Stock Code:2615

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016
(With Independent Auditors' Report Thereon)

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

The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table Of Contents

Contents | **Page**

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. The Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Organization and Business	9
(2) Approval Date and Procedures of the Consolidated Financial Statements	9
(3) New Standards and Interpretations Not Yet Adopted	9～17
(4) Summary of Significant Accounting Policies	17～31
(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty	32
(6) Explanation to Significant Accounts	32～61
(7) Related-Party Transactions	61～63
(8) Pledged Assets	64
(9) Significant Contingencies and Commitments	64
(10) Losses Due to Major Disasters	64
(11) Significant Subsequent Events	64
(12) Others	65
(13) Other Disclosures	
(a) Information on significant transactions	65～70
(b) Information on investees	70～71
(c) Information on investment in Mainland China	72
(14) Segment Information	72～73

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, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission "Consolidated and Separate Financial Statements."

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

Company Name: Wan Hai Lines Ltd.
Chairman: Shihlin Paper Co., Ltd.
Representative: Po Ting Chen
Date: March 26, 2018

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Wan Hai Lines Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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" and Note(5)(b) "Revenue recognition" of the financial statements.

   How the matter was addressed in our audit

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

Our principal audit procedures included:

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

2. Impairment of Property, plant and equipment

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

How the matter was addressed in our audit

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

Our principal audit procedures included:

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

Other Matter

Wan Hai Lines Ltd. and its subsidiaries has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2018

Notes to Readers

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

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

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017.12.31		2016.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (notes (6)(a))	$ 19,245,440	25	19,327,191	26
1125	Available-for-sale financial assets — current (notes (6)(b))	4,242,631	5	3,984,324	5
1150	Notes receivable, net (notes (6)(c))	25,430	-	26,123	-
1170	Accounts receivable (notes (6)(c) and (7))	2,941,263	4	2,387,070	3
1200	Other receivables (notes (6)(c) and (7))	1,011,713	1	1,067,305	1
1330	Inventories, net (notes (6)(d))	1,319,047	2	1,251,565	2
1475	Receivables from agents (notes (6)(c) and (7))	696,948	1	713,083	1
1479	Other current assets (notes (8))	564,757	1	641,485	1
		30,047,229	39	29,398,146	39
	Non-current assets:				
1523	Available-for-sale financial assets — non-current (notes (6)(b))	177,746	-	177,204	-
1543	Financial assets measured at cost — non-current (notes (6)(b))	708,967	1	708,967	1
1546	Bond portfolios with inactive market — non-current (notes (6)(b))	1,187,200	2	1,288,800	2
1550	Long-term equity investments under equity method (notes (6)(e))	713,155	1	396,361	-
1600	Property, plant and equipment (notes (6)(f) and (8) and (9))	42,680,442	56	43,602,819	57
1760	Investment property, net (notes (6)(g))	303,238	-	-	-
1780	Intangible assets (notes (6)(h))	53,262	-	28,386	-
1900	Other non-current assets (note (6)(s) and (8) and (9))	642,565	1	719,389	1
		46,466,575	61	46,921,926	61
	Total assets	$ 76,513,804	100	76,320,072	100

		2017.12.31		2016.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (notes (6)(i))	$ 60,000	-	63,000	-
2170	Accounts payable (notes (7))	6,890,826	9	6,402,803	8
2200	Other payables (notes (6)(s) and (7))	3,150,037	4	1,466,093	2
2230	Current tax liabilities(notes (6)(m))	186,208	-	84,159	-
2320	Current portion of long-term loans (notes (6)(i) and (j) and (9))	9,112,404	12	6,202,208	8
2350	Payable to agents (notes (7))	3,552	-	21,048	-
2300	Other current liabilities	1,491,704	2	1,287,087	2
		20,894,731	27	15,526,398	20
	Non-Current liabilities:				
2530	Bonds payable (note (6)(j))	6,900,000	9	9,300,000	12
2540	Long-term loans (notes (6)(i) and (8))	12,083,130	16	14,962,592	20
2570	Deferred income tax liabilities (note (6)(m))	1,095,901	1	939,844	1
2640	Accrued pension liabilities (note (6)(l))	822,662	1	809,048	1
2645	Guarantee deposits received	537,763	1	476,706	1
		21,439,456	28	26,488,190	35
	Total liabilities	42,334,187	55	42,014,588	55
	Equity attributable to owners of parent (notes (6)(n) and (o)):				
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	6,503,503	8	6,389,335	8
3320	Special reserve	-	-	1,053,282	1
3350	Retained earnings — unappropriated	5,146,283	7	2,635,957	4
		11,649,786	15	10,078,574	13
	Other equity interest:				
3411	Exchange differences on translation of foreign financial statements, parent	(1,480,258)	(2)	572,600	1
3426	Unrealized gains (losses) on available-for-sale financial assets, parent	352,776	1	12,120	-
		(1,127,482)	(1)	584,720	1
	Total equity attributable to owners of parent:	33,966,960	45	34,107,950	45
36XX	Non-controlling interests	212,657	-	197,534	-
	Total equity	34,179,617	45	34,305,484	45
	Total liabilities and equity	$ 76,513,804	100	76,320,072	100

Seeing accompanying notes to financial statements.

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (notes (6)(p) and (7))**	$ 60,769,645	100	57,351,493	100
5000	**Operating costs (notes (6)(d) and (7))**	53,654,228	88	51,590,656	90
	Gross profit	7,115,417	12	5,760,837	10
6000	**Operating expenses**	3,973,607	7	3,887,034	7
	Income from operations	3,141,810	5	1,873,803	3
	Non-operating income and expenses (notes (6)(e) and (r)):				
7010	Other income	411,437	1	376,644	1
7020	Other gains and losses	(43,137)	-	(306,233)	-
7050	Finance costs	(521,740)	(1)	(520,239)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	130,671	-	75,531	-
	Total non-operating income and expenses	(22,769)	-	(374,297)	-
	Profit before tax	3,119,041	5	1,499,506	3
7950	**Less: Income tax expense(notes (6)(m))**	560,066	1	350,199	1
	Net profit	2,558,975	4	1,149,307	2
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Actuarial losses and gains on defined benefit plans	(92,536)	-	(120,251)	-
8349	Income tax related to components of other comprehensive income	9,178	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(83,358)	-	(120,251)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(2,058,133)	(3)	(224,083)	-
8362	Gains (loss) on valuation of available-for-sale financial assets	340,656	-	234,930	-
8399	Income tax related to components of other comprehensive income	5,132	-	2,161	-
	Total items that will be reclassified subsequently to profit or loss	(1,712,345)	(3)	13,008	-
8300	**Other comprehensive income (loss), net of tax**	(1,795,703)	(3)	(107,243)	-
	Total comprehensive income	**$ 763,272**	**1**	**1,042,064**	**2**
	Profit attributable to:				
	Owners of the parent company	$ 2,541,889	4	1,141,680	2
	Non-controlling interest	17,086	-	7,627	-
		$ 2,558,975	**4**	**1,149,307**	**2**
	Comprehensive income attributable to:				
	Owners of the parent company	$ 746,329	1	1,036,777	2
	Non-controlling interest	16,943	-	5,287	-
		$ 763,272	**1**	**1,042,064**	**2**
	Basic earnings per share (New Taiwan Dollars) (note (6)(o))	**$**	**1.15**		**0.51**
	Diluted earnings per share (New Taiwan Dollars) (note (6)(o))	**$**	**1.14**		**0.51**

Seeing accompanying notes to financial statements.

