>	<u>64,933</u>

## 1. Recognition of amortization and impairment

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

	<u>2015</u>	<u>2014</u>
Operating costs	<u>\$ 9,217</u>	<u>15,809</u>
Operating expense	<u>\$ 18,532</u>	<u>19,022</u>

## (8) Term loans

Details of borrowings were as follows:

<b>2015.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.4%~2.653%	105~106	\$ 522,500
Secured bank loans	USD	0.9162%~1.54%	105~109	6,398,448
Total				<b><u>\$ 6,920,948</u></b>
Current				\$ 2,507,879
Non-current				4,413,069
Total				<b><u>\$ 6,920,948</u></b>
<b>2014.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.47%~2.831%	104~106	\$ 1,227,200
Secured bank loans	USD	0.9158%~ 1.8526%	104~107	6,089,856
Total				<b><u>\$ 7,317,056</u></b>
Current				\$ 2,525,313
Non-current				4,791,743
Total				<b><u>\$ 7,317,056</u></b>

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

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

## (9) Bonds payable

<b>2015.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	105~107	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	106	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	108~110	1,800,000
Total				<b><u>\$ 12,200,000</u></b>
Current				\$ 3,000,000
Non-current				9,200,000
Total				<b><u>\$ 12,200,000</u></b>

<b>2014.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	105~107	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	106	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	108~110	1,800,000
Bond payable-non-current				<b><u>\$ 12,200,000</u></b>

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

A. Issue amount

TWD 7,500,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 3,000,000 thousand and series B amounting to TWD 4,500,000 thousand.

B. Nominal amount

Par value TWD 1,000 thousand per unit.

C. Issuance period

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

D. Issued price: at par value

E. Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

F. 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.

G. Redemption on the maturity date

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

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

I. 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.

J. 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.

K. Underwriter: None

L. Announcement

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

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

A. Issue amount

TWD 2,900,000 thousand.

B. Nominal amount

Par value TWD 1,000 thousand per unit.

C. Issuance period

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

D. Issued price: at par value

E. Nominal interest rate: 1.75%.

F. 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.

G. Redemption on the maturity date

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

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

I. 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.

J. Agency for payment of principal and interest

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

K. Underwriter: None

L. Announcement

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

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:

A. Issue amount

TWD 1,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 1,000,000 thousand and series B amounting to TWD 8,000,000 thousand.

B. Nominal amount

Par value TWD \$1,000 thousand per unit.

C. Issuance period

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

D. Issued price: at par value

E. Nominal interest rate

(a) Series A: 1.65%

(b) Series B: 1.95%

F. 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.

G. Redemption on the maturity date

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

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

I. 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.

J. 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.

K. Underwriter: None

L. Announcement

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

## (10) Operating leases

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Less than one year	\$ 9,755,047	8,294,864
Between one and five years	31,585,830	30,537,639
	<u>\$ 41,340,877</u>	<u>38,832,503</u>

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

## (11) Employee benefits

## A. Defined benefit plans

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Present value of defined benefit obligation	\$ 1,105,961	1,105,772
Fair value of plan assets	(512,003)	(357,332)
Recognized liabilities for defined benefit obligations	<u>\$ 593,958</u>	<u>748,440</u>

## (a) 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 Labour Pension Fund Supervisory Committee. 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 \$512,003 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 Labor Pension Fund Supervisory Committee.

## (b) Movements in present value of the defined benefit obligations

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

	<u>2015</u>	<u>2014</u>
Defined benefit obligation at January 1	\$ 1,105,772	1,136,940
Current service costs and interest	34,597	35,821
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in financial assumptions	45,133	(28,644)
Benefit pay under the plan	(79,541)	(38,345)
Defined benefit obligation at December 31	<u>\$ 1,105,961</u>	<u>1,105,772</u>

## (c) Movements of defined benefit plan assets

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

	<u>2015</u>	<u>2014</u>
Fair value of plan assets at January 1	\$ 357,332	296,268
Actuarial gains (losses)	6,611	5,251
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	2,532	1,893
Benefits paid by the plan	169,417	61,845
Benefit which has paid under the plan	<u>(23,889)</u>	<u>(7,925)</u>
Fair value of plan assets at December 31	<u><b>\$ 512,003</b></u>	<u><b>357,332</b></u>

## (d) Expenses recognized in profit or loss

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

	<u>2015</u>	<u>2014</u>
Current service costs	\$ 15,656	17,527
Net interest of net liabilities (assets) for defined benefit obligation	12,330	13,043
	<u><b>\$ 27,986</b></u>	<u><b>30,570</b></u>
Operating costs	\$ 11,608	11,556
Selling expenses	16,378	19,014
	<u><b>\$ 27,986</b></u>	<u><b>30,570</b></u>

## (e) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income as at December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Cumulative amount at January 1	\$ 82,443	51,906
Recognized during the period	<u>(42,601)</u>	30,537
Cumulative amount at December 31	<u><b>\$ 39,842</b></u>	<u><b>82,443</b></u>

## (f) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2015</u>	<u>2014</u>
Discount rate	1.58%	1.72%
Future salary increases	3.00%	3.00%

The Company will pay to the defined benefit plans which amounted to \$63,138 thousand within 1 year after the report day of 2015.

The defined benefit plans lost weighted average from 6~15 years.

(g) Sensitivity analysis

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

	<b>Influences of defined benefit obligation</b>	
	<b>Increased 0.50%</b>	<b>Decreased 0.50%</b>
December 31, 2015		
Discount rate	(62,376)	67,657
Future salary increasing rate	60,709	(56,767)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2015 and 2014.

B. Defined contribution plans

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

For the years ended December 31, 2015 and 2014, the Company set aside \$40,135 thousand and \$37,744 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

(12) Income taxes

A. Income tax expense (benefit)

The amount of income tax was as follows:

	<u>2015</u>	<u>2014</u>
Current income tax expense:		
Current period	\$ 1,038,880	898,149
Adjustment for prior periods	492,737	32,805
	<u>1,531,617</u>	<u>930,954</u>
Deferred tax expense:		
Origination and reversal of temporary differences	141,530	261,302
Income tax expense from continuing operations	<u>\$ 1,673,147</u>	<u>1,192,256</u>

No income tax recognized directly in equity for 2015 and 2014.

The amount of income tax recognized in other comprehensive income for 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	<u>\$ (7,242)</u>	<u>(2,403)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>\$ 390</u>	<u>2,427</u>

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

	<u>2015</u>	<u>2014</u>
Profit excluding income tax	<u>\$ 5,616,056</u>	<u>6,446,330</u>
Income tax using the Company's domestic tax rate	\$ 954,730	1,095,876
Non-deductible expense	126,634	58,402
Tax-exempt income	(63,991)	(27,409)
Change in unrecognized temporary difference	22,501	-
Under (Over) provision in prior periods	492,737	32,805
10% surtax on unappropriated earnings	<u>140,536</u>	<u>32,582</u>
Total	<u>\$ 1,673,147</u>	<u>1,192,256</u>

#### B. Deferred tax assets and liabilities

##### (a) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

	<u>Investment (loss) gain under the equity method</u>	<u>Deferred depreciation expense</u>	<u>Others</u>	<u>Total</u>
<b>Deferred Tax Liabilities:</b>				
Balance at January 1, 2015	\$ 793,073	68,925	94,990	956,988
Debit (Credited) Income statement	<u>99,780</u>	<u>84,719</u>	<u>(94,990)</u>	<u>89,509</u>
Balance at December 31, 2015	<u>\$ 892,853</u>	<u>153,644</u>	<u>-</u>	<u>1,046,497</u>
Balance at January 1, 2014	\$ 656,866	18,691	29,662	705,219
Debit (Credited) Income statement	<u>136,207</u>	<u>50,234</u>	<u>65,328</u>	<u>251,769</u>
Balance at December 31, 2014	<u>\$ 793,073</u>	<u>68,925</u>	<u>94,990</u>	<u>956,988</u>

	Defined Benefit Plans	Loss Carry forward	Others	Total
<b>Deferred Tax Assets:</b>				
Balance at January 1, 2015	\$ 149,748	-	34,057	183,805
(Debit) Credited Income statement	(56,017)	-	3,996	(52,021)
(Debit) Credited Other Comprehensive Income	7,242	-	(390)	6,852
Balance at December 31, 2015	<b>\$ 100,973</b>	<b>-</b>	<b>37,663</b>	<b>138,636</b>
Balance at January 1, 2014	\$ 153,236	-	40,126	193,362
(Debit) Credited Income statement	(5,891)	-	(3,642)	(9,533)
(Debit) Credited Other Comprehensive Income	2,403	-	(2,427)	(24)
Balance at December 31, 2014	<b>\$ 149,748</b>	<b>-</b>	<b>34,057</b>	<b>183,805</b>

C. The Company's tax returns for the years through 2012 were examined and approved by the tax authority.

D. The Company's information related to the unappropriated earnings and tax deduction ratio is summarized below:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Unappropriated earnings of 1998 and after	<b>\$ 4,607,055</b>	<b>5,639,903</b>
Balance of imputation credit account (ICA)	<b>\$ 1,057,027</b>	<b>215,653</b>
	<u>2015 (estimated)</u>	<u>2014 (actual)</u>
Tax deduction ratio for earnings distribution to ROC residents	<b>14.09%</b>	<b>13.04%</b>

The above-mentioned information of the unappropriated earnings and tax deduction ratio has been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

The Corporation's income tax return for the year 2010 had been examined by the tax authorities. The Corporation disagreed with the examination results and requested for a reexamination. However, based on conservatism, the back tax and penalties were recognized as tax expense in 2015.

