Stock Code:2615

# WAN HAI LINES LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report**
**For the Years Ended December 31, 2018 and 2017**

**Address:** **10TH FLOOR, 136, SUNG CHIANG ROAD, TAIPEI, TAIWAN**
**Telephone:** **(02)2567-7961**

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

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# Representation Letter

The entities that are required to be included in the combined financial statements of Wan Hai Lines Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission "Consolidated and Separate Financial Statements."

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

Company Name: Wan Hai Lines Ltd.
Chairman: Shihlin Paper Co., Ltd.
Representative: Po Ting Chen
Date: March 22, 2019

## Independent Auditors' Report

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

**Opinion**

We have audited the consolidated financial statements of Wan Hai Lines Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (" the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

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

1. Revenue recognition

   Please refer to Note(4)(p) " Revenue" , Note (5)(b) " Uncertainty associated with the assumptions and estimations for revenue recognition" and Note(6)(o) "Revenue disclosures" of the financial statements.

   How the matter was addressed in our audit

   The freight revenue is recognized in proportion to the stage of completion of the voyage measured by reference to the proportion of the actual shipping days incurred in balance sheet date. The voyage days is estimated depending on historical experience which involved high uncertainty. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Understanding how the management estimates the voyage days of each route including its method and source; sampling the source data from the system and obtaining the method on how the system compute the voyage days to evaluate the reasonableness of the estimated voyage days of each route from the management.

2. Impairment of Property, plant and equipment

Please refer to note(4)(l) "Property, plant and equipment", note(4)(o) "Impairment－non -financial assets", note(5)(a) "Impairment of property, plant and equipment, and intangible assets", and note(6)(i) "Property, plant and equipment".

How the matter was addressed in our audit

The total amount of the Group's Property, plant and equipment exceeds half of the total assets, and the vessels constituted a considerable proportion. The risk of impairment of the assets may exist due to the highly changeable industry. Consequently, this is one of the key areas our audit focused on.

Our principal audit procedures included:

Understanding the cash generating units included in the Group's impairment test; understanding the impairment indicators in light of the performance of each asset. The indicators include internal and external factors such as the carrying value exceeding its market capitalization, significant adverse changes in the technological, market, economic or legal environment in which the entity operates, evidence of obsolescence or physical damage to the asset.

**Other Matter**

Wan Hai Lines Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2019

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

# WAN HAI LINES LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## December 31, 2018 and 2017

### (Expressed in Thousands of New Taiwan Dollars)

| | | 2018.12.31 | | 2017.12.31 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 13,418,582 | 17 | 19,245,440 | 25 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 2,345,430 | 3 | - | - |
| 1125 | Current available-for-sale financial assets, net (note (6)(d)) | - | - | 4,242,631 | 5 |
| 1150 | Notes receivable, net (notes (6)(e) and 6(s)) | 29,636 | - | 25,430 | - |
| 1170 | Accounts receivable, net (notes (6)(e) and (7)) | 2,861,696 | 4 | 2,941,263 | 4 |
| 1140 | Current Contract Assets (notes (6)(e), (6)(s) and (7)) | 751,084 | 1 | - | - |
| 1200 | Other receivables, net (note (7)) | 1,382,358 | 2 | 1,011,713 | 1 |
| 1330 | Inventories, net (note (6)(f)) | 1,341,644 | 2 | 1,319,047 | 2 |
| 1475 | Receivables from agents (note (7)) | 834,068 | 1 | 696,948 | 1 |
| 1479 | Other current assets (notes (7) and (8)) | 688,329 | 1 | 564,757 | 1 |
| | | 23,652,827 | 31 | 30,047,229 | 39 |
| | **Non-current assets:** | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note (6)(b)) | 1,127,838 | 1 | - | - |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 3,036,010 | 4 | - | - |
| 1523 | Non-current available-for-sale financial assets, net (note (6)(d)) | - | - | 177,746 | - |
| 1543 | Non-current financial assets at cost, net (notes (6)(d)) | - | - | 708,967 | 1 |
| 1546 | Non-current investments in debt instrument without active market (note (6)(d)) | - | - | 1,187,200 | 2 |
| 1550 | Investments accounted for using equity method, net (note (6)(g)) | 1,141,225 | 1 | 713,155 | 1 |
| 1600 | Property, plant and equipment (notes (6)(h) and (8) and (9)) | 43,419,203 | 56 | 42,680,442 | 56 |
| 1760 | Investment property, net (note (6)(i)) | 314,759 | 1 | 303,238 | - |
| 1780 | Intangible assets (note (6)(j)) | 95,730 | - | 53,262 | - |
| 1900 | Other non-current assets (notes (8) and (9)) | 4,249,758 | 6 | 642,565 | 1 |
| | | 53,384,523 | 69 | 46,466,575 | 61 |
| | **Total assets** | $ 77,037,350 | 100 | 76,513,804 | 100 |

| | | 2018.12.31 | | 2017.12.31 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term loans (note (6)(k)) | $ 60,000 | - | 60,000 | - |
| 2170 | Accounts payable (note (7)) | 7,644,956 | 10 | 6,890,826 | 9 |
| 2200 | Other payables (note (7)) | 2,692,144 | 3 | 3,150,037 | 4 |
| 2230 | Current tax liabilities(note (6)(p)) | 109,290 | - | 186,208 | - |
| 2320 | Current portion of long-term loans (notes (6)(l), (6)(m) and (8)) | 8,288,389 | 11 | 9,112,404 | 12 |
| 2350 | Payables to agents (note (7)) | 10,472 | - | 3,552 | - |
| 2300 | Other current liabilities | 2,022,554 | 3 | 1,491,704 | 2 |
| | | 20,827,805 | 27 | 20,894,731 | 27 |
| | **Non-Current liabilities:** | | | | |
| 2530 | Bonds payable (note (6)(m)) | 5,900,000 | 8 | 6,900,000 | 9 |
| 2540 | Long-term borrowings (notes (6)(l) and (8)) | 12,122,591 | 16 | 12,083,130 | 16 |
| 2570 | Deferred tax liabilities (note (6)(p)) | 2,010,571 | 2 | 1,095,901 | 1 |
| 2640 | Accrued pension liabilities (note (6)(o)) | 767,936 | 1 | 822,662 | 1 |
| 2645 | Guarantee deposits received | 591,042 | 1 | 537,763 | 1 |
| | | 21,392,140 | 28 | 21,439,456 | 28 |
| | **Total liabilities** | 42,219,945 | 55 | 42,334,187 | 55 |
| | **Equity attributable to owners of parent (notes (6)(q) and (r)):** | | | | |
| 3100 | Common stock | 22,182,975 | 29 | 22,182,975 | 29 |
| 3200 | Capital surplus | 1,261,681 | 2 | 1,261,681 | 2 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 6,757,693 | 9 | 6,503,503 | 8 |
| 3320 | Special reserve | 1,127,482 | 1 | - | - |
| 3350 | Retained earnings — unappropriated | 4,065,321 | 5 | 5,146,283 | 7 |
| | | 11,950,496 | 15 | 11,649,786 | 15 |
| | Other equity interest: | | | | |
| 3411 | Exchange differences on translation of foreign financial statements | (604,711) | (1) | (1,480,258) | (2) |
| 3420 | Unrealized gain(losses) on financial assets at fair value through other comprehensive income, parent | (205,989) | - | - | - |
| 3426 | Total unrealized gains (losses) on available-for-sale financial assets | - | - | 352,776 | 1 |
| | | (810,700) | (1) | (1,127,482) | (1) |
| | **Total equity attributable to owners of parent:** | 34,584,452 | 45 | 33,966,960 | 45 |
| 36XX | Non-controlling interests | 232,953 | - | 212,657 | - |
| | **Total equity** | 34,817,405 | 45 | 34,179,617 | 45 |
| | **Total liabilities and equity** | $ 77,037,350 | 100 | 76,513,804 | 100 |

**Seeing accompanying notes to financial statements.**

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

# WAN HAI LINES LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## For the years ended December 31, 2018 and 2017

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

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

**Seeing accompanying notes to financial statements.**

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

# WAN HAI LINES LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## For the years ended December 31, 2018 and 2017

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stock | | Retained Earnings | | | Other Equity Items | | | | | |
| | 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) from investments in equity instruments measured at fair value through other comprehensive income | Unrealized Gains (losses) on Available for sale Financial Assets | Total Equity Attributable to Owners of Parent | Non-controlling Interests | Total |
| **Balance at January 1, 2017** | $ 22,182,975 | 1,261,681 | 6,389,335 | 1,053,282 | 2,635,957 | 572,600 | - | 12,120 | 34,107,950 | 197,534 | 34,305,484 |
| Net profit | - | - | - | - | 2,541,889 | - | - | - | 2,541,889 | 17,086 | 2,558,975 |
| Other comprehensive income | - | - | - | - | (83,358) | (2,052,858) | - | 340,656 | (1,795,560) | (143) | (1,795,703) |
| Total comprehensive income | - | - | - | - | 2,458,531 | (2,052,858) | - | 340,656 | 746,329 | 16,943 | 763,272 |
| Appropriation of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 114,168 | - | (114,168) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (887,319) | - | - | - | (887,319) | - | (887,319) |
| Reversal of special reserve | - | - | - | (1,053,282) | 1,053,282 | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (1,820) | (1,820) |
| Balance at 2017.12.31 | 22,182,975 | 1,261,681 | 6,503,503 | - | 5,146,283 | (1,480,258) | - | 352,776 | 33,966,960 | 212,657 | 34,179,617 |
| Effects of retrospective application | - | - | - | - | 271,383 | - | (159,954) | (352,776) | (241,347) | - | (241,347) |
| Equity at beginning of period after adjustments | 22,182,975 | 1,261,681 | 6,503,503 | - | 5,417,666 | (1,480,258) | (159,954) | - | 33,725,613 | 212,657 | 33,938,270 |
| Net profit | - | - | - | - | 1,117,906 | - | - | - | 1,117,906 | 19,332 | 1,137,238 |
| Other comprehensive income | - | - | - | - | 20,570 | 875,547 | (46,035) | - | 850,082 | (126) | 849,956 |
| Total comprehensive income | - | - | - | - | 1,138,476 | 875,547 | (46,035) | - | 1,967,988 | 19,206 | 1,987,194 |
| Appropriation of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 254,190 | - | (254,190) | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 1,127,482 | (1,127,482) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,109,149) | - | - | - | (1,109,149) | - | (1,109,149) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | 1,090 | 1,090 |
| **Balance at December 31, 2018** | **$ 22,182,975** | **1,261,681** | **6,757,693** | **1,127,482** | **4,065,321** | **(604,711)** | **(205,989)** | **-** | **34,584,452** | **232,953** | **34,817,405** |