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Owners' Equity Attributable to Equity Holders of the Parent Company									
	Stock		Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total
Balance as of January 1, 2016	$ 22,182,975	1,261,681	5,995,044	1,117,003	4,607,055	792,182	(222,810)	35,733,130	181,792	35,914,922
Net profit	-	-	-	-	1,141,680	-	-	1,141,680	7,627	1,149,307
Other comprehensive income	-	-	-	-	(120,251)	(219,582)	234,930	(104,903)	(2,340)	(107,243)
Total comprehensive income	-	-	-	-	1,021,429	(219,582)	234,930	1,036,777	5,287	1,042,064
Appropriation of retained earnings:										
Legal reserve	-	-	394,291	-	(394,291)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,661,957)	-	-	(2,661,957)	-	(2,661,957)
Reversal of special reserve	-	-	-	(63,721)	63,721	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	10,455	10,455
Balance as of December 31, 2016	22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	12,120	34,107,950	197,534	34,305,484
Net profit	-	-	-	-	2,541,889	-	-	2,541,889	17,086	2,558,975
Other comprehensive income	-	-	-	-	(83,358)	(2,052,858)	340,656	(1,795,560)	(143)	(1,795,703)
Total comprehensive income	-	-	-	-	2,458,531	(2,052,858)	340,656	746,329	16,943	763,272
Appropriation of retained earnings:										
Legal reserve	-	-	114,168	-	(114,168)	-	-	-	-	-
Cash dividends	-	-	-	-	(887,319)	-	-	(887,319)	-	(887,319)
Reversal of special reserve	-	-	-	(1,053,282)	1,053,282	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(1,820)	(1,820)
Balance as of December 31, 2017	**$ 22,182,975**	**1,261,681**	**6,503,503**	**-**	**5,146,283**	**(1,480,258)**	**352,776**	**33,966,960**	**212,657**	**34,179,617**

Seeing accompanying notes to financial statements.

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31, 2017	2016
Cash flows from operating activities：		
Profit before income tax	$ 3,119,041	1,499,506
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	4,089,817	4,139,217
Amortization	22,927	25,433
Provisions for bad debt expenses	72	-
Interest expense	521,740	520,239
Interest revenue	(226,754)	(206,360)
Dividend revenue	(184,683)	(170,284)
Investment income under the equity method	(130,671)	(75,531)
Gain on disposal of property, plant and equipment	(158,683)	(268,490)
Gain on disposal of available-for-sale assets-current	(52,817)	(9,683)
Loss on impairment of financial assets	-	56,065
Unrealized foreign exchange loss	(335,416)	(225,075)
Others	85	-
Total adjustments to reconcile profit (loss)	3,545,617	3,785,531
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	693	1,323
Accounts receivable (including related parties)	(554,265)	(252,837)
Other receivables	58,204	303,111
Inventories	(67,482)	(618,873)
Receivables from agents	16,135	(2,905)
Other current assets	80,464	(69,912)
Total changes in operating assets, net	(466,251)	(640,093)
Changes in operating liabilities, net:		
Accounts payable (including related parties)	488,023	130,361
Other payables	580,450	434,308
Payables to agents	(17,496)	5,550
Other current liabilities	204,617	(74,498)
Accrued pension liabilities	(78,922)	(99,623)
Total changes in operating liabilities, net	1,176,672	396,098
Total changes in operating assets and liabilities, net	710,421	(243,995)
Total adjustments	4,256,038	3,541,536
Cash inflow generated from operations	7,375,079	5,041,042
Income taxes paid	(295,877)	(902,365)
Net cash operating by operating activities	7,079,202	4,138,677

Seeing accompanying notes to financial statements.

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

WAN HAI LINES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(94,801)	(383,386)
Proceeds from disposal of available-for-sale financial assets	229,395	46,621
Acquisition of long-term equity investment under equity method	(268,461)	(25,090)
Acquisition of property, plant and equipment	(4,550,565)	(2,528,969)
Proceeds from disposal of property, plant and equipment	244,070	402,422
Acquisition of intangible assets	(29,480)	(11,525)
Acquisition of investment property	(310,706)	-
Other non-current assets	(96,758)	(324,478)
Interest received	224,287	213,008
Dividends received	232,042	199,739
Net cash used in investing activities	(4,420,977)	(2,411,658)
Cash flows from financing activities:		
Increase in short-term loans	(3,000)	13,000
Issuance of corporate bonds	2,100,000	3,000,000
Repayment of bonds	(2,900,000)	(3,000,000)
Increase in long-term loans	2,724,950	3,687,300
Repayment of long-term loans	(3,107,111)	(5,115,319)
Guarantee deposits received	61,057	(70,429)
Dividends paid	(887,319)	(2,661,957)
Interest paid	(528,922)	(521,370)
Change in non-controlling interest	(1,819)	10,455
Net cash used in financing activities	(2,542,164)	(4,658,320)
Foreign exchange rate effects	(197,812)	381,039
Net (decrease) increase in cash and cash equivalents	(81,751)	(2,550,262)
Cash and cash equivalents, beginning of period	19,327,191	21,877,453
Cash and cash equivalents, end of period	$ **19,245,440**	**19,327,191**

Seeing accompanying notes to financial statements.

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

(1) Organization and Business

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

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

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

(3) New Standards and Interpretations Not Yet Adopted

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

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

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

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

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

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

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

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

1. IFRS 9 "Financial Instruments"

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

   1) Classification- Financial assets

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

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

2) Impairment-Financial assets and contact assets

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

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

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

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

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

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

3) Disclosures

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

4) Transition

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

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

2. IFRS 15 Revenue from Contracts with Customers

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

1) Rending of services

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

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

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

2) Transition

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

The Group estimates the adoption of IFRS 15, resulting in the increase of $637,649 thousand and $252,606 thousand in contract assets, and contract liabilities, respectively; and a decrease of $637,649 thousand and $252,606 thousand in accounts receivable and advance sales receipts (recognized as under other current liabilities), respectively, on January 1, 2018.

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

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

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
May 18, 2016	IFRS 17 "Insurance Contracts "	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows: • Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest. • Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. • Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: ・IFRS 3 Business Combinations and IFRS 11 Joint Arrangements ・IAS 12 Income Taxes ・IAS 23 Borrowing Costs	・Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. －If a party maintain joint control, then the previously held interest is not remeasured. －If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. ・Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity. ・Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

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

(4) Summary of Significant Accounting Policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

1. Basis of measurement

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

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

2) Available-for-sale financial assets are measured at fair value; and

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

2. Functional and presentation currency

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

(c) Business combination

1. Principle of preparation of the consolidated financial statements

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

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

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

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

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2017.12.31	2016.12.31	
The Company	Wan Hai Lines (Singapore) Pte. Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing	100.00 %	100.00 %	
The Company	Wan Hai Lines (America) Ltd. (WHL America)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00 %	55.00 %	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00 %	100.00 %	
The Company	Wan Hai Lines (Germany) GmbH (WHL Germany)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2017.12.31	2016.12.31	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services	70.01 %	70.01 %	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL Malaysia)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai Lines (HK) Ltd. (WHL Hongkong)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai Lines (Phils.), Inc. (WHL Phils.)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL Korea)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai International Pte. Ltd. (WHL INTL.)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	ODD operation	100.00 %	100.00 %	
WHL-Singapore	Wan Hai (Vietnam) Ltd. (WHL Vietnam)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL-Singapore	Wan Hai Lines (Thailand) Ltd. (WHL Thailand)	International freight transportation and agency services for transport affairs	49.00 %	49.00 %	The Company did not directly or indirectly hold over one half of the voting rights of WHL-Thailand; however, the subsidiary WHL Singapore occupies three of the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand.
WHL-Singapore	Wan Hai Lines (Ecuador) S.A.	International freight transportation and agency services for transport affairs	51.00 %	51.00 %	
WHL America	Wan Hai Lines (Arizona) LLC.	House rental and service Management	100.00 %	- %	
WHL-INTL.	Wan Hai Lines (India) PVT Ltd. (WHL India)	International freight transportation and agency services for transport affairs	100.00 %	100.00 %	
WHL INTL.	Bravely International Pte. Ltd.	International freight transportation and investment	100.00 %	100.00 %	

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2017.12.31	2016.12.31	
WHL INTL.	Infinite Marine Investment Co., Ltd.	Investment	100.00 %	100.00 %	
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Managing container, storage and logistics services	80.00 %	80.00 %	
WHL-Hongkong	Guangzhou Wan Hai Information Technology Ltd. (GWHIT)	Information software service	100.00 %	100.00 %	
WHL-Hongkong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00 %	100.00 %	
Dawin	Shenzhen Uniwin International Logistics Ltd. (SUIL)	Freight transportation and agency services for transport affairs	100.00 %	100.00 %	
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	Containers, storage and international transportation services	100.00 %	100.00 %	
Shenzhen Uniwin	Shanghai Clipper International Shipping Agency Ltd. (CISA)	International shipping agency services	49.00 %	49.00 %	The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00 %	90.00 %	

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

(d) Foreign currency

1. Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss which are recognized in other comprehensive income.

2. Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

1. Financial assets

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

1) Financial assets at fair value through profit or loss

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

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

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

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

2) Available-for sale financial assets

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

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

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

3) Loans and receivables

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

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

2. Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(j) Joint Arrangements

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

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

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in "jointly controlled entities" to "joint ventures". Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect on the recognized assets, liabilities, and other comprehensive income.

(k) Investment property

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

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

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~ 57 years
Vessels	2~ 25 years
Containers	2~ 16 years
Privileged wharf equipment	2~ 15 years
Other equipment	2~ 30 years

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

(m) Leases

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

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

(n) Intangible assets

1. Intangible assets

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

2. Subsequent expenditure

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

3. Amortization

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

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

Software	2~ 5 years
Trademarks	5~ 10 years

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

(o) Impairment – non-financial assets

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

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

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

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

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

(p) Revenue

1. Freight Revenue

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

2. Rental Revenue

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

3. Terminal operating revenue

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

4. Other service revenue

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

(q) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

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

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

3. Termination benefits

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

4. Short-term employee benefits

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

(r) Income taxes

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

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

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

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

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

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

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

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

(s) Earnings per share

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

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

(t) Operating segments

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

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

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

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

There is no significant effect on the amounts recognized in the consolidated financial statements in applying the accounting policy on critical judgments.

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

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

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

(b) Revenue recognition

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash	$ 58,695	49,118
Savings accounts	2,959,674	2,208,466
Time deposits	16,227,071	17,069,607
Cash and cash equivalents in statement of cash flows	**$ 19,245,440**	**19,327,191**

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

(b) Financial assets

1. Details of financial assets:

	2017.12.31	2016.12.31
Available-for-sale financial assets	$ 4,420,377	4,161,528
Financial assets measured at cost	708,967	708,967
Bond portfolios with inactive market	1,187,200	1,288,800
Total	**$ 6,316,544**	**6,159,295**

	2017.12.31	2016.12.31
Current	$ 4,242,631	3,984,324
Non-current	2,073,913	2,174,971
Total	**$ 6,316,544**	**6,159,295**

Based on the Group's assessment, the impairment losses of $0 thousand and $29,065 thousand are recognized on the available-for-sale financial assets for the years ended December 31, 2017 and 2016.

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2017 the impairment loss was $27,000 thousand.

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

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

2. Sensitivity analysis-equity price risk:

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

	2017		**2016**	
Equity price at reporting date	**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increase1%	**$ 44,204**	**-**	**41,615**	**-**
Decrease1%	**$ (44,204)**	**-**	**(41,615)**	**-**

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

	2017.12.31	2016.12.31
Notes receivable	$ 25,430	26,123
Accounts receivable	2,941,621	2,387,428
Other receivables	1,011,713	1,067,305
Receivables from agents	696,948	713,083
Less: Allowance for doubtful receivables	(358)	(358)
	$ 4,675,354	**4,193,581**

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	2016.12.31
Overdue 0-30 days	$ 560,271	438,148
Overdue 31-120 days	44,670	90,807
Overdue 121-365 days	45,353	6,551
Overdue more than 365 days	1,517	3,347
	$ 651,811	**538,853**

The movement in the allowance for notes and trade receivable and other receivables and receivables from agents was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2017	$ -	358	358
Impairment loss recognized	-	72	72
Amounts written off	-	(72)	(72)
Balance as of December 31, 2017	**$ -**	**358**	**358**
Balance as of January 1, 2016	$ -	364	364
Amounts written off	-	(6)	(6)
Balance as of December 31, 2016	**$ -**	**358**	**358**

Please refer to (6)(s) for the credit risks and the currency risks of the notes and trade receivables and other receivables of the Group.

As of December 31, 2017 and 2016, the notes and trade receivable and other receivables of the Group had not been pledged as collateral.

(d) Inventories

	2017.12.31	2016.12.31
Marine diesel oil	$ 129,463	119,260
Marine residual fuel oil	1,075,871	998,030
Fresh lubricating oil	113,806	134,314
Subtotal	1,319,140	1,251,604
Less: Allowance for inventory valuation and obsolescence losses	(93)	(39)
Total	**$ 1,319,047**	**1,251,565**

In 2017, the write-down of inventories to net realizable value amounted to $56 thousand respectively. The write-downs are included in cost of sales.

In 2016, the reversal of write-downs amounted to $103,114 thousand due to the elimination of the write-down factor.

As of December 31, 2017 and 2016, the Group's inventories were not pledged as collateral.

(e) Investments accounted for using equity method

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

	2017.12.31	2016.12.31
Associates	$ 533,177	296,078
Joint venture	179,978	100,283
	$ 713,155	**396,361**

1. Associates

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

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

	2017.12.31	2016.12.31
The carrying amount of individually non-significant associates' equity	**$ 533,177**	**296,078**

	2017	2016
Attributable to the Group:		
Profit (loss) from continuing operations	$ 107,324	62,499
Total comprehensive income	**$ 107,324**	**62,499**

2.Joint venture

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

	2017.12.31	2016.12.31
The carrying amount of individually non-significant joint venture equity	**$ 179,978**	**100,283**

	2017	2016
Attributable to the Group:		
Profit (loss) from continuing operations	**$ 23,347**	**13,032**

3.Collateral

As of December 31, 2017 and 2016, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(f) Property, plant and equipment

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

		Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:								
Balance at January 1, 2017	$	662,241	1,693,085	71,690,832	18,729,935	1,945,368	1,733,663	96,455,124
Additions		-	826	1,413,247	4,110,318	89,731	49,122	5,663,244
Reclassification		-	-	79,063	-	(1,802)	81,775	159,036
Disposals		-	-	(248,222)	(626,883)	(507,223)	-	(1,382,328)
Effect of movements in exchange rates		(3,293)	(89,372)	(5,305,490)	(2)	(18,876)	811	(5,416,222)
Balance at December 31, 2017	$	**658,948**	**1,604,539**	**67,629,430**	**22,213,368**	**1,507,198**	**1,865,371**	**95,478,854**
Balance at January 1, 2016	$	663,096	1,726,710	73,589,436	18,543,050	1,842,388	1,502,634	97,867,314
Additions		-	43,540	525,984	1,492,030	130,274	121,324	2,313,152
Reclassification		-	-	-	-	44,542	111,178	155,720
Disposals		-	-	(1,019,843)	(1,305,144)	(41,600)	-	(2,366,587)
Effect of movements in exchange rates		(855)	(77,165)	(1,404,745)	(1)	(30,236)	(1,473)	(1,514,475)
Balance at December 31, 2016	$	**662,241**	**1,693,085**	**71,690,832**	**18,729,935**	**1,945,368**	**1,733,663**	**96,455,124**
Depreciation and impairment loss:								
Balance at January 1, 2017	$	-	384,086	38,764,414	11,700,516	1,173,851	829,438	52,852,305
Depreciation		-	42,905	3,146,585	670,294	130,176	99,676	4,089,636
Reclassification		-	-	-	-	(1,729)	1,729	-
Disposals		-	-	(203,540)	(586,136)	(506,806)	-	(1,296,482)
Effect of movements in exchange rates		-	(20,186)	(2,814,168)	(3)	(12,891)	201	(2,847,047)
Balance at December 31, 2017	$	**-**	**406,805**	**38,893,291**	**11,784,671**	**782,601**	**931,044**	**52,798,412**
Balance at January 1, 2016	$	-	347,873	37,169,317	12,292,979	1,095,988	746,573	51,652,730
Depreciation		-	45,425	3,261,408	611,421	137,996	82,967	4,139,217
Disposals		-	-	(1,037,738)	(1,203,883)	(40,642)	-	(2,282,263)
Effect of movements in exchange rates		-	(9,212)	(628,573)	(1)	(19,491)	(102)	(657,379)
Balance at December 31, 2016	$	**-**	**384,086**	**38,764,414**	**11,700,516**	**1,173,851**	**829,438**	**52,852,305**
Carrying amounts:								
Balance at December 31, 2017	$	**658,948**	**1,197,734**	**28,736,139**	**10,428,697**	**724,597**	**934,327**	**42,680,442**
Balance at December 31, 2016	$	**662,241**	**1,308,999**	**32,926,418**	**7,029,419**	**771,517**	**904,225**	**43,602,819**
Balance at January 1, 2016	$	**663,096**	**1,378,837**	**36,420,119**	**6,250,071**	**746,400**	**756,061**	**46,214,584**

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

(g) Investment property

	Land and improvements	Buildings	Total
Cost:			
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, 2017	$ -	-	-
Depreciation	-	181	181
Effect of changes in foreign exchange rates	-	(5)	(5)
Balance at December 31, 2017	**$ -**	**176**	**176**
Carrying amount:			
Balance at December 31, 2017	**$ 138,493**	**164,745**	**303,238**
Fair value:			
Balance at January 1, 2017			**$ 296,800**

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The range of yields applied to the net annual rentals used to determine the fair value of properties was as follows.

