

WISDOM MARINE LINES CO., LIMITED (CAYMAN)
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
31 DECEMBER 2018 AND 2017

Registered: Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman
KY1-1108, Cayman Islands
Address: 7F., No. 237, Sec. 2, Fushing S. Rd., Taipei City, Taiwan
Telephone: 886-2-2755-2637

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

TABLE OF CONTENTS

Contents	Page
Cover page	1
Table of contents	2
Statement by directors	3
Audit report of independent auditors	4-7
Consolidated balance sheets	8-9
Consolidated statements of comprehensive income	10
Consolidated statements of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	
1.History and organization	13
2.Date and authorization of financial statements for issue	13
3.Newly issued or revised standards and interpretations	13-22
4.Summary of significant accounting policies	23-50
5.Significant accounting judgments, estimates and assumptions	50-51
6.Contents of significant accounts	52-83
7.Related parties	83-88
8.Pledged assets	88
9.Significant commitments and contingencies	89-90
10.Losses due to major disasters	90
11.Significant subsequent events	90
12.Others	90-104
13.Segment information	104-105

STATEMENT BY DIRECTORS

This statement specifies the responsibility of the Board of Directors in compiling the Consolidated Financial Report of Wisdom Marine Lines Co., Limited (Cayman) (the “Company”) and its subsidiaries (together the “Group”).

In addition to the disclosure of accounting information, a complete consolidated financial report shall include the roles of each segment of the Group and their future development, so that the readers of the Financial Report can fully understand the future development and potential risk of the Group. In respect of the full and complete disclosure of accounting procedures and financial information, the Board has responsibility to review the Group’s strategies, important business plans, and risk management policies, to set operational targets, and to monitor the results of operations, in order to comply with relevant regulations, protect company interests, and avoid potential fraud within the Group. We have provided the relevant financial information for every financial report year, and disclosed the consolidated assets, liabilities, financial structure and operating performance in a truthful, fair and objective manner. Our disclosure is based on the principles of consistency and going concern assumption, and we make fair judgments and estimations regarding accrual items at the end of each year, in order to prevent erroneous information in the consolidated financial report.

The Board of Directors and management reviewed the consolidated financial report of the Company and its subsidiaries for 2018 and 2017 on 22 February 2019. The consolidated financial report have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee, and give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and 2017 and the consolidated results and changes in equity of the Group for the years then ended, and there is no fraudulent or concealed information.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Wisdom Marine Lines Co., Limited
Director
22 February 2019

Audit Report of Independent Auditors

Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Wisdom Marine Lines Co., Limited (Cayman)

Opinion

We have audited the accompanying consolidated balance sheets of Wisdom Marine Lines Co., Limited (Cayman) (the "Company") and its subsidiaries (together the "Group") as of 31 December 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2018 and 2017, and their consolidated financial performance and cash flows for the years ended 31 December 2018 and 2017, in conformity with the requirements of the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

As at 31 December 2018, the amount of the Group's property, plant and equipment was \$2,741,207,097, which accounted for 95% of total assets. The management assessed if there is any indication that an asset may be impaired on balance sheet date. If there is any indication that an asset may be impaired, the Group should evaluate the recoverable amount of the cash-generating-unit (CGU), to which the asset belongs. The property, plant and equipment of the Group mainly consists of vessel equipment. The subsidiaries of the Company took the one-vessel-one-company strategy to manage vessels, and the main CGU for each subsidiary is their vessels. With the view that the amount of property, plant and equipment being material and the calculation of recoverable amount involving numerous assumptions and estimates, we have determined the impairment of property, plant and equipment as a key audit matter. The audit procedures we conducted regarding the impairment of property, plant and equipment included but not limited to the following, evaluating the appropriateness of the accounting policy for impairment of property, plant and equipment; inspecting the impairment evaluation report provided by the Group and assess the reasonableness of the identification of indication of impairment and the assumptions used, including identification of CGU, estimation of cash flows and discount rate. We also evaluated the disclosure regarding to property, plant and equipment in Note 5 and 6 of the consolidated financial statement.

Valuation of the put option embedded in bond payable

As at 31 December 2018, the amount of the Group's financial liabilities at fair value through profit or loss was \$2,488,564, which accounted for 0% of total assets. The fair value measurement hierarchy of the put option embedded in bond payable is categorized as Level 3. The measurement of Level 3 investment uses unobservable inputs. The management measured the put option based on source data from external valuation institute. As the external valuation has significant impact on the estimates of fair value, we determined the issue to be a key audit matter. The audit procedures we conducted regarding the valuation of the put option included but not limited to the following, comparing the report provided by internal experts with the report and related documents provided by the management; evaluating the reasonableness of the valuation methods and key valuation assumptions used by external valuation institute; conducting the recalculation and comparing the result with the one provided by the management. We also evaluated the disclosure regarding to valuation of the put option in Note 5, 6 and 12 of the consolidated financial statement.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee and Interpretations developed by the Standing Interpretations Committee and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Li Huang
Fuh, Wen Fun
Ernst & Young, Taiwan
22 February 2019

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2018 and 31 December 2017

(All Amounts Expressed in US Dollars)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	6.1	\$25,944,385	\$40,860,641
Financial assets at fair value through other comprehensive income-current	6.3 & 8	966,000	-
Available-for-sale financial assets-current	6.4 & 8	-	1,028,103
Held to maturity financial assets-current	6.5 & 8	-	614,211
Hedge financial assets-current	6.6	76,540	-
Contract assets-current	6.17	12,599	-
Accounts receivable, net	6.7 & 18	5,311,555	2,425,938
Accounts receivable-related parties	6.7, 6.18 & 7	299,642	221,707
Other receivables	7	3,216,794	1,048,206
Inventories	6.8	4,243,752	3,893,003
Prepaid expenses	7	6,413,221	6,694,427
Other financial assets-current	6.1 & 8	47,318,084	52,024,592
Other current assets	7	14,918,719	10,986,931
Total current assets		108,721,291	119,797,759
Hedge derivative financial assets-noncurrent	6.6	-	80,058
Hedge financial assets-noncurrent	6.6	72,731	-
Investment accounted for using the equity method	6.9	2,854,380	3,655,924
Property, plant and equipment	6.10 & 8	2,741,207,097	2,668,567,098
Deferred income tax assets	6.22	41,981	45,911
Long-term notes, accounts and overdue receivables	6.18	1,761,734	1,902,000
Other financial assets-noncurrent		11,085,153	8,378,150
Other noncurrent assets-other	6.11	29,741,614	52,888,711
Total noncurrent assets		2,786,764,690	2,735,517,852
TOTAL ASSETS		\$2,895,485,981	\$2,855,315,611

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS(CONT'D)

31 December 2018 and 2017

(All Amounts Expressed in US Dollars)

	Note	31 December 2018	31 December 2017
LIABILITIES			
Short-term borrowings	6.12	\$50,972,826	\$44,399,387
Financial liabilities at fair value through profit or loss	6.2 & 6.13	2,488,564	3,009,409
-current			
Hedge derivative financial liabilities-current	6.6	-	986
Accounts payable		9,773,057	6,507,493
Accounts payable-related parties	7	365,000	-
Accrued expenses	7	25,737,174	20,700,562
Advance receipts		14,228,174	15,343,881
Other current liabilities-others	7	2,590,792	3,050,020
		<u>106,155,587</u>	<u>93,011,738</u>
Current portion of corporate bonds payable	6.13	32,584,867	10,773,060
Current portion of long-term borrowings	6.12	238,649,673	217,027,648
Current portion of long-term accounts payables-nonrelated parties	6.14	7,177,478	1,923,576
Current portion of long-term accounts payable-related parties	6.14&7	1,048,116	-
Current portion of lease payables	6.14	7,522,354	14,405,443
		<u>286,982,488</u>	<u>244,129,727</u>
Total current liabilities		<u>393,138,075</u>	<u>337,141,465</u>
Corporate bonds payable	6.13	4,854,385	43,041,562
Long-term borrowings	6.12	1,387,463,492	1,434,235,585
Deferred income tax liabilities	6.22	24,258	7,235
Long-term accounts payable	6.14	18,914,855	25,862,475
Long-term lease payables-noncurrent	6.14	78,935,848	59,378,089
Long-term accounts payable-related parties	6.14&7	96,627,799	74,736,418
Net defined benefit liabilities	6.15	136,892	129,315
Guarantee deposits received		290,505	415,162
Total non-current liabilities		<u>1,587,248,034</u>	<u>1,637,805,841</u>
TOTAL LIABILITIES		<u>1,980,386,109</u>	<u>1,974,947,306</u>
EQUITY			
	6.13 & 6.16		
Common stock		200,501,836	196,262,789
Capital surplus		40,456,716	52,804,122
Legal reserve		6,960	6,960
Unappropriated earnings		450,551,199	390,552,572
Cumulative translation adjustments		223,464,740	240,630,756
Unrealized gains (losses) on financial assets at fair value through other comprehensive income		(30,850)	-
Unrealized gains or losses on available-for-sale financial assets		-	32,034
Effective portion of gains on hedging instrument in a cash flow hedge		-	79,072
Gains (Losses) from hedging instruments		149,271	-
TOTAL EQUITY		<u>915,099,872</u>	<u>880,368,305</u>
TOTAL EQUITY AND LIABILITIES		<u>\$2,895,485,981</u>	<u>\$2,855,315,611</u>

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 and 2017
(All Amounts Expressed in US Dollars)

	Notes	2018	2017
Operating revenues	6.17& 7	\$433,434,801	\$362,728,315
Operating costs	6.19& 7	312,824,385	295,816,218
Gross profit from operations		120,610,416	66,912,097
Operating expenses			
General and administrative	7	5,210,825	5,264,619
Expected credit losses	6.18	144,615	-
Total operating expenses		5,355,440	5,264,619
Profit from operating activities		115,254,976	61,647,478
Interest income	6.20	874,442	531,612
Others income and gains	6.20	6,056,800	3,229,356
Gain on disposal of investment	6.20&6.24	-	1,589,834
Foreign exchange gains (losses)	6.20	718,695	(1,030,003)
Gains (Losses) on valuation of financial instruments or liabilities at fair value through profit or loss	6.13&6.20	235,213	1,114,575
Interest expense	6.10, 6.13, 6.20 & 7	(57,260,989)	(43,731,589)
Other expenses and losses	6.13&6.20	(3,238,966)	(7,199,981)
Gains (Losses) on disposal of property, plant and equipment	6.10&6.20	(205,072)	(1,430,022)
Share of loss of associates and joint ventures accounted for using equity method	6.9	(2,292,879)	(953,371)
Total other income and losses		(55,112,756)	(47,879,589)
Profit before income tax		60,142,220	13,767,889
Income tax expense (income)	6.22	133,402	21,109
Profit for the year		60,008,818	13,746,780
Other comprehensive income:	6.21		
Remeasurement of defined benefit plan		(17,525)	2,769
Income tax (benefit) expense relating to items that will not be reclassified		(7,334)	471
Cumulative translation adjustments		(17,166,016)	(31,837,383)
Unrealized gains (losses) on available-for-sale financial assets		-	(79,638)
Effective portion of gains (losses) on hedging instrument in a cash flow hedge		-	(1,547,671)
Unrealized gains (losses) on debt instruments investment measured at fair value through other comprehensive income		(62,884)	-
Gains (Losses) from hedging instruments		70,199	-
Other comprehensive income		(17,168,892)	(33,462,394)
Total comprehensive income		\$42,839,926	\$(19,715,614)
Profit for the year attributable to:			
-Owners of the Company		\$60,008,818	\$13,732,439
-Non-controlling interests		-	14,341
		\$60,008,818	\$13,746,780
Total Comprehensive income attributable to:			
-Owners of the Company		\$42,839,926	\$(19,729,955)
-Non-controlling interests		-	14,341
		\$42,839,926	\$(19,715,614)
Primary earnings per Share	6.23	\$0.10	\$0.02
Diluted earnings per Share	6.23	\$0.09	\$0.02

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEARS ENDED 31 DECEMBER 2018 and 2017
 (All Amounts Expressed in US Dollars)

	Retained earnings					Other components of equity						
	Common stock	Capital surplus	Legal reserve	Unappropriate d earnings	Cumulative translation adjustments	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Effective portion of gains (losses) on hedging instrument in a cash flow hedge	Gains (Losses) from hedging instruments	Total equity attributable to equity holders of the Company	Non-controlling interest	Total
Balance, 1 January 2017	\$175,871,257	\$64,554,101	\$6,960	\$376,817,835	\$272,468,139	\$-	\$111,672	\$1,626,743	\$-	\$891,456,707	\$3,584,181	\$895,040,888
Cash dividends from capital surplus	-	(18,332,992)	-	-	-	-	-	-	-	(18,332,992)	-	(18,332,992)
Stock dividends from capital surplus	9,166,491	(9,166,491)	-	-	-	-	-	-	-	-	-	-
Profit for the year ended 31 December 2017	-	-	-	13,732,439	-	-	-	-	-	13,732,439	14,341	13,746,780
Other comprehensive income for the year ended 31 December 2017	-	-	-	2,298	(31,837,383)	-	(79,638)	(1,547,671)	-	(33,462,394)	-	(33,462,394)
Comprehensive income for the year ended 31 December 2017	-	-	-	13,734,737	(31,837,383)	-	(79,638)	(1,547,671)	-	(19,729,955)	14,341	(19,715,614)
Capital increase by cash	10,602,346	14,499,231	-	-	-	-	-	-	-	25,101,577	-	25,101,577
Exercise of convertible bonds	622,695	1,250,273	-	-	-	-	-	-	-	1,872,968	-	1,872,968
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(3,598,522)	(3,598,522)
Balance, 31 December 2017	\$196,262,789	\$52,804,122	\$6,960	\$390,552,572	\$240,630,756	\$-	\$32,034	\$79,072	\$-	\$880,368,305	\$-	\$880,368,305
Balance, 1 January 2018	\$196,262,789	\$52,804,122	\$6,960	\$390,552,572	\$240,630,756	\$-	\$32,034	\$79,072	\$-	\$880,368,305	\$-	\$880,368,305
Effects of retrospective application and retrospective restatement	-	-	-	-	-	32,034	(32,034)	(79,072)	79,072	-	-	-
Balance, 1 January 2018 after adjustment	196,262,789	52,804,122	6,960	390,552,572	240,630,756	32,034	-	-	79,072	880,368,305	-	880,368,305
Cash dividends from capital surplus	-	(20,594,676)	-	-	-	-	-	-	-	(20,594,676)	-	(20,594,676)
Profit for the year ended 31 December 2018	-	-	-	60,008,818	-	-	-	-	-	60,008,818	-	60,008,818
Other comprehensive income for the year ended 31 December 2018	-	-	-	(10,191)	(17,166,016)	(62,884)	-	-	70,199	(17,168,892)	-	(17,168,892)
Comprehensive income for the year ended 31 December 2018	-	-	-	59,998,627	(17,166,016)	(62,884)	-	-	70,199	42,839,926	-	42,839,926
Exercise of convertible bonds	4,239,047	8,247,270	-	-	-	-	-	-	-	12,486,317	-	12,486,317
Balance, 31 December 2018	\$200,501,836	\$40,456,716	\$6,960	\$450,551,199	\$223,464,740	\$(30,850)	\$-	\$-	\$149,271	\$915,099,872	\$-	\$915,099,872