### (13) Capital and other equity

As of December 31, 2015 and 2014, 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.

#### A. Capital surplus

The balance of capital surplus was as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<u>\$ 1,261,681</u>	<u>1,261,681</u>

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

#### B. Retained earnings

The industry of the Company is highly changeable and is capital intensive. The Company is in the stable growing stage. According to the Company's articles of incorporation, 10% of its annual net income after offsetting prior years' deficits and paying taxes is to be set aside as a legal reserve, and special reserves are to be provided according to the regulations. At least 30% of the remaining undistributed earnings shall be distributed in the following manner and order; they are subject to the discretion of the board of directors and upon approval by the shareholder:

- (a) Not be less than 1% as bonus to the employees,
- (b) 1% as remuneration to the directors and supervisors, and
- (c) The balance after deducting (1) and (2) is for dividends.
- (d) Independent directors do not participate in earnings distribution, and their remuneration is determined by the board of directors.

In consideration of future financing demands and the long-term finance plan, the Company's shareholders' meeting could adjust the retained earnings distribution percentages. The cash dividend is not less than 10% of the dividends to the shareholders.

In accordance with the R.O.C. Company Act which was amended on May 2015, the employee benefits, and directors' and supervisors' remuneration, are no longer subject to earnings distribution. The Company will amend its Articles of Incorporation on this regards before the date prescribed by the Authority.

- (a) Legal reserve

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

## (b) 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.

## (c) Earnings distribution

The Company estimated and accrued its employee benefits and remuneration to directors and supervisors of \$64,195 thousand and \$61,678 thousand, respectively, which have the difference of \$18,924 thousand and \$16,407 thousand, respectively, from the actual appropriations of the 2014 earnings. The change is accounted for as a change in accounting estimate and has been accounted for under profit or loss in 2015.

The earnings distribution for 2014 and 2013 was decided by the general meeting of shareholders held on June 12, 2015 and June 18, 2014, respectively.

The relevant dividend distribution to shareholders was as follows:

	2014		2013	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 2.00	<u>4,436,595</u>	0.80	<u>1,774,637</u>

## C. Other equity (net of tax)

	Foreign currency translation differences for foreign operations	Available for-sale investments	Total
Balance at January 1, 2015	\$ 237,138	(300,859)	(63,721)
Foreign currency translation differences	555,044	-	555,044
Unrealized gains and losses from available-for-sale investment	-	78,049	78,049
Balance at December 31, 2015	<u>\$ 792,182</u>	<u>(222,810)</u>	<u>569,372</u>
Balance at January 1, 2014	\$ (683,820)	(433,183)	(1,117,003)
Foreign currency translation differences	920,958	-	920,958
Unrealized gains and losses from available-for-sale investment	-	132,324	132,324
Balance at December 31, 2014	<u>\$ 237,138</u>	<u>(300,859)</u>	<u>(63,721)</u>

## (14) Earnings per share

	<u>2015</u>	<u>2014</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	<u>\$ 3,942,909</u>	<u>5,254,074</u>
Weighted-average number of ordinary shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 1.78</u>	<u>2.37</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (adjusted with potential effect of diluted ordinary shares)	<u>\$ 3,942,909</u>	<u>5,254,074</u>
Weighted-average number of ordinary shares (basic)	2,218,297	2,218,297
Effect of dilutive potential common shares	<u>3,924</u>	<u>2,895</u>
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<u>2,222,221</u>	<u>2,221,192</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 1.77</u>	<u>2.37</u>

## (15) Revenue

The details of revenue were as follows:

	<u>Continuing Operations</u>	
	<u>2015</u>	<u>2014</u>
Freight	\$ 52,579,290	53,887,794
Rentals	3,081,616	2,928,364
WHL terminal	594,721	607,506
Others	<u>15,609</u>	<u>14,579</u>
	<u>\$ 56,271,236</u>	<u>57,438,243</u>

## 6.7 Consolidated Financial Statements For Fiscal Year 2015

### 6.7.1 Independent Auditor's Report

#### Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, consolidated the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

We have also audited the financial statements of Wan Hai Lines Ltd. as of December 31, 2015, 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014, on which we have issued an unqualified audit report.

March 18, 2016



**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the Year Ended December 31,			
	2015		2014	
	Amount	%	Amount	%
<b>Operating revenue (notes (6)(p) and (7))</b>	\$ 63,859,142	100	66,974,244	100
<b>Operating cost (notes (6)(d) and (7))</b>	55,845,773	87	57,830,591	86
<b>Gross profit</b>	8,013,369	13	9,143,653	14
<b>Operating expenses</b>	3,994,846	6	3,739,151	6
<b>Income from operations</b>	4,018,523	7	5,404,502	8
<b>Non-operating income and expenses (notes (6)(e) and (q)):</b>				
Other income	428,505	-	359,752	1
Other gains and losses	1,844,932	3	1,576,236	2
Finance costs	(680,180)	(1)	(820,373)	(1)
Share of profit of associated and joint ventures accounted for using equity method	49,789	-	59,076	-
<b>Total non-operating income and expenses</b>	1,643,046	2	1,174,691	2
<b>Profit before tax from continuing operations</b>	5,661,569	9	6,579,193	10
<b>Less: Income tax expense (note (6)(m))</b>	1,730,924	3	1,261,599	2
<b>Net profit</b>	3,930,645	6	5,317,594	8
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial losses and gains on defined benefit plans	(20,997)	-	57,606	-
Income tax related to components of other comprehensive income	7,242	-	2,403	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>	(13,755)	-	60,009	-
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign operations	552,372	1	928,279	1
Gain (loss) on valuation of available-for-sale financial assets	78,049	-	132,324	-
Income tax expenses related to components of other comprehensive income	(390)	-	(2,427)	-
<b>Total items that will be reclassified subsequently to profit or loss</b>	630,031	1	1,058,176	1
<b>Other comprehensive income (net of tax)</b>	616,276	1	1,118,185	1
<b>Total comprehensive income</b>	<b>\$ 4,546,921</b>	<b>7</b>	<b>6,435,779</b>	<b>9</b>
<b>Profit attributable to :</b>				
Owners of the parent company	\$ 3,942,909	6	5,254,074	8
Non-controlling interest	(12,264)	-	63,520	-
	<b>\$ 3,930,645</b>	<b>6</b>	<b>5,317,594</b>	<b>8</b>
<b>Comprehensive income attributable to :</b>				
Owners of the parent company	\$ 4,562,247	7	6,367,365	9
Non-controlling interest	(15,326)	-	68,414	-
	<b>\$ 4,546,921</b>	<b>7</b>	<b>6,435,779</b>	<b>9</b>
<b>Basic earnings per share (New Taiwan Dollars) (note (6)(o))</b>	<b>\$ 1.78</b>		<b>2.37</b>	
<b>Diluted earnings per share (New Taiwan Dollars) (note (6)(o))</b>	<b>\$ 1.77</b>		<b>2.37</b>	