Location	2017
America	6.9%~7.3%

The investment property is a commercial real estate which was bought for operation planning on December 31, 2017. That property has been transferred from property, plant and equipment to investment property. No contingent rents are charged. The rent revenue is $4,899 thousand for the year 2016.

As of December 31, 2017 and 2016, the investment property of the Group had not been pledged as collateral.

(h) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group in 2017 and 2016 were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2017	$ 52,657	4,773	57,430
Additions	29,382	98	29,480
Reclassification	17,452	901	18,353
Disposals	(12,669)	-	(12,669)
Effect of movement in exchange rates	88	-	88
Balance at December 31, 2017	**$ 86,910**	**5,772**	**92,682**
Balance at January 1, 2016	$ 70,746	1,913	72,659
Additions	11,140	385	11,525
Reclassification	1,086	2,694	3,780
Disposals	(30,071)	(219)	(30,290)
Effect of movement in exchange rates	(244)	-	(244)
Balance at December 31, 2016	**$ 52,657**	**4,773**	**57,430**
Amortization and impairment loss:			
Balance at January 1, 2017	$ 26,965	2,079	29,044
Amortization for the year	22,232	695	22,927
Disposals	(12,669)	-	(12,669)
Effect of movement in exchange rates	118	-	118
Balance at December 31, 2017	**$ 36,646**	**2,774**	**39,420**
Balance at January 1, 2016	$ 33,337	740	34,077
Amortization for the year	23,875	1,558	25,433
Disposals	(30,071)	(219)	(30,290)
Effect of movement in exchange rates	(176)	-	(176)
Balance at December 31, 2016	**$ 26,965**	**2,079**	**29,044**
Carrying amounts:			
Balance at December 31, 2017	**$ 50,264**	**2,998**	**53,262**
Balance at December 31, 2016	**$ 25,692**	**2,694**	**28,386**
Balance at January 1, 2016	**$ 37,409**	**1,173**	**38,582**

1. Recognition of amortization and impairment

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

	2017	2016
Operating costs	$ 664	495
Operating expense	$ 22,263	24,938

(i) Term loans

Details of borrowings were as follows:

	2017.12.31			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	TWD	0.96%~1.67%	2018/01/03-2020/05/19	$ 1,007,325
Secured bank loans	TWD	1.16%~1.67%	2020/05/19-2021/12/21	536,250
Unsecured bank loans	USD	2.39%	2022/12/21	222,600
Secured bank loans	USD	1.67%~2.66%	2018/05/09-2023/8/14	12,390,218
Commercial paper	TWD	0.59%~0.98%	2019/12/27-2020/06/22	2,600,000
				16,756,393
Less: Discount on commercial paper				(859)
Current portion				(4,672,404)
Total				$ 12,083,130
Unused loan credit				$ 6,741,123

	2016.12.31			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	TWD	1.51%-1.67%	2017/1/17-2020/5/19	$ 129,254
Secured bank loans	TWD	1.16%-1.67%	2020/5/19-2021/12/21	550,750
Secured bank loans	USD	1.15%-2.10%	2018/5/9-2023/8/14	16,050,659
Commercial paper	TWD	0.86%-0.98%	2019/12/27	1,600,000
				18,330,663
Less: Discount on commercial paper				(2,863)
Current portion				(3,365,208)
Total				$ 14,962,592
Unused loan credit				$ 7,791,889

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

1. Securities for bank loan

   For the collateral for loans, please refer to note (8).

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

(j) Bonds payable

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

	2016.12.31			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank-2011 first domestic bond issue	TWD	1.85%	2018/06/24	$ 4,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	2017/7/28	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%-1.95%	2019/08/14-2021/08/14	1,800,000
Unsecured bank-2016 first domestic bond issue	TWD	1.18%	2021/06/21	3,000,000
Total				**$ 12,200,000**
Current				$ 2,900,000
Non-current				9,300,000
Total				**$ 12,200,000**

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 bank-2014 first domestic bond issue

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

1) Issue amount

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

2) Nominal amount

Par value TWD 1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.95%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: None.

12) Announcement

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

3. Unsecured bank-2016 first domestic bond issue

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

1) Issue amount

TWD3,000,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate: 1.18%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: MasterLink Securities Corporation.

12) Announcement

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

4. Unsecured bank-2017 first domestic bond issue

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

1) Issue amount

TWD2,100,000 thousand.

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate: 1.55%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

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

12) Announcement

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

(k) Operating leases

Non-cancellable operating lease rentals payable were as follows:

		2017.12.31	2016.12.31
Less than one year	$	1,967,008	1,261,583
Between one and five years		1,935,547	1,417,985
More than five years		2,302,815	2,409,073
	$	**6,205,370**	**5,088,641**

(l) Employee benefits

1. Defined benefit plans

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

		2017.12.31	2016.12.31
Present value of defined benefit obligation	$	1,405,434	1,322,241
Fair value of plan assets		(582,772)	(513,193)
Recognized liabilities for defined benefit obligations	**$**	**822,662**	**809,048**

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

1) Composition of plan assets

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

The Group’s pension reserve account balance amounted to $582,772 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor.

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:

	2017	2016
Defined benefit obligation at January 1	$ 1,322,241	1,300,423
Current service costs and interest cost	73,625	70,224
Remeasurement on the net defined benefit liability		
－Actuarial loss (gain) arising from changes in financial assumptions	90,600	115,392
Benefit paid	(81,032)	(163,798)
Defined benefit obligation at December 31	**$ 1,405,434**	**1,322,241**

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:

	2017	2016
Fair value of plan assets at January 1	$ 513,193	512,003
Interest income	7,153	8,580
Remeasurement on the net defined benefit liability		
－Return on plan assets (excluding current interest)	(1,936)	(4,859)
Contribution paid by employer	78,132	93,286
Benefit paid	(13,770)	(95,817)
Fair value of plan assets at December 31	**$ 582,772**	**513,193**

4) Expenses recognized in profit or loss

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

	2017	2016
Current service costs	$ 56,750	50,331
Net interest of net liabilities (assets) for defined benefit obligation	9,722	11,313
	$ 66,472	**61,644**
Operating costs	$ 55,783	49,145
Selling expenses	10,689	12,499
	$ 66,472	**61,644**

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

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

		2017	2016
Accumulated amount at January 1	$	77,730	197,981
Recognized during the period		(92,536)	(120,251)
Accumulated amount at December 31	$	**(14,806)**	**77,730**

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2017	2016
Discount rate	1.15 %	1.32 %
Future salary increase rate	3.00 %	3.00 %

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

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

7) Sensitivity analysis

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

		Influences of defined benefit obligation	
		Increased 0.50%	**Decreased 0.50%**
December 31, 2017			
Discount rate	$	(71,886)	77,819
Future salary increasing rate		68,987	(64,628)
December 31, 2016			
Discount rate		(68,983)	74,769
Future salary increasing rate		66,642	(62,358)

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

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

2. Defined contribution plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $50,263 and $47,236 for the years ended December 31, 2017 and 2016, respectively.