**Seeing accompanying notes to financial statements.**

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

# WAN HAI LINES LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### For the years ended December 31, 2018 and 2017

### (Expressed in Thousands of New Taiwan Dollars)

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

**Seeing accompanying notes to financial statements.**

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

## (1) Company History

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

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

The Board of Directors approved and issued the consolidated financial statements on March 22, 2019.

## (3) New Standards, Amendments and Interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

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

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

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

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

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

1) Rendering of services

The Group provides vessel transportation services and recognizes revenue using percentage-of-completion of voyage method. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

2) Impacts on financial statements

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

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

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

(ii) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(g).

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

2) Impairment of financial assets

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

3) Transition

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

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

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

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

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

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

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

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

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

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

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| IFRS 16 “Leases” | January 1, 2019 |
| IFRIC 23 “Uncertainty over Income Tax Treatments” | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment features with negative compensation” | January 1, 2019 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 |
| Amendments to IAS 28 “Long-term interests in associates and joint ventures” | January 1, 2019 |
| Annual Improvements to IFRS Standards 2015–2017 Cycle | January 1, 2019 |

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

(i) IFRS 16 “Leases”

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

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

1) Determining whether an arrangement contains a lease

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

·IFRS 16 definition of a lease to all its contracts; or

·apply a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

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

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

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

— apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

— exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

— use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its wharfs, vessels, containers, offices and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by $5,463,590 thousand respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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

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

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

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

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

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

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

## (4) Summary of Significant Accounting Policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

1. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial instruments measured at fair value through profits or losses are measured at fair value;

2) Fair value through other comprehensive income (available-for-sale financial assets) are measured at fair value; and

3) The net defined benefit liability (asset) is recognized as the fair value of plan assets, less the present value of the defined benefit obligation, with a limit based on a defined benefit asset.

2. Functional and presentation currency

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

(c) Business combination

1. Principle of preparation of the consolidated financial statements

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

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

The financial statements of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments or differences between considerations paid or received and fair value of non-control interests are recognized as equity attributable to the owners of the Company.

2. List of subsidiaries in the consolidated financial statements:

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding % 2018.12.31 | Shareholding % 2017.12.31 | Note |
|---|---|---|---|---|---|
| WHL-Singapore | Wan Hai International Pte. Ltd. (WHL-INTL.) | International freight transportation and agency services for transport affairs | 100.00 % | 100.00 % | |
| WHL-Singapore | Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun) | ODD operation | 100.00 % | 100.00 % | |
| WHL-Singapore | Wan Hai (Vietnam) Ltd. (WHL Vietnam) | International freight transportation and agency services for transport affairs | 100.00 % | 100.00 % | |
| WHL-Singapore | Wan Hai Lines (Thailand) Ltd. (WHL-Thailand) | International freight transportation and agency services for transport affairs | 49.00 % | 49.00 % | The Company did not directly or indirectly hold over one half of the voting rights of WHL-Thailand; however, the subsidiary WHL Singapore occupies three of the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand. |
| WHL-Singapore | Wan Hai Lines (Ecuador) S.A. | International freight transportation and agency services for transport affairs | 51.00 % | 51.00 % | |
| WHL Singapore | Wan Hai Lines (USA) Ltd. (WHL USA) | International freight transportation and agency services for transport affairs | 100.00 % | - % | |
| WHL Singapore | Bravely International Pte. Ltd. (Bravely) | International freight transportation and investment | 100.00 % | - % | Bravely was wholly owned by WHL INTL in December 31, 2017. Due to reorganization in October, 2017, the Group sold all its shares to WHL Singapore. |
| WHL Singapore | HE CHUN LOGISTICS COMPANY LTD. (HE CHUN) | ODD operations | 100.00 % | - % | |
| WHL America | Wan Hai Lines (Arizona) LLC (WHL Arizona) | House rental and management services | 100.00 % | 100.00 % | |
| WHL-INTL. | Wan Hai Lines (India) PVT Ltd. (WHL-India) | International freight transportation and agency services for transport affairs | 100.00 % | 100.00 % | |
| WHL INTL. | Infinite Marine Investment Co., Ltd. | Investment | 100.00 % | 100.00 % | |
| Bravely International Pte. Ltd. | Bravely (Myanmar) Transport and Logistics Company LTD. | Managing container, storage and logistics services | 80.00 % | 80.00 % | |

| Name of investor | Name of subsidiary | Principal activity | Shareholding % | | Note |
|---|---|---|---|---|---|
| | | | 2018.12.31 | 2017.12.31 | |
| WHL-Hong Kong | Guangzhou Wan Hai Information Technology Ltd. (GZIT) | Information software service | 100.00 % | 100.00 % | |
| WHL-Hong Kong | Dawin Logistics (International) Ltd. (DL) | Transportation, storage and investment services | 100.00 % | 100.00 % | |
| Dawin | Shenzhen Uniwin International Logistics Ltd. (Uniwin) | Freight transportation and agency services for transport affairs | 100.00 % | 100.00 % | |
| Dawin | Blue Ocean Logistics (Shanghai) Ltd. (Blue) | Containers, storage and international transportation services | 100.00 % | 100.00 % | |
| Shenzhen Uniwin | Clipper International Shipping Agency Ltd. (Clipper) | International shipping agency services | 49.00 % | 49.00 % | The Company did not directly or indirectly hold over one half of the voting rights of Clipper; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of Clipper. As a result, the Company has a direct control over Clipper. |
| Shenzhen Uniwin | Shenzhen Yong Chun International Shipping Management Co., Ltd. (SZYC) | International shipping management | 90.00 % | 90.00 % | |

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

(d) Foreign currency

1. Foreign currency transactions

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

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

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

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

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(e) Classification of current and non-current assets and liabilities

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

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2. It is held primarily for the purpose of trading;

3. It is expected to be realized within twelve months after the reporting period; or

4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;

2. It is held primarily for the purpose of trading;

3. It is due to be settled within twelve months after the reporting period; or

4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

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

1.Financial assets

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

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

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI )

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

·it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

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

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

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

·how the performance of the portfolio is evaluated and reported to the Group's management;

·the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

·how managers of the business are compensated─e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

·the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

·contingent events that would change the amount or timing of cash flows;

·terms that may adjust the contractual coupon rate, including variable rate features;

·prepayment and extension features; and

·terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

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

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

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 90 days past due;

·the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in " other equity – unrealized gains or losses on fair value through other comprehensive income" , in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

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

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

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

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

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

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

2) Available-for sale financial assets

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

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

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

3) Loans and receivables

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

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

3. Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

2) Financial liabilities at fair value through profit or loss

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

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(j) Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the participants are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant, and equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

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

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

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

| | **The Group** |
|---|---|
| Buildings | 23~ 60 years |
| Vessels | 1~ 25 years |
| Containers | 1~ 10 years |
| Privileged wharf equipment | 2~ 15 years |
| Other equipment | 1~ 30 years |

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

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

(m) Leases

1. Lessee

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

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

(n) Intangible assets

1. Intangible assets

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

2. Subsequent expenditure

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

3. Amortization

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

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

| | |
|---|---|
| Software | 2~ 5 years |
| Trademarks | 3~ 10 years |

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

(o) Impairment – non-financial assets

The carrying amounts of the Group's nonfinancial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

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

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

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

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

(p) Revenue

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

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

1) Service revenue

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

2) Rental revenue

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

3) Financing components

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

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

1) Freight Revenue

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

2) Rental Revenue

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

3) Terminal operating revenue

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

4) Other service revenue

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

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

1.Incremental costs of obtaining a contract

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

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

2.Costs to fulfil a contract

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

1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

2) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

3) the costs are expected to be recovered.