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 and 2017
(All Amounts Expressed in US Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$60,142,220	\$13,767,889
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expenses	139,430,498	130,052,693
Amortization expenses	10,106	11,077
Bad debt expenses	-	79,487
Losses (Gains) on expected credit	144,615	-
Losses (Gains) on financial assets or liabilities at fair value through profit or loss	(109,673)	(1,114,575)
Interest expense	57,260,989	43,731,589
Interest income	(874,442)	(531,612)
Losses (Gains) on foreign currency exchange on corporate bond payable	(1,235,040)	796,682
Losses (Gains) on derecognition of convertible bonds payable	-	4,462,107
Share of loss of associates and joint ventures accounted for using equity method	2,292,879	953,371
Losses (Gains) on disposal of property, plant and equipment	205,072	1,430,022
Amortization of available-for-sale financial assets	(781)	(781)
Amortization of held to maturity financial assets	(17,544)	(44,846)
Amortization of convertible bonds payable issuance costs	56,577	149,691
Other income	(579,604)	(695,525)
Losses (Gains) on disposal of investment	-	(1,589,834)
Other item	(5,710)	204,757
Change in assets and liabilities		
Decrease (Increase) in contract assets	(12,599)	-
Decrease (Increase) in accounts receivable	(2,889,966)	(922,542)
Decrease (Increase) in accounts receivable-related parties	(77,935)	34,177
Decrease (Increase) in other receivables	(2,161,043)	(272,086)
Decrease (Increase) in inventories	(350,749)	(495,626)
Decrease (Increase) in prepaid expenses	281,206	(1,230,645)
Decrease (Increase) in other current assets	(3,931,788)	(863,097)
Increase (Decrease) in accounts payable	3,265,564	2,394,952
Increase (Decrease) in accounts payable-related parties	365,000	(3,335)
Increase (Decrease) in accrued expenses	4,430,195	5,868,996
Increase (Decrease) in advance receipts	(536,103)	(940,755)
Increase (Decrease) in other current liabilities	(459,228)	1,274,079
Cash generated from operating activities	254,642,716	196,506,310
Interest received	867,089	509,701
Interest paid	(55,102,235)	(44,191,100)
Income taxes paid	(28,815)	(122,769)
Net cash provided by operating activities	200,378,755	152,702,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of hedge derivative financial assets	-	55,161
Proceeds from disposal of available-for-sale financial assets	-	4,818,555
Acquisition of investment accounted for using equity method	(1,562,754)	-
Proceeds from derecognition of held-to-maturity financial assets	631,755	-
Acquisition of property, plant and equipment	(19,835,516)	(28,607,804)
Proceeds from disposal of property, plant and equipment	3,948,750	4,332,250
Decrease (Increase) in other financial assets	2,117,591	(26,679,661)
Decrease (Increase) in other noncurrent assets (prepaid expenses-vessel)	(173,582,069)	(282,286,790)
Net cash used in investing activities	(188,282,243)	(328,368,289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of bonds payable	-	39,266,924
Reimbursement for convertible bonds	(4,750,000)	(78,173,840)
Increase (Decrease) in short-term borrowings	6,573,439	19,057,385
Increase (Decrease) in long-term borrowings	(39,543,588)	203,969,219
Increase (Decrease) in guarantee deposits received	(124,657)	415,162
Increase (Decrease) in lease payables	11,663,201	9,245,521
Increase (Decrease) in other finance liabilities	20,727,973	(14,736,218)
Distribution of cash dividend	(20,594,676)	(18,332,992)
Increase in Cash Capital	-	24,882,601
Changes in non-controlling interests	-	(180,000)
Net cash provided by financing activities	(26,048,308)	185,413,762
FOREIGN EXCHANGE RATE EFFECTS	(964,460)	(1,490,792)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,916,256)	8,256,823
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	40,860,641	32,603,818
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$25,944,385	\$40,860,641

The accompanying notes are an integral part of the consolidated financial statement.

WISDOM MARINE LINES CO., LIMITED (CAYMAN)
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018 AND 2017

(In US Dollars Unless Stated Otherwise)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

1. History and organization

Wisdom Marine Lines Co., Limited (Cayman) (the “Company”) was incorporated in the Cayman Islands on 21 October 2008 as a tax-exempt company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (the “Group”) primarily provide marine cargo transportation services, service related to the maintenance, vessel leasing, and shipping agency and management services. On 1 December 2010, the Company was approved and listed on Taiwan Stock Exchange (TWSE).

The Company’s ultimate parent company: None.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements were authorized for issue by the board of directors on 22 February 2019.

3. Newly issued or revised standards and interpretations

- (1) Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2017. Shown below are the standards and interpretations effective for annual periods beginning on or after 1 January 2018.

A. IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The Group's principal activities are rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- (a) Please refer to Note 4 for the accounting policies before or after 1 January 2018.
- (b) Before 1 January 2018, revenue from rendering of services was recognized by reference to the stage of completion which was measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Group's revenue recognition from rendering of services. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. For some contracts, if the Group has the right to render services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9.
- (c) Please refer to Note 4 and Note 6 for additional disclosure note required by IFRS 15.

B. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

- (a) The Group adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income	\$1,028,103
Available-for-sale financial assets	\$1,028,103		
At amortized cost		At amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, trade receivables, other receivables (including due from related parties) and Long-term notes, accounts and overdue receivables)	47,068,168
Held-to-maturity investments	614,211		
Loans and receivables (including cash and cash equivalents, trade receivables, other receivables (including due from related parties) and Long-term notes, accounts and overdue receivables)	46,453,957		
Subtotal	47,068,168		
Derivative financial assets for hedging	80,058	Financial assets for hedging	80,058
Other financial assets	60,402,742	Other financial assets	60,402,742
Total	\$108,579,071	Total	\$108,579,071

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(c) The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Available-for-sale financial assets (Note i)	\$1,028,103	Measured at fair value through other comprehensive income (debt instruments)	\$1,028,103	\$-	\$-	\$-
Held-to-maturity investments (Note ii)	614,211	Financial assets measured at amortized costs	614,211	-	-	-
Loans and receivables (Note ii)						
Cash and cash equivalents(exclude cash on hand)	40,856,106	Cash and cash equivalents(exclude cash on hand)	40,856,106	-	-	-
Accounts receivable (include from related parties)	2,647,645	Accounts receivable (include from related parties)	2,647,645	-	-	-
other receivables (include from related parties)	1,048,206	other receivables (include from related parties)	1,048,206	-	-	-
Long-term notes,accounts and overdue receivables	1,902,000	Long-term notes,accounts and overdue receivables	1,902,000	-	-	-
Subtotal	46,453,957					
Derivative financial assets for hedging	80,058	Financial assets for hedging	80,058	-	-	-
Other financial assets	60,402,742	Other financial assets	60,402,742	-	-	-
Total	\$108,579,071	Total	\$108,579,071	\$-	\$-	\$-

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Note:

- i. In accordance with IAS 39, available-for-sale financial assets are bonds of listed companies. Details are described as follow:

The cash flow characteristics for bonds investments are solely payments of principal and interest on the principal amount outstanding. In accordance with IFRS 9, the assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets are managed to achieve the business model's objective by both collecting contractual cash flows and selling financial assets, and they should be reclassified to financial assets measured at fair value through other comprehensive income. As at 1 January 2018, available-for-sale investments of \$1,028,103 were reclassified to financial assets measured at fair value through other comprehensive income of \$1,028,103. This reclassification did not result any difference in the carrying amount. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at 1 January 2018.

- ii. In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018. As at 1 January 2018, financial assets held-to-maturity investments of \$614,211 were reclassified to financial assets measured at amortized cost of \$614,211.

- (d) Please refer to Note 4, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

C. IFRIC 22 “*Foreign Currency Transactions and Advance Consideration*”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Group has no relevant transaction or event. Aforementioned standards and interpretations have no material impact on the Group.

(2) The following standards or interpretations issued by IASB are not yet effective:

A. IFRS 16 “*Leases*”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

B. IFRIC 23 “*Uncertainty Over Income Tax Treatments*”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. IAS 28 “*Investment in Associates and Joint Ventures*” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

D. Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

G. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

H. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

I. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

J. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB are not yet effective at the date when the Group's financial statements were authorized for issue. As the Group is still currently determining the potential impact of the standards and interpretations listed under B~C, E~G and J it is not practicable to estimate their impact on the Group at this point in time. Apart from the potential impact of the standards and interpretations listed under A, which is described below, all other standards and interpretations have no material impact on the Group.

(a) *IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

1. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset will increase by \$869,748 and the lease liability will increase by \$861,446 on 1 January 2019.

(b) Leases classified as finance leases

For leases that were classified as finance leases applying IAS 17, the Group expects to reclassify the lease asset of \$90,950,456 and the lease payable of \$86,458,202 as measured by IAS 17 to the right-of-use asset of \$90,950,456 and the lease liability of \$86,458,202, respectively, on 1 January 2019.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the year ended 31 December 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for those financial instruments that are measured at fair value with changes therein shown in the consolidated financial statements.

B. Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group's consolidated financial statements are presented in US Dollar, which is the Company's functional currency and presentation currency. However in order to comply with the listing requirement in Taiwan, the Group translates its results and financial position into the presentation currency, New Taiwan Dollar (in thousands of NTD), in accordance with paragraph 38 of IAS 21 "The Effects of Changes in Foreign Exchange Rates". Statement of financial position presented is translated at the closing rate at the date of that statement of financial position. Statement of comprehensive income is translated at exchange rates at the dates of transactions. Equity transactions are translated at exchange rates at the dates of transactions.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

B. The consolidated entities are listed as follows:

Investor	Investee Company Name	2018.12.31 Ownership Percentage	2017.12.31 Ownership Percentage
The Company	Wisdom Marine Lines S.A. (Panama) (WML)	100%	100%
The Company	Wisdom Marine International Inc. (WII)	100%	100%
WII	Well Ship management and Maritime Consultant Co., Ltd. (WELL)	100%	100%

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Investor	Investee Company Name	2018.12.31 Ownership Percentage	2017.12.31 Ownership Percentage
WML	Adixi Wisdom S.A.	100%	100%
WML	Amis Carriers S.A.	100%	100%
WML	Amis Elegance S.A.	100%	100%
WML	Amis Fortune S.A.	100%	100%
WML	Amis Hero S.A.	100%	100%
WML	Amis Integrity S.A.	100%	100%
WML	Amis International S.A.	100%	100%
WML	Amis Justice S.A.	100%	100%
WML	Amis Mariner S.A.	100%	100%
WML	Amis Miracle S.A.	100%	100%
WML	Amis Nature Inc.	100%	-
WML	Amis Navigation S.A.	100%	100%
WML	Amis Star S.A.	100%	100%
WML	Amis Wisdom S.A.	100%	100%
WML	Arikun Wisdom S.A.	100%	100%
WML	Atayal Brave S.A.	100%	100%
WML	Atayal Mariner S.A.	100%	100%
WML	Atayal Star S.A.	100%	100%
WML	Atayal Wisdom S.A.	100%	100%
WML	Babuza Wisdom S.A.	100%	100%
WML	Beagle Marine S.A.	100%	100%
WML	Beagle Wisdom S.A.	100%	100%
WML	Bunun Brave S.A.	100%	100%
WML	Bunun Champion S.A.	100%	100%
WML	Bunun Dynasty S.A.	100%	100%
WML	Bunun Elegance S.A.	100%	100%
WML	Bunun Fortune S.A.	100%	100%
WML	Bunun Hero S.A.	100%	100%
WML	Bunun Infinity S.A.	100%	100%
WML	Bunun Justice S.A.	100%	100%
WML	Bunun Marine S.A.	100%	100%
WML	Bunun Navigation S.A.	100%	100%
WML	Bunun Wisdom S.A.	100%	100%
WML	Cosmic Wisdom S.A.	100%	100%
WML	Daiwan Champion S.A.	100%	100%
WML	Daiwan Dolphin S.A.	100%	100%
WML	Daiwan Elegance S.A.	100%	100%

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Investor	Investee Company Name	2018.12.31 Ownership Percentage	2017.12.31 Ownership Percentage
WML	Daiwan Fortune S.A.	100%	100%
WML	Daiwan Glory S.A.	100%	100%
WML	Daiwan Hero S.A.	100%	100%
WML	Daiwan Infinity S.A.	100%	100%
WML	Daiwan Justice S.A.	100%	100%
WML	Daiwan Kalon S.A.	100%	100%
WML	Daiwan Leader S.A.	100%	100%
WML	Daiwan Miracle S.A.	100%	100%
WML	Dumun Marine S.A.	100%	100%
WML	Dumun Navigation S.A.	100%	100%
WML	Elite Steamship S.A.	100%	100%
WML	Euroasia Investment S.A.	100%	100%
WML	Favoran Wisdom S.A.	100%	100%
WML	Fourseas Maritime S.A.Panama	100%	100%
WML	Fraternity Marine S.A.	100%	100%
WML	Fraternity Ship Investment S.A.	100%	100%
WML	Genius Marine S.A.	100%	100%
WML	Genius Prince S.A.	100%	100%
WML	Genius Star Carriers S.A.	100%	100%
WML	Genius Star Navigation S.A.	100%	100%
WML	GS Global S.A.	100%	100%
WML	GS Navigation S.A.	100%	100%
WML	GSX Maritime S.A.	100%	100%
WML	Guma Marine S.A.	100%	100%
WML	Guma Navigation S.A.	100%	100%
WML	Harmony Pescadores S.A.(Panama)	100%	100%
WML	Harmony Success S.A.	-	- (Note a)
WML	Harmony Transport S.A.	100%	100%
WML	Hoanya Wisdom S.A.	100%	100%
WML	Infinite Wisdom S.A.	100%	100%
WML	Katagalan Carriers S.A.	100%	100%
WML	Katagalan Line S.A.	100%	100%
WML	Katagalan Marine S.A.	100%	100%
WML	Katagalan Navigation S.A.	100%	100%
WML	Katagalan Star S.A.	100%	100%
WML	Katagalan Wisdom S.A.	100%	100%
WML	Kavalan Wisdom S.A.	100%	100%