3. The foreign Group' s pension costs under the local law were $28,193 thousand and $47,491 thousand for the years ended December 31, 2017 and 2016, respectively.

(m) Income taxes

1. Income tax expense

The components of income tax in the years 2017 and 2016 were as follows:

	2017	2016
Current income tax expense:		
Current period	$ 344,391	474,762
Adjustment for prior periods	50,028	(38,984)
	394,419	435,778
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	165,647	(85,579)
	165,647	(85,579)
Income tax expense from continuing operations	**$ 560,066**	**350,199**

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

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

	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	**$ (9,178)**	**-**
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**$ (5,132)**	**(2,161)**

The reconciliation of income tax and profit before tax for 2017 and 2016 was as follows:

		2017	2016
Profit excluding income tax	$	**3,119,041**	**1,499,506**
Income tax using the Company's domestic tax rate	$	530,237	254,916
Effect of tax rates in foreign jurisdiction		183,418	(219,779)
Reduction in tax rate		(1,429)	-
Non-deductible expense		560,559	618,429
Tax-exempt income		(734,482)	(345,281)
Tax incentive		(2,448)	(2,500)
Recognition of previously unrecognized tax losses		(1,699)	(10,246)
Current-year losses for which unrecognized deferred tax asset was recognized		673	3,378
Change in unrecognized temporary difference		557	362
Under (Over) provision in prior periods		53,214	(42,842)
Income tax credit		(30,506)	-
Additional income tax on unappropriated earnings at a rate of 10%		1,994	93,663
Others		(22)	99
Total	$	**560,066**	**350,199**

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		2017.12.31	2016.12.31
Tax effect of deductible temporary differences	$	(1,637)	715
Tax losses		-	153
	$	**(1,637)**	**868**

2) Recognized deferred tax assets and liabilities

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

		Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2017	$	664,068	262,054	13,722	939,844
Debited (Credited) Income statement		40,443	130,845	(14,482)	156,806
Foreign currency translation difference for foreign operations		-	(680)	(69)	(749)
Balance at December 31, 2017	$	**704,511**	**392,219**	**(829)**	**1,095,901**

		Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Balance at January 1, 2016	$	892,853	160,427	486	1,053,766
Debited (Credited) Income statement		(228,785)	101,793	13,267	(113,725)
Foreign currency translation difference for foreign operations		-	(166)	(31)	(197)
Balance at December 31, 2016	$	664,068	262,054	13,722	939,844

		Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2017	$	89,555	-	38,844	128,399
(Debited) Credited Income statement		(12,141)	-	3,300	(8,841)
(Debited) Credited Other Comprehensive 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
Balance at January 1, 2016	$	105,863	-	48,843	154,706
(Debited) Credited Income statement		(16,378)	-	(11,768)	(28,146)
(Debited) Credited Other Comprehensive Income		-	-	2,161	2,161
Foreign currency translation difference for foreign operations		70	-	(392)	(322)
Balance at December 31, 2016	$	89,555	-	38,844	128,399

3. Examination and Approval

The Company's tax returns for the years through 2015 were examined and approved by the Taipei National Tax Administration.

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

	2017.12.31	2016.12.31
Unappropriated earnings of 1998 and after	Note	$ 2,635,957
Balance of imputation credit account (ICA)	Note	$ 1,134,120

	2017 (estimated)	2016 (actual)
Creditable ratio for earnings distribution to R.O.C. residents	Note	30.16 %

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

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

(n) Capital and other equity

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

1. Capital surplus

The balance of capital surplus was as follows:

	2017.12.31	2016.12.31
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 ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When the Group incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

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

3) Earnings distribution

The earnings distribution for 2016 and 2015 were determined by the shareholders' meeting held on June 22, 2017 and June 29, 2016, respectively, and were as follows:

	2016		2015	
	Dividend per share ($)	**Amount**	**Dividend per share ($)**	**Amount**
Dividends distributed to common stockholders				
Cash	$ 0.40	**887,319**	1.20	**2,661,957**

3. Other equity (net of tax)

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

4. Non-controlling interests

		For the years ended December 31, 2017	2016
Balance of beginning	$	197,534	181,792
The share attributed to non-controlling interests			
Net profit		17,086	7,627
Exchange differences on translation of foreign financial statement		(143)	(2,340)
Cash dividends from subsidiaries paid to non-controlling interests		(1,820)	(2,400)
Increase in non-controlling interests		-	12,855
Balance of ending	$	**212,657**	**197,534**

(o) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2017 and 2016 are as follows:

		2017	2016
Basic earnings per share			
Profit attributable to common shareholders	$	**2,541,889**	**1,141,680**
Weighted-average number of common shares		**2,218,297**	**2,218,297**
Basic earnings per share (In Dollars of New Taiwan Dollars)	$	**1.15**	**0.51**
Diluted earnings per share			
Profit attributable to common shareholders (adjusted for the effects of all dilutive potential common shares)	$	**2,541,889**	**1,141,680**
Weighted-average number of common shares		2,218,297	2,218,297
Effects of employee stock compensation		1,778	1,540
Weighted-average number of common shares (adjusted for the effects of all dilutive potential common shares)		**2,220,075**	**2,219,837**
Diluted earnings per share (In Dollars of New Taiwan Dollars)	$	**1.14**	**0.51**

(p) Revenue

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

		Continuing Operations 2017	2016
Freight	$	58,349,011	54,751,707
Rentals		1,147,637	1,219,574
WHL terminal		722,043	691,310
Others		550,954	688,902
	$	**60,769,645**	**57,351,493**

(q) Remuneration of employees, directors and supervisors

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

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

(r) Non-operating income and expenses

1. Other revenue

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

	2017	**2016**
Interest income:		
Bank deposit	$ 226,754	206,360
Dividend revenue	184,683	170,284
	$ 411,437	**376,644**

2. Other gains and losses

The details of other gains and losses of the years ended December 31, 2017 and 2016 were as follows:

	2017	**2016**
Foreign exchange gains (losses)	$ (365,793)	(568,559)
Gains (losses) on disposal of investments and financial liabilities		
Net gains (losses) on disposal of available-for-sale financial assets	52,817	9,683
Impairment loss on financial assets	-	-
Impairment losses on available-for-sale financial assets	-	(29,065)
Impairment losses on financial assets at amortized cost	-	(27,000)
Gains on disposal of property, plant and equipment	158,683	268,490
Other gains (losses)	111,156	40,218
	$ (43,137)	**(306,233)**

3. Finance costs

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

	2017	2016
Interest expense:		
Bank loans	$ **521,740**	**520,239**

(s) Financial instruments

1. Financial instruments

Financial assets:

	2017.12.31	2016.12.31
Available-for-sale financial assets (Include financial assets measured at cost)	$ 5,129,344	4,870,495
Loans and receivables:		
Cash and cash equivalents	19,245,440	19,327,191
Bond portfolios with inactive market	1,187,200	1,288,800
Notes receivable, accounts receivable and other receivable	3,978,406	3,480,498
Receivables from agents	696,948	713,083
Guarantee deposits paid (recorded in other non-current assets)	419,401	402,224
sub-total	25,527,395	25,211,796
Total	$ **30,656,739**	**30,082,291**

Financial liabilities:

	2017.12.31	2016.12.31
Financial liabilities measured at cost:		
Short-term borrowings	$ 60,000	63,000
Accounts payable	6,890,826	6,402,803
Other payable	3,150,037	1,466,093
Payables to agents	3,552	21,048
Other current liabilities	1,491,704	1,287,087
Bonds payable (Include current-portion of long-term loans)	11,400,000	12,200,000
Long-term loans (Include current-portion of long-term loans)	16,695,534	18,264,800
Guarantee deposits received	537,763	476,706
Total	$ **40,229,416**	**40,181,537**