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

(r) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

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

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

3. Short-term employee benefits

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

(s) Income taxes

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

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

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

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

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

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

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

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

(t) Earnings per share

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

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

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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

Information about assumptions and estimation uncertainties that have the most significant effects on the amount recognized in the financial statement is as follows:

(a) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments by considering the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(b) Revenue recognition

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

**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

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

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

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

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

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

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

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

1. Equity investments at fair value through other comprehensive income

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

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

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

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

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

(d) Financial assets

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

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

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

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

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

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

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

As of  and 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable and other receivables and receivables from agents which were past due but not impaired was as follows:

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

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

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

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

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

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

(f) Inventories

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

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

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

(g) Investments accounted for using equity method

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Associates | $ 971,154 | 533,177 |
| Joint venture | 170,071 | 179,978 |
| | $ 1,141,225 | 713,155 |

1. Associates

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

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| The carrying amount of individually non-significant associates' equity | $ 971,154 | 533,177 |

| | 2018 | 2017 |
|---|---|---|
| Attributable to the Group: | | |
| Profit (loss) from continuing operations | $ 115,474 | 107,324 |
| Total comprehensive income | $ 115,474 | 107,324 |

2.Joint venture

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

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| The carrying amount of individually non-significant joint venture equity | $ 170,071 | 179,978 |

| | 2018 | 2017 |
|---|---|---|
| Attributable to the Group: | | |
| Profit (loss) from continuing operations | $ 25,100 | 23,347 |
| Total comprehensive income | $ 25,100 | 23,347 |

3.Collateral

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

(h) Property, plant and equipment

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

| | Land | Buildings | Vessels | Containers | Other equipment | Privileged wharf equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2018 | $ 658,948 | 1,604,539 | 67,629,430 | 22,213,368 | 1,507,198 | 1,865,371 | 95,478,854 |
| Additions | - | 11,153 | 710,417 | 3,054,413 | 157,417 | 36,177 | 3,969,577 |
| Reclassification | - | - | - | - | 8,395 | - | 8,395 |
| Disposals | - | - | (1,000,238) | (1,021,924) | (46,322) | (452) | (2,068,936) |
| Effect of movements in exchange rates | 1,368 | 9,652 | 2,217,478 | 1 | (445) | 68 | 2,228,122 |
| Balance at December 31, 2018 | $ 660,316 | 1,625,344 | 69,557,087 | 24,245,858 | 1,626,243 | 1,901,164 | 99,616,012 |
| Balance at January 1, 2017 | $ 662,241 | 1,693,085 | 71,690,832 | 18,729,935 | 1,945,368 | 1,733,663 | 96,455,124 |
| Additions | - | 826 | 1,413,247 | 4,110,318 | 89,731 | 49,122 | 5,663,244 |
| Reclassification | - | - | 79,063 | - | (1,802) | 81,775 | 159,036 |
| Disposals | - | - | (248,222) | (626,883) | (507,223) | - | (1,382,328) |
| Effect of movements in exchange rates | (3,293) | (89,372) | (5,305,490) | (2) | (18,876) | 811 | (5,416,222) |
| Balance at December 31, 2017 | $ 658,948 | 1,604,539 | 67,629,430 | 22,213,368 | 1,507,198 | 1,865,371 | 95,478,854 |
| Depreciation and impairment loss: | | | | | | | |
| Balance at January 1, 2018 | $ - | 406,805 | 38,893,291 | 11,784,671 | 782,601 | 931,044 | 52,798,412 |
| Depreciation | - | 42,414 | 2,798,782 | 1,044,143 | 131,411 | 102,826 | 4,119,576 |
| Disposals | - | - | (1,000,238) | (952,277) | (46,133) | (453) | (1,999,101) |
| Effect of movements in exchange rates | - | 5,195 | 1,271,635 | 1 | 1,074 | 17 | 1,277,922 |
| Balance at December 31, 2018 | $ - | 454,414 | 41,963,470 | 11,876,538 | 868,953 | 1,033,434 | 56,196,809 |
| Balance at January 1, 2017 | $ - | 384,086 | 38,764,414 | 11,700,516 | 1,173,851 | 829,438 | 52,852,305 |
| Depreciation | - | 42,905 | 3,146,585 | 670,294 | 130,176 | 99,676 | 4,089,636 |
| Reclassification | - | - | - | - | (1,729) | 1,729 | - |
| Disposals | - | - | (203,540) | (586,136) | (506,806) | - | (1,296,482) |
| Effect of movements in exchange rates | - | (20,186) | (2,814,168) | (3) | (12,891) | 201 | (2,847,047) |
| Balance at December 31, 2017 | $ - | 406,805 | 38,893,291 | 11,784,671 | 782,601 | 931,044 | 52,798,412 |

| | Land | Buildings | Vessels | Containers | Other equipment | Privileged wharf equipment | Total |
|---|---|---|---|---|---|---|---|
| Carrying amounts: | | | | | | | |
| Balance at December 31, 2018 | $ 660,316 | 1,170,930 | 27,593,617 | 12,369,320 | 757,290 | 867,730 | 43,419,203 |
| Balance at January 1, 2017 | $ 662,241 | 1,308,999 | 32,926,418 | 7,029,419 | 771,517 | 904,225 | 43,602,819 |
| Balance at December 31, 2017 | $ 658,948 | 1,197,734 | 28,736,139 | 10,428,697 | 724,597 | 934,327 | 42,680,442 |

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

(i) Investment property

| | Land and improvements | Buildings | Total |
|---|---|---|---|
| Cost: | | | |
| Balance at January 1, 2018 | $ 138,493 | 164,921 | 303,414 |
| Purchases | - | 5,267 | 5,267 |
| Effect of changes in foreign exchange rates | 4,923 | 5,978 | 10,901 |
| Balance at December 31, 2018 | **$ 143,416** | **176,166** | **319,582** |
| Balance at January 1, 2017 | $ - | - | - |
| Purchases | 141,821 | 168,885 | 310,706 |
| Effect of changes in foreign exchange rates | (3,328) | (3,964) | (7,292) |
| Balance at December 31, 2017 | **$ 138,493** | **164,921** | **303,414** |
| Accumulated Depreciation and impairment losses： | | | |
| Balance at January 1, 2018 | $ - | 176 | 176 |
| Depreciation | - | 4,540 | 4,540 |
| Effect of changes in foreign exchange rates | - | 107 | 107 |
| Balance at December 31, 2018 | **$ -** | **4,823** | **4,823** |
| Balance at January 1, 2017 | $ - | - | - |
| Depreciation | - | 181 | 181 |
| Effect of changes in foreign exchange rate | - | (5) | (5) |
| Balance at December 31, 2017 | **$ -** | **176** | **176** |
| Carrying amount: | | | |
| Balance at December 31, 2018 | **$ 143,416** | **171,343** | **314,759** |
| Balance at December 31, 2017 | **$ 138,493** | **164,745** | **303,238** |
| Fair value: | | | |
| Balance at December 31, 2018 | | | **$ 325,791** |
| Balance at December 31, 2017 | | | **$ 296,800** |

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

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

| Location | 2018 | 2017 |
|---|---|---|
| America | 6.0%~7.5% | 6.9%~7.3% |

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

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

(j) Intangible assets

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

| | Computer software | Trademarks | Total |
|---|---|---|---|
| Costs: | | | |
| Balance at January 1, 2018 | $ 86,910 | 5,772 | 92,682 |
| Additions | 59,408 | 259 | 59,667 |
| Reclassification | 29,220 | - | 29,220 |
| Disposals | (23,123) | (591) | (23,714) |
| Effect of movement in exchange rates | 4 | - | 4 |
| Balance at December 31, 2018 | **$ 152,419** | **5,440** | **157,859** |
| Balance at January 1, 2017 | $ 52,657 | 4,773 | 57,430 |
| Additions | 29,382 | 98 | 29,480 |
| Reclassification | 17,452 | 901 | 18,353 |
| Disposals | (12,669) | - | (12,669) |
| Effect of movement in exchange rates | 88 | - | 88 |
| Balance at December 31, 2017 | **$ 86,910** | **5,772** | **92,682** |

| | Computer software | Trademarks | Total |
|---|---|---|---|
| Amortization and impairment loss: | | | |
| Balance at January 1, 2018 | $ 36,646 | 2,774 | 39,420 |
| Amortization for the year | 45,663 | 774 | 46,437 |
| Disposals | (23,123) | (591) | (23,714) |
| Effect of movement in exchange rates | (14) | - | (14) |
| Balance at December 31, 2018 | $ 59,172 | 2,957 | 62,129 |
| Balance at January 1, 2017 | $ 26,965 | 2,079 | 29,044 |
| Amortization for the year | 22,232 | 695 | 22,927 |
| Disposals | (12,669) | - | (12,669) |
| Effect of movement in exchange rates | 118 | - | 118 |
| Balance at December 31, 2017 | $ 36,646 | 2,774 | 39,420 |
| Carrying amounts: | | | |
| Balance at December 31, 2018 | $ 93,247 | 2,483 | 95,730 |
| Balance at December 31, 2017 | $ 50,264 | 2,998 | 53,262 |
| Balance at January 1, 2017 | $ 25,692 | 2,694 | 28,386 |

1. Recognition of amortization and impairment

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

| | 2018 | 2017 |
|---|---|---|
| Operating costs | $ 784 | 495 |
| Operating expense | $ 45,653 | 24,938 |

(k) Short-term borrowings

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

1.Issuance and repayment of short-term borrowings

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

2.Collateral for bank loan

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

(l) Long-term borrowings

The borrowings were summarized as follows:

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

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

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

1.Issuance and repayment of long-term borrowings

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

2.Collateral for long-term borrowings

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

3.Financial ratio covenant

A subsidiary, Wan Hai Lines (Singapore) Pte Ltd., entered into syndicated credit agreements with financial institutions, under which, this subsidiary and the Group shall maintain certain financial ratios (1.e. equity ratio, security ratio, etc.) on balance sheet date. Otherwise, the loan will be payable immediately if the financial institution consider the loan shall be due.