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Investor	Investee Company Name	2018.12.31 Ownership Percentage	2017.12.31 Ownership Percentage
WML	Ligulao Wisdom S.A.	100%	100%
WML	Lloa Wisdom S.A.	100%	100%
WML	Log Wisdom S.A.	100%	100%
WML	Luilang Wisdom S.A.	100%	100%
WML	Magnate Maritime S.A.	100%	100%
WML	Makatao Wisdom S.A.	100%	100%
WML	Mercy Marine Line S.A.	100%	100%
WML	Mighty Maritime S.A.	100%	100%
WML	Mimasaka Investment S.A.	100%	100%
WML	Mount Wisdom S.A.	100%	100%
WML	Paiwan Wisdom S.A.	100%	100%
WML	Papora Wisdom S.A.	100%	100%
WML	Pazeh Wisdom S.A.	100%	100%
WML	Pescadores International Line S.A.	100%	100%
WML	Poavosa International S.A.	100%	100%
WML	Poavosa Maritime S.A.	100%	100%
WML	Poavosa Navigation S.A.	100%	100%
WML	Poavosa Wisdom S.A.	100%	100%
WML	Rukai Maritime S.A.	100%	100%
WML	Sakizaya Diamond S.A.	100%	100%
WML	Sakizaya Fortune S.A.	100%	100%
WML	Sakizaya Glory S.A.	100%	100%
WML	Sakizaya Hero S.A.	100%	100%
WML	Sakizaya Integrity S.A.	100%	100%
WML	Sakizaya Justice S.A.	100%	100%
WML	Sakizaya Kalon S.A.	100%	100%
WML	Sakizaya Leader S.A.	100%	100%
WML	Sakizaya Line S.A.	100%	100%
WML	Sakizaya Marine S.A.	100%	100%
WML	Sakizaya Miracle S.A.	100%	100%
WML	Sakizaya Navigation S.A.	100%	100%
WML	Sakizaya Orchid S.A.	100%	100%
WML	Sakizaya Power S.A.	100%	100%
WML	Sakizaya Queen S.A.	100%	100%
WML	Sakizaya Respect S.A.	100%	100%
WML	Sakizaya Wisdom S.A.	100%	100%
WML	Sao Wisdom S.A.	100%	100%

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Investor	Investee Company Name	2018.12.31 Ownership Percentage	2017.12.31 Ownership Percentage
WML	Saysiat Wisdom S.A.	100%	100%
WML	Siraya Wisdom S.A.	100%	100%
WML	Taivoan Wisdom S.A.	100%	100%
WML	Tao Ace S.A.	100%	100%
WML	Tao Brave S.A.	100%	100%
WML	Tao Mariner S.A.	100%	100%
WML	Tao Star S.A.	100%	100%
WML	Tao Treasure S.A.	100%	100%
WML	Taokas Marine S.A.	100%	100%
WML	Taokas Navigation S.A.	100%	100%
WML	Taokas Wisdom S.A.	100%	100%
WML	Taroko Maritime S.A.	100%	100%
WML	Taroko Wisdom S.A.	100%	100%
WML	Triumph Wisdom S.A.	100%	100%
WML	Trobian Wisdom S.A.	100%	100%
WML	Unicorn Bravo S.A.	100%	100%
WML	Unicorn Fortune S.A.	100%	100%
WML	Unicorn Logger S.A.	100%	100%
WML	Unicorn Logistics S.A.	100%	100%
WML	Unicorn Marine S.A.	100%	100%
WML	Unicorn Pescadores S.A.	100%	100%
WML	Unicorn Successor S.A.	100%	100%
WML	Vayi Wisdom S.A.	100%	100%
WML	Winsome Wisdom S.A.	100%	100%
WML	Wisdom Ace S.A.	100%	100%

Note a: Although the percentage of ownership interests in Harmony Success S.A. is less than 50%, the Company determined that it has control over Harmony Success S.A. This is by virtue of an agreement with other investors, the Company has the ability to fully control the operation of Harmony Success S.A. and appoint or approve the key management personnel of Harmony Success S.A. who have the ability to direct the relevant activities. The Company also has rights to the variable returns of Harmony Success S.A. Based on the aforementioned facts and circumstances, management is of the view that the Group controls Harmony Success S.A. and therefore it has been consolidated.

The Group sold the shares account for 40% of Harmony Success S.A. on 31 May 2017, please refer to Note 6. (24) for further information.

b: Subsidiaries excluded from consolidation: None.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(4) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits which mature over three months are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, therefore they are reported as cash and cash equivalents.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost or fair value through other comprehensive income on the basis of both:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

The accounting policy before 1 January 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from 1 January 2018 as follow:

The Group is recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Loss events include:

- (a) significant financial difficulty of the issuer or obligor; or
- (b) a breach of contract, such as a default or delinquency in interest or principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not re-measured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*).

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or losses including interest paid are recognized in profit or loss.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Before 1 January 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policy are applicable to host contracts as financial liabilities or non-financial assets since 1 January 2018.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(11) Inventories

Inventories are bunker oil and are carried at the lower of cost or net realizable value. The cost of fuel is determined using the “weighted-average” cost method. Net realizable value is the determined based on the estimated selling price in the ordinary course of business, less the estimated selling expenses at the end of the period.

(12) Investments accounted for using equity method

The Group’s investment in its associate is accounted for using equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group’s related interest in the associate.

When the associate issues new stock, and the Group’s interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment accounted for using equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

All major components of the vessels are depreciated on a straight-line basis over the useful life of the assets. Depreciation is based on cost less the estimated residual value. The residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

The dry-docking cost, including acquisition of a new vessel, is separated from the remaining cost of the vessel. These two cost elements are recognized and depreciated separately. For the building of new vessels, the initial dry-docking cost is also segregated and capitalized separately.

The Group has a long-term plan for dry-docking of the vessels. Dry-docking cost is capitalized and depreciated until the next planned dry-docking. Other capitalized improvements are depreciated over the estimated economic life.

The carrying values of vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, except for those cases which are of little consequence.

A vessel or item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

Expenditures on the building of new vessels are capitalized as vessels under construction as they are paid. Capitalized value is reclassified from vessel under construction to vessels upon delivery from the dock. The total acquisition cost of a vessel is determined based on the sum of installments paid plus the costs incurred during the construction period. Borrowing costs that are attributable to the construction of the vessels are capitalized as part of the vessel. The interest rate is based on the weighted-average borrowing costs for the Group, limited to the total borrowing costs incurred in the period.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

vessels	15-25 years
vessel equipment	3-5 years
dry-dockings	2.5 years
other	3-10 years

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(17) Revenue recognition

The accounting policy from 1 January 2018 as follow:

Hire Revenue

Hire revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. The revenue is measured at the fair value of consideration that the Group has received or had the right to receive. The revenue is recognized on a time proportion basis over the lease term.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Freight Revenue and Vessel Management Revenue

The Group's revenue arising from contracts with customers are rendering of services, including shipping services and vessel management services. Such services are separately priced or negotiated, and provided based on contract periods. As the Group provides the services over the contract period, so that the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by reference to the stage of completion over the period.

Most of the contractual considerations of the Group are received on average during the contract period after the provision of services. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

The accounting policy before 1 January 2018 as follow:

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. The revenue is measured at the fair value of consideration that the Group has received or had the right to receive. The revenue is recognized on the following basis:

- (a) From freight, on a percentage of completion basis;
- (b) From chartering hire, on a time proportion basis over the lease term;
- (c) From vessel management, in the period in which the vessels are managed in accordance with the respective agreement;
- (d) Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(19) Post-employment benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss during which services are rendered by employees.

(b) Defined benefit plans

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Past service costs are recognized in profit or loss on the earlier of:

- i. the date of the plan amendment or curtailment, and
- ii. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(c) Short-term benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Please find the details as below:

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(3) Useful lives and depreciation of vessels

Management determines the estimated useful lives and related depreciation charges for its vessels. This estimate is based on the historical experience of the actual useful lives of vessels of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. Management assesses the scrap value according to the characteristics of the Group's vessels and the market research from Clarkson and Demolition Market.

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at each reporting date. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations, and scrap value of vessels in future.

(4) Provision for losses from accidents

Provision for losses from accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation, and the recoverability of losses from insurance companies, which requires management's judgment and estimates. Where the actual outcome or expectation in the future differs from the original estimate, such differences will have an impact on the carrying amount of the provisions and losses incurred in accidents/write-back in the period in which such estimate is changed.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

6. Contents of significant accounts

(1) Cash and cash equivalents

	31 December 2018	31 December 2017
Cash on hand	\$4,315	\$4,535
Check deposits	22,082	185
Demand deposits	15,960,468	13,465,881
Time deposits	9,957,520	27,390,040
Total	<u>\$25,944,385</u>	<u>\$40,860,641</u>

As at 31 December 2018 and 2017, cash and cash equivalents with carrying amounts of \$47,318,084 and \$52,024,592 respectively, were pledged to secure bank loans and were classified under other financial assets.

(2) Financial instruments at fair value through profit or loss

	31 December 2018	31 December 2017
Financial liabilities at fair value through profit or loss		
-Financial liabilities held for trading-current	<u>\$2,488,564</u>	<u>\$3,009,409</u>

As at 31 December 2018 and 2017, the amount of the Group's bonds payable, including embedded derivative instruments—put right were \$2,488,564 and \$3,009,409, respectively. The bonds payable, including embedded derivative instruments—put right was recognized as financial liabilities held for trading-current/noncurrent. Please refer to Note 6. (13) for further details.

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

	31 December 2018	31 December 2017 (note)
Debt instrument investments measured at fair value through other comprehensive income		
Bonds		
Current	<u>\$966,000</u>	<u>\$-</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

A. For the amount of aforementioned financial assets pledged for bank loans as at 31 December 2018, please refer to Note 8.

B. For the credit risk information of financial assets at fair value through other comprehensive income, please refer to Note 12.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(4) Available-for-sale financial assets

	<u>31 December 2018</u>	<u>31 December 2017</u>
Available-for-sale financial assets		
Bonds		
Current	<u>\$-</u>	<u>\$1,028,103</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018 and classified certain financial assets as available-for-sale financial assets. Please refer to Note 8 for more details on available-for-sale financial assets pledged for bank loans as at 31 December 2017.

(5) Held-to-maturity financial assets

	<u>31 December 2018</u>	<u>31 December 2017</u>
Held-to-maturity financial assets		
Bonds		
Current	<u>\$-</u>	<u>\$614,211</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9

A. As at 31 December 2017, the held-to-maturity financial assets had maturities in February 2018.

B. For the amount of aforementioned financial assets pledged for bank loans as at 31 December 2017, please refer to Note 8.

(6) Financial instruments for hedging

	<u>31 December 2018</u>	<u>31 December 2017</u>
Financial assets(liabilities) for hedging		
Cash flow hedge - Interest rate swap		
Current	<u>\$76,540</u>	(note)
Non-current	<u>\$72,731</u>	(note)
Derivative Financial assets(liabilities) for hedging		
Cash flow hedge - Interest rate swap		
Current	(note)	<u>\$(986)</u>
Non-current	(note)	<u>\$80,058</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group's risk control activities and hedging strategy relate primarily to the Group's operating activities. As the Group has variable interest rate loan with bank, its future cash flows are exposed to interest rate risks and subject to interest rate fluctuations. In order to manage interest rate risks, the Group engages in interest rate swap contract to hedge the interest risk for better control and measurement of such risks. These interest rate swap contracts are cash flow hedges.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Interest rate swap contracts are designed to match the hedged items. The unsettled Interest rate swap contracts at 31 December 2018 and 2017 were as follows:

As at 31 December 2018

Hedging instrument	Fair value of designated hedging instrument	Periods when the cash flows are expected to occur	Periods when the related profit or loss are expected to affect the statement of comprehensive income	Amount
Financial assets(liabilities) for hedging – current				
Interest rate swap contracts	<u>\$76,540</u>	2019/01~2019/12	2019/01~2019/12	\$9,230,000
Financial assets(liabilities) for hedging –non-current				
Interest rate swap contracts	<u>\$72,731</u>	2020/01~2021/06	2020/01~2021/06	\$7,980,000

As 31 December 2017

Hedging instrument	Fair value of designated hedging instrument	Periods when the cash flows are expected to occur	Periods when the related profit or loss are expected to affect the statement of comprehensive income	Amount
Derivative financial assets(liabilities) for hedging –current				
Interest rate swap contracts	<u>\$(986)</u>	2018/01~2018/12	2018/01~2018/12	\$10,480,000
Derivative financial assets (liabilities) for hedging –non-current				
Interest rate swap contracts	<u>\$80,058</u>	2019/01~2021/06	2019/01~2021/06	\$9,230,000

(7) Accounts receivable, net

	31 December 2018	31 December 2017
Accounts receivable	\$5,445,357	\$2,509,196
Less: allowance for doubtful debts	(133,802)	(83,258)
Subtotal	<u>5,311,555</u>	<u>2,425,938</u>
Accounts receivable – related parties	299,642	221,707
Less: allowance for doubtful debts	-	-
Subtotal	<u>299,642</u>	<u>221,707</u>
Net accounts receivable	<u>\$5,611,197</u>	<u>\$2,647,645</u>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The aforementioned accounts receivable are generated by the operation and the Group does not hold any collateral for such trade receivables.

The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6.18 for more details on impairment of accounts receivable. The Group adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	31 December 2017
Amount at beginning of period	\$83,258
Provision for impairment	79,487
Write off	(79,487)
Amount at end of period	<u>\$83,258</u>

Impairment loss that was individually determined at 31 December 2017, and was arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group does not hold any collateral for such accounts receivables.

The aging analysis of accounts receivable and accounts receivable from related parties, net was as follow:

	Neither past due nor impaired	Past due but not impaired					Total
		Under 6 months	7~12 months	13~18 months	19~24 months	Over 24 months	
2017.12.31	\$2,000,583	\$85,854	\$338,855	\$124,253	\$98,100	\$-	\$2,647,645

The Group's major revenue comes from freight revenue and hire revenue. Freight revenue is recognized on the percentage of completion basis according to the sailing time of each trip. Hire revenue is recognized monthly on accrual basis. The main portion of accounts receivable include hire revenue as contracted, hire dispute, vessel delay.

(8) Inventories

	31 December 2018	31 December 2017
Fuel	<u>\$4,243,752</u>	<u>\$3,893,003</u>

As at 31 December 2018 and 2017, the aforesaid inventories were not pledged as collateral.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(9) Investments accounted for using the equity method

Investees	31 December 2018		31 December 2017	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates: Pescadores Investment and Development Inc.	<u>\$2,854,380</u>	40%	<u>\$3,655,924</u>	40%

A. For the purpose of building the Group's headquarter, the Group has participated in an investment with Pescadores Co., Ltd. and Mr. Lan Chun Sheng by subscribing for new shares of Pescadores Investment and Development Inc., of which capital has amounted to NT\$1 billion. The Group holds 40% of the shares issued by Pescadores Investment and Development Inc.

B. The Group has subscribed for new shares of Pescadores Investment and Development Inc., of which capital has amounted to NT1.12 billion, with a par value of NT\$10 per share for 4,800,000 shares. The Group remains 40% share of the shares issued by Pescadores Investment and Development Inc. As at 2 April 2018, the Group had fully paid the amount. As at 11 May 2018, Pescadores Investment and Development Inc. had completed the alteration of the registered capital amount.