2. Credit risks

1) Credit risks exposure

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

2) Concentration of credit risk

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

3. Liquidity risks

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

	Carrying 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 (Include related parties)	6,890,826	6,890,826	6,890,826	-	-	-	-
Other payables	3,150,037	3,150,037	3,150,037	-	-	-	-
Payables to agents	3,552	3,552	3,552	-	-	-	-
Other current liabilities	1,491,704	1,491,704	1,491,704	-	-	-	-
Bonds payable	11,400,000	11,883,000	4,651,200	32,100	1,100,050	6,099,650	-
Guarantee deposits received	537,763	537,763	537,763	-	-	-	-
	$ 40,229,416	**41,448,262**	**19,736,622**	**2,007,063**	**6,345,831**	**13,020,841**	**337,905**
December 31, 2016							
Non-derivative financial liabilities							
Short-term borrowings	$ 63,000	63,047	63,047	-	-	-	-
Secured bank loans	16,601,409	17,396,020	1,657,213	1,901,563	4,177,653	8,172,581	1,487,010
Unsecured bank loans	66,254	68,467	10,018	9,939	19,641	28,869	-
Commercial paper	1,597,137	1,637,332	4,336	7,238	14,437	1,611,321	-
Account payables (Include related parties)	6,402,803	6,402,803	6,402,803	-	-	-	-
Other payables	1,466,093	1,466,093	1,466,093	-	-	-	-
Payables to agents	21,048	21,048	21,048	-	-	-	-
Other current liabilities	1,287,087	1,287,087	1,287,087	-	-	-	-
Bonds payable	12,200,000	12,721,750	118,650	2,982,850	4,650,750	4,969,500	-
Guarantee deposits received	476,706	476,706	476,706	-	-	-	-
	$ 40,181,537	**41,540,353**	**11,507,001**	**4,901,590**	**8,862,481**	**14,782,271**	**1,487,010**

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

4. Currency risk

1) Currency risk exposure

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

	2017.12.31			2016.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 449,450	29.68	13,339,670	472,395	32.22	15,220,576
JPY	2,611,065	0.26	687,818	2,434,772	0.28	670,041
CNY	535,605	4.56	2,440,023	478,800	4.64	2,219,735
HKD	109,027	3.80	414,071	203,246	4.15	844,401
Financial liabilities						
Monetary items						
USD	290,556	29.68	8,623,693	249,389	32.22	8,035,310
JPY	3,272,397	0.26	862,029	2,900,635	0.28	798,244
CNY	249,497	4.56	1,136,617	228,132	4.64	1,057,627
HKD	54,193	3.80	205,818	121,830	4.15	506,154
MYR	33,985	7.32	248,684	31,639	7.18	227,166

2) Sensitivity analysis

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

A stengthening (weakening) of 1% of the TWD against the USD, HKD and JPY as at December 31, 2017 and 2016, would have increased or decreased net income by $69,474 thousand and $93,929 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2017 and 2016.

3) Foreign Exchange Gain or Loss on Monetary Items

Due to the variety of functional currency, the Group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gain or loss (include realized and unrealized) were $(365,793) thousand and $(568,559) thousand in 2017 and 2016, respectively.

5. Interest rate analysis

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

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

If the interest rate increases or decreases by 1%, the Group's net profit will decrease or increase by $167,564 thousand and $183,307 thousand for the years ended 2017 and 2016, respectively. This is mainly due to the changes in the Group's variable rate instruments. This analysis assumes that all other variables remain constant.

6. Fair value information

1) The Categories and Fair Values of Financial Instruments

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

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	$ 4,420,377	4,420,377	-	-	4,420,377

	December 31,2016				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	$ 4,161,528	4,161,528	-	-	4,161,528

2) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

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

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

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

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

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

(t) Financial risk management

1. Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

2. Risk management framework

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

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

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

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

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

2) Investment

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

3) Guarantees

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

4. Liquidity risk

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

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

5. Market risk

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

1) Currency risk

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

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

2) Interest rate risk

The Group adopts a policy of ensuring that 40.49% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis.

3) Other market price risk

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

(u) Capital management

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

The debt-to-equity ratio is as follow:

	2017.12.31	2016.12.31
Total liabilities	$ 42,334,187	42,014,588
Less: Cash and cash equivalents	(19,245,440)	(19,327,191)
Net debt	**$ 23,088,747**	**22,687,397**
Total equity	$ 34,179,617	34,305,484
Adjusted capital	**$ 34,179,617**	**34,305,484**
Debt-to-equity ratio	**67.55 %**	**66.13 %**

(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
Asia Pacific Container Terminal Inc. (APCT)	Related party in substance
New World Container services Corporation	Related party in substance
Universal Checker Co., Ltd.	Related party in substance
Express Container Terminal Corp. (ECTC)	Related party in substance
Lin & Associates Law Firm	Related party in substance (Note)
New Sincere Transportation Corp. (NSTC)	Related party in substance
New Safety Transportation Corp. (NSaTC)	Related party in substance
An Chun Tally Co., Ltd.	Related party in substance
Taipei Port Container Terminal Corp. (Taipei Port)	Corporate director of the company
Taian Insurance Co., Ltd.	Related party in substance
Wan Chun International Corp. (WCIC)	Subsidiary of ECTC
Apezgo Digital Information Co., Ltd.	Subsidiary of APCT
AP PETROLEUM BUSINESS CO., LTD	Subsidiary of APCT
Formosa Wonderworld Co., Ltd. (Formosa Wonderworld)	Same chairman with the Company

Name of related party	Relationship with the Group
Interasia Lines Taiwan, Ltd.	Related party in substance
New Speed Transportation & Terminal Co., Ltd. (NS)	Corporate director
Hyaline Shipping (HK) Co., Ltd. (Hyaline)	Same director with the Company
Wan Hai Lines (UAE) LLC. (WHL UAE)	Joint venture
Wan Hai Lines (Japan) Ltd. (WHL Japan)	Same director with the Company
Interasia Shipping Lines India Private Limited	Related party in substance
Interasia Lines Singapore Pte. Ltd. (IAL (S))	Related party in substance
INTERASIA LINES (M) SDN. BHD.	Related party in substance
INTERASIA LINES (THAILAND) CO., LTD.	Related party in substance
Qingdao port & Win International Logistics Co., Ltd.	Joint venture

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

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

(b) Significant transactions with related parties

1. Sales to related parties:

	2017	2016
Other related parties	$ 828,518	917,747

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:

	2017	2016
Associate	$ 63,068	110,012
Other related party	3,304,884	3,016,547
	$ 3,367,952	3,126,559

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	2017.12.31	2016.12.31
Accounts receivable	Other related party	$ 13,167	45,138
Other receivables	Other related party	4,978	6,906
Receivable from agents	Other related party-WHL Japan	432,779	509,524
Receivable from agents	Associate	26,686	-
Other current assets	Other related party	-	12,662
		$ 477,610	**574,230**

4. Payables from related parties

Payable of the Group related parties were as follows：

Item	Related party categories	2017.12.31	2016.12.31
Accounts payable	Other related party	$ 442,120	390,608
Accounts payable	Joint venture	6,556	-
Other payables	Other related party	12,787	9,808
Payables to agents	Associate	-	10,142
Other current liabilities	Other related party	925	1,182
		$ 462,388	**411,740**

5. Other related-party transactions

For the years ended December 31, 2017 and 2016, the Group paid $1,500 thousand and $3,000 thousand of professional services fee to other related-party.

For the years ended December 31, 2017 and 2016, the Group received payments of claims from related parties were $53,338 and $94,120 thousand.

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2017	2016
Shorts-term employee benefits	$ 57,627	45,408
Post-employment benefits	158	274
	$ 57,785	**45,682**

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2017.12.31	2016.12.31
Time deposits (recorded in other current assets)	Registration of container storage and truck lease contract	$ 5,842	5,715
Time deposits (recorded in other non-current assets)	Refundable deposits of harbor bureau and lease contract for wharf	70,465	79,951
Guarantee deposits paid (recorded in other non-current assets)	Lease contract for wharf, building lease contract and lawsuit	348,936	322,273
Terminal privileged wharf	Long-term loans	455,942	513,400
Containers	Long-term loans	5,022,444	4,920,404
Vessels	Long-term loans	15,610,343	18,519,837
Buildings	Long-term loans	15,177	15,731
		$ 21,529,149	**24,377,311**

(9) Significant Contingencies and Commitments

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Group entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2016, the lease deposit amounted to ￥255,775,000 (TWD 67,371 thousand) and was recorded in guarantee deposits paid.