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Stock	Retained Earnings					Other Equity			Total
		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	Total Owners' Equity Attributable to Equity Holders of the Parent Company	
<b>Balance as of January 1, 2014</b>	\$ 22,182,975	1,261,681	5,256,726	1,911,538	1,518,833	(683,820)	(433,183)	31,014,750	174,590	31,189,340
Net profit	-	-	-	5,254,074	-	-	-	5,254,074	63,520	5,317,594
Other comprehensive income	-	-	-	60,009	920,958	132,324	4,894	1,113,291	4,894	1,118,185
Total comprehensive income	-	-	-	5,314,083	920,958	132,324	68,414	6,367,365	68,414	6,435,779
Appropriation of retained earnings:										
Legal reserve	-	-	212,911	-	(212,911)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,774,637)	-	-	(1,774,637)	-	(1,774,637)
Reversal of special reserve	-	-	-	(794,535)	794,535	-	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	(2,502)	(2,502)
<b>Balance as of December 31, 2014</b>	22,182,975	1,261,681	5,469,637	1,117,003	5,639,903	237,138	(300,859)	35,607,478	240,502	35,847,980
Net profit	-	-	-	3,942,909	3,942,909	-	-	3,942,909	(12,264)	3,930,645
Other comprehensive income	-	-	-	(13,755)	(13,755)	555,044	78,049	619,338	(3,062)	616,276
Total comprehensive income	-	-	-	3,929,154	3,929,154	555,044	78,049	4,562,247	(15,326)	4,546,921
Appropriation of retained earnings:										
Legal reserve	-	-	525,407	-	(525,407)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,436,595)	-	-	(4,436,595)	-	(4,436,595)
Change in non-controlling interest	-	-	-	-	-	-	-	-	(43,384)	(43,384)
<b>Balance as of December 31, 2015</b>	\$ 22,182,975	1,261,681	5,995,044	1,117,003	4,607,055	792,182	(222,810)	35,733,130	181,792	35,914,922

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 5,661,569	6,579,193
<b>Adjustments:</b>		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,451,588	4,253,614
Amortization	28,525	35,363
Net gain (loss) on financial liabilities at fair value through profit or loss	(81,590)	-
Interest expense	680,180	820,373
Interest revenue	(292,726)	(248,803)
Dividend revenue	(135,779)	(110,949)
Investment income under the equity method	(49,789)	(59,076)
Gain on disposal of property, plant and equipment, net	(897,118)	(284,904)
Prepayment for equipment re-classified into expense	-	476
Gain on disposal of available-for-sale assets-current	(2,299)	(61,242)
Loss on impairment of financial assets	343,253	65,000
Unrealized foreign exchange loss	63,354	282,716
Total adjustments to reconcile net income to net cash provided by operating activities	<u>4,107,599</u>	<u>4,692,568</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	7,058	5,513
Accounts receivable (including related parties)	1,435,891	(652,318)
Other receivables	(260,532)	465,813
Inventories	443,454	264,529
Receivables from agents	176,284	(82,195)
Other current assets	(119,233)	182,509
Total changes in operating assets, net	<u>1,682,922</u>	<u>183,851</u>
Changes in operating liabilities, net:		
Current financial liabilities at fair value through profit or loss	-	374,885
Accounts payable (including related parties)	(285,783)	837,544
Other payables	(143,490)	115,883
Payables to agents	11,409	3,258
Other current liabilities	(308,381)	77,064
Accrued pension liabilities	(229,508)	(46,620)
Total changes in operating liabilities, net	<u>(955,753)</u>	<u>1,362,014</u>
Total changes in operating assets and liabilities, net	<u>727,169</u>	<u>1,545,865</u>
Total Adjustments	<u>4,834,768</u>	<u>6,238,433</u>
Cash inflow generated from operations	10,496,337	12,817,626
Income tax paid	(1,763,468)	(467,059)
<b>Net cash provided by operating activities</b>	<u>8,732,869</u>	<u>12,350,567</u>

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AN**  
**D 2014**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(263,333)	(477,972)
Proceeds from sale of available-for-sale financial assets	14,859	360,181
Long-term equity investment under equity method	(80,030)	-
Acquisition of property, plant and equipment	(4,440,672)	(3,358,298)
Disposal of property, plant and equipment	937,385	295,181
Acquisition of intangible assets	(20,261)	(12,432)
Other non-current assets	(48,308)	37,702
Interest received	290,950	243,467
Dividends received	158,209	140,942
<b>Net cash used in investing activities</b>	<u>(3,451,201)</u>	<u>(2,771,229)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term debt	50,000	-
Issuance of corporate bond	-	1,800,000
Increase in long-term loans	6,695,450	2,322,380
Repayment of long-term loans	(4,636,915)	(4,149,373)
Decrease in financial liabilities at fair value through profit or loss	(7,175,902)	-
Guarantee deposits	294,263	105,735
Dividend paid	(4,436,595)	(1,774,637)
Interest paid	(668,855)	(809,493)
Change in non-controlling interest	(43,384)	(2,502)
<b>Net cash (used in) provided by financing activities</b>	<u>(9,921,938)</u>	<u>(2,507,890)</u>
<b>Foreign exchange rate effects</b>	(266,552)	(538,669)
<b>Net (decrease) increase in cash and cash equivalents</b>	(4,906,822)	6,532,779
<b>Cash and cash equivalents, beginning of period</b>	<u>26,784,275</u>	<u>20,251,496</u>
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 21,877,453</b></u>	<u><b>26,784,275</b></u>

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**  
**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

**1. Organization and Business**

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965, under the approval of the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F, No. 136 Songjiang Rd., Taipei City. The Company and its subsidiaries (the Group) are primarily involved in the business of international sea 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 18, 2016.

**3. New Standards and Interpretations Not Yet Adopted**

- (1) Impact of new issuances or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC").

The Group has adopted the 2013 version of IFRS (excluding IFRS 9, "Financial instruments") as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are as follows:

<b>New Standards, Interpretations and Amendments</b>	<b>IASB Effective Date</b>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures - transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, "Consolidated financial statements"	January 1, 2013 (Investment entities are required to adopt on January 1, 2014)
IFRS 11, "Joint arrangements"	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	January 1, 2013
IFRS 13, "Fair value measurement"	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: Recovery of underlying assets (amendment to IAS 12)	January 1, 2012
Employee benefits (as amendment to IAS 19)	January 1, 2013
Separate financial statements (as amendment to IAS 27)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, "Stripping costs in the production phase of a surface mine"	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

#### A. IAS 1 Presentation of Financial Statements

This standard requires that an entity present separately the items of other comprehensive income that would be classified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of other comprehensive income before related tax effects would also have to allocate the aggregate tax amount between these classifications. The Group has adopted the new presentation method regulated by the standard. Also, the comprehensive income statements for comparative periods are restated.

#### B. IFRS 11 Joint Arrangements

This standard replaces IAS 31 "Interests in Joint Ventures" and removes the choice for accounting for jointly controlled entities under the proportionate consolidation method, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture.

The Group has revised the accounting policy by the rule mentioned above. With the new policy, the classification as a joint operation or a joint venture is based on whether the Group has the rights to assets and the obligations to liabilities. The Group will consider the structure of the joint arrangement, legal form, the clause of the agreement and other facts. The structure of the arrangement is the primary factor under original policy.

The Group has re-estimated the degree of participation and reclassified the jointly controlled entity to joint venture. However, the investment still applied with equity method under the reclassification and the Group does not expect any influence on its recognized assets, liabilities and comprehensive income.

#### C. IFRS 12 Disclosure of interests in other entities

The Group has disclosed the information required by the standard (Please refer to Note 6).

#### D. IFRS 13 Fair Value Measurement

This standard revised the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Group has disclosed the information required by the standard (Please refer to Note 6(r)) However, for the new disclosure requirement, comparison with prior periods is not needed. Also, the Company has postponed the application of the new fair value measurement according to the transitional implementation guidance. As the adoption of this standard will be postponed until after 2015, the Group does not expect any significant influence on its financial condition and performance.

#### (2) New standards, interpretations and amendments not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	IASB Effective Date
IFRS 9, "Financial instruments"	January 1, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Not yet endorsed by IASB
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016

<b>New Standards, Interpretations and Amendments</b>	<b>IASB Effective Date</b>
Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 “Regulatory deferral accounts”	January 1, 2016
IFRS 15 “Revenue from contracts with customers”	January 1, 2018
IFRS16 “Lease”	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity Method in Separate Financial Statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
The Annual Improvements: 2010-2012 and 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS: 2012-2014 Cycles	January 1, 2016
IFRIC 21, “Levies”	January 1, 2014

The Group is assessing the potential impact of these new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

#### 4. Significant Accounting Policies

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

##### (1) Statement of compliance

The 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

## (2) Basis of preparation

## A. 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:

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

## B. 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.

## (3) Business combination

## A. Principle of preparation of the consolidated financial statements

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

## B. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2015.12.31	2014.12.31	
The Company	Wan Hai Lines (Singapore) Pte Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing, and container chartering	100.00%	100.00%	

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2015.12.31	2014.12.31	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00%	55.00%	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00%	100.00%	
The Company	Wan Hai Lines (Germany) GmbH (WHL-Germany)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services	70.01%	70.01%	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL-Malaysia)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (HK) Ltd. (WHL-Hongkong)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Phils.), Inc. (WHL-Phils.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL-Korea)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai International Pte Ltd. (WHL-INTL.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	International freight transportation and agency services for transport affairs	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%	

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2015.12.31	2014.12.31	
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-INTL.	Wan Hai Lines (India) PVT Ltd. (WHL-India)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL INTL.	Bravely International Pte Ltd.	Investment	100.00%	100.00%	
Bravely International Pte Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Managing container, storage and logistics services	80.00%	- %	
WHL-Hong kong	Guangzhou Wan Hai Information Technology Ltd. (GWHIT)	Information software service	100.00%	100.00%	
WHL-Hong kong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00%	100.00%	
Dawin	Shenzhen Uniwin International Logistics (SUIL)	Freight transportation and agency services for transport affairs	100.00%	100.00%	
Dawin	Shenzhen Asia World Logistics Ltd. (SAWL)	Containers, storage and transportation services	100.00%	100.00%	The dissolution procedure was completed in November in 2015.
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	Containers, storage and international transportation services	100.00%	100.00%	
Shenzhen Uniwin	Shanghai Clipper International Shipping Agency Ltd. (CISA)	International shipping agency services	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00%	90.00%	

C.List of subsidiaries which are not included in the consolidated financial statements:  
None.