C. The summary financial information of the investment in associates was listed below:

	31 December 2018	31 December 2017
Current assets	\$388,103	\$401,896
Non-current assets	136,580,279	144,318,524
Current liabilities	(905,198)	(135,580,611)
Non-current liabilities	<u>(128,927,234)</u>	<u>-</u>
Equity	7,135,950	9,139,809
Percentage of ownership (%)	40%	40%
Group's carrying amount of the investment	<u>\$2,854,380</u>	<u>\$3,655,924</u>
	<u>For the Year Ended 31 December</u>	
	2018	2017
Revenue	\$-	\$-
Profit for the year (continuing operations)	(5,732,198)	(2,383,427)
Other comprehensive income for the year	-	-
Comprehensive income for the year	\$ (5,732,198)	\$ (2,383,427)

1. The investments in associates do not have a quoted market price in active market.
2. The investments in associates had no contingent liabilities, capital commitments, or guaranty.

D. The aforementioned investments in associates were not pledged and had no contingent liabilities or capital commitments as at 31 December 2018 and 2017.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(10) Property, plant and equipment

31 December 2018	Beginning balance	Addition	Disposal	Re- classification	Foreign exchange rate effects	Ending balance
Cost						
Vessel	\$3,193,780,321	\$5,598,686	\$9,925,493	\$200,482,446	\$(83,748)	\$3,389,852,212
Vessel equipment	15,459,370	2,327,127	3,674,527	-	(420)	14,111,550
Dry-dock	21,893,845	10,783,540	8,132,611	856,882	(18,174)	25,383,482
Transportation equipment	184,812	-	-	-	(5,746)	179,066
Office equipment	252,386	10,048	-	-	(8,032)	254,402
Leased assets	108,225,403	1,109,808	400,000	(4,831,232)	-	104,103,979
Leasehold improvements	90,886	6,307	-	-	(2,942)	94,251
Total	3,339,887,023	19,835,516	22,132,631	196,508,096	(119,062)	3,533,978,942
Accumulated depreciation						
Vessel	634,384,543	122,395,711	5,734,023	9,056,857	(17,972)	760,085,116
Vessel equipment	8,206,314	3,026,090	3,674,527	-	(404)	7,557,473
Dry-dock	10,131,485	9,488,706	7,919,229	(188,025)	(7,630)	11,505,307
Transportation equipment	184,812	-	-	-	(5,746)	179,066
Office equipment	211,851	13,159	-	-	(6,829)	218,181
Leased assets	18,132,434	4,499,881	400,000	(9,078,792)	-	13,153,523
Leasehold improvements	68,486	6,951	-	-	(2,258)	73,179
Total	671,319,925	139,430,498	17,727,779	(209,960)	(40,839)	792,771,845
Net Balance	\$2,668,567,098	\$(119,594,982)	\$4,404,852	\$196,718,056	\$(78,223)	\$2,741,207,097

31 December 2017	Beginning balance	Addition	Disposal	Re- classification	Foreign exchange rate effects	Ending balance
Cost						
Vessel	\$2,900,034,948	\$1,214,975	\$9,153,048	\$301,475,479	\$207,967	\$3,193,780,321
Vessel equipment	15,064,310	3,175,995	2,709,478	(72,500)	1,043	15,459,370
Dry-dock	20,999,113	8,990,109	9,957,691	1,831,988	30,326	21,893,845
Transportation equipment	170,543	-	-	-	14,269	184,812
Office equipment	232,900	-	-	-	19,486	252,386
Leased assets	93,516,827	15,226,725	518,149	-	-	108,225,403
Leasehold improvements	83,869	-	-	-	7,017	90,886
Total	3,030,102,510	28,607,804	22,338,366	303,234,967	280,108	3,339,887,023
Accumulated depreciation						
Vessel	532,386,291	113,495,563	3,497,530	(8,025,408)	25,627	634,384,543
Vessel equipment	7,898,630	3,088,966	2,709,478	(72,500)	696	8,206,314
Dry-dock	10,597,120	9,619,367	9,850,937	(240,994)	6,929	10,131,485
Transportation equipment	170,543	-	-	-	14,269	184,812
Office equipment	184,077	12,100	-	-	15,674	211,851
Leased assets	14,820,513	3,830,070	518,149	-	-	18,132,434
Leasehold improvements	56,945	6,627	-	-	4,914	68,486
Total	566,114,119	130,052,693	16,576,094	(8,338,902)	68,109	671,319,925
Net Balance	\$2,463,988,391	\$(101,444,889)	\$5,762,272	\$311,573,869	\$211,999	\$2,668,567,098

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- A. As at 31 December 2018 and 2017, the residual value of the vessels amounted to \$431,863 thousand and \$402,413 thousand, respectively, and the estimated useful lives were ranging from 15 to 25 years and 15 to 25 years.
- B. As at 31 December 2018 and 2017, the Group had deposited the chartering income of some vessels into reserve accounts of lending institutions.
- C. As at 31 December 2018 and 2017, the pledge of these vessels is required by the banks which granted the loans to finance the purchase of the vessels and to secure the timely repayment of the loans. Refer to Note 8 for further details.
- D. As at 31 December 2018 and 2017, the Group has entered into certain shipbuilding contracts. Refer to Note 9.(a) for further details.
- E. For the years ended 31 December 2018 and 2017, the Group disposed of certain vessels for \$3,948,750 and \$4,332,250, which resulted in gains(losses) on disposal of property and equipment of \$(205,072) and \$(1,430,022), respectively.
- F. As at 31 December 2018 and 2017, the amounts of total interest expense before capitalization of borrowing costs were \$57,314,178 and \$43,860,905; the capitalization of interest were \$53,189 and \$129,316 and the capitalization of interest will be paid annually at a rate of 1.35~4.34% and 1.56~3.61%, respectively.

(11) Other noncurrent assets — Other

	31 December 2018	31 December 2017
Prepayment for vessels	\$29,710,000	\$52,856,831
Deferred expenses	31,614	31,880
Total	<u>\$29,741,614</u>	<u>\$52,888,711</u>

Prepayment for vessels is the amount prepaid for building new vessels.

(12) Loans and borrowings

	31 December 2018	31 December 2017
Bank loans — Short-term borrowings	<u>\$50,972,826</u>	<u>\$44,399,387</u>
Long-term borrowings (including current portion)	<u>\$1,626,113,165</u>	<u>\$1,651,263,233</u>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

A. Terms and conditions of outstanding loans were as follows:

Loans	Currency	Nominal interest rate	Year of maturity	Amount
31 December 2018				
Unsecured	USD	2.64%~4.38%	2018.01.23~2020.03.30	\$38,000,000
	JPY	0.88%~1.20%	2018.05.31~2019.10.17	12,500,000
Secured	USD	2.41%~5.38%	2009.02.20~2026.08.06	915,496,107
	JPY	0.85%~2.13%	2007.01.12~2030.04.02	710,100,140
	TWD	1.86%~2.07%	2016.03.28~2023.03.28	989,744
Total				<u>\$1,677,085,991</u>

Loans	Currency	Nominal interest rate	Year of maturity	Amount
31 December 2017				
Unsecured	USD	2.10%~3.04%	2016.06.30~2019.03.26	\$23,750,000
	JPY	0.88%~1.13%	2017.05.31~2019.08.31	11,104,207
Secured	USD	1.97%~4.16%	2009.02.20~2026.06.30	908,495,757
	JPY	0.85%~2.11%	2005.12.12~2030.04.02	737,635,236
	TWD	1.76%~1.86%	2016.03.28~2023.03.28	14,677,420
Total				<u>\$1,695,662,620</u>

B. Future settlements of interest-bearing long-term loans and borrowings were as follows:

Maturity Period	31 December 2018	31 December 2017
Within one year	\$238,649,673	\$217,027,648
Beyond one year and up to five years	1,023,750,045	1,017,159,280
More than five years	363,713,447	417,076,305
Total	<u>\$1,626,113,165</u>	<u>\$1,651,263,233</u>

(a) As at 31 December 2018 and 2017, WML had provided financing guarantees for its subsidiaries of \$1,220,356 thousand and \$1,319,653 thousand, respectively.

(b) As at 31 December 2018 and 2017, the Group had unused credit facilities of \$41,640 thousand and \$40,773 thousand, respectively.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(c) The Group's covenants under the loan agreements are as follows:

- (i) Loan lenders shall be notified of any significant movement of the Group's shareholder's equity.
- (ii) In certain circumstances, the Group retains the option to select the currency to be used for loan or debt settlement.
- (iii) Some equity shares of the Company's subsidiaries were pledged to secure bank loans.

(d) As at 31 December 2018 and 2017, WML and the Company had provided financial guarantees for the Company's subsidiaries. Please refer to Note 9.(2) for further details.

(13) Bonds Payable

	31 December 2018	31 December 2017
Domestic convertible bonds	\$37,439,252	\$53,814,622
Less: current portion	32,584,867	10,773,060
Net	<u>\$4,854,385</u>	<u>\$43,041,562</u>

A. The Group's overseas convertible bonds were as follows:

	31 December 2018	31 December 2017
First R.O.C. unsecured convertible bonds issued in 2012		
Convertible bonds issued	\$-	\$20,387,360
Discounts on bonds payable	-	-
Accumulated converted amount	-	(11,676,075)
Accumulated redeemed amount	-	(7,811,807)
Valuation on bonds payable	-	(899,478)
Net	-	-
Less: Current portion of bonds payable	-	-
Subtotal	-	-
First Singapore unsecured convertible bonds issued in 2013		
Convertible bonds issued	60,000,000	60,000,000
Discounts on bonds payable	-	(226,940)
Accumulated redeemed amount	(4,750,000)	-
Accumulated converted amount	(55,250,000)	(49,000,000)
Net	-	10,773,060
Less: Current portion of bonds payable	-	(10,773,060)
Subtotal	-	-

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

	31 December 2018	31 December 2017
Second Singapore unsecured convertible bonds issued in 2015		
Convertible bonds issued	80,000,000	80,000,000
Discounts on bonds payable	(145,615)	(256,397)
Accumulated converted amount	-	-
Accumulated redeemed amount	(75,000,000)	(75,000,000)
Net	4,854,385	4,743,603
Less: Current portion of bonds payable	-	-
Subtotal	4,854,385	4,743,603
Second R.O.C. secured convertible bonds issued in 2017		
Convertible bonds issued	13,218,771	13,218,771
Discounts on bonds payable	(710,603)	(1,101,982)
Accumulated converted amount	-	-
Accumulated redeemed amount	-	-
Valuation on bonds payable	(187,290)	203,083
Net	12,320,878	12,319,872
Less: Current portion of bonds payable	(12,320,878)	-
Subtotal	-	12,319,872
Third R.O.C. unsecured convertible bonds issued in 2017		
Convertible bonds issued	26,307,136	26,307,136
Discounts on bonds payable	(448,408)	(883,527)
Accumulated converted amount	(5,304,549)	-
Accumulated redeemed amount	-	-
Valuation on bonds payable	(290,190)	554,478
Net	20,263,989	25,978,087
Less: Current portion of bonds payable	(20,263,989)	-
Subtotal	-	25,978,087
Total	\$4,854,385	\$43,041,562
Embedded derivative instruments—put right, accounted for as financial liabilities at fair value through profit or loss	\$2,488,564	\$3,009,409
Equity components—Capital surplus, accounted for as capital surplus	\$6,634,649	\$7,124,808
Liability components—Financial liabilities reported at fair value through (profit) or loss	\$(109,673)	\$(1,114,575)
Interest expense	\$1,290,127	\$1,672,874