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

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

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

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events

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

(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, 2017			For the years ended December 31, 2016		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	2,158,327	2,067,003	4,225,330	2,189,499	1,940,835	4,130,334
Labor and health insurance	25,934	193,183	219,117	24,424	195,854	220,278
Pension	70,746	74,182	144,928	63,230	93,141	156,371
Others employee benefits	157,697	81,295	238,992	157,988	81,643	239,631
Depreciation	3,992,983	96,834	4,089,817	4,033,154	106,063	4,139,217
Amortization	664	22,263	22,927	495	24,938	25,433

(13) Other Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2017:

1. Fund financing to other parties:

(In thousands of TWD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance (Note 6)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	WHL Singapore	Other receivables related parties	Yes	12,490,000	7,664,250	-	-	1	-	Note 2	-	Promissory note	7,664,250	10,856,825	13,586,784
1	WHL INTL.	WH India	Other receivables related parties	Yes	140,980	140,980	140,980	5.00%	1	-	Note 3	-	Promissory note	140,980	260,718	297,963
2	WHL Singapore	Yi Chun	Other receivables related parties	Yes	59,360	59,360	39,842	2.34817~2.81331%	1	-	Note 4	-	Promissory note	59,360	7,599,778	8,685,460
2	WHL Singapore	Bravely International Pte. ltd.	Other receivables related parties	Yes	44,520	29,680	-	-	1	-	Note 4	-	Promissory note	29,680	7,599,778	8,685,460

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

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

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 (Note 4)	Property pledged on guarantees and endorsements (Amount) (Note 3)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note2)	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	WHL Singapore	1	27,173,568	10,243,375	2,842,198	2,842,198	-	8.37 %	67,933,919	Y		
0	The Company	TK	1	27,173,568	91,852	73,466	51,466	-	0.22 %	67,933,919	Y		

Note 1: Relationship:

1.A subsidiary in which the Company directly holds more than 50 percent of its voting shares.

2.Parent company.

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

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

Note 3: The Company provided a guarantee for TK's bank loan of $82,700 thousand and had received a promissory note for that amount.

Note 4: Eliminated in the consolidated financial statements.

3. Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of TWD)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Notes
				Number of shares	Book value	Percentage of shares	Market value	
	Domestic listed stocks:							
The Company	GREATWALL ENT	-	Available-for-sale financial assets－current	9,478,752	318,012	- %	318,012	
〃	Formosa Plastics Corporation	-	〃	376,288	37,140	- %	37,140	
〃	Formosa Chemicals & Fiber Corporation	-	〃	245,480	25,284	- %	25,284	
〃	Tainan Spinning Co., Ltd	-	〃	1,726,898	23,486	- %	23,486	
〃	China Steel Corporation	-	〃	2,291,162	56,706	- %	56,706	
〃	Hon Hai Precision Ind.Co., Ltd.	-	〃	116,800	11,119	- %	11,119	
〃	Chunghwa Telecom Co., Ltd.	-	〃	19,279,000	2,043,574	- %	2,043,574	
〃	Transcend Information, Inc.	-	〃	89,111	7,369	- %	7,369	
〃	Amtran Technology Co., Ltd.	-	〃	984,058	16,089	- %	16,089	
〃	Yang Ming Marine Transport Corp.	-	〃	957,526	11,012	- %	11,012	
〃	China Airlines Ltd.	-	〃	23,753,862	276,733	- %	276,733	
〃	Chinese Maritime Transport Ltd.	-	〃	435,050	12,486	- %	12,486	
〃	Mega Financial Holding Co., Ltd.	-	〃	8,676,646	208,673	- %	208,673	
〃	Taishin Financial Holding Co., Ltd.	-	〃	16,071,005	222,583	- %	222,583	
〃	First Financial Holding Co., Ltd.	-	〃	14,354,705	280,634	- %	280,634	

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Notes
				Number of shares	Book value	Percentage of shares	Market value	
The Company	Kinsus Interconnect Technology Corp.	-	Available-for-sale financial assets－current	334,627	18,137	- %	18,137	
〃	Shih Wei Navigation Co., Ltd.	-	〃	1,029,345	9,460	- %	9,460	
〃	Taiwan Cooperative Finance Holding Co., Ltd.	-	〃	28,300,355	469,786	- %	469,786	
〃	Taiwan Secom Co., Ltd.	-	〃	1,853,000	169,735	- %	169,735	
〃	The Eslite Spectrum Corporation	-	〃	179,000	24,613	- %	24,613	
〃	Shihlin Paper Co., Ltd.	Related party in substance	Available-for-sale financial assets－non-current	5,419,088	177,746	2.08 %	177,746	
	Unlisted stocks:							
〃	Taipei Port Container Terminal Corp.	Related party in substance	Financial assets measured at cost－non-current	79,315,476	701,154	15.25 %	-	Note 1
〃	United Stevedoring Corporation	-	〃	781,250	7,813	15.63 %	-	Note 1
	Bonds:							
〃	Royal Bank of Scotland PLC	-	Bond portfolios with inactive market－non-current	-	1,187,200	- %	-	Note 2

Note 1: Invested in unlisted companies, and no quoted prices in active markets were available.

Note 2: The medium-term and long-term bond investment, the interest rate is calculated from the contract. No quoted prices in active markets were available, and thus the investments were classified as bond portfolios with inactive market.

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

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

Nome of Company	Name of property	Transaction/ Occurrence date	Transaction amount	Conditions of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the precious transfer information				References for determining price	Purpose for obtaining and usage status	Notes
							Owner	Relationship with the Company	Transfer date	Amount			
Wan Hai Lines (Arizona) LLC	Land and building	2017.12.15	USD 10,350,000	According the contract terms	Perimeter Center Commons, LLC	Not related party	-	-	-	-	Market price	For operation	-

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

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 comapny	Container fee, terminal handling charges	815,390	1.78 %	30 days	-	-	(3)	- %	
〃	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	5,416,810	11.82 %	〃	-	-	(67,043)	1.15 %	
〃	WHL Singapore	Subsidiary	Rent income, commission revenue	(2,014,158)	4.00 %	〃	-	-	28,830	0.82 %	
〃	〃	Subsidiary	Commission fee	101,321	0.22 %	〃	-	-	-	- %	
〃	WHL Hongkong	Subsidiary	Commission fee	225,834	0.49 %	〃	-	-	(347,472)	5.95 %	
〃	CISA	Subsidiary	Commission fee	246,843	0.54 %	〃	-	-	-	- %	Note 2
〃	SUIL	Subsidiary	Commission fee	146,109	0.32 %	〃	-	-	-	- %	Note 2
〃	WHL (Japan)	Same director with the company	Commission fee	209,612	0.46 %	〃	-	-	-	- %	
〃	IAL Singapore	Related party in substance	Container rental revenue,commission revenue,joint venture revenue	(468,778)	0.93 %	〃	-	-	-	- %	
〃	〃	Related party in substance	Joint venture expense, container rental expense	254,485	0.56 %	〃	-	-	(31,550)	0.54 %	
〃	Hyaline Shipping (HK) Co., Ltd.	Same director with the company	Commission fee	595,296	1.30 %	〃	-	-	-	- %	
〃	APCT	Related party in substance	Container fee	319,328	0.70 %	〃	-	-	(29,828)	0.51 %	
〃	NSTC	Related party in substance	Tow charge	386,615	0.84 %	〃	-	-	(53,876)	0.92 %	
〃	TK	Subsidiary	Container fee, handling charges, service fee	113,052	0.25 %	〃	-	-	(9,958)	0.17 %	
〃	New World Container services Corporation	Related party in substance	container fee, service fee, terminal handling charge	116,694	0.25 %	〃	-	-	(9,943)	0.17 %	
〃	WHL(Malaysia)	Indirect subsidiary	Commission fee	102,606	0.22 %	〃	-	-	-	- %	
〃	WHL(Korea)	Indirect subsidiary	Commission fee	104,945	0.23 %	-	-	-	-	- %	

