Stock Code:2615

WAN HAI LINES LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

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

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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

   How the matter was addressed in our audit

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

Our principal audit procedures included:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

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

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018.12.31		2017.12.31	
	Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes (6)(a))	$ 7,834,162	12	12,850,798	20
1110	Current financial assets at fair value through profit or loss (note (6)(b))	2,345,430	4	-	-
1125	Current available-for-sale financial assets, net (notes (6)(d))	-	-	4,242,631	7
1150	Notes receivable, net (notes (6)(e)(r))	26,618	-	23,207	-
1170	Accounts receivable, net (notes (6)(e)(r) and (7))	1,203,494	2	1,940,208	3
1140	Current Contract Assets (note (6)(r))	751,084	1	-	-
1200	Other receivables, net (note (7))	1,043,354	2	792,150	1
1330	Inventories, net (note (6))	990,095	1	980,350	2
1475	Receivables from agents (note (7))	2,136,118	3	1,551,315	2
1479	Other current assets (note (7))	734,238	1	850,519	1
		17,064,593	26	23,231,178	36
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (notes (6)(b))	1,127,838	2	-	-
1517	Non-current financial assets at fair value through other comprehensive income (notes (6)(c))	3,036,010	4	-	-
1523	Non-current available-for-sale financial assets, net (notes (6)(d))	-	-	177,746	-
1543	Non-current financial assets at cost, net (notes (6)(d))	-	-	708,967	1
1546	Non-current investments in debt instrument without active market (note (6)(d))	-	-	1,187,200	2
1550	Investments accounted for using equity method, net (notes (6)(g))	29,568,822	44	25,905,948	40
1600	Property, plant and equipment (notes (6)(h) and (8) and (9))	14,683,088	22	12,944,060	20
1780	Intangible assets (note (6)(i))	94,240	-	52,139	-
1900	Other non-current assets (notes (8) and (9))	1,082,271	2	325,421	1
		49,592,269	74	41,301,481	64
	Total assets	**$ 66,656,862**	**100**	**64,532,659**	**100**

		2018.12.31		2017.12.31	
	Liabilities and Equity	Amount	%	Amount	%
	Current liabilities:				
2170	Accounts payable (notes (7))	5,930,506	9	5,126,811	8
2200	Other payables (note (7))	1,605,176	2	2,026,626	3
2230	Current tax liabilities(note (6)(o))	40,006	-	141,542	-
2320	Current portion of long-term loans (notes (6)(l) and (m) and (8))	6,552,098	10	7,099,279	11
2350	Payables to agents (notes (7))	708,829	1	707,972	1
2300	Other current liabilities	625,815	1	307,453	1
		15,462,430	23	15,409,683	24
	Non-Current liabilities:				
2530	Bonds payable (note (6)(l))	5,900,000	9	6,900,000	11
2540	Long-term borrowings (notes (6)(k) and (8))	8,194,780	12	6,606,328	10
2570	Deferred tax liabilities (note (6)(o))	1,995,393	3	1,088,928	1
2640	Accrued pension liabilities (note (6)(n))	516,979	1	559,525	1
2645	Guarantee deposits received	2,828	-	1,235	-
		16,609,980	25	15,156,016	23
	Total liabilities	32,072,410	48	30,565,699	47
	Equity (notes (6)(p) and (q)):				
3100	Common stock	22,182,975	33	22,182,975	34
3200	Capital surplus	1,261,681	2	1,261,681	2
	Retained earnings:				
3310	Legal reserve	6,757,693	10	6,503,503	10
3320	Special reserve	1,127,482	2	-	-
3350	Retained earnings — unappropriated	4,065,321	6	5,146,283	8
		11,950,496	18	11,649,786	18
	Other equity interest:				
3411	Exchange differences on translation of foreign financial statements	(604,711)	(1)	(1,480,258)	(2)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(205,989)	-	-	-
3426	Total unrealized gains (losses) on available-for-sale financial assets	-	-	352,776	1
		(810,700)	(1)	(1,127,482)	(1)
	Total equity	34,584,452	52	33,966,960	53
	Total liabilities and equity	**$ 66,656,862**	**100**	**64,532,659**	**100**

Seeing accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

WAN HAI LINES LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended December 31, December 31			
		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (notes (6)(r) and (s) and (7))**	$53,934,045	100	50,300,722	100
5000	**Operating costs (notes (6)(f) and (7))**	53,588,321	99	45,846,586	91
	Gross profit	345,724	1	4,454,136	9
6000	**Operating expenses**	1,956,923	4	2,108,020	4
	Income from operations	(1,611,199)	(3)	2,346,116	5
	Non-operating income and expenses (notes (6)(g) and (u)):				
7010	Other income	347,462	1	363,335	1
7020	Other gains and losses	875,984	2	11,542	-
7050	Finance costs	(356,717)	(1)	(326,530)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	2,414,860	4	638,756	1
	Total non-operating income and expenses	3,281,589	6	687,103	1
	Profit before tax	1,670,390	3	3,033,219	6
7950	**Less: Income tax expense(notes (6)(o))**	552,484	1	491,330	1
	Net profit	1,117,906	2	2,541,889	5
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit and loss**				
8311	Remeasurements from defined benefit plans	(19,381)	-	(53,991)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(46,035)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	34,559	-	(38,545)	-
8349	Less: Income tax benefit (expense) related to items that will not be reclassified subsequently	5,392	-	9,178	-
	Total items that will not be reclassified subsequently to profit and loss	(25,465)	-	(83,358)	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**				
8361	Exchange differences on translation	876,341	2	(2,057,990)	(4)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	340,626	1
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	30	-
8399	Other components of other comprehensive income that will be reclassified to profit or loss	(794)	-	5,132	-
	Total items that will not be reclassified subsequently to profit and loss	875,547	2	(1,712,202)	(3)
	Other comprehensive income (net of tax)	850,082	2	(1,795,560)	(3)
8500	**Total comprehensive income**	**$ 1,967,988**	**4**	**746,329**	**2**
9750	**Basic earnings per share (New Taiwan Dollars) (note (6)(q))**	**$**	**0.50**		**1.15**
9850	**Diluted earnings per share (New Taiwan Dollars) (note (6)(q))**	**$**	**0.50**		**1.14**