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

B. The offering information of the convertible bonds was as follows:

Item	First R.O.C. unsecured convertible bonds issued in 2012
1. Offering amount	NT\$600,000 thousand
2. Issue date	29 March 2012
3. Outstanding amount	NT\$0 thousand
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 29 March 2012 to the maturity date of 29 March 2017
6. Guarantee Institutions	None
7. Settlement	A converting bond holder can convert bonds into the Company's common stock or execute put option based on the Company's conversion rules. The Company can also buy back cancellation from bonds dealers. Otherwise, bonds are repayable at face value by cash when they mature.
8. Redemption at the option of the holder	The bondholders can execute put option after two years from issuance date (29 March 2014). The Company should send through registered mail the "Notification of bondholder's put option" 30 days before the maturity date. (The list of bondholders who should receive the notification through registered mail is based on the register list 5 business days before mailing date. Investors who purchase the bonds after the mailing date are notified through announcement.) OTC (Over the Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 30 days after the OTC's announcement. The redemption value is the bonds face value plus interest. (Face value * 101% after two years maturity period, the real yield is 0.5%). After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the maturity date.
9. Conversion	<p>(a) Conversion period</p> <p>The bondholders will have the right to convert their bonds at any time during the conversion period commencing 30 April 2012 (the 30th day following the closing date) and ending at the close of business on 19 March 2017 (the 10th day prior to the maturity Date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction.</p> <p>(b) Conversion price</p> <p>The conversion price had been adjusted from NT\$46.00 per share to NT\$40.36 per share effective 14 August 2012.</p> <p>The conversion price had been adjusted from NT\$40.36 per share to NT\$36.80 per share effective 20 August 2013.</p> <p>The conversion price had been adjusted from NT\$36.80 per share to NT\$33.70 per share effective 2 August 2014.</p> <p>The conversion price had been adjusted from NT\$33.70 per share to NT\$31.30 per share effective 4 July 2015.</p> <p>The conversion price had been adjusted from NT\$31.30 per share to NT\$29.20 per share effective 3 July 2016.</p> <p>The conversion price had been adjusted from NT\$29.20 per share to NT\$29.10 per share effective 28 October 2016.</p>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Item	First Singapore unsecured convertible bonds issued in 2013
1. Offering amount	US\$60 million
2. Issue date	12 November 2013
3. Outstanding amount	US\$0 million
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 12 November 2013 to maturity date of 12 November 2018
6. Guarantee Institutions	None
7. Settlement	Unless the bonds have been previously redeemed, repurchased and cancelled or converted, the bonds will be redeemed by the Company on maturity date at an amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 110.46% of the principal amount.
8. Redemption at the option of the holder	<p>(1) Each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds on 12 November 2015 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 104.06% of the principal amount.</p> <p>(2) In the event that the Company's common shares ceased to be listed or admitted to trading on the TWSE, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis.</p> <p>(3) In the event of change of control occurs with respect to the Company, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount.</p>
9. Conversion	<p>(1) Conversion period</p> <p>Unless the bonds have been redeemed before maturity, repurchased and cancelled or converted, each holder of the bonds will have the right at any time during the conversion period commencing 23 December 2013 (the 41st day following the closing Date) and ending at the close of business on 2 November 2018 (the 10th day prior to the maturity Date), to convert their bonds.</p> <p>(2) Conversion price</p> <p>The conversion price was NT\$35.3369 per share which was 100.1% of the closing price reported by the TWSE in respect of the common shares of the Company on 4 November 2013.</p> <p>The conversion price had been adjusted from NT\$35.3369 per share to NT\$32.6486 per share effective 2 August 2014.</p> <p>The conversion price had been adjusted from NT\$32.6486 per share to NT\$30.3524 per share effective 4 July 2015.</p> <p>The conversion price had been adjusted from NT\$30.3524 per share to NT\$28.3011 per share effective 3 July 2016.</p> <p>The conversion price had been adjusted from NT\$28.3011 per share to NT\$28.2794 per share effective 28 October 2016.</p> <p>The conversion price had been adjusted from NT\$28.2794 per share to NT\$26.0777 per share effective 29 July 2017.</p> <p>The conversion price had been adjusted from NT\$26.0777 per share to NT\$25.8578 per share effective 3 November 2017.</p> <p>The conversion price had been adjusted from NT\$25.8578 per share to NT\$25.0035 per share effective 18 September 2018.</p> <p>(3) Conversion to common shares</p> <p>Upon conversion, the number of common shares converted is calculated by the issuance price (translated at a fixed exchange rate applicable on conversion of bonds of NT\$29.4180 =US\$1.00) divided by the conversion price on the conversion date.</p>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Item	Second Singapore unsecured convertible bonds issued in 2015
1. Offering amount	US\$80 million
2. Issue date	10 April 2015
3. Outstanding amount	US\$5 million
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 10 April 2015 to maturity date of 10 April 2020
6. Guarantee Institutions	None
7. Settlement	Unless the bonds have been previously redeemed, repurchased and cancelled or converted, the bonds will be redeemed by the Company on maturity date at an amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 110.46% of the principal amount.
8. Redemption at the option of the holder	<p>(1) Each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds on 10 April 2017 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 104.06% of the principal amount.</p> <p>(2) In the event that the Company's common shares ceased to be listed or admitted to trading on the TWSE, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis.</p> <p>(3) In the event of change of control occurs with respect to the Company, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount.</p>
9. Conversion	<p>(1) Conversion period Unless the bonds have been redeemed before maturity, repurchased and cancelled or converted, each holder of the bonds will have the right at any time during the conversion period commencing 21 May 2015 (the 41st day following the closing Date) and ending at the close of business on 31 March 2020 (the 10th day prior to the maturity Date), to convert their bonds.</p> <p>(2) Conversion price The conversion price was NT\$42.79 per share which was 110% of the closing price reported by the TWSE in respect of the common shares of the Company on 1 April 2015. The conversion price had been adjusted from NT\$42.79 per share to NT\$39.78 per share effective 4 July 2015. The conversion price had been adjusted from NT\$39.78 per share to NT\$37.09 per share effective 3 July 2016. The conversion price had been adjusted from NT\$37.09 per share to NT\$36.43 per share effective 28 October 2016. The conversion price had been adjusted from NT\$36.43 per share to NT\$33.5938 per share effective 29 July 2017. The conversion price had been adjusted from NT\$33.5938 per share to NT\$33.31 per share effective 3 November 2017. The conversion price had been adjusted from NT\$33.31 per share to NT\$32.21 per share effective 18 September 2018.</p> <p>(3) Conversion to common shares Upon conversion, the number of common shares converted is calculated by the issuance price (translated at a fixed exchange rate applicable on conversion of bonds of NT\$31.271 = US\$1.00) divided by the conversion price on the conversion date.</p>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Item	Second R.O.C. secured convertible bonds issued in 2017
1. Offering amount	NT\$400,000 thousand
2. Issue date	30 September 2017
3. Outstanding amount	NT\$400,000 thousand
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 30 September 2017 to maturity date of 30 September 2020
6. Guarantee Institutions	Bank Sinopac Company Limited
7. Settlement	A converting bond holder can convert bonds into the Company's common stock or execute put option based on the Company's conversion rules. The Company can also buy back cancellation from bonds dealers. Otherwise, bonds are repayable at face value by cash when they mature.
8. Redemption at the option of the holder	The bondholders can execute put option after two years from issuance date (30 September 2019). The Company should send through registered mail the "Notification of bondholder's put option" 40 days before the maturity date. (The list of bondholders who should receive the notification through registered mail is based on the register list 5 business days before mailing date. Investors who purchase the bonds after the mailing date are notified through announcement.) OTC (Over the Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 40 days after the OTC's announcement. The redemption value is the bonds face value plus interest. (Face value *0% after two years maturity period, the real yield is 0%). After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the maturity date.
9. Conversion	<p>(1) Conversion period</p> <p>The bondholders will have the right to convert their bonds at any time during the conversion period commencing 1 January 2018 (the 90th day following the closing date) and ending at the close of business on 30 September 2020 (the maturity Date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction.</p> <p>(2) Conversion price</p> <p>The conversion price was NT\$30 per share which was 106.07% of the average closing price (NT\$28.28) reported by the TWSE in respect of the common shares of the Company during the 3 trading day period prior to 22 September 2017.</p> <p>The conversion price had been adjusted from NT\$30 per share to NT\$29.8 per share effective 3 November 2017.</p> <p>The conversion price had been adjusted from NT\$29.8 per share to NT\$28.8 per share effective 18 September 2018.</p>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Item	Third R.O.C. unsecured convertible bonds issued in 2017
1. Offering amount	NT\$800,000 thousand
2. Issue date	2 October 2017
3. Outstanding amount	NT\$636,100 thousand
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 2 October 2017 to maturity date of 2 October 2020
6. Guarantee Institutions	None
7. Settlement	A converting bond holder can convert bonds into the Company's common stock or execute put option based on the Company's conversion rules. The Company can also buy back cancellation from bonds dealers. Otherwise, bonds are repayable at face value by cash when they mature.
8. Redemption at the option of the holder	The bondholders can execute put option after two years from issuance date (2 October 2019). The Company should send through registered mail the "Notification of bondholder's put option" 40 days before the maturity date. (The list of bondholders who should receive the notification through registered mail is based on the register list 5 business days before mailing date. Investors who purchase the bonds after the mailing date are notified through announcement.) OTC (Over the Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 40 days after the OTC's announcement. The redemption value is the bonds face value plus interest. (Face value *1% after two years maturity period, the real yield is 0.5%). After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the maturity date.
9. Conversion	<p>(1) Conversion period</p> <p>The bondholders will have the right to convert their bonds at any time during the conversion period commencing 3 January 2018 (the 90th day following the closing date) and ending at the close of business on 2 October 2020 (the maturity Date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction.</p> <p>(2) Conversion price</p> <p>The conversion price was NT\$29.5 per share which was 103.98% of the average closing price (NT\$28.37) reported by the TWSE in respect of the common shares of the Company during the 3 trading day period prior to 25 September 2017.</p> <p>The conversion price had been adjusted from NT\$29.5 per share to NT\$29.3 per share effective 3 November 2017.</p> <p>The conversion price had been adjusted from NT\$29.3 per share to NT\$28.3 per share effective 18 September 2018.</p>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

C. First R.O.C. unsecured convertible bonds issued in 2012 has matured on 29 March 2017.

D. The bondholders exercised the right to repurchase within the period of repurchase (five business days prior to 10 April 2017) the second Singapore unsecured convertible bonds issued by the Group in 2015 according to the issuance prospectus. The bondholders requested that the consolidated company redeem the convertible bonds at 104.06% face value. The Group recognized loss from the right to repurchase of corporate bonds in the amount of US\$4,462 thousand (under other loss item) after deducting the book values of the corporate bond and the liabilities of the right to repurchase from the repurchase price. The Group reclassified expired conversion rights of US\$5,871 thousand from Capital Surplus - Stock option from convertible bonds to Capital Surplus - Others. The book value of the second overseas unsecured convertible bonds issued by the Group in 2015, less the accumulated conversion has been reclassified to non-current liabilities after the expiration of resale period.

E. First Singapore unsecured convertible bonds issued in 2013 has matured on 12 November 2018. The Group reclassified expired conversion rights of US\$373 thousand from Capital Surplus - Stock option from convertible bonds to Capital Surplus - Others.

(14) Leases

A. Lessors

Chartering

Future hiring receivables as at 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017
Within one year	\$337,888,573	\$305,601,092
Beyond one year and up to five years	567,748,343	594,859,161
More than five years	234,049,054	325,934,314
Total	<u>\$1,139,685,970</u>	<u>\$1,226,394,567</u>

B. Lessee

(a) Bareboat Hire and Purchase (BBHP)

(i) Future non-cancellable lease payments under financing lease as at 31 December 2018 and 2017:

	31 December 2018		31 December 2017	
	Minimum Lease Payment	Interest expense	Minimum Lease Payment	Interest Expense
Within one year	\$7,522,354	\$1,130,369	\$14,405,443	\$983,001
Beyond one year and up to five years	26,050,586	3,622,429	20,086,115	2,602,883
More than five years	52,885,262	929,197	39,291,974	1,083,523
Total	<u>\$86,458,202</u>	<u>\$5,681,995</u>	<u>\$73,783,532</u>	<u>\$4,669,407</u>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (ii) The Group planned to exercise its right to acquire some vessels in October 2009 and August 2017, and pay for the purchase price of the vessels after delivery. However, the Group and the lessor had both agreed to extend the lease term to October 2019 and August 2018, and the other conditions of the lease remained unchanged.

(b) Sale and lease back transaction

- (i) As at 31 December 2018 and 2017, the Group engaged in vessels sale and lease back transactions based on the operating performance and the investment strategies. The sale and lease back transactions resulted in financial leases, and the related information of these transactions was as follows:

	Vessel	Lease term	Rent	Contract price	Interest rate
31 December 2018	A	7 years from 2012.12	\$347,750/quarter	\$14,980,000	Max (3m Libor+2.2%, Taifx+1.2%, 2.5%)
	B	7 years from 2018.09	<u>¥28,928,000/quarter</u>	<u>¥810,000,000</u>	1.5%
	Vessel	Lease term	Rent	Contract price	Interest rate
31 December 2017	A	7 years from 2012.12	<u>\$347,750/quarter</u>	<u>\$14,980,000</u>	Max (3m Libor+2.2%, Taifx+1.2%, 2.5%)

- (ii) Future non-cancellable chartering payments as at 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017
Within one year	\$7,682,116	\$1,391,000
Beyond one year and up to five years	4,192,464	6,634,000
More than five years	1,834,348	-
Total	<u>\$13,708,928</u>	<u>\$8,025,000</u>

- (iii) Based on the Sale and lease back transaction contracts, the Group can acquire the lease vessels when the Group makes the payment.

- (iv) As at 31 December 2018 and 2017, the Group has issued promissory notes of \$6,940,000 and \$8,706,000, respectively, for these lease agreements.

- (v) Refer to Note 7 for further details of sale and lease back transaction regarding related parties.

(c) Ship time charter

The Group has entered into leases on ships. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Not later than one year	\$759,759	\$2,002,629

Operating lease expenses recognized are as follows

	For the Years Ended 31 December	
	2018	2017
Minimum lease payments	\$1,626,470	\$4,216,132

(d) Other operating leases

The Group has entered into leases on offices, warehouses and copy machines. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Not later than one year	\$531,287	\$532,444
Later than one year and not later than five years	390,444	295,085
Total	\$921,731	\$827,529

Operating lease expenses recognized are as follows

	For the Years Ended 31 December	
	2018	2017
Minimum lease payments	\$550,552	\$542,173

(15) Post-Employment Defined Benefit Plan

A. Defined contribution plans

WELL and WII provide cash contribution at the rate of 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

B. Defined benefit plans

WII also have a defined benefit plan covering all regular employees in accordance with the Labor Standards Act. This plan provides for a pension benefit payment of 2 units for each year of service. Each unit of retirement payment referred to above shall be computed as the average monthly salary for the last six months at the time of approved retirement. Under this plan, the Company contributes monthly an amount equal to 2% of gross salary to a pension fund, which is deposited into a designated depository account with the Bank of Taiwan.

(16) Equities

A. Capital

- (a) On 21 October 2008, the Company was incorporated with a registered capital of NT \$3,300,000 thousand. In January 2009, based on the approval of the board of directors, the Company issued shares of stock worth NT\$2,000,000 thousand, divided into 200,000 thousand shares with par value of NT \$10 per share for listing in Taiwan purpose.

As at 31 December 2018 and 2017, the total outstanding capital of the Company amounted to NT\$6,298,055 thousand and NT\$6,167,076 thousand, consisting of 629,805 thousand and 616,708 thousand shares with a par value of NT \$10 per share.

- (b) On 23 June 2017, the shareholders resolved at their meeting to distribute the 2016 capital surplus as cash at NT\$1.00 per share and increase capital by capitalizing its capital surplus of NT\$ 278,432 thousand, comprising 27,843 thousand shares with a par value of NT\$10. The record date of this capital increase was 29 July 2017.
- (c) A resolution was passed at a board of directors meeting of the Company held on 28 July 2017 to issued 32,000,000 shares of stock with per value of NT\$10 per share. The board of directors authorized the chairman of directors to set the offering price at NT\$23.5 per share on 6 October. The issuance was approved by the Financial Supervisory Commission on 8 September 2017, and the subscription was completed on 3 November 2017.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (d) On 25 May 2018, the shareholders resolved at their meeting to distribute the 2017 capital surplus as cash at NT\$1.00 per share. The record date of cash dividend was 18 September 2018, while the payable date was 8 October 2018.
- (e) As at 31 December 2018 convertible bonds were converted into common stock and capital surplus of \$4,239,047 and \$8,247,270, respectively.