#### (4) Foreign currency

##### A. Foreign currency transaction

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

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

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

- (a) Available-for-sale equity investment;
- (b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (c) Qualifying cash flow hedges to the extent the hedge is effective.

##### B. Foreign operations

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

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

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

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

(5) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. 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.

An entity shall classify a liability as current when:

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(6) Cash and cash equivalents

Cash and cash equivalents 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 which are subject to an insignificant risk of changes in value. The time deposits which satisfied the definition above and held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

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

(7) Financial instruments

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

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group purchases or sales financial assets are recognized using trade-date accounting.

(a) Financial assets at fair value through profit or loss

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

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

(b) Available-for sale financial assets

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

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

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

(d) Loans and receivables

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

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

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

(d) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

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

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

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

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

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

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

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

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

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

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

(e) Derecognition of financial assets

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

## B. Financial liabilities and equity instruments

### (a) Classification of debt or equity

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

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

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

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

### (c) Other financial liabilities

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

### (d) Derecognition of financial liabilities

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

### (e) Offsetting of financial assets and liabilities

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

## (8) Inventories

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

## (9) Investment in associates

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

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

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

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

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

#### (10) Property, plant, and equipment

##### A. Recognition and measurement

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

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

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

##### B. Subsequent cost

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

##### C. Depreciation

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

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

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

	The company
Buildings	30~57 years
Vessels	2~25 years
Containers	2~16 years
Privileged wharf equipment	3~15 years
Other equipment	2~30 years

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

#### (11) Leases

Other leases are operating leases and are not recognized in the Group's statement of financial position.

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

#### (12) Intangible assets

##### A. Intangible assets

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

##### B. Subsequent expenditure

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

##### C. Amortization

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

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

Software	3~5 years
Trademarks	10 years

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

### (13) Impairment – non-financial assets

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

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

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

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

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

### (14) Revenue

#### A. Freight Revenue

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

#### B. Rental Revenue

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

#### C. Terminal operating revenue

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

#### D. Other service revenue

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

### (15) Employee benefits

#### A. Defined contribution plans

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

## B. Defined benefit plans

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

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

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

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

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

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

## C. Termination benefits

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

## D. Short-term employee benefits

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

## (16) Income taxes

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

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

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

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

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

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

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

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

## (17) Earnings per share

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

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

(18) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur 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.

**6.8 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date: None.**

## **VII** Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status (Consolidated)

Unit : TWD thousand; %

Item	Year	2015	2014	Difference	
				Amounts	%
Current assets		30,822,014	37,328,054	(6,506,040)	(17.43)
Property, Plant and Equipment		46,214,584	44,775,808	1,438,776	3.21
Intangible Assets		38,582	43,237	(4,655)	(10.77)
Other Assets		3,146,005	3,080,461	65,544	2.13
Total Assets		80,221,185	85,227,560	-5,006,375	(5.87)
Current Liabilities		17,770,176	21,720,427	(3,950,251)	(18.19)
Non-current Liabilities		26,536,087	27,659,153	(1,123,066)	(4.06)
Total Liabilities		44,306,263	49,379,580	(5,073,317)	(10.27)
Equity attributable to parent company holding		35,733,130	35,607,478	125,652	0.35
Common Stock		22,182,975	22,182,975	0	0.00
Capital surplus		1,261,681	1,261,681	0	0.00
Retained Earnings		11,719,102	12,226,543	(507,441)	(4.15)
Other Equity		569,372	(63,721)	633,093	993.54
Treasury Stock		0	0	0	0.00
Non-Controlling Equity		181,792	240,502	(58,710)	(24.41)
Total stockholders' equity		35,914,922	35,847,980	66,942	0.19

Note : Illustration for significant variance

1. The increase of other equity of 2015 is mainly due to the increase of foreign currency translation differences arising from foreign operations.
2. The decrease of Non-controlling interest of 2015 is mainly due to the net income decrease of Non-controlling interest.

## 7.2 Analysis of operation results (Consolidated)

Unit: TWD thousand; %

Item \ Year	2015	2014	Difference	
			Amounts	%
Operating revenue	63,859,142	66,974,244	(3,115,102)	(4.65)
Operating cost	55,845,773	57,830,591	(1,984,818)	(3.43)
Gross profit	8,013,369	9,143,653	(1,130,284)	(12.36)
Operating expense	3,994,846	3,739,151	255,695	6.84
Operating income	4,018,523	5,404,502	(1,385,979)	(25.64)
Non-operating income and expenses	1,643,046	1,174,691	468,355	39.87
Net income before income tax	5,661,569	6,579,193	(917,624)	(13.95)
Income tax	1,730,924	1,261,599	469,325	37.20
Net income after income tax	3,930,645	5,317,594	(1,386,949)	(26.08)
Other comprehensive profit and loss (Net value after tax)	616,276	1,118,185	(501,909)	(44.89)
Total Comprehensive profit and loss from this period	4,546,921	6,435,779	(1,888,858)	(29.35)
Net earnings attributable to parent company holding	3,942,909	5,254,074	(1,311,165)	(24.96)
Net earnings attributable to noncontrolling interest	(12,264)	63,520	(75,784)	(119.31)
Total comprehensive profit and loss attributable to parent company holding	4,562,247	6,367,365	(1,805,118)	(28.35)
Total comprehensive profit and loss attributable to non-controlling Equity	(15,326)	68,414	(83,740)	(122.40)

Note : Illustration for significant variance

1. The decrease of operating income and net income after income tax of 2015 is mainly due to decreasing ocean freight price and foreign currency exchange loss.
2. The increase of non-operating income and expenses is mainly due to the increasing sold container volume.
3. The increase of the income tax is due to the income tax for the year 2010 had been examined by the tax authorities and recognized as tax expense in 2015.
4. The decrease of other comprehensive profit and loss (net value after tax) is mainly due to the decrease of foreign currency translation differences arising from foreign operations.

## 7.3 Analysis of cash flow

### 7.3.1 Analysis of short-term liquidity for the last two years

Items \ Year	2015	2014	Increase(Decrease)(%)
Cash flow ratio	49.15	56.86	-13.56
Cash flow adequacy ratio	84.45	102.82	-17.87
Cash re-investment ratio	3.77	9.46	-60.15

Analysis of increase/decrease ratios:

Net cash provided by operating activities decrease resulted in the decrease of cash flow ratio and cash re-investment ratio.

### 7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
21,877,453	5,699,022	(12,786,104)	14,790,371	-	-

1. Analysis of cash flow for this year:

(1) Operating activities: Expected demand and the average ocean freight rate will have a minor correction, so the Company estimated that the cash inflow from operating activities is TWD 5,699,022,000.

(2) Investing activities: Planning to purchase the fixed assets in the next coming year, the Company estimated that the cash inflow from investment activities is TWD 1,822,323,000.

(3) Financing activities: Under the influence of repaying loan in the next coming year, the Company estimated that the cash outflow from financing activities is TWD 10,963,781,000.

2. Measures for insufficient cash and analysis for liquidity: Not applicable.

## 7.4 Major Capital Expenditure Items

### 7.4.1 The detail and funding source of significant capital expenditure

Unit : TWD thousand

Project Item	Actual or expected funding source	Actual or expected completion date	Total amounts needed	Actual or expected capital expenditure (Note1)						
				2012	2013	2014	2015	2016	2017	2018
Purchasing vessels Purchasing containers Investing terminal	Loans Internal funds	New Vessel : 9 full-container vessels in year 2012 3 full-container vessels in year 2013 3 full-container vessels in year 2015 Investing terminal Purchasing containers	26,675,709	9,913,745	6,290,592	1,647,448	3,777,578	1,665,952	-	-

NOTE 1: Including subsidiary company, Wan Hai Lines (Singapore) Pte Ltd., into the planning on actual / forecast of working capital.