Seeing accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total equity
Balance at January 1, 2017	$ 22,182,975	1,261,681	6,389,335	1,053,282	2,635,957	572,600	-	12,120	34,107,950
Net profit	-	-	-	-	2,541,889	-	-	-	2,541,889
Other comprehensive income	-	-	-	-	(83,358)	(2,052,858)	-	340,656	(1,795,560)
Total comprehensive income	-	-	-	-	2,458,531	(2,052,858)	-	340,656	746,329
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	114,168	-	(114,168)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(887,319)	-	-	-	(887,319)
Reversal of special reserve	-	-	-	(1,053,282)	1,053,282	-	-	-	-
Balance at 2017.12.31	22,182,975	1,261,681	6,503,503	-	5,146,283	(1,480,258)	-	352,776	33,966,960
Effects of retrospective application	-	-	-	-	271,383	-	(159,954)	(352,776)	(241,347)
Equity at beginning of period after adjustments	22,182,975	1,261,681	6,503,503	-	5,417,666	(1,480,258)	(159,954)	-	33,725,613
Net profit	-	-	-	-	1,117,906	-	-	-	1,117,906
Other comprehensive income	-	-	-	-	20,570	875,547	(46,035)	-	850,082
Total comprehensive income	-	-	-	-	1,138,476	875,547	(46,035)	-	1,967,988
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	254,190	-	(254,190)	-	-	-	-
Special reserve appropriated	-	-	-	1,127,482	(1,127,482)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,109,149)	-	-	-	(1,109,149)
Balance at 2018.12.31	**$ 22,182,975**	**1,261,681**	**6,757,693**	**1,127,482**	**4,065,321**	**(604,711)**	**(205,989)**	**-**	**34,584,452**

Seeing accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

WAN HAI LINES LTD.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

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

(3) New Standards and Interpretations Not Yet Adopted:

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

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

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

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

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

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

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

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

1) Rendering of services

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

2) Impacts on financial statements

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

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

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

(ii) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

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

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

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

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

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

(i) IFRS 16 “Leases”

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

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

1) Determining whether an arrangement contains a lease

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

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

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

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

2) Transition

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

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

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

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

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

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

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

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

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its wharfs, vessels, containers, offices and warehouses. The Company estimated that the right-of-use assets and the lease liabilities to increase by $72,139,926 thousand respectively, on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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

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

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

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

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

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

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

(4) Summary of Significant Accounting Policies

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

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

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

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

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

2. Functional and presentation currency

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

(c) Foreign currency

1. Foreign currency transactions

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

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

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

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

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

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

2. Foreign operations

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

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

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

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

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

·prepayment and extension features; and

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

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

·significant financial difficulty of the borrower or issuer;

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

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

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

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

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

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

7) Derecognition of financial assets

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

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

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

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

Financial assets are classified into following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

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

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

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

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

2) Available-for sale financial assets

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

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

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

3) Loans and receivables

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

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

Interest income is recognized in profit or loss, and it is included in "other income" of non-operating income and expenses.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Provision and reversal of provision for bad debt expenses are recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

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

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

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

3.Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

2) Financial liabilities at fair value through profit or loss

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

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

Fuels purchased by the Company are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs incurred in bringing them to their existing location and condition. Inventory cost is calculated using the first-in first-out principle.

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

(h) Investment in associates

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

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

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

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

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

(i) Subsidiaries

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

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

(j) Property, plant, and equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

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

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

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

	The Company
Buildings	23~ 57 years
Vessels	1~ 18 years
Containers	1~ 10 years
Privileged wharf equipment	2~ 10 years
Other equipment	4~ 16 years

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

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

(k) Leases

1. Lessee

Leases are operating leases and are not recognized in the Company’ s statement of financial position.

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

(l) Intangible assets

1. Intangible assets

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

2. Subsequent expenditure

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

3. Amortization

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

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

Software	2~ 5 years
Trademarks	3~ 10 years

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

(m) Impairment – non-financial assets

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

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

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

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

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

(n) Revenue

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

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

1) Service revenue

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

2) Rental revenue

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

3) Financing components

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

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

1) Freight Revenue

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

2) Rental Revenue

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

3) Terminal operating revenue

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

4) Other service revenue

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

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

1.Incremental costs of obtaining a contract

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

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

2.Costs to fulfil a contract

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

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

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

3) the costs are expected to be recovered.

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

(p) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

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

3. Short-term employee benefits

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

(q) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

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

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

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

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

(r) Earnings per share

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

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

(s) Operating segments

The operating segment information is disclosed in the Company's consolidated financial statements; therefore, the Company does not disclose segment information in these financial statements.