(m) Bonds payable

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

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

1. Unsecured bank-2011 first domestic bond issue

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

   1) Issue amount

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

   2) Nominal amount

      Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: None

12) Announcement

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

2. Unsecured bond-2014 first domestic bond issue

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

1) Issue amount

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

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: None.

12) Announcement

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

3. Unsecured bond-2016 first domestic bond issue

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

1) Issue amount

TWD3,000,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate: 1.18%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: MasterLink Securities Corporation.

12) Announcement

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

4. Unsecured bond-2017 first domestic bond issue

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

1) Issue amount

TWD2,100,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate: 1.55%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

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

12) Announcement

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

(n) Operating leases

Non-cancellable operating lease rentals payable were as follows:

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

(o) Employee benefits

1. Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Accumulated amount at January 1 | $ | (14,806) | 77,730 |
| Recognized during the period | | 15,178 | (92,536) |
| Accumulated amount at December 31 | $ | **372** | **(14,806)** |

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

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

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

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

7) Sensitivity analysis

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

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

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

2. Defined contribution plans

The Group allocates 1% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $52,581 and $50,263 for the years ended December 31, 2018 and 2017, respectively.

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

(p) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

1. Income tax expense

The amount of income tax were as follows:

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

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

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

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

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

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

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

| | Investment (loss) gain under the equity method | Deferred depreciation expense | Others | Total |
|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | |
| Balance at January 1, 2018 | $ 704,511 | 392,219 | (829) | 1,095,901 |
| Debit (Credited) Income statement | 639,864 | 266,620 | 7,871 | 914,355 |
| Foreign currency translation difference for foreign operations | - | 312 | 3 | 315 |
| Balance at December 31, 2018 | $ **1,344,375** | **659,151** | **7,045** | **2,010,571** |
| Balance at January 1, 2017 | $ 664,068 | 262,054 | 13,722 | 939,844 |
| Debit (Credited) Income statement | 40,443 | 130,845 | (14,482) | 156,806 |
| Foreign currency translation difference for foreign operations | - | (680) | (69) | (749) |
| Balance at December 31, 2017 | $ **704,511** | **392,219** | **(829)** | **1,095,901** |

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

3. Examination and Approval

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

(q) Capital and other equity

As of December 31, 2018 and 2017, the Company's authorized capital consisted of 25,000,000 thousand shares, amounting to $2,500,000 thousand, with par value of $10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

1. Capital surplus

The balance of capital surplus was as follows:

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

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

2. Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The earnings distribution for 2017 and 2016 were determined by the shareholders' meeting held on June 26, 2018 and June 22, 2017, respectively, and were as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Dividend per share ($) | Amount | Dividend per share ($) | Amount |
| Dividends distributed to common stockholders | | | | |
| Cash | $ 0.50 | 1,109,149 | 0.40 | 887,319 |

3. Other equity (net of tax)

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

(r) Earnings per share

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

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

(s) Revenue from contracts with customers

1. Disaggregation of revenue

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

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

2.Contract balances

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

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

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

(t) Revenue

The details of revenue were as follows:

| | 2017 |
|---|---|
| Freight | $ 58,349,011 |
| Rentals | 1,147,637 |
| WHL terminal | 722,043 |
| Others | 550,954 |
| | **$ 60,769,645** |

(u) Remuneration of employees, directors and supervisors

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

For the years ended December 31, 2018 and 2017, the Group estimated its employee remuneration amounting to $17,045 thousand and $30,951 thousand, respectively, and directors' and supervisors' remuneration are the same as those of employee remuneration. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Group's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) Non-operating income and expenses

1. Other revenue

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

| | 2018 | 2017 |
|---|---|---|
| Bank deposit | $ 247,999 | 226,754 |
| Dividend revenue | 193,014 | 184,683 |
| | **$ 441,013** | **411,437** |

2. Other gains and losses

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

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

3. Finance costs

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

| | 2018 | 2017 |
|---|---|---|
| Interest expense: | | |
| Bank loans | $ 565,345 | 521,740 |

(w) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

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

3) Credit risk of receivables

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

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

2. Liquidity risks

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

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

| | Carrying amount | Contractual cash flows | Less than 6 month | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| December 31, 2017 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 60,000 | 60,087 | 60,087 | - | - | - | - |
| Secured bank loans | 12,926,468 | 13,572,845 | 2,021,591 | 1,944,653 | 3,533,492 | 5,735,204 | 337,905 |
| Unsecured bank loans | 1,169,925 | 1,187,865 | 913,034 | 12,485 | 79,525 | 182,821 | - |
| Commercial paper | 2,599,141 | 2,670,583 | 16,828 | 17,825 | 1,632,764 | 1,003,166 | - |
| Account payables (including related parties) | 6,890,826 | 6,890,826 | 6,890,826 | - | - | - | - |
| Other payables | 3,150,037 | 3,150,037 | 3,150,037 | - | - | - | - |
| Payables to agents | 3,552 | 3,552 | 3,552 | - | - | - | - |
| Bonds payable | 11,400,000 | 11,883,000 | 4,651,200 | 32,100 | 1,100,050 | 6,099,650 | - |
| Guarantee deposits | 619,339 | 619,339 | 619,339 | - | - | - | - |
| | $ 38,819,288 | 40,038,134 | 18,326,494 | 2,007,063 | 6,345,831 | 13,020,841 | 337,905 |

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

3. Currency risk

1) Currency risk exposure

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

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

2) Sensitivity analysis

The Group' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, payables to agents, financial assets at fair value through profit or loss, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the TWD against the USD, HKD and JPY etc. as at December 31, 2018 and 2017, would have increased (decreased) the net profit before tax by $22,519 thousand and $69,474 thousand, respectively. This analysis assumes that all other variables remain constant, and is performed on the same basis for the years ended December 31, 2018 and 2017.

3) Foreign Exchange Gain or Loss on Monetary Items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange profit (loss) (including realized and unrealized portions) amounted to $130,717 thousand and $(365,793) thousand, respectively.

4. Interest rate analysis

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

The Group’s sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group’s accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 1% has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

If the interest rate had increased or decreased by 1%, the Group’s net profit before tax would have increased or decreased by $189,711 thousand and $167,564 thousand, respectively, for the years ended December 31, 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the Group’s borrowing at variable rates.

5. Other market price risk

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

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| **Prices of securities at the reporting date** | **Other comprehensive income after tax** | **Net income** | **Other comprehensive income after tax** | **Net income** |
| Increasing 1% | $ 26,181 | 18,763 | 44,204 | - |
| Decreasing 1% | (26,181) | (18,763) | (44,204) | - |

6. Fair value information

1) The Categories and Fair Values of Financial Instruments

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

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

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value though profit or loss** | | | | | |
| Non derivative financial assets mandatorily measured at fair value through profit or loss－domestic listed stocks | $ 2,345,430 | 2,345,430 | - | - | 2,345,430 |
| Non derivative financial assets mandatorily measured at fair value through profit or loss－bond investment | 1,127,838 | - | - | 1,127,838 | 1,127,838 |
| Sub-total | 3,473,268 | 2,345,430 | - | 1,127,838 | 3,473,268 |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Domestic listed stocks | 2,618,063 | 2,618,063 | - | - | 2,618,063 |
| Unquoted equity instrument measured at fair value | 417,947 | - | - | 417,947 | 417,947 |
| Sub-total | 3,036,010 | 2,618,063 | - | 417,947 | 3,036,010 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 13,418,582 | - | - | - | - |
| Notes receivable | 29,636 | - | - | - | - |
| Accounts receivable | 2,861,696 | - | - | - | - |
| Contract assets | 751,084 | - | - | - | - |
| Other receivable | 1,382,358 | - | - | - | - |
| Receivables from agents | 834,068 | - | - | - | - |
| Guarantee deposits paid (recognized as other current assets and other non-current assets) | 264,606 | - | - | - | - |
| Sub-total | 19,542,030 | - | - | - | - |
| Total | **$ 26,051,308** | **4,963,493** | **-** | **1,545,785** | **6,509,278** |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short-term borrowings | $ 60,000 | - | - | - | - |
| Accounts payable | 7,644,956 | - | - | - | - |
| Other payables | 2,692,144 | - | - | - | - |
| Payables to agents | 10,472 | - | - | - | - |
| Bonds payable (including current portion) | 6,900,000 | - | - | - | - |
| Long-term borrowings (including current portion) | 19,410,980 | - | - | - | - |
| Guarantee deposits received | 668,025 | - | - | - | - |
| Total | $ 37,386,577 | - | - | - | - |

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Available-for-sale financial assets** | | | | | |
| Domestic and foreign listed shares | $ 4,420,377 | 4,420,377 | - | - | 4,420,377 |
| Financial assets measured at cost | 708,967 | - | - | - | - |
| Sub-total | 5,129,344 | 4,420,377 | - | - | 4,420,377 |
| **Loan and receivable** | | | | | |
| Cash and cash equivalents | 19,245,440 | - | - | - | - |
| Notes receivable | 25,430 | - | - | - | - |
| Accounts receivable | 2,941,263 | - | - | - | - |
| Other receivables | 1,011,713 | - | - | - | - |
| Receivable from agents | 696,948 | - | - | - | - |
| Guarantee deposits paid (recognized as other current assets and other non-current assets) | 425,243 | - | - | - | - |
| Debt investment without active markets | 1,187,200 | - | - | - | - |
| Sub-total | 25,533,237 | - | - | - | - |
| Total | $ 30,662,581 | 4,420,377 | - | - | 4,420,377 |

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short-term borrowings | $ 60,000 | - | - | - | - |
| Accounts payable | 6,890,826 | - | - | - | - |
| Other payables | 3,150,037 | - | - | - | - |
| Payable to agents | 3,552 | - | - | - | - |
| Bonds payable (including current portion) | 11,400,000 | - | - | - | - |
| Long-term borrowings (including current portion) | 16,695,534 | - | - | - | - |
| Guarantee deposits received (recognized as other current assets and other non-current assets) | 619,339 | - | - | - | - |
| Total | **$ 38,819,288** | - | - | - | - |

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high-ask spreads is an indication of non-active market.