B. Capital Surplus

The components of the capital surplus were as follows:

	31 December 2018	31 December 2017
From issuance of share capital	\$33,483,746	\$45,340,993
Employee share options	338,321	338,321
Stock option from convertible bonds	391,383	1,254,063
Others	6,243,266	5,870,745
Total	<u>\$40,456,716</u>	<u>\$52,804,122</u>

C. Retained earnings

- (a) The Company's distribution of directors' and supervisors' remuneration is based on the level of earnings and the resolution of the board of directors. Distributions of directors' and supervisors' remuneration are classified into cost or operating expense. Any difference between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and is charged to profit or loss.
- (b) On 25 May 2018 and 23 June 2017, the Company's shareholders resolved at the shareholder's meeting to appropriate the 2017 and 2016 earnings. These earnings were distributed as dividends and remuneration to directors and supervisors as follows:

	Unit: NTD	
	For the Years Ended 31 December	
Item	2017	2016
Cash dividends distributed from Capital surplus -per share	<u>\$1.00</u>	<u>\$1.00</u>
Stock dividends distributed from Capital surplus -per share	<u>\$-</u>	<u>\$0.50</u>

For the amount and estimate basis of Directors' and supervisors' remuneration please refer to Note 6.19(e)

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(17) Operating revenues

	For the Years Ended 31 December	
	2018	2017
Revenue from contracts with customers		
Freight revenue	\$13,062,803	14,490,921
Vessel management revenue	3,931,632	4,489,049
Subtotal	16,994,435	18,979,970
Hire revenue	407,866,365	338,140,736
Other operating revenue	8,574,001	5,607,609
Total	<u>\$433,434,801</u>	<u>\$362,728,315</u>

Note: The Group has adopted IFRS 15 from 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Revenue breakdown

	Operation Department
Rendering of services	<u>\$16,994,435</u>
Timing of revenue recognition :	
At a point in time	<u>\$16,994,435</u>

B. Contract balances

Contract assets - current	
	31 December 2018
Beginning Balance	\$-
Ending Balance	12,599
Difference	<u>12,599</u>

Contract assets have increased during the period as the Group has no unconditional right to receive the consideration in the contract.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

(18) Expected credit losses/(gains)

	For the Years Ended 31 December	
	2018	2017(note)
Operating expenses – Expected credit losses/(gains)		
Accounts receivable	\$133,802	\$-
Long-term Receivables	10,813	-
Total	<u>\$144,615</u>	<u>\$-</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2018 is as follow:

Considering counterparties credit rating, industry characteristics and past experiences, the loss allowance of accounts receivable is measured as a single group by using a provision matrix. Details for provision matrix are as follow:

	Neither past due	Past due					Total
		Under 6 months	7~12 months	13~18 months	19~24 months	Over 24 months	
Gross carrying amount	\$5,153,032	\$68,429	\$135,224	\$51,848	\$336,466	\$-	\$5,744,999
Loss ratio	0.57%	10.55%	13.70%	15.60%	20.94%	100%	
Lifetime expected credit losses	29,513	7,219	18,526	8,088	70,456	-	133,802
Net carrying amount	<u>\$5,123,519</u>	<u>\$61,210</u>	<u>\$116,698</u>	<u>\$43,760</u>	<u>\$266,010</u>	<u>\$-</u>	<u>\$5,611,197</u>

The gross carrying amount of long-term receivables is \$1,772,547, and its loss allowance amounting to \$10,813 which is measured at expected credit loss ratio of 0.61%.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The movement in the provision for impairment of contract assets, note receivables, trade receivables and other receivables during the twelve-month period ended 31 December 2018 is as follows:

	Accounts receivable	Long-term receivables	Total
Beginning balance (in accordance with IAS 39)	\$83,258	\$-	\$83,258
Beginning adjusted retained earnings	-	-	-
Beginning balance (in accordance with IFRS 9)	83,258	-	83,258
Addition/(reversal) for the current period	133,802	10,813	144,615
Write off for past due over 24 months	(83,258)	-	(83,258)
Ending balance	\$133,802	\$10,813	\$144,615

(19) Operating costs

	For the Years Ended 31 December	
	2018	2017
Depreciation expense	\$139,410,388	\$130,033,966
Cost of materials	38,588,834	37,537,388
Expenses for chartering services	27,625,735	26,310,810
Wages and personnel expenses	96,984,785	91,265,514
Other operating costs	10,214,643	10,668,540
Total	\$312,824,385	\$295,816,218

(a) Cost of materials

	For the Years Ended 31 December	
	2018	2017
Fuel oil	\$5,684,289	\$7,174,459
Lubricants	10,015,944	9,413,715
Materials	7,210,523	5,900,175
Spare parts	8,607,272	7,626,287
Survey fees	4,692,845	4,861,572
Repairs and maintenance	1,413,992	1,739,112
Paints	963,969	822,068
Total	\$38,588,834	\$37,537,388

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

(b) Expenses for chartering services

	For the Years Ended 31 December	
	2018	2017
Commissions	\$16,631,200	\$12,606,391
Expenses at ports	2,616,744	2,974,715
Agency costs	615,260	719,371
Chartering expenses	1,626,470	4,216,132
Dispatch expenses	207,363	305,574
Postage and international communication	2,818,989	2,678,515
Other	3,109,709	2,810,112
Total	\$27,625,735	\$26,310,810

(c) Wages and personnel expenses

	For the Years Ended 31 December	
	2018	2017
Crew wages	\$73,953,923	\$68,659,509
Insurance fees	8,167,374	8,631,137
Food and meals	6,520,926	6,145,000
Crew travel fees	5,320,695	5,341,633
Bonus	2,871,646	2,346,886
Pension cost	150,221	141,349
Total	\$96,984,785	\$91,265,514

(d) Other operating costs

	For the Years Ended 31 December	
	2018	2017
Hull and machinery insurance	\$8,277,040	\$8,631,082
Compensation	880,822	1,092,897
Lease payments	291,355	301,297
Other	765,426	643,264
Total	\$10,214,643	\$10,668,540

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (e) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2018 and 2017:

	For the years ended 31 December					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$76,825,569	\$1,784,016	\$78,609,585	\$71,006,395	\$1,498,116	\$72,504,511
Insurance expenses	8,167,374	110,223	8,277,597	8,631,137	100,941	8,732,078
Pension	150,221	53,515	203,736	141,349	50,350	191,699
Other employee benefits expense	6,522,292	57,764	6,580,056	6,147,807	52,834	6,200,641
Depreciation	139,410,388	20,110	139,430,498	130,033,966	18,727	130,052,693
Amortization	-	10,106	10,106	-	11,077	11,077

Item	For the Years Ended 31 December	
	2017	2016
Directors' and supervisors' remuneration	\$148,304	\$208,634

The differences between the actual appropriations of 2017 and 2016 earnings for directors and supervisors' remunerations as approved at the shareholders' meeting and the amounts recognized in the financial statements were as follows:

	2017		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$148,304	\$148,487	\$(183)

	2016		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$208,634	\$232,835	\$(24,201)

The aforementioned difference for the years ended 31 December 2017 and 2016 was accounted for as a change in accounting estimates and was charged to profit or loss for the years ended 31 December 2018 and 2017.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Directors' and supervisors' remuneration amounted to \$278,965 and \$148,487 ended 31 December 2018 and 2017, respectively. These amounts were estimated according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were expensed under salaries expense ended 31 December 2018 and 2017.

Information on the board of directors' recommendations and shareholders' approval regarding the employee bonuses and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(20) Non-operating income and expenses

A. Other income

	For the Years Ended 31 December	
	2018	2017
Interest income	(Note)	\$531,612
Financial assets measured at amortized cost	\$834,161	(Note)
Financial assets at fair value through other comprehensive income	40,281	(Note)
Subtotal	874,442	531,612
Other income and gains	6,056,800	3,229,356
Total	\$6,931,242	\$3,760,968

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

B. Other gains and losses

	For the Years Ended 31 December	
	2018	2017
Gains (losses) on disposal of investments	\$-	\$1,589,834
Foreign exchange gains (losses), net	718,695	(1,030,003)
Gains (losses) on financial liabilities at fair value through profit or loss (Note)	235,213	1,114,575
Gains (losses) on disposal of property, plant and equipment	(205,072)	(1,430,022)
Subtotal	748,836	244,384
Other expenses and losses	(3,238,966)	(7,199,981)
Total	\$(2,490,130)	\$(6,955,597)

Note: Balances in both periods were arising from held for trading investment.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

C. Finance costs

	For the Years Ended 31 December	
	2018	2017
Interest on borrowings from bank	\$50,731,984	\$37,519,147
Interest on bonds payable	1,290,127	1,672,874
Interest for finance lease	1,372,839	1,124,705
Interest on long-term accounts payable (include from related parties)	3,866,039	3,414,863
Total finance costs	\$57,260,989	\$43,731,589

(21) Components of other comprehensive income

For the year ended 31 December 2018

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$(17,525)	\$-	\$(17,525)	\$7,334	\$(10,191)
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	(17,166,016)	-	(17,166,016)	-	(17,166,016)
Unrealized gains or losses on available-for-sale financial assets	(62,884)	-	(62,884)	-	(62,884)
Effective portion of gains (losses) on hedging instrument in a cash flow hedge	70,199	-	70,199	-	70,199
Total of other comprehensive income	\$(17,176,226)	\$-	\$(17,176,226)	\$7,334	\$(17,168,892)

For the year ended 31 December 2017

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$2,769	\$-	\$2,769	\$(471)	\$2,298
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	(31,837,383)	-	(31,837,383)	-	(31,837,383)
Unrealized gains or losses on available-for-sale financial assets	(79,638)	-	(79,638)	-	(79,638)
Effective portion of gains (losses) on hedging instrument in a cash flow hedge	134,233	(1,681,904)	(1,547,671)	-	(1,547,671)
Total of other comprehensive income	\$(31,780,019)	\$(1,681,904)	\$(33,461,923)	\$(471)	\$(33,462,394)

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(22) Income tax

- A. Pursuant to the rules and regulations of the local authority, the Group is not subject to any income tax, except for WELL and WII. The Company has no issue of Integrated Income Tax. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. As a result, the Group does not disclose the reconciliation between accounting profit and taxable income.
- B. Based on the amendments to the Income Tax Act announced on 7 February 2018, applicable corporate income tax rate of WELL and WMI for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.
- C. For the years ended 31 December 2018 and 2017, the components of income tax expenses(benefits) of WELL and WII were as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2018	2017
Current income tax expense (income):		
Current income tax charge	\$105,943	\$50,695
Adjustments in respect of current income tax of prior periods	4	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	30,363	(29,586)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(2,908)	-
Total income tax expense (income)	<u>\$133,402</u>	<u>\$21,109</u>

Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2018	2017
Deferred tax expense (income):		
Remeasurements of the defined benefit plans	\$(3,505)	\$471
Deferred tax expense (income) relating to changes in tax rate	(3,829)	-
Income tax relating to components of other comprehensive income	<u>\$(7,334)</u>	<u>\$471</u>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The effective income tax rate for WELL and WII is 20% and 17% for the years ended 31 December 2018 and 2017. These two companies are also subject to the "Income Basic Tax Act" for purposes of calculating their basic income tax.

	For the years ended 31 December	
	2018	2017
Tax at the domestic rates applicable to profits in the country concerned	\$(301,309)	\$(158,473)
Tax effect of revenues exempt from taxation and expenses not deductible for tax purposes	444,694	168,294
Tax effect of deferred tax assets/liabilities	(7,079)	8,831
Adjustments of other income tax	4	2,457
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(2,908)	-
Total income tax expense (income) recognized in profit or loss	<u>\$133,402</u>	<u>\$21,109</u>

Deferred tax assets (liabilities) relate to the following:

(a) Unrecognized deferred tax assets

Unrecognized deferred tax assets of the Group are as follows:

	31 December 2018	31 December 2017
Deductible temporary difference		
Tax loss	<u>\$120,552</u>	<u>\$160,280</u>

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

The Group's estimated unused tax effects of the loss carry-forwards as at 31 December 2018:

Year	Unused Amount	Expiration Year
2014 assessment amount	\$69,082	2024
2017 assessment amount	51,470	2027
	<u>\$120,552</u>	

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(b) Recognized deferred tax assets

For the years ended 31 December 2018 and 2017, changes in deferred tax assets and liabilities are as follows:

	Defined benefit plans	Other	Total
Deferred tax assets (liabilities):			
Balance, 1 st January 2018	\$21,984	\$16,692	\$38,676
Debit (Credit) in income statement	(1,142)	(26,313)	(27,455)
Relating to components of other comprehensive income	7,334	-	7,334
Exchange rate effects	(798)	(34)	(832)
Balance, 31 December 2018	<u>\$27,378</u>	<u>\$(9,655)</u>	<u>\$17,723</u>
Balance, 1 st January 2017	\$21,634	\$(13,863)	\$7,771
Debit (Credit) in income statement	(957)	31,014	30,057
Relating to components of other comprehensive income	(471)	-	(471)
Exchange rate effects	1,778	(459)	1,319
Balance, 31 December 2017	<u>\$21,984</u>	<u>\$16,692</u>	<u>\$38,676</u>

(c) The assessment of income tax returns

As at 31 December 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
Wisdom Marine International Inc. (WII)	Assessed and approved up to 2016
Well Shipmanagement and Maritime Consultant Co.,Ltd.(WELL)	Assessed and approved up to 2017

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders	\$60,008,818	\$13,732,439
Weighted-average number of ordinary shares	618,920,575	589,557,930
	\$0.10	\$0.02
Diluted earnings per share		
Profit attributable to ordinary shareholders(diluted)	\$60,008,818	\$13,732,439
Interest expenses on convertible notes, net of tax	1,290,127	1,034,128
Foreign exchange (gains) losses	(1,235,040)	25,095
Amortization of deferred issuance costs	56,577	105,367
(Gains) Losses on valuation on convertible notes, net of tax	(109,673)	(2,214,209)
Profit attributable to ordinary shareholders (diluted)	\$60,010,809	\$12,682,820
Weighted average number of ordinary shares (diluted)	618,920,575	589,557,930
Effect of conversion of convertible notes	52,105,075	4,767,301
Weight average number of ordinary shares (diluted)	671,025,650	594,325,231
	\$0.09	\$0.02

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(24) Deconsolidation of Subsidiary

The Group sold the shares account for 40% of Harmony Success S.A. on 31 May 2017 for \$3,300,000 as a repayment of other payables – related party. After deducting the carrying amount of the investment for \$2,279,015, the Group recognized Gains on disposal of investments for \$1,020,985.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

As at 31 May 2017, Harmony Success S.A.'s assets and liabilities mainly consist of:

	31 May 2017
Accounts receivable	\$61,860
Inventories	147,065
Prepaid expenses	78,596
Other current assets	89,974
Property, plant and equipment	7,931,176
Accounts payable - related parties	(2,463,064)
Other payables	(24,780)
Other current liabilities	(123,290)
Net assets	<u>\$5,697,537</u>

7. Related parties

A. Names and Relationships of Related Parties

Name of Related Party	Relationship
Lan Chun Sheng	Chairman
Pescadores Merchandise Co., Ltd	Other Related Party
Pescadores Travel Co., Ltd	Other Related Party
Wisdom Marine Agency Co., Ltd.	Other Related Party
Hui-wen Investment Co., Ltd	Other Related Party
Unicorn Maritime Agency Co., Ltd.	Other Related Party
Brave Line Co., Ltd.	Other Related Party
YOKO CO., LTD.	Other Related Party
Rich Containership S.A.	Other Related Party
Benefit Transport S.A.	Other Related Party
Samurai Investment S.A.	Other Related Party
Fortunate Transport S.A.	Other Related Party
Genius Star Management Consulting Co., Ltd.	Other Related Party
Pescadores Investment and Development Inc.	Associates
Directors, President and Vice President	Key Management

Note1: The name of related party with balance or amount of single transaction over 10% of the total transaction balance or amount would be disclosed separately.

Note2: Genius Star Management Consulting Co., Ltd. has become our related party since January 2018.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

B. Significant transactions with related parties

(a) Chartering expenses

For the years ended 31 December 2018 and 2017, the Group entered into time chartering with other related parties as follows:

Related party	For the years ended 31 December	
	2018	2017
Other related parties	\$1,626,470	\$4,216,132

The price of time chartering with other related parties was determined based on the normal market rate and the necessary costs of the Group.