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Revenue recognition

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

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

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

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

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

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

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

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

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

1. Equity investments at fair value through other comprehensive income

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

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

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

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

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

(d) Financial assets

1. Details of financial assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Inventories

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

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

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

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

(g) Investments accounted for using equity method

A summary of equity-accounted investees was as follows:

	2018.12.31	2017.12.31
Subsidiaries	$ 28,633,999	25,402,429
Associates	934,823	503,519
	$ 29,568,822	**25,905,948**

1. Subsidiaries

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

2. Associates

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

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

	2018.12.31	2017.12.31
Carrying amount of individually insignificant associates equity	**$ 934,823**	**503,519**

	2018	2017
Comprehensive income attributable to owners of parent:		
Net income loss/after tax from continuing operations	$ 81,816	78,930
Total comprehensive income	**$ 81,816**	**78,930**

3.Collaterals

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

(h) Property, plant and equipment

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

	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Cost:							
Balance at January 1, 2018	$ 620,477	123,736	4,263,168	22,213,335	627,257	1,524,200	29,372,173
Additions	-	-	47,939	3,054,413	18,533	-	3,120,885
Reclassification	-	-	-	-	8,395	-	8,395
Disposals	-	-	-	(1,021,924)	(46,783)	-	(1,068,707)
Balance at December 31, 2018	**$ 620,477**	**123,736**	**4,311,107**	**24,245,824**	**607,402**	**1,524,200**	**31,432,746**
Balance at January 1, 2017	$ 620,477	123,736	4,168,225	18,729,900	1,083,744	1,405,783	26,131,865
Additions	-	-	36,019	4,110,318	28,206	39,256	4,213,799
Reclassification	-	-	58,924	-	-	79,161	138,085
Disposals	-	-	-	(626,883)	(484,693)	-	(1,111,576)
Balance at December 31, 2017	**$ 620,477**	**123,736**	**4,263,168**	**22,213,335**	**627,257**	**1,524,200**	**29,372,173**
Depreciation and impairment loss:							
Balance at January 1, 2018	$ -	66,615	3,516,183	11,784,638	310,302	750,375	16,428,113
Depreciation for the year	-	2,726	123,404	1,044,143	54,374	77,472	1,302,119
Disposals	-	-	-	(952,277)	(28,297)	-	(980,574)
Balance at December 31, 2018	**$ -**	**69,341**	**3,639,587**	**11,876,504**	**336,379**	**827,847**	**16,749,658**
Balance at January 1, 2017	$ -	63,889	3,331,655	11,700,481	720,108	673,124	16,489,257
Depreciation for the year	-	2,726	184,528	670,293	74,887	77,251	1,009,685
Disposals	-	-	-	(586,136)	(484,693)	-	(1,070,829)
Balance at December 31, 2017	**$ -**	**66,615**	**3,516,183**	**11,784,638**	**310,302**	**750,375**	**16,428,113**
Carrying amounts:							
Balance at December 31, 2018	**$ 620,477**	**54,395**	**671,520**	**12,369,320**	**271,023**	**696,353**	**14,683,088**
Balance at December 31, 2017	**$ 620,477**	**57,121**	**746,985**	**10,428,697**	**316,955**	**773,825**	**12,944,060**
Balance at January 1, 2017	**$ 620,477**	**59,847**	**836,570**	**7,029,419**	**363,636**	**732,659**	**9,642,608**

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

(i) Intangible assets

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

		Computer software	Trademarks	Total
Costs:				
Balance at January 1, 2018	$	79,575	5,772	85,347
Additions		58,377	259	58,636
Reclassification		29,220	-	29,220
Disposals		(23,124)	(591)	(23,715)
Balance at December 31, 2018	$	**144,048**	**5,440**	**149,488**
Balance at January 1, 2017	$	45,909	4,773	50,682
Additions		28,883	98	28,981
Reclassification		17,452	901	18,353
Disposals		(12,669)	-	(12,669)
Balance at December 31, 2017	$	**79,575**	**5,772**	**85,347**
Amortization and impairment loss:				
Balance at January 1, 2018	$	30,434	2,774	33,208
Amortization for the year		44,981	774	45,755
Disposals		(23,124)	(591)	(23,715)
Balance at December 31, 2018	$	**52,291**	**2,957**	**55,248**
Balance at January 1, 2017	$	21,594	2,079	23,673
Amortization for the year		21,509	695	22,204
Disposals		(12,669)	-	(12,669)
Balance at December 31, 2017	$	**30,434**	**2,774**	**33,208**
Carrying amounts:				
Balance at December 31, 2018	$	**91,757**	**2,483**	**94,240**
Balance at December 31, 2017	$	**49,141**	**2,998**	**52,139**
Balance at January 1, 2017	$	**24,315**	**2,694**	**27,009**

1. Recognition of amortization and impairment

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

	2018	2017
Operating costs	$ 784	664
Operating expense	$ 44,971	21,540

(j) Short-term borrowings

	2018.12.31	2017.12.31
Unsecured bank loans	$ -	-
Unused short-term credit lines	$ 4,490,230	6,591,123

1.Issuance and repayment of short-term borrowings

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

(k) Long-term borrowings

The borrowings were summarized as follows:

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

	2017.12.31			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank loans	USD	2.39%	2022/12/21	$ 222,600
Unsecured bank loans	TWD	0.96%~1.12%	2018/01/03-2018/01/25	900,000
Secured bank loans	USD	1.67%~2.56%	2018/05/09-2022/12/25	4,983,866
Secured bank loans	TWD	1.16%	2021/12/21	500,000
Commercial paper	TWD	0.59%~0.98%	2019/12/27-2020/06/22	2,600,000
				9,206,466
Less: Discount on commercial paper				(859)
Current portion				(2,599,279)
Total				$ 6,606,328
Unused loan credit				$ 100,000

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

1.Issuance and repayment of long-term borrowings

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

2.Collateral for bank borrowings

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

(l) Bonds payable

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

	2017.12.31			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-2011 first domestic bond issue	TWD	1.85%	2018/06/24	$ 4,500,000
Unsecured bank-2014 second domestic bond issue	TWD	1.65%~1.95%	2017/07/28	1,800,000
Unsecured bank-2016 first domestic bond issue	TWD	1.18%	2019/08/14-2021/08/14	3,000,000
Unsecured bank-2017 first domestic bond issue	TWD	1.55%	2021/06/21	2,100,000
Total				$ 11,400,000
Current				$ 4,500,000
Non-current				6,900,000
Total				$ 11,400,000

1. Unsecured bank-2011 first domestic bond issue

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

1) Issue amount

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

2) Nominal amount

Par value TWD1,000 thousand per unit.