### 7.4.2 Predicted benefits

Purchasing containers: Expected container rental expense will be saved by TWD 7,000~8,000 per teu per year.

## 7.5 The main reasons for profits and losses of the investment plans in the last year, improvement plans and investment plans for the coming year

In order to raise the quality of our customer service and grasp market trends, we have cut down on operating costs and invested in outstanding shipping related businesses, shipping agencies, and vessel rental companies. Our profit from investments in the past year totaled TWD 49,789,000, mainly comprised of documentary fee increase from companies we have invested in. Currently we have no plans for further investment in the coming year.

## 7.6 Analysis regarding risk items for the past year and up to the annual report publishing date

### 7.6.1 The influences of interest rate variation, foreign exchange rate variation, and inflation on the net income of the company, and future responsive measures

There was no drastic changes in market interest rates this year, leading to a continued drop in the costs of short-term borrowing by the company. Therefore, the effects of interest rate variation on then net income of the company is estimated to be small. Although the company's income of USD is greater than its expenditures, consistent loans in USD, contained the risk exposure to exchange rate variations. In recent years, there has been no significant domestic inflation.

### **7.6.2 Policies and principal reasons for profits and losses regarding: high risk, high leverage investments, funds lent to other parties, endorsed guarantees, and derivative transactions**

The company has always taken a safe approach to its funds, with mobility being a priority, and thus has never engaged in high risk or high leverage investments. The only funds lent were to completely-owned subsidiaries Wanhai Singapore, Wanhai Hong Kong, and Wanhai India. The company provides guarantees for long-term vessel loans to Wanhai Singapore and operating capital and construction funds to TK Logistic International Co., Ltd.. The company has instituted a management procedure for the buying and selling of derivative products. The company only uses derivatives for the purposes of risk management, hedging against the volatility of fuel prices being a priority in recent years. In order to minimize risk from foreign exchange rates and interest rates, the company has also engaged in options and swaps.

### **7.6.3 The estimated expenses for future research and development plans**

Projected spending for future development plans and studies

The Company's development plans cover research and development of new markets and new services as follows:

For new markets, new services, and studies for improvement of market competitiveness, the estimated total amount of investment of manpower and cost would be approximately TWD 36,347,787. Studies conducted will cover the following subjects:

1. Optimal ships' routing with matched ship type
2. Strengthening Asia market
3. Central America
4. Black Sea area & Red Sea area
5. Promotion of e-commerce business
6. Strategic alliance to expand and develop service

### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

1. The Council Regulation (EU) 961/2010 on restrictive measure against Iran was published on 25th Oct, 2010 and came into force on 27th Oct in the same year. Wan Hai Lines had established and announced the corresponding measures.
2. As the trade between Taiwan and Mainland China grows continually, the company will pay attention to the changes of policy and research to enlarge the shipping service.

Other changes in policy and law had no apparent influence on our company. We adhere to all rules and regulations set by the governing institutions.

### **7.6.5 Effects of and Response to Changes in Technology and Industry Relating to Corporate Finance and Sales**

Technology improves rapidly and based on business demand the Company is increasing IT capital expenditure and enhancing both hardware and software facilities. In consideration of efficiency and safety, the Company can effectively increase the financial managing ability and further work planning.

### **7.6.6 Any changes of company image that have influenced our corporate crisis management**

Our corporate image is good and we set up our official corporate website, the spokesman system and the finance department to disclose the material corporate information timely. We built up a clear and dependable communication system to protect and maintain our nice corporate image.

### **7.6.7 Anticipated benefits and possible risks from mergers and acquisitions: None.**

### **7.6.8 Anticipated benefit and possible risk from expanding factories: None.**

### **7.6.9 Risks from centralization of stocking or sales: None.**

### **7.6.10 The influence and risk from the share transfer and change from the company directors, supervisors, and major stockholders who hold over 10% of the company shares: None.**

### **7.6.11 The influence and risk from the change of company management: None**

### **7.6.12 For the company directors, supervisors, general managers, the substantial person in charge, and the main stockholders who hold company shares over 10%, the company should list out the decided or in process lawsuit issues which is significant in influencing the shareholders' interests or security prices. The enclosed details shall include the facts, amount, lawsuit starting date, the main parties, and the updated situation up to the annual report publishing date**

The litigation and non-litigation issues that our corporation currently involved are mostly due to the claim for the loss during the shipping service or the dispute about the operation of the ship. These kinds of issues and payment are all covered by our insurance and can be reimbursed from the insurance policy. Hence, all the related risks are under proper control and have no any material effect to our company.

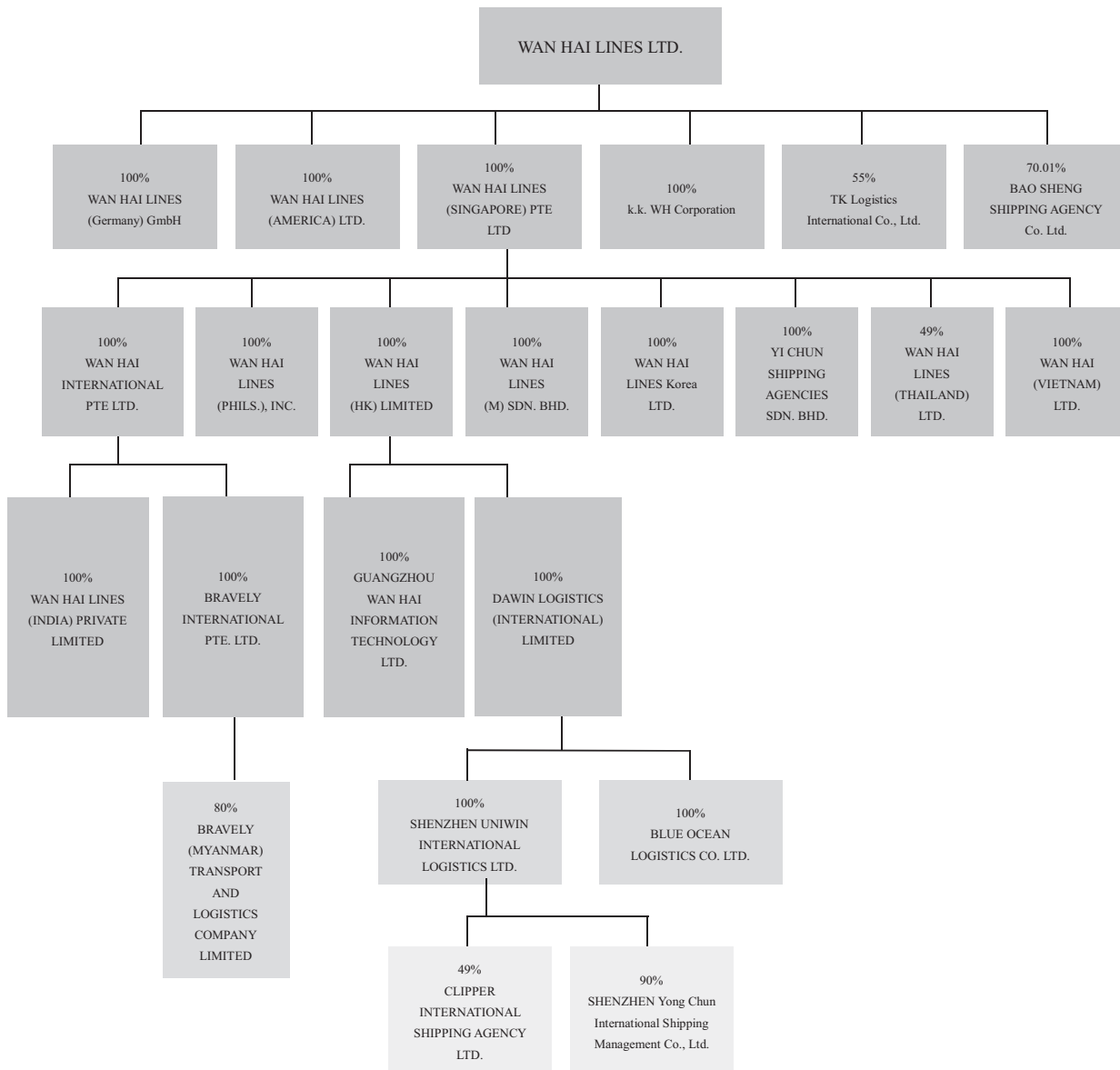
### **7.6.13 Other important risks: None.**

## **7.7. Other significant information: None.**

**VIII Special Disclosure**

**8.1 Related Parties information**

**8.1.1 Consolidated operation Report  
Related Parties Structure**



Note: SHENZHEN ASIA WORLD LOGISTICS LTD has already been liquidated and dissolved at the end of 2015.