(b) Services received / rendered

For the years ended 31 December 2018 and 2017, the Group received service from (rendered service to) related parties as follows:

Related party	Item	Amount
For the year Ended 31 December 2018		
Other related parties	Vessel management service income	\$(2,526,638)
"	Commission income	(4,855)
"	Other income(Passenger ticket revenue and other revenue)	(1,095,258)
"	Commissions	3,347,904
"	Other expense(Business travel expense, agency fee, management consultant fee)	574,034
"	Operating expenses(Business travel expenses, entertainment expense)	196,926
"	Ballast water management systems cost	2,329,528
For the year Ended 31 December 2017		
Other related parties	Vessel management service income	\$(3,085,049)
"	Commission income	(25,744)
"	Other income(Passenger ticket revenue and other revenue)	(682,770)
"	Commissions	2,721,143
"	Other expense(Business travel expense, agency fee, management consultant fee)	251,997
"	Operating expenses(Business travel expenses, entertainment expense)	198,945
"	Ballast water management systems cost	-

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(c) Receivables and payables

For the years ended 31 December 2018 and 2017, the Group incurred receivables and payables with related parties due to vessels operation as follows:

Prepaid expense	31 December 2018	31 December 2017
Name of related party		
Other related parties	\$20,106	\$41,037
Other receivables	31 December 2018	31 December 2017
Name of related party		
Other related parties	\$1,824	\$3,614
Other current assets	31 December 2018	31 December 2017
Name of related party		
Other related parties	\$816,627	\$240,031
Accounts receivable	31 December 2018	31 December 2017
Name of related party		
Brave Line Co., Ltd.	\$298,616	\$221,707
Other related parties	1,026	-
Total	\$299,642	\$221,707
Accounts payable	31 December 2018	31 December 2017
Name of related party		
Genius Star Management Consulting Co., Ltd.	\$365,000	\$-
Accrued expense	31 December 2018	31 December 2017
Name of related party		
Other related parties	\$2,326,870	\$1,035,166
Other current liabilities	31 December 2018	31 December 2017
Name of related party		
Benefit Transport S.A.	\$-	\$554,726
Other related parties	45,688	-
Total	\$45,688	\$554,726

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(d) Financing

The details of financing provided by related parties to the Group were as follows:

31 December 2018

Name of related party	Max balance	Ending balance
Benefit Transport S.A.	\$46,903,709	\$46,903,709
Samurai Investment S.A.	43,697,278	43,697,278
Other related parties	2,000,000	-
Total	<u>\$92,600,987</u>	<u>\$90,600,987</u>

31 December 2017

Name of related party	Max balance	Ending balance
Benefit Transport S.A.	\$53,138,834	\$31,039,140
Samurai Investment S.A.	43,697,278	43,697,278
Total	<u>\$96,836,112</u>	<u>\$74,736,418</u>

Interest Expenses

Name of related party	For the years Ended 31 December	
	2018	2017
Benefit Transport S.A.	\$1,245,089	\$1,314,352
Samurai Investment S.A.	1,764,223	1,364,224
Other Related Parties	2,525	-
Total	<u>\$3,011,837</u>	<u>\$2,678,576</u>

1. The financing interesting expenses were calculated based on the rate of LIBOR plus 2% per month commencing from 24 October 2011.
2. The financing interesting expenses for other related party- YOKO CO., LTD were calculated based on the rate of LIBOR plus 2% per month commencing from from 3 September to 13 September 2018.

(e) Leases

For the years ended 31 December 2018 and 2017, the Group incurred lease expenses of office with other related parties and key management transactions as follows:

	For the years Ended 31 December	
	2018	2017
Key management	\$170,274	\$182,492
Other related parties	147,003	145,636
Total	<u>\$317,277</u>	<u>\$328,128</u>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

The above leases are paid monthly, and do not involve rental deposits. Lease conditions are agreed by both parties. There was no significant difference in the price and payment terms from those with third parties.

For the years ended 31 December 2018 and 2017, the Group leased other related parties transactions as follows:

	For the years Ended 31 December	
	2018	2017
Other related parties	\$505	\$-

The above leases are paid monthly, and do not involve rental deposits. Lease conditions are agreed by both parties. There was no significant difference in the price and payment terms from those with third parties.

(f) Guarantee

1. As at 31 December 2018 and 2017, key management had provided a time deposit guarantee for the Group's financing loan of \$32,883 thousand and \$32,608 thousand, respectively.
2. As at 31 December 2018 and 2017, the Group entered into a loan agreement with financial institutes with M.V. Wisdom Grace and M.V. Jasmine Ace, M.V. Wisdom Grace and M.V. Golden Kiku as pledge, provided by Benefit Transport S.A.
3. As at 31 December 2017, for the issuance of Second R.O.C. secured convertible bonds issued in 2017, Hui-wen Investment Co., Ltd provided 12,000 thousand shares of First Financial Holding Co., Ltd. stocks and 15,000 thousand shares of Taiwan Land Development Co., Ltd. stocks, and Pescadores Merchandise Co., Ltd provided 10,000 thousand shares of Taiwan Land Development Co., Ltd. stocks as pledge for the Group.
4. As at 31 December 2018, for the issuance of Second R.O.C. secured convertible bonds issued in 2017, Hui-wen Investment Co., Ltd provided a time deposit of \$5,100 thousand and 15,000 thousand shares of Taiwan Land Development Co., Ltd. stocks, and Pescadores Merchandise Co., Ltd provided 10,000 thousand shares of Taiwan Land Development Co., Ltd. stocks as pledge for the Group.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(g) Others

1. On 31 May 2017, the Group sold the shares account for 40% of Harmony Success S.A. to Benefit Transport S.A. Please refer to Note 6.(24) for further information.
2. For the year ended 31 December 2018, the installments for sale and lease back transaction paid to other related party were ¥28,928 thousand, while interest expenses were ¥3,391,776 and interest payable were ¥96,297. As at 31 December 2018, the unpaid amount of sale and lease back transaction was ¥781,072 thousand (accounted for as long-term payable – related parties at \$7,074,928.)

C. Salaries and compensation for key management

The Group paid salaries to key management as follows:

	For the years ended 31 December	
	2018	2017
Salary and bonus	\$869,122	\$639,284
Post-employment benefits	15,742	14,998
	<u>\$884,864</u>	<u>\$654,282</u>

8. Pledged assets

The carrying amount of pledged assets were as follows:

Pledged assets	Object	31 December 2018	31 December 2017
Property, plant and equipment	Bank Loans	\$2,740,956,000	\$2,661,928,000
Financial assets at fair value through other comprehensive income	"	966,000	(Note)
Available-for-sale financial assets	"	(Note)	1,028,103
Held-to-maturity investments	"	(Note)	614,211
Other financial assets	"	43,018,084	47,724,592
Other financial assets	Bonds Payable	4,300,000	4,300,000
		<u>\$2,789,240,084</u>	<u>\$2,715,594,906</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

9. Significant commitments and contingencies

(1) The Group had entered into shipbuilding contracts as follows:

	31 December 2018	31 December 2017
Vessels	13	14
Contract price	¥- thousand	¥2,270,000 thousand
	\$344,520 thousand	\$310,100 thousand
Prepaid	¥- thousand	¥113,500 thousand
	\$29,710 thousand	\$51,850 thousand
Financed shipbuilding contracts	\$- thousand	\$30,000 thousand

The remaining balance of the contract price is payable upon keel-laying, launching, and delivery.

The ship building contracts categorized by year of delivery were as follows:

Year of delivery	Contract Price	Number of vessels
2019	\$65,950	3
2020	212,020	8
2021	66,550	2
Total	\$344,520	13

(2) Financial Guarantee

Guarantor	Name of relative party guarantee	31 December 2018	Period	Purpose
WML	Subsidiaries	\$606,187 thousand	2005.12~2030.04	Borrowings
		¥75,103,275 thousand		
The Company	Subsidiaries	\$709,151 thousand	2009.10~2030.04	Borrowings and
		¥84,150,128 thousand		Operating fund
WML	The Company	\$6,000 thousand	2018.01~2019.01	Operating fund

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Guarantor	Name of relative party guarantee	31 December 2017	Period	Purpose
The Company	WML	\$16,250 thousand	2016.06~2018.06	Operating fund
The Company	WII	NT\$270,000 thousand	2017.08~2018.08	Operating fund
The Company	WELL	NT\$130,000 thousand	2017.08~2018.08	Operating fund
WML	Subsidiaries	\$691,991 thousand ¥83,429,501 thousand	2005.12~2030.04	Borrowings
The Company	Subsidiaries	\$742,752 thousand ¥86,528,449 thousand	2009.10~2030.04	Borrowings and Operating fund
WML	The Company	\$6,000 thousand	2016.12~2017.12	Operating fund

(3) On 5 September 2018, the Group cancelled a ship purchase contract with Giant Line Inc., S.A. and agreed to operate the ship by lease after the shipbuilding.

10. Losses due to major disasters: None.

11. Significant subsequent events: None.

12. Others

A. Categories of financial instruments

Financial assets

	31 December 2018	31 December 2017 (Note)
Financial assets at fair value through other comprehensive income	\$966,000	
Financial assets at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	25,940,070	
Accounts receivable and other receivables (include from related parties)	8,827,991	
Long-term Receivables	1,761,734	
Subtotal	36,529,795	
Financial assets for hedging	149,271	
Other financial assets	58,403,237	
Total	\$96,048,303	

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

	31 December 2018 (Note)	31 December 2017
Available-for-sale financial assets		\$1,028,103
Held-to-maturity investments		614,211
Cash and cash equivalents (exclude cash on hand)		40,856,106
Accounts receivable and other receivables (include from related parties)		3,695,851
Long-term Receivables		1,902,000
Subtotal		46,453,957
Derivative financial assets for hedging		80,058
Other financial assets		60,402,742
Total		\$108,579,071

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial liabilities

	31 December 2018	31 December 2017
Financial liabilities at amortized cost:		
Short-term borrowings	\$50,972,826	\$44,399,387
Trade payables (include from related parties)	10,138,057	6,507,493
Bonds payable (include current portion)	37,439,252	53,814,622
Long-term borrowings (include current portion)	1,626,113,165	1,651,263,233
Long-term payable (include from related parties)	123,768,248	102,522,469
Lease payables (include current portion)	86,458,202	73,783,532
Subtotal	1,934,889,750	1,932,290,736
Financial liabilities at fair value through profit or loss:		
Embedded derivative instruments — put right	2,488,564	3,009,409
Financial liabilities for hedging-current (Derivative financial liabilities for hedging as at 31 Dec. 2017)	-	986
Total	\$1,937,378,314	\$1,935,301,131

B. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Group's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

C. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD and Japanese Yen.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency Yen. The information of the sensitivity analysis is as follows:

When USD strengthens/weakens against foreign currency Yen by 10%, the profit for the years ended 31 December 2018 and 2017 decreases/increases by \$3,371,548 and \$3,946,298, respectively; the equity decreases/increases by \$0 and \$0, respectively.

Interest rate risk

Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group's has no financial liabilities at fair value through profit or loss bearing fixed interest payable. The Group does not use financial derivatives to hedge against interest rate risk.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.25% of interest rate in a reporting period could cause the profit for the years ended 31 December 2018 and 2017 to increase/decrease by \$4,718,281 and \$4,679,922, respectively; the equity decreases /increases by \$48,752 and \$73,392, respectively.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Equity price risk

The fair value of the Group's conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. Please refer to Note 12(h) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

(a) Financial assets subject to credit risk include cash and cash equivalent and accounts receivable. Cash is deposited in large bank institutions, while accounts receivable are disclosed at net amount after deducting allowance for expected credit losses. Per industry practice, most hire revenue are received in advance. In addition, the Group manages credit risks through reviewing credit rating of individual client and limiting the overall risk. The credit risk of accounts receivable and the credit concentration risk are insignificant.

(b) The risk exposure of credit risk

The book value of financial assets represents the maximum amount of credit risk exposure. On the reported date, the maximum amount of credit risk exposure is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Cash and cash equivalents	\$25,940,070	\$40,856,106
Accounts receivables and other receivables (include from related parties)	8,827,991	3,695,851
Long-term Receivables	1,761,734	1,902,000
Financial assets at fair value through other comprehensive income	966,000	(Note)
Available-for-sale financial assets	(Note)	1,028,103
Held to maturity financial assets	(Note)	614,211
Financial assets for hedging(Derivative financial liabilities for hedging as at 31 December 2017)	149,271	80,058
Other financial assets	58,403,237	60,402,742
	<u>\$96,048,303</u>	<u>\$108,579,071</u>

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

E. Liquidity risk management

The Group maintains financial flexibility by cash and cash equivalents, bank borrowings, Euro-convertible bonds and finance leases. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31 December 2018:

	Carrying amount	Contractual cash flow	1 year	2 years	3 to 5 years	> 5 years
Non-derivative financial instruments						
Short-term borrowings	\$50,972,826	\$52,487,542	\$52,487,542	\$-	\$-	\$-
Accounts payables						
(include from related parties)	10,138,057	10,138,057	10,138,057	-	-	-
Corporate bonds payable	37,439,252	39,462,801	33,939,801	5,523,000	-	-
Long-term borrowings	1,626,113,165	1,792,573,340	287,170,363	419,344,064	709,767,252	376,291,661
Long-term Accounts payable	26,092,333	29,350,990	7,966,152	1,043,952	3,884,600	16,456,286
Long-term Accounts payable-related parties	97,675,915	117,388,164	5,017,253	5,001,018	14,906,561	92,463,332
Lease payables	86,458,202	92,140,197	8,652,723	7,485,872	22,187,143	53,814,459
	<u>\$1,934,889,750</u>	<u>\$2,133,541,091</u>	<u>\$405,371,891</u>	<u>\$438,397,906</u>	<u>\$750,745,556</u>	<u>\$539,025,738</u>

As at 31 December 2017:

	Carrying amount	Contractual cash flow	1 year	2 years	3 to 5 years	> 5 years
Non-derivative financial instruments						
Short-term borrowings	\$44,399,387	\$45,343,081	\$45,343,081	\$-	\$-	\$-
Accounts payables						
(include from related parties)	6,507,493	6,507,493	6,507,493	-	-	-
Corporate bonds payable	53,814,622	57,996,180	12,150,600	40,322,580	5,523,000	-
Long-term borrowings	1,651,263,233	1,804,561,152	256,206,968	287,212,188	827,742,041	433,399,955
Long-term Accounts payable	27,786,051	30,499,353	2,642,957	7,825,784	2,753,186	17,277,426
Long-term Accounts payable-related parties	74,736,418	81,721,749	2,328,444	2,328,444	2,328,444	74,736,417
Lease payables	73,783,532	80,112,002	15,388,460	6,533,699	16,155,298	42,034,545
	<u>\$1,932,290,736</u>	<u>\$2,106,741,010</u>	<u>\$340,568,003</u>	<u>\$344,222,695</u>	<u>\$854,501,969</u>	<u>\$567,448,343</u>

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

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2018:

		Long-term Long-term borrowings	Long-term accounts payable (include from related parties)	Lease payables (include current portion)	Corporate bonds payable	Guarantee deposits received	Total liabilities from financing activities
	Short-term borrowings	(include current portion)					
As at 1 Jan. 2018	\$44,399,387	\$1,651,263,233	\$102,522,469	\$73,783,532	\$53,814,622	\$415,162	\$1,926,198,405
Cash flows	6,573,439	(39,543,588)	20,727,973	11,663,201	(4,750,000)	(124,657)	(5,453,632)
Non-cash changes							
Foreign exchange							
movement	-	14,393,520	517,806	1,011,469	(1,235,040)	-	14,687,755
Other movement	-	-	-	-	(10,390,330)	-	(10,390,330)
As at 31 Dec. 2018	\$50,972,826	\$1,626,113,165	\$123,768,248	\$86,458,202	\$37,439,252	\$290,505	\$1,925,042,198

Reconciliation of liabilities for the year ended 31 December 2017:

		Long-term Long-term borrowings	Long-term accounts payable (include from related parties)	Lease payables (include current portion)	Corporate bonds payable	Guarantee deposits received	Total liabilities from financing activities
	Short-term borrowings	(include current portion)					
As at 1 Jan. 2017	\$25,342,002	\$1,419,206,480	\$122,246,772	\$62,170,364	\$86,520,649	\$-	\$1,715,486,267
Cash flows	19,057,385	203,969,219	(20,499,282)	9,245,521	(38,906,916)	415,162	173,281,089
Non-cash changes							
Foreign exchange							
movement	-	28,087,534	774,979	2,367,647	796,682	-	32,026,842
Other movement	-	-	-	-	5,404,207	-	5,404,207
As at 31 Dec. 2017	\$44,399,387	\$1,651,263,233	\$102,522,469	\$73,783,532	\$53,814,622	\$415,162	\$1,926,198,405

G. Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

- (i) The carrying amount of cash and cash equivalents, accounts receivables, held-to-maturity financial assets, accounts payable and other current liabilities approximate their fair value due to their short maturities.
 - (ii) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for fixed rate commercial paper published by Reuters and credit risk, etc.)
 - (iii) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Binomial Tree model) or other valuation method (for example, Monte Carlo Simulation).
- (b) Fair value of financial instruments measured at amortized cost
- The carrying amount of the Group's financial assets (including held-to-maturity investments, loans and receivables) and liabilities measured at amortized cost approximate their fair value.
- (c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.I for fair value measurement hierarchy for financial instruments of the Group.