3) Issuance period

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

4) Issued price: at par value

5) Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

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

7) Redemption on the maturity date

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

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

9) Trustee

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

10) Agency for payment of principal and interest

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

11) Underwriter: None

12) Announcement

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

2. Unsecured 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.

(m) Operating leases

1. Lease as lessee

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

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

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

(n) Employee benefits

1. Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

	2018	2017
Current service costs	$ 12,366	13,868
Net interest of net liabilities (assets) for defined benefit obligation	6,066	7,267
	$ 18,432	**21,135**
Operating costs	$ 9,828	10,446
Selling expenses	8,604	10,689
	$ 18,432	**21,135**

5) Actuarial gains and losses recognized in other comprehensive income

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

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

6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

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

		Influences of defined benefit obligation	
		Increased 0.50%	**Decreased 0.50%**
December 31, 2018			
Discount rate	$	(56,532)	61,051
Future salary increasing rate		54,069	(50,791)
December 31, 2017			
Discount rate		(60,587)	65,502
Future salary increasing rate		58,147	(54,557)

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

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

2. Defined contribution plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labor Insurance amounted to $48,519 thousand and $46,392 thousand for the years ended December 31, 2018 and 2017, respectively.

(o) Income taxes

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

1. Income tax expense

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

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

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

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

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

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

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2018	$ 704,511	384,417	-	1,088,928
Debited (Credited) Income statement	639,864	259,871	6,730	906,465
Balance at December 31, 2018	**$ 1,344,375**	**644,288**	**6,730**	**1,995,393**
Balance at January 1, 2017	$ 664,068	255,541	13,502	933,111
Debited (Credited) Income statement	40,443	128,876	(13,502)	155,817
Balance at December 31, 2017	**$ 704,511**	**384,417**	**-**	**1,088,928**

	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2018	$ 80,219	-	41,751	121,970
(Debited) Credited Income statement	256	347,575	43,681	391,512
(Debited) Credited Other Comprehensive Income	5,392	-	(794)	4,598
Balance at December 31, 2018	**$ 85,867**	**347,575**	**84,638**	**518,080**
Balance at January 1, 2017	$ 83,992	-	28,167	112,159
(Debited) Credited Income statement	(12,951)	-	8,452	(4,499)
(Debited) Credited Other Comprehensive Income	9,178	-	5,132	14,310
Balance at December 31, 2017	**$ 80,219**	**-**	**41,751**	**121,970**

3. Examination and approval

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

(p) Capital and other equity

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

1. Capital surplus

The balance of capital surplus was as follows:

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

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

2. Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The earnings distribution for 2017 and 2016 was decided by the general meeting of shareholders held on June 26, 2018 and June 22, 2017, respectively.

The relevant dividend distribution to shareholders was as follows:

	2017		2016	
	Dividend per share ($)	**Amount**	**Dividend per share ($)**	**Amount**
Dividends distributed to ordinary shareholders				
Cash	$ 0.50	**1,109,149**	0.40	**887,319**

3. Other equity (net of tax)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2017	$ 572,600	-	12,120	584,720
Exchange differences on foreign operations	(2,052,858)	-	-	(2,052,858)
Unrealized gains (losses) on available-for-sale investment	-	-	340,656	340,656
Balance at December 31, 2017	$ (1,480,258)	-	352,776	(1,127,482)

(q) Earnings per share

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

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

(r) Revenue from contracts with customers

1. Disaggregation of revenue

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

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

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

2.Contract balances

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

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

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

(s) Revenue

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

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

(t) Remuneration of employees, directors and supervisors

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

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

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

(u) Non-operating income and expenses

1. Other income

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

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

2. Other gains and losses

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

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

3. Finance costs

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

		2018	2017
Interest expense:			
Bank loans	**$**	**356,717**	**326,530**

(v) Financial instruments

1. Credit risks

1) Credit risks exposure

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

2) Concentration of credit risk

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

3) Credit risk of receivables

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

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

2. Liquidity risks

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

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

	Carrying amount	Contractual cash flows	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$ 5,483,866	5,695,713	933,385	867,939	1,754,490	2,139,899	-
Unsecured bank loans	1,122,600	1,139,355	903,174	2,704	60,200	173,277	-
Commercial paper	2,599,141	2,670,583	16,828	17,825	1,632,764	1,003,166	-
Account payables (Include related parties)	5,126,811	5,126,811	5,126,811	-	-	-	-
Other payables	2,026,626	2,026,626	2,026,626	-	-	-	-
Payables to agents	707,972	707,972	707,972	-	-	-	-
Bonds payable	11,400,000	11,883,000	4,651,200	32,100	1,100,050	6,099,650	-
Guarantee deposits	3,380	3,380	3,380	-	-	-	-
	$ 28,470,396	**29,253,440**	**14,369,376**	**920,568**	**4,547,504**	**9,415,992**	**-**

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

3. Currency risk

1) Currency risk exposure

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

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

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD, HKD and JPY etc. as at December 31, 2018 and 2017 would have increased (decreased) the net profit before tax by $1,221 thousand and $39,725 thousand. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2018 and 2017.