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

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	WCIC	Related party in substance	Turnkey charges, terminal handling charge	159,780	0.35 %	-	-	-	(13,512)	0.23 %	
〃	NSaTC	Related party in substance	Container fee tow charge	140,961	0.31 %	〃	-	-	(12,616)	0.22 %	
WHL-Singapore	The Company	Parent Company	Rent expense, commission fee	2,014,158	12.72 %	30 days	-	-	(28,830)	2.02 %	Note 2
〃	k.k. WH Corporation	Both are subsidiaries of WHL	Vessel rental revenue	(4,425,238)	24.25 %	〃	-	-	-	- %	Note 2
CISA	The Company	Parent Company	Commission revenue	(246,843)	58.80 %	〃	-	-	-	- %	Note 2
SUIL	The Company	Parent Company	Commission revenue	(146,109)	62.04 %	〃	-	-	-	- %	Note 2
WHL Hongkong	The Company	Parent Company	Commission revenue	(225,834)	33.26 %	〃	-	-	347,372	70.32 %	Note 2
〃	k.k. WH Corporation	Both are subsidiaries of WHL	Rent income	(224,024)	32.99 %	〃	-	-	-	- %	Note 2
k.k. WH Corporation	WHL Hongkong	Both are subsidiaries of WHL	Rent expense	224,024	4.16 %	〃	-	-	-	- %	Note 2
〃	The Company	Parent Company	Terminal port income, rent income	(5,416,810)	99.65 %	〃	-	-	67,043	11.71 %	Note 2
〃	WHL Singapore	Both are subsidiaries of WHL	Rent expense	4,425,238	82.20 %	〃	-	-	-	- %	Note 2
TK	The Company	Parent Company	Container revenue, service revenue, terminal handling revenue	(113,052)	47.19 %	〃	-	-	9,958	44.46 %	Note 2
WHL (Malaysia)	The Company	Parent Company	Commission revenue	(102,606)	81.31 %	〃	-	-	-	- %	Note 2
WHL (Korea)	The Company	Parent Company	Commission revenue	(104,945)	94.41 %	〃	-	-	-	- %	Note 2

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

Note 2: Eliminated in the consolidated financial statements.

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

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	CISA	Indirect subsidiary	429,332	- %	-		356,986	-
〃	WHL Japan	Same director with the company	432,779	- %	-		421,728	-
〃	WHL India	Indirect subsidiary	244,036	- %	-		234,960	-

Note: Eliminated in the consolidated financial statements.

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 2017			
				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	2,014,158	No significant differences	3.31 %
0	〃	k.k. WH Corporation	1	Rent expense on vessels	4,644,416	Rent vessels from Singapore through kk	7.64 %
0	〃	WHL HongKong	1	Agency fee on vessels	621,781	No significant differences	1.02 %
1	k.k. WH Corporation	Wan Hai Lines (Singapore) Pte Ltd.	3	Rent expense on vessels	4,425,238	Rent vessels from Singapore through kk	7.28 %

Note 1: numbers denote the following:

1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

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

(b) Information on investees

For the years ended December 31, 2017, the following is the information on investees (excluding investees in Mainland china):

Name of the 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 %	24,808,532	100.00 %	543,822	538,366	Subsidiary (Note 2、3)
	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	401,460	132,000	280,000	100.00 %	389,232	100.00 %	10,666	10,666	Subsidiary (Note 3)
	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	16,979	100.00 %	1,467	1,467	Subsidiary (Note 3)
	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	2,502	100.00 %	56	56	Subsidiary (Note 1、3)
	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	313,359	21.33 %	367,902	78,474	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 %	146,996	55.00 %	10,487	5,768	Indirect subsidiary (Note 3)
	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01 %	38,188	70.01 %	5,004	3,503	Indirect subsidiary (Note 3)
	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	202,896	-	-	16.50 %	190,160	16.50 %	2,764	456	Associate (Note 1)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
WHL Singapore	Wan Hai Lines (Phils.), Inc.	Philipine	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	10,676	100.00 %	1,636	1,636	Indirect subsidiary (Note 3)
	Wan Hai Lines (H.K.) Limited	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	3,112,593	100.00 %	290,335	290,335	Indirect subsidiary (Note 3)
	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	67,103	100.00 %	(18,443)	(18,443)	Indirect subsidiary (Note 3)
	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	1,873	100.00 %	6,620	6,620	Indirect subsidiary (Note 3)
	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	15,364	100.00 %	12,805	12,805	Indirect subsidiary (Note 3)
	Wan Hai International Pte Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	682,672	100.00 %	(64,135)	(64,135)	Indirect subsidiary (Note 3)
	Wan Hai Lines (Thailand) Limited	Thailand	Transportation and shipping agency services	2,805	2,805	29,400	49.00 %	50,706	49.00 %	8,299	4,066	Indirect subsidiary (Note 3)
	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	14,736	100.00 %	12,176	12,176	Indirect subsidiary (Note 1、3)
	Wan Hai Lines Peru S.A.C	Peru	Transportation and shipping agency services	1,007	1,007	104,040	51.00 %	8,826	51.00 %	15,331	7,819	Associate
	Wan Hai Lines Ecuadora SA.	Ecuadora	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	4,722	51.00 %	6,443	3,286	Indirect subsidiary (Note 3)
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	29,658	49.00 %	57,948	28,394	Associate
	Infinite Marine Investment Co., Ltd.	Cayman	Investment	173,463	173,463	5,550,000	100.00 %	164,196	100.00 %	(235)	(235)	Indirect subsidiary (Note 3)
	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	55,721	100.00 %	35,837	35,837	Indirect subsidiary (Note 3)
	Bravely International Pte. Ltd.	Singapore	Transportation and investment	151,638	90,998	6,623,101	100.00 %	45,273	100.00 %	(112,214)	(112,214)	Indirect subsidiary (Note 3)
WHL Hongkong	Dawin Logistics (International) Ltd.	Hong Kong	Transportation, storage services	570,480	570,480	144,640,000	100.00 %	891,223	100.00 %	31,093	31,093	Indirect subsidiary (Note 3)
Bravely International Pte Ltd.	Bravely (Myanmar) Transport and Logistics Company Limited	Myanmar	Managing container, storage and logistics services	96,894	96,894	3,000,000	80.00 %	70,753	80.00 %	(2,750)	(2,200)	Indirect subsidiary (Note 3)
WHL-America	Wan Hai Lines (Arizona) LLC.	America	House rental and managment services	359,760	-	-	100.00 %	359,939	100.00 %	3,869	3,869	Indirect subsidiary (Note 3)

Note 1: Limited companies with no common shares issued.

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

Note 3: Eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Peak Holding Percentage	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount							
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	2,487	100.00 %	100.00 %	2,487	21,954	-
Shenzhen Uniwin International Logistics Ltd.	Freight transportation and acting as agent for transport affairs	644,016	(1)	-	-	-	-	2,534	100.00 %	100.00 %	2,534	782,525	-
Clipper International Shipping Agency Ltd.(Note 3)	International shipping agency services	4,070	(1)	-	-	-	-	7,317	49.00 %	49.00 %	3,585	(1,676)	-
Blue Ocean Logistics (Shanghai) Ltd	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	4,183	100.00 %	100.00 %	4,183	63,322	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	2,939	90.00 %	90.00 %	2,645	24,967	-
Wan Hang Tours Co., Ltd.	Retailing and Catering management	287,330	(1)	-	-	-	-	(6,481)	50.00 %	50.00 %	(3,240)	120,511	-
Qingdao port & Win International Logistios Co., Ltd.	Container Depot	50,188	(1)	-	-	-	-	37,537	50.00 %	50.00 %	18,768	50,641	-

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

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
-	1,131,368	20,380,176

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

3. Significant transactions:

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

(14) Segment Information

(a) General Information

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

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

(c) Entity－wide Information:

Geographical Areas:

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

Revenues from external customers:

By region		2017	2016
Revenue from external customers:			
Asia	$	38,017,490	38,265,755
the Middle East		6,587,430	4,883,467
India		6,958,124	5,946,339
America		5,159,343	4,785,798
South America		4,047,258	3,470,134
Total	**$**	**60,769,645**	**57,351,493**

By region		2017.12.31	2016.12.31
Non-current assets:			
Asia	$	43,156,078	44,104,793
India		194,851	210,578
America		328,578	35,223
Total	**$**	**43,679,507**	**44,350,594**

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.