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

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

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

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

Unquoted equity instrument:

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

Unquoted equity instrument:

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

Unquoted debt instrument:

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

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

4) Reconciliation of Level 3 fair values

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

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

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

(x) Financial risk management

1. Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring Group's risk management policies.

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

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment terms are offered. The Group’s review includes external ratings, when available, and in some cases bank references.

Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager’s office; these limits are reviewed quarterly. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a advance received basis.

2) Investment

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

3) Guarantees

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

4. Liquidity risk

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

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused credit line for $8,467,557 thousand and $6,741,123 thousand, as of December 31, 2018 and 2017.

5. Market risk

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

1) Currency risk

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

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

2) Interest rate risk

The Group adopts a policy of ensuring that 28.06% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis.

3) Other market price risk

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

(y) Capital management

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

The debt-to-equity ratio is as follow:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Total liabilities | $ 42,219,945 | 42,334,187 |
| Less: Cash and cash equivalents | (13,418,582) | (19,245,440) |
| Net debt | **$ 28,801,363** | **23,088,747** |
| Total equity | $ 34,817,405 | 34,179,617 |
| Adjusted capital | **$ 34,817,405** | **34,179,617** |
| Debt-to-equity ratio | **82.72 %** | **67.55 %** |

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

The Group's investing and financing activities which did not affect the current cash flow in the six months ended December 31, 2018 and 2017, were as follows.

Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 2018.1.1 | Cash flows | Acquisition | Foreign exchange movement | Fair value changes | 2018.12.31 |
| Long-term borrowings | $ 16,695,534 | 2,232,949 | - | 482,497 | - | 19,410,980 |
| Short-term borrowings | 60,000 | - | - | - | - | 60,000 |
| Bonds payable | 11,400,000 | (4,500,000) | - | - | - | 6,900,000 |
| Total liabilities from financing activities | **$ 28,155,534** | **(2,267,051)** | **-** | **482,497** | **-** | **26,370,980** |

## (7) Related-Party Transactions

(a) Names and relationship with related parties

| Name of related party | Relationship with the Group |
|---|---|
| Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep) | An associate |
| HAI PHONG INTERNATIONAL CONTAINER TERMINAL COMPANY LTD. (HAI PHONG) | An associate |
| WAN Hai Lines Peru S.A.C. (WHL Peru) | Joint Venture |
| Wan Hai Lines (UAE) LLC. (WHL UAE) | Joint Venture |
| Qingdao port & Win International Logistics Co., Ltd. | Joint Venture |
| Asia Pacific Container Terminal Inc. (APCT) | Related party in substance |
| New World Container services Corporation | Related party in substance |
| Universal Checker Co., Ltd. | Related party in substance |
| Express Container Terminal Corp. (ECTC) | Related party in substance |
| Lin & Associates Law Firm | Related party in substance (note) |
| New Sincere Transportation Corp. (NSTC) | Related party in substance |
| New Safety Transportation Corp. (NSaTC) | Related party in substance |
| An Chun Tally Co., Ltd. | Related party in substance |
| Taipei Port Container Terminal Corp. (Taipei Port) | Corporate director of the Group |
| Taian Insurance Co., Ltd. | Related party in substance |
| Wan Chun International Corp. (WCIC) | Subsidiary of ECTC |
| Apezgo Digital Information Co., Ltd. | Subsidiary of APCT |
| AP PETROLEUM BUSINESS CO., LTD. | Subsidiary of APCT |
| Formosa Wonderworld Co., Ltd. (Formosa Wonderworld) | Related party in substance |
| Interasia Lines Taiwan, Ltd. | Related party in substance |
| Hyaline Shipping (HK) Co., Ltd. (Hyaline) | Same director with the Group |
| Wan Hai Lines (Japan) Ltd. (WHL Japan) | Same director with the Group |
| INTERASIA LINES SINGAPORE PTE LTD. (IAL (S)) | Related party in substance |
| INTERASIA LINES (M) SDN. BHD. | Related party in substance |

| Name of related party | Relationship with the Group |
|---|---|
| AP INT'L TRAVEL SERVICE CO., LTD. | Related party in substance |
| New Speed Transportation & Terminal Co., Ltd. (NS) | Same director with the Group |

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

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

(b) Significant transactions with related parties

1. Sales to related parties:

| | | 2018 | 2017 |
|---|---|---|---|
| Other related parties | $ | **1,159,598** | **828,518** |

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

2. Consideration for services related to the entity:

| | | 2018 | 2017 |
|---|---|---|---|
| Associate | $ | 66,813 | 63,068 |
| Other related party | | 3,455,659 | 3,304,884 |
| | $ | **3,522,472** | **3,367,952** |

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

3. Receivables from related parties

Receivables of the Group from related parties were as follows：

| Item | Related party categories | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|---|
| Accounts receivable | Other related party | $ | 30,851 | 13,167 |
| Other receivables | Associate | | 132 | 706 |
| Other receivables | Joint Venture | | 602 | - |
| Other receivables | Other related party | | 7,372 | 4,272 |
| Receivables from agents | Other related party-WHL Japan | | 659,090 | 432,779 |
| Receivables from agents | Associate | | 16,650 | 26,686 |
| | | $ | **714,697** | **477,610** |

4. Payables from related parties

Payable of the Group related parties were as follows：

| Item | Related party categories | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Accounts payable | Other related party | $ 336,074 | 442,120 |
| Accounts payable | Joint venture | 5,668 | 6,556 |
| Other payables | Other related party | 6,880 | 12,787 |
| Other current liabilities | Other related party | 4,413 | 925 |
| | | **$ 353,035** | **462,388** |

5. Other related-party transactions

For the year ended December 31, 2017, the Group $1,500 thousand of professional services fee to other related-party.

For the years ended December 31, 2018 and 2017, the Group received payments of claims from related parties were $442 thousand and $53,338 thousand, respectively.

For the the years ended December 31, 2018 and 2017, the Group sold the property, plant and equipment as amount of $443 thousand and $81 thousand to the related party and gains on disposal of it were $431 thousand and $69 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | 2018 | 2017 |
|---|---|---|
| Shorts-term employee benefits | $ 50,769 | 57,627 |
| Post-employment benefits | 138 | 158 |
| | **$ 50,907** | **57,785** |

## (8) Pledged Assets

The carrying values of pledged assets were as follows:

| Assets | Objective | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Time deposits (recorded in other current assets) | Registration of container storage and truck lease contract | $ 6,135 | 5,842 |
| Time deposits (recorded in other non-current assets) | Refundable deposits of harbor bureau and lease contract for wharf | 69,365 | 70,465 |
| Guarantee deposits paid (recorded in other non-current assets) | Lease contract for wharf, building lease contract and lawsuit | 189,106 | 348,936 |
| Terminal privileged wharf | Long-term loans | 89,640 | 455,942 |
| Containers | Long-term loans | 6,218,080 | 5,022,444 |
| Vessels | Long-term loans | 14,786,002 | 15,610,343 |
| Buildings | Long-term loans | 14,623 | 15,177 |
| | | **$ 21,372,951** | **21,529,149** |

## (9) Significant Contingencies and Commitments

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Group entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2028. As of September 30, 2018, the lease deposit amounted to ￥255,775,000 (TWD 71,220 thousand) was recorded in guarantee deposits paid.

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

The Group rented the W29 to W32 stacking yards from Keelung Harbor Bureau in February 2006, and the rental period is for 30 years beginning from the date of completion of inspection.

(b) Vessel construction contract：

Considering the Group's current fleet deployment and long-term development plan, the Group decided to acquire eight feeder boxships of 3036 TEUs from Japan Marine United Corporation, and twelve feeder boxships of 2038 TEUs from CHINA SHIP BUILDING TRADING COMPANY, LTD. and GUANGZHOU WENCHONG SHIPYARD CO.,LTD, costing ￥37,680,000 thousand and USD315,936 thousand (together equal TWD20,137,000 thousand), respectively.

(c) As of December 31, 2018, the total amount claimed to the Group was approximately $15,769 thousand, and the related cases are under negotiation or under trial.