3) Foreign exchange gain or loss on monetary items

The information of the translation to functional currency of foreign exchange gain (loss) on monetary items, including realized and unrealized, and the translation between the functional currency of the foreign operation and the Company (the presentation currency) were as follows:

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

4. Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

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

5. Other market price risk

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

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

6. Fair value information

1) The Categories and Fair Values of Financial Instruments

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

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

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

	December 31, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable	$ 5,930,506	-	-	-	-
Other payables	1,605,176	-	-	-	-
Bonds payable	708,829	-	-	-	-
Bonds payable (including current portion)	6,900,000	-	-	-	-
Long-term borrowings (including current portion)	13,746,878	-	-	-	-
Guarantee deposits received (recognized as other current liabilities and guarantee deposits received－non-current)	2,930	-	-	-	-
Total	**$ 28,894,319**	**-**	**-**	**-**	**-**

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic and foreign listed shares	$ 4,420,377	4,420,377	-	-	4,420,377
Financial assets measured at cost	708,967	-	-	-	-
Sub-total	5,129,344	4,420,377	-	-	4,420,377
Loan and receivable					
Cash and cash equivalents	12,850,798	-	-	-	-
Notes receivable	23,207	-	-	-	-
Accounts receivable	1,940,208	-	-	-	-
Other receivables	792,150	-	-	-	-
Receivable from agents	1,551,315	-	-	-	-
Guarantee deposits paid (recognized as other current assets and other non-current assets)	130,270	-	-	-	-
Debt investment without active markets	1,187,200	-	-	-	-
Sub-total	18,475,148	-	-	-	-
Total	**$ 23,604,492**	**4,420,377**	**-**	**-**	**4,420,377**

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

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

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

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

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

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

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

Unquoted equity instrument:

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

Unquoted equity instrument:

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

Unquoted debt instrument:

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

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

4) Reconciliation of Level 3 fair values

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

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

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

(w) Financial risk management

1. Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring Company’s risk management policies.

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

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

2) Investment

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

3) Guarantees

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

4. Liquidity risk

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

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As to December 31, 2018 and 2017, the Company has unused credit line were amounted to $7,837,515 and $6,691,123 thousand, respectively.

5. Market risk

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

1) Currency risk

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

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

2) Interest rate risk

The Company's policy is to mitigate exposure to changes in interest rates on borrowings. There are 35.84% borrowings on fix-rate basis.

3) Other market price risk

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

(x) Capital management

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

The debt-to-equity ratio at the end of the reporting period is as follow:

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

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

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

Reconciliation of liabilities arising from financing activities were as follows:

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

(7) Related-Party Transactions

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Wan Hai Lines (Singapore) Pte. Ltd. (WHL Singapore)	Subsidiary
Wan Hai Lines (America) Ltd. (WHL America)	Subsidiary
T.K. LOGISTICS INTERNATIONAL CO., LTD. (TK)	Subsidiary
k.k. WH Corporation(WH Corporation)	Subsidiary
Wan Hai Lines (Germany) GmbH (WHL Germany)	Subsidiary
BAO SHENG SHIPPING AGENCY CO., LTD. (BS)	Subsidiary
Wan Hai Lines (M) Sdn. Bhd. (WHL Malaysia)	Indirect subsidiary
Wan Hai Lines (HK) Ltd. (WHL Hong Kong)	Indirect subsidiary
Wan Hai Lines (Phils.), Inc. (WHL Phils.)	Indirect subsidiary
Wan Hai Lines (Korea) Ltd. (WHL Korea)	Indirect subsidiary
Wan Hai International Pte. Ltd. (WHL INTL.)	Indirect subsidiary
Yi Chun Shipping Agencies Sdn. Bhd.(Yi Chun)	Indirect subsidiary
Wan Hai (Vietnam) Ltd. (WHL Vietnam)	Indirect subsidiary
Wan Hai Lines (Thailand) Ltd. (WHL Thailand)	Indirect subsidiary
Wan Hai Lines (Ecuador) S.A. (WHL Ecuador)	Indirect subsidiary
Wan Hai Lines (India) PVT Ltd. (WHL India)	Indirect subsidiary
Bravely International Pte. Ltd. (Bravely)	Indirect subsidiary
Infinite Marine Investment Co., Ltd.	Indirect subsidiary
Bravely (Myanmar) Transport and Logistics Company Ltd.(Bravely (Myanmar))	Indirect subsidiary
Guangzhou Wan Hai Information Technology Ltd. (GZIT)	Indirect subsidiary
Dawin Logistics (International) Ltd.(Dawin)	Indirect subsidiary

Name of related party	Relationship with the Company
Shenzhen Uniwin International Logistics Ltd. (Uniwin)	Indirect subsidiary
Blue Ocean Logistics (Shanghai) Ltd. (Blue)	Indirect subsidiary
Clipper International Shipping Agency Ltd. (Clipper)	Indirect subsidiary
Shenzhen Yong Chun International Shipping Management Co., Ltd. (SZYC)	Indirect subsidiary
Wan Hai Lines (Arizona) LLC. (WHL Arizona)	Indirect subsidiary
Wan Hai Lines (USA) LTD. (WHL USA)	Indirect subsidiary
HE CHUN LOGISTICS COMPANY LTD. (HE CHUN)	Indirect subsidiary
Tan Cang-Cai Mep International Terminal Co., Ltd. (Tan Cang-Cai Mep)	An associate
HAI PHONG INTERNATIONAL CONTAINER TERMINAL COMPANY LTD. (HAI PHONG)	An associate
WAN Hai Lines Peru S.A.C. (WHL Peru)	Joint venture
Wan Hai Lines (UAE) LLC. (WHL UAE)	Joint venture
Asia Pacific Container Terminal Inc. (APCT)	Related party in substance
New World Container Services Corporation	Related party in substance
Universal Checker Co., Ltd.	Related party in substance
Express Container Terminal Corp. (ECTC)	Related party in substance
Lin & Associates Law Firm	Related party in substance (Note)
New Sincere Transportation Corp. (NSTC)	Related party in substance
New Safety Transportation Corp. (NSaTC)	Related party in substance
An Chun Tally Co., Ltd.	Related party in substance
Taipei Port Container Terminal Corp. (Taipei Port)	Corporate director of the company
Taian Insurance Co., Ltd.	Related party in substance
Wan Chun International Corp. (WCIC)	Subsidiary of ECTC
Apezgo Digital Information Co., Ltd.	Subsidiary of APCT
AP PETROLEUM BUSINESS CO., LTD	Subsidiary of APCT
Formosa Wonderworld Co., Ltd. (Formosa Wonderworld)	Related party in substance