### 8.1.2 Related Parties' Basic Information

Company Name	Establish Date	Address	Capital Amount	Nature of Business
WAN HAI LINES (PHILS.), INC	2000.10.05	18/F Rufino Pacific Tower #6784, Ayala Avenue corner V.A. Rufino St. Makati City 1223 Philippines	9,015,400(PHP) ex rate:46.9484/32.88	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (H K) LIMITED	1986.10.17	3F.,Singga Commercial Centre,148, Connaught Road West, Hong Kong	160,000,000(HKD) ex rate:7.7519/32.88	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (SINGAPORE) PTE LTD	1991.05.09	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	394,190,795(USD) ex rate:32.88	International sea transportation, operations, agencies for transport affairs,leasing of vessels
WAN HAI LINES (M) SDN. BHD.	1992.02.28	SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4,TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	500,000( MYR) ex rate:4.2955/32.88	International sea transportation, operations, agencies for transport affairs
YI CHUN SHIPPING AGENCIES SDN. BHD.	1992.10.30	SUITE 7.01, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4,TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	200,000(MYR) ex rate:4.2955/32.88	On Dock Depot operation
Wan Hai Lines Korea Ltd.	2000.12.14	(15th F, Hanway Bldg.,DADONG)43, DADONG-GIL, JUNG-GU, SEOUL,04521, KOREA	400,000,000(WON) ex rate:1250/32.88	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (AMERICA) LTD.	2000.8.16	2510W. Dunlap Ave. Ste 425 Phoenix, AZ 85021	4,000,000(USD) ex rate:32.88	International sea transportation, operations, agencies for transport affairs
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	2000.07.13	20FL.POLY CLOVIS ZHONGJING 406 HUASUI RD.,GUANGZHOU CHINA	1,000,000(RMB) ex rate:6.4018/32.88	Design Computer Softwares
WAN HAI INTERNATIONAL PTE. LTD.	1992.09.01	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	50,000(SGD) ex rate:1.4124/32.88	International sea transportation, operations, agencies for transport affairs
BRAVELY INTERNATIONAL PTE. LTD.	2014.05.26	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	3,828,301(SGD) ex rate:1.4124/32.88	Investment
WAN HAI LINES (INDIA) PRIVATE LIMITED	2002.05.28	A-102 & 103, The Qube, Near To International Airport, Marol Village,Andheri (East), Mumbai-400 059	100,000(INR) ex rate:66.2252/32.88	International sea transportation, operations, agencies for transport affairs
k.k. WH Corporation	2002.11.27	OI New NO.5 Terminal Bldg. 4F 4-9, Yashio 2-Chome Shinagawa-Ku, Tokyo 140-0003, Japan	25,000,000(YEN) ex rate:120.36/32.88	Operation & Management of Terminal, Charter hire business
Wan Hai Lines (Germany) GmbH	2004.04.29	Fritz und Mark AG Pappelallee 41 22089 Hamburg, Germany	25,000(EUR) ex rate: 0.9149/32.88	International sea transportation, operations, agencies for transport affairs
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	1980.11.18	2/F.,Singga Commercial Centre,148 Connaught Road,West, Hong Kong	144,640,000(HKD) ex rate:7.7519/32.88	Cargo handling, warehousing and investment service
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	2002.06.14	25C-25D, Tianmian City Tower,Middle Shennan Blvd, Shenzhen, China.	1,000,000(RMB) ex rate:6.4018/32.88	Agencies for handling cargos and related business
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	2004.12.30	22/F HAITONG SECURITIES TOWER, NO.689 GUANGDONG ROAD, SHANGHAI	1,000,000(RMB) ex rate:6.4018/32.88	International sea transportation, operations, agencies for transport affairs
TK LOGISTICS INTERNATIONAL CO. LTD.	2005.09.26	No.28 Zhong Shan 4th Road Keelung City, Taiwan	260,000,000(TWD)	Managing container terminals and storage facilities
BAO SHENG SHIPPING AGENCY CO., LTD.	2010.03.18	7F, No. 255, Ren 2nd Rd., Ren'ai District, Keelung City, Taiwan	42,850,000(TWD)	Acting as agent for transportation affair and contracting ocean shipping and related services
BLUE OCEAN LOGISTICS CO. LTD.	2006.09.21	9/F,No.118, East Bao Xing Road, HongKou District, Shangha	7,824,000(RMB) ex rate:6.4018/32.88	Cargo handling, warehousing and international haulage service.
WAN HAI LINES (THAILAND) LTD.	2006.05.01	21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	6,000,000(THB) ex rate:36.1011/32.88	International sea transportation, operations, agencies for transport affairs
Shenzhen Yong Chun International Shipping Management Co., Ltd.	2010.07.20	Room A , 26/F , Tianmian City Tower, Middle Shennan Blvd, Shenzhen, China.	6,000,000(RMB) ex rate:6.4018/32.88	International shipping management
Wan Hai (Vietnam) Ltd.	2012.07.02	27 Nguyen Trung Truc street, Ben Thanh Ward, District 1, Ho Chi minh City	6,300,000,000(VND) ex rate:22490/32.88	International sea transportation, operations, agencies for transport affairs
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	2015.05.29	#09-01,La Pyayt Wun Plaza, No.37, Alanpya Pagoda Road,Dagon Township,YANGON	2,564,000,000(MMK) ex rate:1250/32.88	Haulage service and barge business

Note : SHENZHEN ASIA WORLD LOGISTICS LTD has already been liquidated and dissolved at the end of 2015.

### 8.1.3 The companies presumed to have a relationship of control and subordination should be disclosed: Nil.

### 8.1.4 The industries covered by the business operated by the affiliates overall The whole relatives' operation includes marine transportation,warehouse, shipping agency,leasing of vessels and containers.