## (10) Losses Due to Major Disasters: None.

## (11) Significant Subsequent Events: None.

## (12) Others

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

| By function / By item | For the years ended December 31, 2018 | | | For the years ended December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 2,135,302 | 1,977,630 | 4,112,932 | 2,158,327 | 2,067,003 | 4,225,330 |
| Labor and health insurance | 25,648 | 206,953 | 232,601 | 25,934 | 193,183 | 219,117 |
| Pension | 70,894 | 99,799 | 170,693 | 70,746 | 74,182 | 144,928 |
| Remuneration of directors | - | 28,015 | 28,015 | - | 35,993 | 35,993 |
| Others employee benefits | 159,249 | 84,216 | 243,465 | 157,697 | 81,295 | 238,992 |
| Depreciation | 4,016,637 | 107,479 | 4,124,116 | 3,992,983 | 96,834 | 4,089,817 |
| Amortization | 784 | 45,653 | 46,437 | 664 | 22,263 | 22,927 |

## (13) Other Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2018:

1. Fund financing to other parties:

(In thousands of TWD)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other party during the period | Ending balance (Note 6) | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits (Note 3) | Maximum limitation on fund financing (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | The Company | WHL Singapore | Other receivable related | Yes | 7,664,250 | 7,506,500 | - | - | 1 | - | Note 2 | - | Promissory note | 7,506,500 | 12,727,748 | 13,833,781 |
| 1 | WHL INTL. | WHL India | Other receivable related | Yes | 145,991 | 145,991 | 115,256 | 4.5% | 1 | - | Note 3 | - | Promissory note | 145,991 | 172,107 | 196,693 |
| 2 | WHL Singapore | Yi Chun | Other receivable related | Yes | 92,205 | 92,205 | 65,846 | 2.81331% ~4.01344 % | 1 | - | Note 4 | - | Promissory note | 92,205 | 8,909,423 | 10,182,198 |
| 2 | WHL Singapore | Bravely International Pte. Ltd. | Other receivable related | Yes | 30,735 | - | - | - | 1 | - | Note 4 | - | - | - | 8,909,423 | 10,182,198 |

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

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

1. Individual funding loan limits of financing for single borrower who has business with the lending company cannot exceed the total transaction amount of the current year.
2. Individual funding loan limits for short-term borrower cannot exceed the lower of 40 percent of the lending company's net worth or 50 percent of borrower's net worth.
3. An individual loaned amount between the foreign companies whose voting shares are wholly owned by the Company directly or indirectly shall not exceed 35 percent of the lending company's net worth.

Note 6: Eliminated in the consolidated financial statement.

2. Guarantees and endorsements for other parties:

(In thousands of TWD)

| Number | Name of the company | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged on guarantees and endorsements (Amount) (Note 3) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (note2) | Parent company endorses/ guarantees to third parties on behalf of subsidiary | Subsidiary endorses/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company (Note 1) | | | | | | | | | | |
| 0 | The Company | WHL Singapore | 2 | 27,667,561 | 15,156,476 | 15,045,849 | 15,045,849 | - | 43.50 % | 69,168,903 | Y | N | N |
| 0 | The Company | TK | 2 | 27,667,561 | 73,466 | 27,580 | 27,580 | - | 0.08 % | 69,168,903 | Y | N | N |

Note 1: Relationship with the Company

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

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

1. External endorsements and guarantees made by the Company may not exceed 200% of the Company's net worth.
2. Endorsements and guarantees made to a single enterprise may not exceed 40% of the Company or its subsidiaries' net worth.
3. The total amount of endorsements and guarantees of the Company and its subsidiaries as a whole may not exceed 250% of the Company's net worth.
4. Endorsements and guarantees made by the Company and its subsidiaries to a single enterprise may not exceed 50% of the Company's net worth.
5. Endorsements and guarantees made by the Company to the subsidiaries, or subsidiaries to the Company, are not subject to the above mentioned restrictions. However, the aggregate amount of endorsements/guarantees that the Company or its subsidiaries make for a single company may not exceed 80% of the net worth of the company providing guarantees.

Note 3: The Company provided a guarantee for TK's bank loan of $27,600 thousand and had received a promissory note for that amount.
Note 4: Eliminated in the consolidated financial statements.

3. Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of TWD)

| Name of holder | Category and name of security | Category and name of security | Account title | Ending balance | | | | Highest percentage of capital investment during the period | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Percentage of shares | Market value | | |
| | Domestic listed stocks: | | | | | | | | |
| The Company | GREATWALL ENTERPRISE CO., LTD. | - | Financial assets at fair value through profit or loss-current | 8,464,504 | 283,561 | - % | 283,561 | - % | |
| 〃 | Formosa Plastics Corporation | - | 〃 | 376,288 | 38,005 | - % | 38,005 | - % | |
| 〃 | Formosa Chemicals & Fibre Corporation | - | 〃 | 245,480 | 25,775 | - % | 25,775 | - % | |
| 〃 | Tainan Spinning Co., Ltd. | - | 〃 | 1,726,898 | 20,636 | - % | 20,636 | - % | |
| 〃 | China Steel Corporation | - | 〃 | 2,291,162 | 55,560 | - % | 55,560 | - % | |
| | Delta Electronics, Inc. | | 〃 | 358,000 | 46,361 | - % | 46,361 | - % | |
| 〃 | Hon Hai Precision Ind. Co., Ltd. | - | 〃 | 93,440 | 6,616 | - % | 6,616 | - % | |
| 〃 | Transcend Information, Inc. | - | 〃 | 89,111 | 5,953 | - % | 5,953 | - % | |
| 〃 | Amtran Technology Co., Ltd. | - | 〃 | 984,058 | 11,071 | - % | 11,071 | - % | |
| 〃 | Yang Ming Marine Transport Corp. | - | 〃 | 957,526 | 8,426 | - % | 8,426 | - % | |
| 〃 | China Airlines Ltd. | - | 〃 | 23,753,862 | 261,292 | - % | 261,292 | - % | |
| 〃 | Chinese Maritime Transport Ltd. | - | 〃 | 435,050 | 13,552 | - % | 13,552 | - % | |
| 〃 | Mega Financial Holding Co., Ltd. | - | 〃 | 8,676,646 | 225,159 | - % | 225,159 | - % | |
| 〃 | Taishin Financial Holding Co., Ltd. | - | 〃 | 16,783,560 | 219,025 | - % | 219,025 | - % | |
| 〃 | First Financial Holding Co., Ltd. | - | 〃 | 14,498,252 | 289,965 | - % | 289,965 | - % | |
| 〃 | Kinsus Interconnect Technology Corp. | - | 〃 | 334,627 | 14,590 | - % | 14,590 | - % | |
| 〃 | Shih Wei Navigation Co., Ltd. | - | 〃 | 1,029,345 | 7,597 | - % | 7,597 | - % | |
| 〃 | Taiwan Cooperative Financial Holding Co., Ltd. | - | 〃 | 29,149,365 | 514,486 | - % | 514,486 | - % | |

| Name of holder | Category and name of security | Category and name of security | Account title | Ending balance | | | | Highest percentage of capital investment during the period | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Percentage of shares | Market value | | |
| The Company | Taiwan Secom Co., Ltd. | - | Financial assets at fair value through profit or loss-current | 2,319,000 | 205,000 | - % | 205,000 | - % | |
| 〃 | The Eslite Spectrum Corporation | - | 〃 | 725,000 | 92,800 | - % | 92,800 | - % | |
| | Domestic listed stocks: | | | | | | | - % | |
| 〃 | Shihlin Paper Corporation | Related party in substance | Financial assets at fair value through other comprehensive income－non-current | 5,419,088 | 162,573 | 2.08 % | 162,573 | 2.08 % | |
| 〃 | Chunghwa Telecom Co., Ltd. | - | 〃 | 21,730,000 | 2,455,490 | - % | 2,455,490 | - % | |
| | Domestic unlisted stocks: | | | | | | | | |
| 〃 | Taipei Port Container Terminal Corp. | Related party in substance | 〃 | 79,315,476 | 406,487 | 15.25 % | 406,487 | 15.25 % | |
| 〃 | United Stevedoring Corporation | - | 〃 | 781,250 | 11,460 | 15.63 % | 11,460 | 15.63 % | |
| | Unlisted stocks: | | | | | | | | |
| 〃 | Royal Bank of Scotland PLC. | - | Financial assets at fair value through profit or loss－non-current | - | 1,127,838 | - % | 1,127,838 | - % | |

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the dollar amount reaches $300 million or 20% or more of paid in capital: None.