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

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

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

(b) Significant transactions with related parties

1. Sales to related parties:

	2018	2017
Subsidiary	$ 2,960,456	2,015,085
Other related parties	834,996	534,991
	$ 3,795,452	2,550,076

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

2. Consideration for services related to the entity:

	2018	2017
Subsidiary		
WH Corporation	$ 7,986,350	5,416,810
Others	1,550,499	1,422,711
Associates	66,813	63,068
Other related parties	3,342,890	3,200,485
	$ 12,946,552	10,103,074

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

3. Receivables from related parties

Receivables of the Company from related parties were as follows：

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

4. Payables from related parties

Payable of the Company related parties were as follows：

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

5. Property transactions

1) Acquisition of property, plant and equipment

In June 2016, the Company purchased a vessel from its subsidiary. The purchasing price was USD 16,500 thousand (TWD 530,145thousand) depending on the valuation report. The carrying value of the vessel was USD 19,428 thousand (TWD 626,128 thousand), and loss on disposal of property was $95,983 thousand, but not entirely realized. As of December 31, 2018 and 2017, the unrealized loss was $81,888 thousand and $87,345 thousand depending on the useful life of the vessel, 18 years, as the induction of long-term equity investment under equity method.

2) Disposals of property, plant and equipment

From January to June 2006, the Company sold five vessels to its subsidiaries. The selling price was USD73,470 thousand (TWD2,386,986 thousand) depending on the valuation report. The carrying value of the five vessels was $2,021,430 thousand, and gain on disposal of property was $365,556 thousand, but not entirely realized. As of December 31, 2017, the unrealized gain was recognized in the amount of $3,157 thousand. The amount was recognized depending on the useful life of the vessel, 18 years, as the deduction of long-term equity investments under equity method.

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

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

6. Other related-party transactions

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

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

7. Loans to Related Parties

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

8. Guarantees

Endorsement guarantees offered to related parties were as follows:

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Shorts-term employee benefits	$ 37,541	46,332
	$ 37,541	**46,332**

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Objective	2018.12.31	2017.12.31
Time deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf	$ 49,315	50,415
Refundable deposits (recorded in other non-current assets)	Harbor bureau lease contract for wharf, building lease contract and lawsuit	84,270	79,855
Containers	Long-term loans	6,218,080	5,022,444
Buildings	Long-term loans	14,623	15,177
Terminal equipment	Long-term loans	-	353,496
		$ 6,366,288	**5,521,387**

(9) Significant Contingencies and Commitments

(a) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Company entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2028. As of December 31, 2018, the lease deposit amounted to ￥255,775,000 (TWD 71,220 thousand) and was recorded in refundable deposits.

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

(b) As of December 31, 2018, the total amount claimed to the Company was approximately $4,315 thousand, and the related cases are under negotiation or under trial.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

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

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

(13) Disclosures

(a) Information on significant transactions

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

1. Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	WHL Singapore	Other receivables related parties	Yes	7,664,250	7,506,500	-	-	1	-	Note 2	-	Promissory note	7,506,500	12,727,748	13,833,781
1	WHL INTL	WHL India	Other receivables related parties	Yes	145,991	145,991	115,256	4.5%	1	-	Note 3	-	Promissory note	145,991	172,107	196,693
2	WHL Singapore	Yi Chun	Other receivables related parties	Yes	92,205	92,205	65,846	2.8133%~ 4.01344%	1	-	Note 4	-	Promissory note	92,205	8,909,423	10,182,198
2	WHL Singapore	Bravely International Pte.Ltd.	Other receivables related parties	Yes	30,735	-	-	-	1	-	Note 4	-	-	-	8,909,423	10,182,198

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Acquisition of assets.

Note 4: Operating activities.

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 thousand s of TWD)

Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount) (Note 3)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note2)	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	WHL Singapore	2	27,677,562	15,156,476	15,045,849	15,045,849	-	43.49 %	69,168,904	Y	N	N
0	The Company	TK	2	27,677,562	73,466	27,580	27,580	-	0.08 %	69,168,904	Y	N	N

Note 1: Relationship with the Company

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

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

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

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

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

(In thousands of TWD)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Notes
				Number of shares	Book value	Percentage of shares	Market value	
	Domestic listed stocks:							
The Company	GREATWALL ENTERPRISE CO., LTD	-	Financial assets at fair value through profit or loss-current	8,464,504	283,561	- %	283,561	
〃	Formosa Plastics Corporation	-	〃	376,288	38,005	- %	38,005	
〃	Formosa Chemicals & Fibre Corporation	-	〃	245,480	25,775	- %	25,775	
〃	Tainan Spinning Co., Ltd	-	〃	1,726,898	20,636	- %	20,636	
〃	China Steel Corporation	-	〃	2,291,162	55,560	- %	55,560	
	Delta Electronics, Inc.		〃	358,000	46,361	- %	46,361	
〃	Hon Hai Precision Ind. Co., Ltd.	-	〃	93,440	6,616	- %	6,616	
〃	Transcend Information, Inc.	-	〃	89,111	5,953	- %	5,953	

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

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD$100 million or 20% of the capital stock:

			Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		
Name of company	Name of Counter-party	Relationship	Purchase/ Sale	Amount	Percentage of total purchases/ sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	Notes
The Company	Taipei Port	Corporate director of the company	Container fee, terminal handling charges	797,003	1.49 %	30 days	-	-	-	- %	
〃	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	7,986,350	14.90 %	〃	-	-	(496,309)	7.48 %	Note 2
〃	WHL Singapore	Subsidiary	Rent income, commission revenue	(2,952,964)	5.48 %	〃	-	-	-	- %	Note 2
〃	WHL Singapore	Subsidiary	Commission fee	117,446	0.22 %	〃	-	-	(38,711)	0.58 %	Note 2
〃	WHL Hong Kong	Subsidiary	Commission fee	272,927	0.51 %	〃	-	-	(347,586)	5.24 %	Note 2
〃	Uniwin	Subsidiary	Commission fee	155,589	0.29 %	〃	-	-	-	- %	Note 2
〃	Clipper	Subsidiary	Commission fee	258,781	0.48 %	〃	-	-	-	- %	Note 2
〃	WHL Japan	Same director with the company	Commission fee	231,453	0.43 %	〃	-	-	-	- %	
〃	IAL Singapore	Related party in substance	Container rental revenue, commission revenue,joint venture revenue	(747,843)	1.39 %	〃	-	-	16,946	0.41 %	
〃	IAL Singapore	Related party in substance	Joint venture expense, container rental expense	193,046	0.36 %	〃	-	-	-	- %	
〃	Hyaline	Same director with the company	Commission fee	606,054	1.13 %	〃	-	-	-	- %	
〃	NSTC	Related party in substance	Tow charge	585,590	1.09 %	〃	-	-	(63,444)	0.96 %	
〃	APCT	Related party in substance	Container fee	319,030	0.60 %	〃	-	-	(25,531)	0.38 %	
〃	WCIC	Related party in substance	Turnkey charges, terminal handling charge	158,575	0.30 %	〃	-	-	(16,748)	0.25 %	
〃	NSaTC	Related party in substance	Container fee, tow charge	139,973	0.26 %	〃	-	-	(10,323)	0.16 %	
〃	WHL Malaysia	Indirect subsidiary	Commission fee	118,246	0.22 %	〃	-	-	-	- %	Note 2
〃	New World Container Services Corporation	Related party in substance	Container fee	121,122	0.23 %	〃	-	-	(9,162)	0.14 %	

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

			Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		
Name of company	Name of Counter-party	Relationship	Purchase/ Sale	Amount	Percentage of total purchases/ sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	Notes
The Company	TK	Subsidiary	container fee, service fee, terminal handling charge	113,955	0.21 %	30 days	-	-	(8,985)	0.14 %	Note 2
〃	WHL Korea	Subsidiary	Commission fee	107,484	0.20 %	〃	-	-	-	- %	Note 2
WHL Singapore	The Company	Subsidiary	Rent expense, commisson fee, shipping agent expense	2,952,964	16.14 %	〃	-	-	-	- %	Note 2
〃	The Company	Subsidiary	Fuel revenue	(117,446)	0.57 %	〃	-		38,711	12.21 %	Note 2
〃	k.k. WH Corporation	Both are subsidiaries of WHL subsidiary	Vessel rental revenue	(6,205,791)	29.87 %	〃	-	-	52,239	16.47 %	Note 2
WHL Hong Kong	The Company	Subsidiary	Commission revenue	(272,927)	15.29 %	〃	-	-	347,586	48.91 %	Note 2
〃	k.k. WH Corporation	Both are subsidiaries of WHL subsidiary	Rent income	(289,809)	16.24 %	〃	-	-	-	- %	Note 2
Clipper	The Company	Subsidiary	Commission revenue	(155,589)	34.19 %	〃	-	-	-	- %	Note 2
Uniwin	The Company	Subsidiary	Commission revenue	(258,781)	100.00 %	〃	-	-	-	- %	Note 2
k.k. WH Corporation	The Company	Subsidiary	Terminal port revenue, rent income	(7,986,350)	99.64 %	〃	-	-	496,309	39.60 %	Note 2
〃	WHL Singapore	Both are subsidiaries of WHL subsidiary	Rent expense	6,205,791	77.96 %	〃	-	-	(52,239)	4.18 %	Note 2
〃	WHL Hong Kong	Both are subsidiaries of WHL subsidiary	Rent expense	289,809	3.64 %	〃	-	-	-	- %	Note 2
WHL Malaysia	The Company	Subsidiary	Commission revenue	(118,246)	99.92 %	〃	-	-	-	- %	Note 2

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

Note 2: Eliminated in the consolidated financial statements.

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

(In thousands of TWD)

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	Clipper	Related party in substance	641,732	- %	-		493,009	-
〃	WHL Japan	Same director with the company	659,090	- %	-		543,962	-
〃	WHL India	Subsidiary	269,648	- %	-		262,672	-
〃	WH USA	Subsidiary	115,220	- %	-		76,022	-
k.k. WH Corporation	The Company	Subsidiary	496,309	- %	-		406,829	-
WHL Hong Kong	The Company	Subsidiary	347,586	- %	-		82,024	-
BS	The Company	Subsidiary	132,988	- %	-		132,988	-
WHL INTL	The Company	Subsidiary	109,582	- %	-		96,408	-
WHL Thailand	The Company	Subsidiary	158,552	- %	-		158,552	-

Note: Eliminated in the financial statements.