### 8.1.5 Related Parties' Directors, Supervisors and Presidents

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (PHILS.), INC.	Chairman & President	WH-SG Representative Po-Ting Chen	2009.04.02	-	901,540	100%	-	-
	Director	WH-SG Representative Randy Chen	2000.10.17	-			-	-
	Director	WH-SG Representative Yu-Yen Chiu	2015.11.01	-			-	-
	Director	WH-SG Representative Valeriano Del Rosario	2000.10.17	-			-	-
	Director	WH-SG Representative Cornelio T. Peralta	2000.10.17	-			-	-
Wan Hai Lines Korea Ltd.	Chairman	WH-SG Representative Po-Ting Chen	2015.10.19	3 year	80,000	100%	-	-
	Director	WH-SG Representative Po-Ting Chen	2015.10.19	3 year			-	-
	Director	WH-SG Representative Huey-Juan Chen	2015.04.12	3 year			-	-
	Director	WH-SG Representative Chih-Heng Wan	2015.10.19	3 year			-	-
	Supervisor	WH-SG Representative Fur-Lung Hsieh	2015.03.09	3 year			-	-
WAN HAI LINES (M) SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	500,000	100%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Nien-Ger Weng	2014.11.17	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.07.29	-			-	-
YI CHUN SHIPPING AGENCIES SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	200,000	100%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.06.07	-			-	-
	Director	WH-SG Representative Nien-Ger Weng	2014.11.17	-			-	-
WAN HAI LINES (SINGAPORE) PTE LTD	Director	WH-TPE Representative Po-Ting Chen	1994.05.01	-	538,075,000	100%	-	-
	Director	WH-TPE Representative Chih-Yuan Chen	1994.05.01	-			-	-
	Director	WH-TPE Representative Randy Chen	2006.04.01	-			-	-
	Director	WH-TPE Representative Jen-Yee Huang	2012.12.15	-			-	-
WAN HAI LINES (AMERICA) LTD.	Director	WH-TPE Representative Chih-Chao Chen	2000.08.16	-	90,000	100%	-	-
	Director	WH-TPE Representative Po-Ting Chen	2000.08.16	-			-	-
	Director	WH-TPE Representative Huey-Juan Chen	2004.06.13	-			-	-
	Director	WH-TPE Representative Randy Chen	2008.04.01	-			-	-
WAN HAI INTERNATIONAL PTE. LTD.	Director	WH-SG Representative Po-Ting Chen	2015.09.05	1 year	50,000	100%	-	-
	Director	WH-SG Representative Huang Jen Yee	2015.12.15	1 year			-	-
	Director	WH-SG Representative Chih-Yuan Chen	2015.11.16	1 year			-	-
BRAVELY INTERNATIONAL PTE. LTD.	Director	WHI Representative Po-Ting Chen	2014.05.26	-	3,828,301	100%	-	-
	Director	WHI Representative Huang Jen Yee	2014.05.26	-			-	-
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	Chairman	WH-HK Representative Kwan-Wah Chu	2010.01.25	not specified	-	100%	-	-
	Director	WH-HK Representative Lin, Chen Chu	2010.01.25	not specified			-	-
	Director	WH-HK Representative Chan, Yu-Wan	2010.01.25	not specified			-	-
WAN HAI LINES (H K) LIMITED	Director	WH-SG Representative Ching-Chih Chen	2015.10.17	1 year	160,000,000	100%	-	-
	Director	WH-SG Representative Po-Ting Chen	2015.10.17	1 year			-	-
	Director	WH-SG Representative Chih-Chao Chen	2015.10.17	1 year			-	-
	Director	WH-SG Representative Huai-Lung Chen	2015.11.12	1 year			-	-
	Director	WH-SG Representative Wen-Chau Yeh	2015.10.17	1 year			-	-
	Director	WH-SG Representative Kwan-Wah Chu	2015.10.17	1 year			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares			
					shares	%	shares	%		
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	Director	WH-HK Representative Ching-Chih Chen	2015.11.18	1 year	144,640,000	100%	-	-		
	Director	WH-HK Representative Po-Ting Chen	2015.11.18	1 year			-	-		
	Director	WH-HK Representative Chih-Chao Chen	2015.11.18	1 year			-	-		
	Director	WH-HK Representative Huai-Lung Chen	2015.11.18	1 year			-	-		
	Director	WH-HK Representative Wen-Chau Yeh	2015.11.18	1 year			-	-		
	Director	WH-HK Representative Kwan-Wah Chu	2015.11.18	1 year			-	-		
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	Board chairman	DAWIN Representative Kwan-Wah Chu	2010.03.26	-	-	100%	-	-		
	Director	DAWIN Representative Li-Kuang Huang	2012.12.15	-			-	-		
	Director	DAWIN Representative Chi- Yuan Hsiao	2013.5.14	-			-	-		
	Supervisor	DAWIN Representative Chan-Yu Man Raymond	2013.5.14	-			-	-		
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	Chairman	UNIWIN Representative Wu,Kae-Chang	2014.11.25	3 year	-	49%	-	-		
	Director	UNIWIN Representative Lin,Jeong-Shin	2013.04.01	3 year			-	-		
	Director	UNIWIN Representative Ju,Kuen-Hua	2013.04.01	3 year			-	-		
	Director	UNIWIN Representative Chang,Tian-Hai	2013.04.01	3 year			-	-		
	Supervisor	UNIWIN Representative Chan,Yu-Wan	2013.04.01	3 year			-	-		
	Director	ShenZhen TaiErXin Representative Chan,Yuan	2013.04.01	3 year			51%	-	-	
WAN HAI LINES (INDIA) PRIVATE LIMITED	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2002.05.30	-	10,000	100%	-	-		
	Director	Wan Hai International Pte.Ltd. Representative Wen-Yuan Chiang	2013.01.12	-			-	-		
	Director	Wan Hai International Pte.Ltd. Representative Ching Jiang Liu	2014.07.01	-			-	-		
k.k. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	2015.1.28	10 year	500	100%	-	-		
	Representative Director	WH-TPE Representative Mu-Jung Hsieh	2012.07.23	10 year			-	-		
	Director	WH-TPE Representative Chao-Hon Chen	2015.1.28	10 year			-	-		
	Director	WH-TPE Representative Po-Ting Chen	2015.1.28	10 year			-	-		
	Supervisor	WH-TPE Representative Rex Huang	2013.6.30	10 year			-	-		
Wan Hai Lines (Germany) GmbH	President	Chi-Wen, chueh	2015.11.01	-	-	100%	-	-		
TK LOGISTICS INTERNATIONAL CO., LTD.	Chairman	LUCKY OCEAN SHIPPING CO.,LTD C.C.CHUANG	2014.06.04	3 year	2,600,000	10%	-	-		
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Jeffery Chen	2014.06.04	3 year	2,600,000	10%	-	-		
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Billy Chen	2014.06.04	3 year	2,600,000	10%	-	-		
	Director	WH-TPE Representative Huey-Juan Chen	2014.06.04	3 year	14,300,000	55%	-	-		
	Director	WH-TPE Representative Wen-Der Tseng	2014.06.04	3 year			-	-		
	Director	WH-TPE Representative Kuo-Loong Kao	2014.06.04	3 year			-	-		
	Director	WH-TPE Representative I-Feng Lin	2014.06.04	3 year			-	-		
	Supervisor	WH-TPE Representative Bryan Ma	2014.07.01	3 year			-	-		
	Supervisor	WH-TPE Representative Wei-Chien Chuang	2014.07.01	3 year			-	-		
BAO SHENG SHIPPING AGENCY CO., LTD.	Chairman	WH-TPE Representative Chih-Chao Chen	2014.06.30	3 year			3,000,000	70.01%	-	-
	Director	WH-TPE Representative Chuang-Chih Chuang	2014.06.30	3 year					-	-
	Director	WH-TPE Representative Li-Mei Su	2014.06.30	3 year					-	-
	Director	WH-TPE Representative I-Feng Lin	2014.06.30	3 year	-	-				

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
	Supervisor	WH-TPE Representative Bryan Ma	2014.06.30	3 year			-	-
	Vice-Chairman	C.C.CHUANG	2014.06.30	3 year	1,285,000	29.99%	-	-
BLUE OCEAN LOGISTICS CO. LTD.	Chairman	DAWIN Representative Wei-Chien Chuang	2013.08.21	3 year	-	100%	-	-
	Director	DAWIN Representative Chen-Chu Lin	2014.10.01	3 year			-	-
	Director	DAWIN Representative Ming-Shan Huang	2013.08.21	3 year			-	-
	Supervisor	DAWIN Representative Chi-Wen Chiue	2013.08.21	3 year			-	-
WAN HAI LINES (THAILAND) LTD.	Director	WH-SG Representative Po-Ting Chen	2006.05.01	-	29,400	49%	-	-
	Director	WH-SG Representative Fur-Lung Hsieh	2009.05.01	-			-	-
	Director	WH-SG Representative Yi-Cheng Lin	2015.06.12	-	30,000	50%	-	-
	Director	Sumate Lopinich	2006.05.01	-			-	-
	Director	Thanpol Thitipichetkul	2011.03.01	-	600	1%	-	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	Board chairman	Shenzhen United International Shipping Agency Co., Ltd. Representative Hong-Hui Chen	2010.04.26	-	-	90%	-	-
	Vice board chairman	Shenzhen Uniwin Representative Kwan-Wah Chu	2010.04.26	-			-	-
	Director	Shenzhen Uniwin Representative Lin,Jeong-Shin	2010.09.19	-			-	-
	Director	Shenzhen Uniwin Representative Huey Jang, Chung	2011.11.24	-			-	-
	Director	Shenzhen Uniwin Representative Huang,Cheng-Hsien	2014.10.15	-			-	-
	Supervisor	Shenzhen Uniwin Representative Yu-Man Chan	2010.04.26	-			-	-
Wan Hai (Vietnam) Ltd.	Chairman	WH-SG Representative Hsieh, Fur-Lung	2012.01.18	5 year	-	100%	-	-
	Director	WH-SG Representative Hsiao, Chien-Cheng	2012.01.18	5 year			-	-
	Director	WH-SG Representative Yang, Yu-Nong	2014.04.01	5 year			-	-
	Supervisor	WH-SG Representative Chen, Chih-Hsien	2012.01.18	5 year			-	-
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	Chairman	Dr. Kyaw Win	2015.11.2	-	400,000	20%	-	-
	Managing Director	Bravely International Representative Mr.Huang Jen-Yee	2015.11.2	-	1,600,000	80%	-	-
	Director	Bravely International Representative Mr.Chen Po-Ting	2015.11.2	-			-	-
	Director	Bravely International Representative Mr.Hsieh Fur-Lung	2015.11.2	-			-	-
	Director	Bravely International Representative Ms.Su Li-Mei	2015.11.2	-			-	-

Note : SHENZHEN ASIA WORLD LOGISTICS LTD has already been liquidated and dissolved at the end of 2015.