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

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

| Name of company | Name of Counter-party | Relationship | Transaction details | | | | Reasons why and description of how the transaction conditions differ from general transactions | | Account/note receivable (payable) | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total purchases/ sales | Credit period | Unit price | Credit period | Balance | Percentage of total accounts/notes receivable (payable) (Note 1) | |
| The Company | Taipei Port | Corporate director of the company | Container fee, terminal handling charges | 797,003 | 1.49 % | 30 days | - | - | - | - % | |
| 〃 | k.k. WH Corporation | Subsidiary | Terminal port charges, rent expense | 7,986,350 | 14.90 % | 〃 | - | - | (496,309) | 7.48 % | Note 2 |

| Name of company | Name of Counter-party | Relationship | Transaction details: Purchase/ Sale | Transaction details: Amount | Transaction details: Percentage of total purchases/ sales | Transaction details: Credit period | Reasons why and description of how the transaction conditions differ from general transactions: Unit price | Reasons why and description of how the transaction conditions differ from general transactions: Credit period | Account/note receivable (payable): Balance | Account/note receivable (payable): Percentage of total accounts/notes receivable (payable) (Note 1) | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | WHL Singapore | Subsidiary | Rent income, commission revenue, shipping agent revenue | (2,952,964) | 5.48 % | 30 days | - | - | - | - % | Note 2 |
| 〃 | WHL Singapore | Subsidiary | Fuel expense | 117,446 | 0.22 % | 〃 | - | - | (38,711) | 0.58 % | Note 2 |
| 〃 | WHL Hong Kong | Subsidiary | Commission fee | 272,927 | 0.51 % | 〃 | - | - | (347,586) | 5.24 % | Note 2 |
| 〃 | Uniwin | Subsidiary | Commission fee | 155,589 | 0.29 % | 〃 | - | - | - | - % | Note 2 |
| 〃 | Clipper | Subsidiary | Commission fee | 258,781 | 0.48 % | 〃 | - | - | - | - % | Note 2 |
| 〃 | WHL Japan | Same director with the company | Commission fee | 231,453 | 0.43 % | 〃 | - | - | - | - % | |
| 〃 | IAL Singapore | Related party in substance | Joint venture revenue, container rental revenue, shipping agent revenue, ship rental revenue | (747,843) | 1.39 % | 〃 | - | - | 16,946 | 0.41 % | |
| 〃 | IAL Singapore | Related party in substance | Joint Venture expense, container rental expense | 193,046 | 0.36 % | 〃 | - | - | - | - % | |
| 〃 | Hyaline Shipping (HK) Co., Ltd. | Same director with the company | Commission fee | 606,054 | 1.13 % | 〃 | - | - | - | - % | |
| 〃 | NSTC | Related party in substance | Tow charge | 585,590 | 1.09 % | 〃 | - | - | (63,444) | 0.96 % | |
| 〃 | APCT | Related party in substance | Container fee | 319,030 | 0.60 % | 〃 | - | - | (25,531) | 0.38 % | |
| 〃 | WCIC | Related party in substance | Turnkey charges, terminal handling charge | 158,575 | 0.30 % | 〃 | - | - | (16,748) | 0.25 % | |
| 〃 | NSaTC | Related party in substance | Tow charge, container fee | 139,973 | 0.26 % | 〃 | - | - | (10,323) | 0.16 % | |
| 〃 | WHL Malaysia | Subsidiary | Commission fee | 118,246 | 0.22 % | 〃 | - | - | - | - % | Note 2 |
| 〃 | New World Container Services Corporation | Related party in substance | Container fee | 121,122 | 0.23 % | 〃 | - | - | (9,162) | 0.14 % | |
| 〃 | T.K. Logistics International Co., Ltd. | Subsidiary | Container fee, service fee, terminal handling fee | 113,955 | 0.21 % | 〃 | - | - | (8,985) | 0.14 % | Note 2 |

| Name of company | Name of Counter-party | Relationship | Transaction details | | | | Reasons why and description of how the transaction conditions differ from general transactions | | Account/note receivable (payable) | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total purchases/ sales | Credit period | Unit price | Credit period | Balance | Percentage of total accounts/notes receivable (payable) (Note 1) | |
| The Company | WHL Korea | Subsidiary | Commission fee | 107,484 | 0.20 % | 30 days | - | - | - | - % | Note 2 |
| WHL Singapore | The Company | Subsidiary | Rent expense, commission fee, shipping agent expense | 2,952,964 | 16.14 % | 〃 | - | - | - | - % | Note 2 |
| 〃 | The Company | Subsidiary | Fuel revenue | (117,446) | 0.57 % | | - | | 38,711 | 12.21 % | Note 2 |
| 〃 | k.k. WH Corporation | Both are subsidiaries of WHL | Vessel rental revenue | (6,205,791) | 29.87 % | 〃 | - | - | 52,239 | 16.47 % | Note 2 |
| WHL Hong Kong | The Company | Subsidiary | Commission revenue | (272,927) | 15.29 % | 〃 | - | - | 347,586 | 48.91 % | Note 2 |
| 〃 | k.k. WH Corporation | Both are subsidiaries of WHL | Rent income | (289,809) | 16.24 % | 〃 | - | - | - | - % | Note 2 |
| Uniwin | The Company | Subsidiary | Commission revenue | (155,589) | 34.19 % | 〃 | - | - | - | - % | Note 2 |
| Clipper | The Company | Subsidiary | Commission revenue | (258,781) | 100.00 % | 30 days | - | - | - | - % | Note 2 |
| k.k. WH Corporation | The Company | Subsidiary | Terminal port revenue, rent income | (7,986,350) | 99.64 % | 〃 | - | - | 496,309 | 39.60 % | Note 2 |
| 〃 | WHL Singapore | Both are subsidiaries of WHL | Rent expense | 6,205,791 | 77.96 % | 〃 | - | - | (52,239) | 4.18 % | Note 2 |
| 〃 | WHL Hong Kong | Both are subsidiaries of WHL | Rent expense | 289,809 | 3.64 % | 〃 | - | - | - | - % | Note 2 |
| WHL Malaysia | The Company | Subsidiary | Commission revenue | (118,246) | 99.92 % | 〃 | - | - | - | - % | Note 2 |
| WHL Korea | The Company | Subsidiary | Commission revenue | (107,484) | 94.31 % | 〃 | - | - | - | - % | Note 2 |
| T.K. Logistics International Co., Ltd. | The Company | Subsidiary | Container revenue, service revenue, terminal handling revenue | (113,955) | 48.03 % | 〃 | - | - | 8,985 | 38.51 % | Note 2 |

Note 1: Including notes receivable / payable, accounts payable－related parties and receivable / payable from / to agents.

Note 2: Eliminated in the consolidated financial statements.

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

| Name of related party | Counter-party | Relationship | Balance of receivables from related party | Turnover rate | Past-due receivables from related party | | Subsequently received amount of receivables from related party | Allowances for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | Clipper | Subsidiary | 641,732 | - % | - | | 493,009 | - |
| 〃 | WHL Japan | Same director with the company | 659,090 | - % | - | | 543,962 | - |
| 〃 | WHL India | Subsidiary | 269,648 | - % | - | | 262,672 | - |

| Name of related party | Counter-party | Relationship | Balance of receivables from related party | Turnover rate | Past-due receivables from related party | | Subsequently received amount of receivables from related party | Allowances for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | WH USA | Subsidiary | 115,220 | - % | - | | 76,022 | - |
| k.k. WH Corporation | The Company | Subsidiary | 496,309 | - % | - | | 406,829 | - |
| WHL-Hong Kong | The Company | Subsidiary | 347,586 | - % | - | | 82,024 | - |
| BS | The Company | Subsidiary | 132,988 | - % | - | | 132,988 | - |
| WHL INTL | The Company | Subsidiary | 109,582 | - % | - | | 96,408 | - |
| WHL Thailand | The Company | Subsidiary | 158,552 | - % | - | | 158,552 | - |

Note: Eliminated in the consolidated financial statements.

9. Derivative transactions: None.

10. Business relationships and significant inter-company transactions:

| Number (Note 1) | Name of the company | Name of the counter-party | Existing relationship with the counter-party (Note 2) | Transaction details during 2018 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Terms of trading | Percentage of the total consolidated revenue or total assets (Note 3) |
| 0 | The Company | Wan Hai Lines (Singapore) Pte Ltd. | 1 | Rent revenue, commission revenue, shipping agent revenue | 2,952,964 | No significant differences | 4.42 % |
| 0 | 〃 | k.k. WH Corporation | 1 | Rent expense on vessels | 6,357,578 | Rent vessels from Singapore through kk | 9.52 % |
| 1 | k.k. WH Corporation | Wan Hai Lines (Singapore) Pte Ltd. | 3 | Rent expense on vessels | 6,205,791 | Rent vessels from Singapore through kk | 9.29 % |

Note 1: numbers denote the following:
1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:
1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note 3: The disclosed amounts are above 1% of total assets for balance sheet accounts or 1% of total operating revenue for income statement accounts of the Group.

(b) Information on investees

For the year ended December 31, 2018, the following is the information on investees (excluding investees in Mainland china):

| Name of the investor | Name of investee | Location | Major operations | Initial investment amount | | Ending balance | | | Peak Holding Percentage | Net income (loss) of the investee | Investment income (losses) | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Shares | Ratio of shares | Book value | | | | |
| The Company | Wan Hai Lines (Singapore) Pte Ltd. | Singapore | Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services | 21,546,395 | 21,546,395 | 959,957,200 | 100.00 % | 28,001,054 | 100.00 % | 2,308,879 | 2,303,423 | Subsidiary (Note 2) |
| 〃 | Wan Hai Lines (America) Ltd. | America | Transportation and shipping agency services | 401,460 | 401,460 | 280,000 | 100.00 % | 426,140 | 100.00 % | 22,573 | 22,573 | Subsidiary |
| 〃 | k.k. WH Corporation | Japan | Terminal operation and management service, and vessel rental service | 7,141 | 7,141 | 500 | 100.00 % | 18,293 | 100.00 % | 338 | 338 | Subsidiary (Note 3) |
| 〃 | Wan Hai Lines (Germany) GmbH | Germany | Transportation and shipping agency services | 1,018 | 1,018 | - | 100.00 % | 2,120 | 100.00 % | (368) | (368) | Subsidiary (Note 1) |
| 〃 | Tan Cang-Cai Mep International Terminal Co., Ltd. | Vietnam | Managing wharf and containers | 259,917 | 259,917 | - | 21.33 % | 361,735 | 21.33 % | 468,057 | 99,837 | Associate (Note 1) |
| 〃 | T.K. Logistics International Co., Ltd. | Taiwan | Managing container terminals and storage facilities | 143,000 | 143,000 | 14,300,000 | 55.00 % | 147,616 | 55.00 % | 6,065 | 3,336 | Subsidiary |