9. Trading in derivative instruments: None.

(b) Information on investees

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

(In thousands of TWD)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Wan Hai Lines (Singapore) Pte Ltd.	Singapore	Transportation and shipping agency service, vessel rental service, and international transportation and shipping agency services	21,546,395	21,546,395	959,957,200	100.00 %	28,001,054	2,308,879	2,303,423	Subsidiary (Note 2)
〃	Wan Hai Lines (America) Ltd.	America	Transportation and shipping agency services	401,460	401,460	280,000	100.00 %	426,140	22,573	22,573	Subsidiary
〃	k.k. WH Corporation	Japan	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	18,293	338	338	Subsidiary
〃	Wan Hai Lines (Germany) GmbH	Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	2,120	(368)	(368)	Subsidiary (Note 1)
〃	Tan Cang-Cai Mep International Terminal Co., Ltd.	Vietnam	Managing wharf and containers	259,917	259,917	-	21.33 %	361,735	468,057	99,837	Associate (Note 1)
〃	T.K. Logistics International Co., Ltd.	Taiwan	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00 %	147,616	6,065	3,336	Subsidiary
〃	Bao Sheng Shipping Agency Co., Ltd.	Taiwan	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01 %	38,776	5,345	3,742	Subsidiary
〃	Hai Phong International Container Terminal Co., Ltd.	Vietnam	Managing wharf and containers	598,211	202,896	-	16.50 %	573,088	(109,216)	(18,021)	Associate (Note 1)
WHL Singapore	Wan Hai Lines (Phils.), Inc.	Philippine	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	15,266	3,333	3,333	Indirect subsidiary
〃	Wan Hai Lines (HK) Ltd.	Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	2,716,186	365,068	365,068	Indirect subsidiary
〃	Wan Hai Lines (M) Sdn. Bhd.	Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	83,173	17,222	17,222	Indirect subsidiary
〃	Yi Chun Shipping Agencies Sdn. Bhd.	Malaysia	ODD operations	1,845	1,845	200,000	100.00 %	9,001	6,330	6,330	Indirect subsidiary
〃	Wan Hai Lines (Korea) Ltd.	Korea	Transportation and shipping agency services	11,019	11,019	80,000	100.00 %	28,177	12,750	12,750	Indirect subsidiary

WAN HAI LINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
WHL Singapore	Wan Hai International Pte Ltd.	Singapore	Transportation and shipping agency services	239,979	239,979	10,312,460	100.00 %	556,239	(268,044)	(268,044)	Indirect subsidiary
〃	Wan Hai Lines (Thailand) Ltd.	Thailand	Transportation and shipping agency services	2,805	2,805	24,900	49.00 %	58,839	14,161	6,939	Indirect subsidiary
〃	Wan Hai (Vietnam) Ltd.	Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	33,022	17,746	17,746	Indirect subsidiary (Note 1)
〃	HE CHUN LOGISTICS COMPANY LTD.	Vietnam	ODD operations	60,857	-	-	100.00 %	61,376	427	427	Indirect subsidiary (Note 1)
〃	Wan Hai Lines Peru S.A.C.	Peru	Transportation and shipping agency services	1,962	1,007	109,140	51.00 %	9,645	16,705	8,519	Associate
〃	Wan Hai Lines Ecuador SA.	Ecuador	Transportation and shipping agency services	1,627	1,627	51,000	51.00 %	6,017	7,900	4,029	Indirect subsidiary
〃	Bravely International Pte. Ltd.	Singapore	Investment	413,778	151,638	6,623,101	100.00 %	85,358	(209,220)	(209,220)	Indirect subsidiary
〃	WAN HAI LINES (USA) LTD.	America	Transportation and shipping agency services	4,469	-	3,000	100.00 %	5,335	709	709	Indirect subsidiary
WHL INTL.	Wan Hai Lines (UAE) LLC.	Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	36,331	68,690	33,658	Associate
〃	Infinite Marine Investment Co., Ltd.	Cayman	Transportation and investment	173,463	173,463	5,550,000	100.00 %	(730)	(167,068)	(167,068)	Indirect subsidiary
〃	Wan Hai Lines (India) PVT Ltd.	India	Transportation and shipping agency services	69	69	10,000	100.00 %	80,730	28,022	28,022	Indirect subsidiary
WHL Hong Kong	Dawin Logistics (International) Ltd.	Hong Kong	Transportation and shipping agency services	570,480	570,480	144,640,000	100.00 %	912,796	29,167	29,167	Indirect subsidiary
Bravely International Pte. Ltd.	Bravely (Myanmar) Transport and Logistics Company Ltd.	Myanmar	Managing containers, storage and logistics service	127,584	96,894	4,000,000	80.00 %	92,409	(3,264)	(2,611)	Indirect subsidiary
WHL America	Wan Hai Lines (Arizona) LLC.	America	House rental and management services	359,760	359,760	-	100.00 %	375,574	2,780	2,780	Indirect subsidiary (Note 1)

Note 1: Limited companies with no common shares issued.

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

Note 3: Eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of TWD)

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

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount						
Qingdao Port & Win International Logistics Co., Ltd.	Container Depot	50,188	(1)	-	-	-	-	32,922	50.00 %	16,461	40,904	-

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

2. Limitation on investment in Mainland China:

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

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

3. Significant transactions:

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

(14) Segment Information

Please refer to the consolidated financial report for the year ended December 31, 2018.

Wan Hai Lines Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

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

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Notes
Accounts receivable-joint service:			
Non-Related parties:		$	
Others (Note 1)		85,437	
Accounts receivable-freight, additional fee and container loading / discharge			
Related parties:			
Others (Note 1)		28,546	
Non-Related parties:			
Formosa Chemicals & Fiber Corporation	Freight and additional fees revenue	72,926	
Others (Note 1)	〃	1,016,943	
		1,203,852	
Less: Allowance for doubtful receivables		(358)	
Total		**$ 1,203,494**	

Note 1: The amount of individual client does not exceed 5% of the amount balance.

Wan Hai Lines Ltd.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF INVENTORIES

DECEMBER 31, 2018

(IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

Wan Hai Lines Ltd.

STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

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

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

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

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED IN DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Note 1: Limited companies with no common share issued.

Wan Hai Lines Ltd.

STATEMENT OF OTHER NON-CURRENT ASSET

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Note 1: The amount of individual client does not exceed 5% of the amount balance.

Wan Hai Lines Ltd.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

STATEMENT OF OTHER CURRENT LIABILITIES

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

Wan Hai Lines Ltd.

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED IN DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED IN DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

Wan Hai Lines Ltd.

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED IN DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

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

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