### 8.1.6.Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD 2015.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Porfit on Operating *	Profit Loss *	Earning per Share
WAN HAI LINES (PHILS.), INC.	5,991 (PHP 9,015,400)	299,038 (PHP 426,728,813)	293,439 (PHP 418,739,834)	5,598 (PHP 7,988,979)	48,411 (PHP 67,736,768)	836 (PHP 1,169,151)	1,251 (PHP 1,751,504)	1.39 (PHP 1.94)
WAN HAI LINES (H K) LIMITED	695,246 (HKD 160,000,000)	4,071,975 (HKD 960,027,346)	513,031 (HKD120,954,623)	3,558,944 (HKD 839,072,722)	709,985 (HKD 173,406,854)	156,911 (HKD 38,323,905)	218,882 (HKD 53,459,737)	1.35 (HKD 0.33)
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	7,922 (RMB 2,125,450)	22,245 (RMB 4,330,198.77)	1,865 (RMB 362,240.68)	20,380 (RMB 3,967,958.09)	69,552 (RMB 13,737,844)	1,367 (RMB 270,055.49)	1,341 (RMB 264,880.25)	N/A
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	570,480 (HKD 144,640,000)	960,427 (HKD 226,434,734)	5,331 (HKD 1,256,967)	955,096 (HKD225,177,767)	16,046 (HKD 3,919,086)	1,192 (HKD291,167)	36,500 (HKD 8,914,835.77)	0.25 (HKD 0.06)
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	644,016 (RMB 132,615,268)	932,805 (RMB 181,581,329.35)	40,646 (RMB 7,876,358.62)	892,159 (RMB 173,704,970.73)	260,773 (RMB 51,507,667.5)	53,436 (RMB 10,554,534.63)	37,890 (RMB 7,483,012.1)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	29,068 (RMB 6,000,000)	27,406 (RMB 5,334,860.14)	2,472 (RMB 481,202.68)	24,934 (RMB 4,853,657.46)	33,150 (RMB 6,547,694.95)	346 (RMB 68,392.37)	346 (RMB 68,392.37)	N/A
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	4,070 (RMB 1,000,000)	1,176,725 (RMB 229,063,161.19)	1,201,862 (RMB 233,956,387.50)	(25,137) (RMB -4,893,226.31)	450,700 (RMB 69,484,728.63)	(42,737) (RMB -8,441,448.70)	(39,461) (RMB -7,793,226.31)	N/A

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Porfit on Operating *	Profit Loss *	Earning per Share
WAN HAI LINES (SINAPORE) PTE LTD	11,950,235 (USD 394,190,795)	44,020,071 (USD 1,338,809,947)	25,668,414 (USD 780,669,525)	18,351,657 (USD 558,140,422)	17,393,101 (USD 548,004,072)	950,402 (USD 29,944,284)	780,215 (USD 24,582,224)	1.45 (USD 0.05)
WAN HAI INTERNATIONAL PTE. LTD.	1,062 (SGD 50,000)	651,345 (SGD 27,979,889.32)	187,928 (SGD 8,072,841.96)	463,417 (SGD 19,907,047.36)	212,931 (SGD 9,219,199.91)	(30,208) (SGD -1,307,907.32)	6,611 (SGD 286,225.39)	132.11 (SGD 5.72)
BRAVELY INTERNATIONAL PTE. LTD.	90,998 (USD 2,695,986.62)	98,703 (USD 3,001,923.57)	4,582 (USD 139,355.73)	94,121 (USD 2,862,567.84)	13,612 (USD 428,858.29)	(47) (USD -1,472.75)	2,339 (USD 73,697.28)	0.63 (USD 0.02)
WAN HAI LINES (M) SDN. BHD.	4,613 (MYR 500,000)	424,508 (MYR55,458,891)	333,373 (MYR 43,552,742)	91,135 (MYR 11,906,149)	123,818 (MYR 15,794,063)	(6,050) (MYR -771,720)	(455) (MYR -58,037)	N/A
YI CHUN SHIPPING AGENCIES SDN. BHD.	1,845 (MYR 200,000)	35,269 (MYR 4,607,633)	37,257 (MYR 4,867,385)	-1,988 (MYR -259,752)	33 (MYR4,189)	(3,475) (MYR-443,264)	(3,620) (MYR-461,796)	N/A
Wan Hai Lines Korea Ltd.	11,019 (WON 400,000,000)	122,628 (WON 4,661,966,477)	118,542 (WON 4,506,630,820)	4,086 (WON 155,335,657)	95,079 (WON 3,328,502,727)	(10,160) (WON -355,667,477)	(10,044) (WON -351,621,872)	N/A
WAN HAI LINES (INDIA) PRIVATE LIMITED	69 (INR 100,000)	601,956 (INR 1,215,756,706)	581,395 (INR 1,174,230,177)	20,561 (INR 41,526,529)	121,663 (INR 245,046,659)	9,455 (INR 19,043,871)	6,549 (INR 13,189,842)	654.86 (INR 1,318.98)
WAN HAI LINES (AMERICA) LTD.	132,000 (USD4,000,000)	126,438 (USD 3,845,427)	16,175 (USD 491,939)	110,263 (USD 3,353,488)	113,744 (USD 3,583,743)	18,432 (USD 580,751)	12,486 (USD 393,396)	138.70 (USD 4.37)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	3,889 (EUR108,220.81)	707 (EUR 19,693.21)	3,182 (EUR 88,527.60)	7,190 (EUR 204,000)	(4,796) (EUR -136,065.13)	(4,833) (EUR -137,125.80)	N/A
k.k. WH Corporation	7,141 (JPY 25,000,000)	748,434 (JPY 2,739,706,840)	735,331 (JPY 2,691,746,752)	13,103 (JPY 47,960,088)	8,428,375 (JPY 32,120,333,443)	3,724 (JPY 14,191,710)	2,249 (JPY 8,568,865)	4,496.94 (JPY 17,137.73)
TK LOGISTICS INTERNATIONAL CO., LTD.	260,000	477,955	221,283	256,672	221,593	(976)	(5,107)	N/A
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	79,996	23,540	56,456	55,991	10,412	8,374	1.95
BLUE OCEAN LOGISTICS CO. LTD.	32,596 (RMB 7,824,000)	80,951 (RMB 15,758,063.28)	18,170 (RMB 3,536,978.92)	62,781 (RMB 12,221,084.36)	173,625 (RMB 34,294,306.64)	3,651 (RMB 721,112.42)	5,210 (RMB 1,028,935.30)	N/A
WAN HAI LINES (THAILAND) LTD.	5,725 THB 6,000,000.00	110,406 (THB 121,221,740.87)	64,702 (THB 71,040,755.44)	45,704 (THB 50,180,985.43)	95,705 (THB 102,563,674.47)	27,867 (THB 29,864,418.26)	17,527 (THB 18,783,084.49)	292.12 (THB 313.05)
WAN HAI LINES (VIETNAM) LTD	8,691 (USD 300,000)	166,935 (VND 114,184,060,329)	158,658 (VND 108,522,227,046)	8,278 (VND 5,661,833,283)	69,811 (VND 50,103,373,377)	4,640 (VND 3,330,398,973)	(833) (VND -598,080,084)	N/A
BRAVELY (MYANMAR) TRANSPORT AND LOGISTICS COMPANY LIMITED	65,380 (MMK2,564,000,000)	65,521 (MMK 2,490,895,153.08)	4,946 (MMK188,013,718.4)	60,575 (MMK 2,302,881,434.68)	4,421 (MMK 174,117,190)	140 (MMK 5,499,325)	-6,630 (MMK - 261,118,565.32)	N/A

(1)20151231 CLOSE RATE

USD/NTD : 32.88    USD/HKD : 7.7519    USD/SGD : 1.4124    USD/MYR : 4.2955    USD/WON(KRW) : 1250    USD/PHP : 46.9484    USD/RMB : 6.4018    USD/INR : 66.2252    USD/MMK : 1250  
 EUR/TWD : 35.9384    USD/THB : 36.1011    CNY/HKD:1.2109    VND/NTD:0.0015    HKD/TWD : 4.2424    YEN(JPY)/TWD : 0.2732

(2)2015 AVERAGE RATE

USD/NTD :31.739    USD/HKD : 7.7519    USD/SGD : 1.3742    USD/MYR : 4.0486    USD/WON(KRW) : 1111.11    USD/PHP : 44.4444    USD/RMB : 6.2682    USD/INR : 64.1026    USD/MMK : 1250  
 EUR/TWD : 35.2442    USD/THB : 34.0136    CNY/HKD:1.2367    VND/NTD:0.0014    HKD/TWD : 4.0938    YEN(JPY)/TWD : 0.2624

(3)The capital amount was calculated by historical rate.

Note : SHENZHEN ASIA WORLD LOGISTICS LTD has already been liquidated and dissolved at the end of 2015.

**8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report: None.**

**8.3 Summary of parent's shares held or disposed by subsidiaries over the last year and current year up to the publishing date of the annual report: None**

**8.4 Other necessary disclosures: None.**

**8.5 Events that have had substantial impact upon shareholder's equity or securities prices as described in Article 36 of the Securities and Exchange Act over the past year and current year up to the publishing date of the annual report: None.**

**Wan Hai Lines Ltd.**

**Chairman: Po-Ting Chen**

10th Floor, 136, Sung Chiang Road, Taipei, Taiwan, R.O.C.  
Tel: +886-2-2567-7961  
Fax: +886-2-2521-6000