| Name of the investor | Name of investee | Location | Major operations | Initial investment amount | | Ending balance | | | Peak Holding Percentage | Net income (loss) of the investee | Investment income (losses) | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Shares | Ratio of shares | Book value | | | | |
| The Company | Bao Sheng Shipping Agency Co., Ltd. | Taiwan | Acting as agent for transportation affair and contracting ocean shipping and related services. | 30,000 | 30,000 | 3,000,000 | 70.01 % | 38,776 | 70.01 % | 5,345 | 3,742 | Subsidiary |
| 〃 | Hai Phong International Container Terminal Co., Ltd. | Vietnam | Managing wharf and containers | 598,211 | 202,896 | - | 16.50 % | 573,088 | 16.50 % | (109,216) | (18,021) | Associate (Note 1) |
| 〃 | Wan Hai Lines (Phils.), Inc. | Philippines | Transportation and shipping agency services | 5,991 | 5,991 | 901,540 | 100.00 % | 15,266 | 100.00 % | 3,333 | 3,333 | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai Lines (HK) Ltd. | Hong Kong | Transportation and shipping agency services | 695,246 | 695,246 | 160,000,000 | 100.00 % | 2,716,186 | 100.00 % | 365,068 | 365,068 | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai Lines (M) Sdn. Bhd. | Malaysia | Transportation and shipping agency services | 4,613 | 4,613 | 500,000 | 100.00 % | 83,173 | 100.00 % | 17,222 | 17,222 | Indirect subsidiary (Note 3) |
| 〃 | Yi Chun Shipping Agencies Sdn. Bhd. | Malaysia | ODD operations | 1,845 | 1,845 | 200,000 | 100.00 % | 9,001 | 100.00 % | 6,330 | 6,330 | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai Lines (Korea) Ltd. | Korea | Transportation and shipping agency services | 11,019 | 11,019 | 80,000 | 100.00 % | 28,177 | 100.00 % | 12,750 | 12,750 | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai International Pte. Ltd. | Singapore | Transportation and shipping agency services | 239,979 | 239,979 | 10,312,460 | 100.00 % | 556,239 | 100.00 % | (268,044) | (268,044) | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai Lines (Thailand) Ltd. | Thailand | Transportation and shipping agency services | 2,805 | 2,805 | 24,900 | 49.00 % | 58,839 | 49.00 % | 14,161 | 6,939 | Indirect subsidiary (Note 3) |
| 〃 | Wan Hai (Vietnam) Ltd. | Vietnam | Transportation and shipping agency services | 8,691 | 8,691 | - | 100.00 % | 33,022 | 100.00 % | 17,746 | 17,746 | Indirect subsidiary (Note 1、3) |
| 〃 | HE CHUN LOGISTICS COMPANY LTD. | Vietnam | ODD operations | 60,857 | - | - | 100.00 % | 61,376 | 100.00 % | 427 | 427 | |
| 〃 | Wan Hai Lines Peru S.A.C. | Peru | Transportation and shipping agency services | 1,962 | 1,007 | 109,140 | 51.00 % | 9,645 | 51.00 % | 16,705 | 8,519 | Associate |
| 〃 | Wan Hai Lines Ecuador SA. | Ecuador | Transportation and shipping agency services | 1,627 | 1,627 | 51,000 | 51.00 % | 6,017 | 51.00 % | 7,900 | 4,029 | Indirect subsidiary (Note 3) |
| 〃 | Bravely International Pte. Ltd. | Singapore | Investment | 413,778 | 151,638 | 6,623,101 | 100.00 % | 85,358 | 100.00 % | (209,220) | (209,220) | Indirect subsidiary (Note 3) |
| 〃 | WAN HAI LINES (USA) LTD. | America | Transportation and shipping agency services | 4,469 | - | 3,000 | 100.00 % | 5,335 | 100.00 % | 709 | 709 | Indirect subsidiary |
| WHL INTL. | Wan Hai Lines (UAE) LLC. | Dubai | Transportation and shipping agency services | 1,365 | 1,365 | 147 | 49.00 % | 36,331 | 49.00 % | 68,690 | 33,658 | Indirect subsidiary (Note 3) |
| 〃 | Infinite Marine Investment Co., Ltd. | Cayman | Transportation and investment | 173,463 | 173,463 | 5,550,000 | 100.00 % | (730) | 100.00 % | (167,068) | (167,068) | Associate (Note 3) |
| 〃 | Wan Hai Lines (India) PVT Ltd. | India | Transportation and shipping agency services | 69 | 69 | 10,000 | 100.00 % | 80,730 | 100.00 % | 28,022 | 28,022 | Indirect subsidiary (Note 3) |
| WHL Hong Kong | Dawin Logistics (International) Ltd. | Hong Kong | Transportation, storage services | 570,480 | 570,480 | 144,640,000 | 100.00 % | 912,796 | 100.00 % | 29,167 | 29,167 | Indirect subsidiary (Note 3) |
| Bravely International Pte. Ltd. | Bravely (Myanmar) Transport and Logistics Company Ltd. | Myanmar | Managing container, storage and logistics services | 127,584 | 96,894 | 4,000,000 | 80.00 % | 92,409 | 80.00 % | (3,264) | (2,611) | Indirect subsidiary (Note 3) |
| WHL America | Wan Hai Lines (Arizona) LLC. | America | House rental and management services | 359,760 | 359,760 | - | 100.00 % | 375,574 | 100.00 % | 2,780 | 2,780 | Indirect subsidiary (Note 1) |

Note 1: Limited companies with no common shares issued.

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

Note 3: Eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

| Name of the investee in Mainland China | Major operations | Issued capital | Method of investment | Beginning remittance balance - Cumulative investment (amount) from Taiwan | Current remittance/recoverable investment (amount) | | Ending remittance balance - Cumulative investment (amount) from Taiwan | Net income (loss) of the investee | Direct /indirect shareholding (%) by the Company | Peak Holding Percentage | Current investment gains and losses (Note 2) | Carrying Amount | Accumulated Inward Remittance of Earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remittance amount | Recoverable amount | | | | | | | |
| Guangzhou Wan Hai Information Technology Ltd. | Information software service | 7,922 | (1) | - | - | - | - | 476 | 100.00 % | 100.00 % | 476 | 22,213 | - |
| Shenzhen Uniwin International Logistics Ltd. | Freight transportation and acting as agent for transport affairs | 644,016 | (1) | - | - | - | - | 13,162 | 100.00 % | 100.00 % | 13,162 | 788,110 | - |
| Clipper International Shipping Agency Ltd. | International shipping agency services | 4,070 | (1) | - | - | - | - | 8,596 | 49.00 % | 49.00 % | 4,212 | 2,424 | - |
| Blue Ocean Logistics (Shanghai) Ltd. | Containers, storage and international transportation services | 32,596 | (1) | - | - | - | - | 2,690 | 100.00 % | 100.00 % | 2,690 | 65,349 | - |
| Shenzhen Yong Chun International Shipping Management Co., Ltd. | International shipping management | 29,068 | (1) | - | - | - | - | 1,762 | 90.00 % | 90.00 % | 1,586 | 26,276 | - |
| Wan Hang Tours Co., Ltd. | Retailing and Catering management | 287,330 | (1) | - | - | - | - | 239 | 50.00 % | 50.00 % | 120 | 119,522 | - |
| Qingdao port & Win International Logistics Co., Ltd. | Container Depot | 50,188 | (1) | - | - | - | - | 32,922 | 50.00 % | 50.00 % | 16,461 | 40,904 | - |

Note 1: Indirectly invested in Mainland China through investees.
Note 2: The investment income (loss) recognized in current period was audited and certified by the CPA of the Company.

2. Limitation on investment in Mainland China:

| Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period | Investment amount approved by Investment Commission of Ministry of Economic Affairs | Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs |
|---|---|---|
| - | 1,131,368 | 20,750,671 |

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

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

## (14) Segment Information

(a) General Information

The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources of the segment and to assess its performance for which the discrete financial information is available. Only one reportable segment of the Group was identified, and it's mainly associated with the shipping operations.

(b) The Group has only one segment associated with shipping operations. Please refer to the Consolidated Balance Sheets and Consolidated Statements of comprehensive Income for its segment profit or loss, segment assets and segment liabilities.

(c) Entity－wide Information:

Geographical Areas:

The segments information of the Group that is identified based on geographical areas was as follow. Operating segments were identified based on the way in which revenues were classified according to customer's location, and non-current assets were classified according to the location of asset.

| **By region** | | **2018** | **2017** |
|---|---|---|---|
| Revenue from external customers: | | | |
| Asia | $ | 42,811,809 | 38,017,490 |
| the Middle East | | 5,489,208 | 6,587,430 |
| India | | 7,512,601 | 6,958,124 |
| America | | 6,043,470 | 5,159,343 |
| South America | | 4,333,936 | 4,047,258 |
| Europe | | 587,652 | - |
| Total | **$** | **66,778,676** | **60,769,645** |

| **By region** | | **2018.12.31** | **2017.12.31** |
|---|---|---|---|
| Non-current assets: | | | |
| Asia | $ | 46,733,460 | 43,156,078 |
| India | | 208,071 | 194,851 |
| America | | 349,428 | 328,578 |
| Total | **$** | **47,290,959** | **43,679,507** |

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information about Major Customers:

The Group does not have more than 10% corporate income from single customer.