H. Derivative financial instruments

The Group's derivative financial instruments include and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2018 and 2017 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6.(13) for further information on this transaction.

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
English Translation of Consolidated Financial Statements Originally Issued in Chinese

I. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets	\$-	\$149,271	\$-	\$149,271
Financial assets at fair value through other comprehensive income	\$966,000	\$-	\$-	\$966,000
Financial liabilities at fair value through profit or loss	\$-	\$-	\$2,488,564	\$2,488,564

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Derivative financial assets	\$-	\$80,058	\$-	\$80,058
Derivative financial liabilities	\$-	\$986	\$-	\$986
Financial liabilities at fair value through profit or loss	\$-	\$-	\$3,009,409	\$3,009,409
Available-for-sale financial assets	\$1,028,103	\$-	\$-	\$1,028,103

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Liabilities
	At fair value through profit or loss
	Derivatives
Beginning balances as at 31 December 2017	\$3,009,409
Total gains and losses recognized for the year ended 31 December 2018:	
Amount recognized in profit or loss (presented in "other profit or loss")	(109,673)
Acquisition/issues for the year ended 31 December 2018	-
Disposal/settlements for the year ended 31 December 2018	(411,172)
Transfer in/(out) of Level 3	-
Ending balances as at 31 December 2018	\$2,488,564

Total gains and losses recognized for year ended 31 December 2018 in the table above contain gains and losses related to derivatives on hand as at 31 December 2018 in the amount of \$206,923.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

As at 31 December 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives – Second R.O.C. secured convertible bonds issued in 2018	Option pricing model	Volatility	15.46%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in decrease in the Group's profit by \$309,946; 5% decrease in the volatility would result in increase in the Group's profit by \$333,388
Embedded derivatives – Third R.O.C. unsecured convertible bonds issued in 2018	Option pricing model	Volatility	15.46%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in decrease in the Group's profit by \$452,395; 5% decrease in the volatility would result in increase in the Group's profit by \$481,448

As at 31 December 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives – Second R.O.C. secured convertible bonds issued in 2017	Option pricing model	Volatility	17.83%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in decrease in the Group's profit by \$331,989; 5% decrease in the volatility would result in increase in the Group's profit by \$391,129
Embedded derivatives – Third R.O.C. unsecured convertible bonds issued in 2017	Option pricing model	Volatility	17.83%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in decrease in the Group's profit by \$604,839; 5% decrease in the volatility would result in increase in the Group's profit by \$704,301

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The external evaluation institute ensures the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The group's accounting department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

J. Significant assets and liabilities denominated in foreign currencies

The Group is mainly affected by the impact of fluctuation in the currency exchange rate for US Dollar or Japanese Yen. The Group's significant exposure to foreign currency risk was as follows:

	31 December 2018			31 December 2017		
	Foreign currency (Note1)	Exchange rate (Note2)	USD/JPY	Foreign currency (Note1)	Exchange rate (Note2)	USD/JPY
Financial liabilities						
Monetary item						
Borrowings: USD : JPY	\$34,507,759	110.40	¥3,809,656,561	\$33,392,724	112.66	¥3,762,024,286
Borrowings: JPY : USD	¥7,531,846,049	0.0091	\$68,223,243	¥8,207,923,349	0.0089	\$72,855,702
Corporate bonds payable: NTD : USD	NT\$1,000,844,186	0.0326	\$32,584,867	NT\$1,139,747,264	0.0336	\$38,297,959

Note 1: The amounts under the monetary items are the carrying amounts of financial liabilities.

Note 2: The exchange rates under the monetary items are the spot rate.

For the year ended 31 December 2018 and 2017, the Group had foreign exchange gains (losses) of \$718,695 and \$(1,030,003) respectively.

K. Capital management

The capital risk management is established to ensure the Group's ability to continue to operate as a going concern. Under this risk management, the Group may adjust dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, adjust capital expenditure plan and dispose assets to settle any liabilities in order to maintain or adjust capital structure according to operating needs, investment purpose and market environment. The Group's capital structures is consisted of net liabilities (borrowings excluding the amount of cash and cash equivalents) and equity (common stock, capital surplus and other equity).

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

L. Accounting policy differences as referred to in Article 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers with respect to the Group's balance sheet and statement of comprehensive income for the periods: None.

M. Certain accounts in the consolidated financial statements as at and for the years ended 31 December 2017 were reclassified to conform to the presentation adopted in the consolidated financial statements as at and for the year ended 31 December 2018.

N. List of the Group vessels as at 31 December 2018

No.	Name of Vessel	Construction year	D.W.T.	Vessel type
1	Amis Ace	2013	60,830	Supramax
2	Amis Brave	2013	61,467	Supramax
3	Amis Champion	2014	60,830	Supramax
4	Amis Dolphin	2015	60,830	Supramax
5	Amis Elegance	2015	55,404	Supramax
6	Amis Fortune	2015	55,468	Supramax
7	Amis Glory	2016	55,474	Supramax
8	Amis Hero	2017	63,469	Supramax
9	Amis Integrity	2017	62,980	Supramax
10	Amis Justice	2017	63,531	Supramax
11	Amis Kalon	2010	58,107	Supramax
12	Amis Leader	2010	58,107	Supramax
13	Amis Miracle	2018	59,982	Supramax
14	Amis Nature	2018	55,472	Supramax
15	Amis Orchid	2012	58,120	Supramax
16	Amis Power	2018	64,012	Supramax
17	Amis Wisdom I	2010	61,611	Supramax
18	Amis Wisdom II	2010	61,611	Supramax
19	Amis Wisdom III	2011	61,527	Supramax
20	Amis Wisdom VI	2011	61,456	Supramax
21	Arikun	2007	8,763	Small Handy
22	Atayal Ace	2013	16,805	Small Handy
23	Atayal Brave	2012	16,805	Small Handy
24	Atayal Mariner	2012	16,805	Small Handy
25	Atayal Star	2012	16,805	Small Handy
26	Babuza Wisdom	2009	18,969	Small Handy
27	Beagle II	2007	17,224	Small Handy
28	Beagle VI	2001	18,320	Small Handy

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

No.	Name of Vessel	Construction year	D.W.T.	Vessel type
29	Beagle VII	2007	16,822	Small Handy
30	Bizen	2008	8,721	Small Handy
31	Blue Horizon	2012	207,867	Cape
32	Bunun Ace	2013	37,744	Handy
33	Bunun Brave	2014	45,556	Handy
34	Bunun Champion	2014	45,556	Handy
35	Bunun Dynasty	2014	37,795	Handy
36	Bunun Elegance	2014	45,556	Handy
37	Bunun Fortune	2015	37,790	Handy
38	Bunun Glory	2015	37,046	Handy
39	Bunun Hero	2015	37,811	Handy
40	Bunun Infinity	2016	37,654	Handy
41	Bunun Justice	2017	37,748	Handy
42	Bunun Kalon	2018	37,653	Handy
43	Bunun Wisdom	2012	38,168	Handy
44	Clear Horizon	2012	207,947	Cape
45	Daiwan Ace	2014	34,358	Handy
46	Daiwan Brave	2014	34,358	Handy
47	Daiwan Champion	2015	34,393	Handy
48	Daiwan Dolphin	2015	34,393	Handy
49	Daiwan Elegance	2015	35,331	Handy
50	Daiwan Fortune	2015	34,893	Handy
51	Daiwan Glory	2015	35,531	Handy
52	Daiwan Hero	2016	34,376	Handy
53	Daiwan Infinity	2016	34,376	Handy
54	Daiwan Justice	2016	34,327	Handy
55	Daiwan Kalon	2016	34,327	Handy
56	Daiwan Leader	2018	34,442	Handy
57	Daiwan Wisdom	2010	31,967	Handy
58	Frontier Bonanza	2010	179,435	Cape
59	Genius Star I	2004	10,977	Small Handy
60	Genius Star III	2006	13,567	Small Handy
61	Genius Star IX	2009	12,005	Small Handy
62	Genius Star VII	2007	12,005	Small Handy
63	Genius Star VIII	2007	12,005	Small Handy
64	Genius Star X	2010	12,005	Small Handy
65	Genius Star XI	2012	13,663	Small Handy
66	Genius Star XII	2013	13,077	Small Handy

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

No.	Name of Vessel	Construction year	D.W.T.	Vessel type
67	Global Faith	2010	28,050	Handy
68	Hibiscus	2002	48,610	Handy
69	Hoanya Wisdom	2008	21,119	Handy
70	Izumo	2007	20,150	Handy
71	Joseph Wisdom	2018	6,400	LPG
72	Katagalan Wisdom	2012	98,697	Panamax
73	Katagalan Wisdom III	2012	98,697	Panamax
74	LBC Energy	2011	71,066	Panamax
75	Ligulao	2010	5,296	Other-pctc
76	Magnate	2004	18,828	Small Handy
77	Mimasaka	2010	14,062	Small Handy
78	Mino	2007	14,118	Small Handy
79	Naluhu	2010	58,107	Supramax
80	Ocean Victory	2011	28,386	Handy
81	Pacific Venus	2001	18,712	Small Handy
82	Paiwan Wisdom	2010	31,967	Handy
83	Papora Wisdom	2009	28,050	Handy
84	Pazeh Wisdom	2009	18,969	Small Handy
85	Pescadores	1999	198	Other-Passenger
86	Poavosa Ace	2013	28,208	Handy
87	Poavosa Brave	2009	28,367	Handy
88	Poavosa Wisdom	2009	28,050	Handy
89	Poavosa Wisdom III	2011	28,232	Handy
90	Poavosa Wisdom VI	2011	28,050	Handy
91	Poavosa Wisdom VII	2012	28,208	Handy
92	Poavosa Wisdom VIII	2013	28,208	Handy
93	Sakizaya Ace	2013	74,936	Panamax
94	Sakizaya Brave	2013	74,940	Panamax
95	Sakizaya Champion	2014	78,080	Panamax
96	Sakizaya Diamond	2015	81,938	Panamax
97	Sakizaya Elegance	2015	81,938	Panamax
98	Sakizaya Future	2016	81,938	Panamax
99	Sakizaya Glory	2016	84,883	Panamax
100	Sakizaya Hero	2016	81,067	Panamax
101	Sakizaya Integrity	2016	81,010	Panamax
102	Sakizaya Justice	2017	81,691	Panamax
103	Sakizaya Kalon	2017	81,691	Panamax
104	Sakizaya Leader	2017	81,691	Panamax

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

No.	Name of Vessel	Construction year	D.W.T.	Vessel type
105	Sakizaya Miracle	2017	81,668	Panamax
106	Sakizaya Noble	2017	80,982	Panamax
107	Sakizaya Orchid	2017	81,588	Panamax
108	Sakizaya Power	2017	81,574	Panamax
109	Sakizaya Queen	2018	81,858	Panamax
110	Sakizaya Respect	2018	81,858	Panamax
111	Sakizaya Wisdom	2011	76,457	Panamax
112	Scarlet Eagle	2014	81,842	Panamax
113	Scarlet Falcon	2014	82,260	Panamax
114	Scarlet Rosella	2015	82,235	Panamax
115	Siraya Wisdom	2007	21,119	Handy
116	Taikli	2011	13,139	Small Handy
117	Tao Ace	2013	25,037	Handy
118	Tao Brave	2011	25,065	Handy
119	Tao Mariner	2010	25,065	Handy
120	Tao Star	2010	25,065	Handy
121	Tao Treasure	2013	25,036	Handy
122	Taokas Wisdom	2008	31,943	Handy
123	Timu	2005	17,224	Small Handy
124	Unicorn Bravo	2007	8,759	Small Handy
125	Unicorn Logger	2008	8,700	Small Handy
126	Wisdom Grace	1998	18,193	Other-container

13. Segment information

(1) General information

The Group operates in a single industry. According to the global management nature of the ship management industry, the Group determined each business unit as an operating segment and was disclosed according to their operating types, operating assets and the Group's operating structure. The Group was identified as a single reportable segment.

The board of directors allocates the profit and assesses performance of the segments based on the financial information used in internal management which is based on each vessel's operating result. The financial information is not different from the consolidated statement of comprehensive income therefore no further segmental information was disclosed.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(2) Geographic information

Revenue from external customers is classified according to the location of customers and non-current assets are classified according to the registry of assets. The Group's geographic information is as follows:

	For the years ended 31 December	
	2018	2017
Revenue from external customers:		
The Netherlands	\$98,019,650	\$68,501,902
Japan	82,721,945	80,861,632
Singapore	65,860,786	44,948,010
Denmark	39,567,741	36,474,787
Hong Kong	37,829,965	39,474,913
Others	109,434,714	92,467,071
Total	<u>\$433,434,801</u>	<u>\$362,728,315</u>
	2018.12.31	2017.12.31
Non-current assets:		
Panama	\$2,622,789,012	\$2,613,292,646
Hong Kong	80,853,716	105,469,685
Taiwan	2,337,440	2,661,598
Liberia	24,936,929	-
Total	<u>\$2,770,917,097</u>	<u>\$2,721,423,929</u>

Note: non-current assets are property, plant and equipment and prepaid expenses-vessel.

(3) Major customers

Individual customers accounting for at least 10% of net sales for the years ended 31 December 2018 and 2017 were as follows:

	For the years ended 31 December	
	2018	2017
Customer A:	<u>\$70,890,836</u>	<u>\$62,579,009</u>